

NORTHEAST MARITIME INSTITUTE, INC.
COLLEGE OF MARITIME SCIENCE



Financial Statements
Year Ended December 31, 2022





NORTHEAST MARITIME INSTITUTE, INC.
FINANCIAL STATEMENTS
December 31, 2022

This page was intentionally left blank



NORTHEAST MARITIME INSTITUTE, INC.
FINANCIAL STATEMENTS
December 31, 2022

Table of Contents

INDEPENDENT AUDITOR’S REPORT	1
Financial Statements	4
Balance Sheet.....	4
Statement of Operations and Retained Earnings	5
Statement of Cash Flows	6
Notes to the Financial Statements.....	7
Note 1: Nature of Operations	8
Note 2: Significant Accounting Policies	8
Note 3: Related Party Transactions	13
Note 4: Cash and Cash Equivalents	14
Note 5: Accounts Receivable, net	15
Note 6: Property and Equipment, net	16
Note 7: Long-Term Student Loans	17
Note 8: Disaggregation of Accounts Payable and Accrued Expenses	18
Note 9: Notes Payable and Long-Term Debt	18
Note 10: Disaggregation of Deferred Revenues	19
Note 11: Leases	19
Note 12: Notes Payable to Shareholders	20
Note 13: Profit Sharing Plan	20
Note 14: Loss Contingencies	20
Note 15: Subsequent Events	21
Note 16: Accounting Updates	21
Supplementary Information	23
Detailed Schedule of Changes in Operating Revenues.....	24
Schedule of Selling, General and Administrative Expenses.....	26
Detailed Schedule of Revenues and Expenses by Department.....	28

CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859
www.hague-sahady.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
the Northeast Maritime Institute, Inc.

Opinion

We have audited the accompanying financial statements of the Northeast Maritime Institute, Inc. (a Delaware S Corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Maritime Institute as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northeast Maritime Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast Maritime Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northeast Maritime Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northeast Maritime Institute's ability to continue as a going concern for a reasonable period of time.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeast Maritime Institute's basic financial statements. The statements labeled as supplementary are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Detailed Schedule of Changes in Operating Revenues, Schedule of Selling, General and Administrative Expenses and the Detailed Schedule of Revenue and Expenses by Department are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Northeast Maritime Institute's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hague, Sahady & Co., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.
Fall River, MA
July 14, 2023



NORTHEAST MARITIME INSTITUTE, INC.
BALANCE SHEET
 December 31, 2022
 (With summarized comparative information for 2021)

	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 34,880	\$ 32,681
Accounts receivable, net allowance (Note 5)	855,382	832,091
Prepaid expenses	22,961	29,813
Inventory	27,693	25,351
Current portion of long-term student loans (Note 7)	77,783	108,379
Current portion of lease asset	108,000	-
Total current assets	1,126,699	1,028,315
Other assets:		
Property and equipment, net (Note 6)	2,757,065	2,921,819
Long-term student loans	382,706	299,810
Lease asset	78,000	-
Total other assets	3,217,771	3,221,629
Total assets	\$ 4,344,470	\$ 4,249,944
<u>LIABILITIES & EQUITY</u>		
Current Liabilities:		
Accounts payable and accrued expenses (Note 8)	\$ 210,506	\$ 284,437
Current portion of notes payable (Note 9)	29,009	25,457
Current portion of leases payable	108,000	-
Deferred revenue (Note 10)	128,625	116,500
Total current liabilities	476,140	426,394
Long-term Liabilities:		
Notes payable - shareholders (Note 12)	298,100	213,260
Notes payable - related party (Note 3)	1,020,765	1,222,392
Long-term portion of leases payable (Note 10)	78,000	-
Notes payable (Note 9)	546,581	578,733
Total long-term liabilities	1,943,446	2,014,385
Total liabilities	2,419,586	2,440,779
Stockholder's Equity (deficit):		
Capital stock:		
Common stock, no par value, authorized 10,000 shares, issued 2,000 shares	1,000	1,000
Paid in capital	1,747,186	1,747,186
Retained earnings (deficit)	176,698	60,979
Total stockholder's equity	1,924,884	1,809,165
Total liabilities & stockholder's equity	\$ 4,344,470	\$ 4,249,944

See Independent Auditors' Report and accompanying Notes to the Financial Statements



NORTHEAST MARITIME INSTITUTE, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
 For the Year Ended December 31, 2022
 (With summarized comparative information for 2021)

	<u>2022</u>	<u>2021</u>
Operating Revenue:		
Tuition and Educational Services , Net - Continuing Ed.	\$ 59,705	\$ 63,855
Tuition and Educational Services , Net - Higher Ed.	235,551	364,315
Tuition and Educational Services , Net - NEMO Online	1,063,911	817,282
NMI Foundation Scholarship Funds and Grants	250,000	69,770
Materials Revenue	5,369	4,912
Consulting Revenue	91,150	236,250
NMI Affiliation Fees	6,520	8,700
Lodging Income	11,025	34,700
Rent Income	6,000	8,625
Other Revenues	<u>6,814</u>	<u>32,343</u>
Total Operating Revenue:	<u>1,736,045</u>	<u>1,640,752</u>
Cost of Revenues:		
Payroll, Payroll Taxes and Employee Benefits		
- Continuing Education:	(159,757)	(143,401)
Payroll, Payroll Taxes and Employee Benefits		
- Higher Education:	(273,008)	(329,798)
Textbooks	<u>(8,806)</u>	<u>(10,426)</u>
Total Cost of Revenues:	<u>(441,571)</u>	<u>(483,625)</u>
Gross Profit	<u>1,294,474</u>	<u>1,157,127</u>
Operating Expenses:		
Selling, General and Administrative	1,020,824	992,269
Bad Debt Expense	911	49,775
Depreciation	<u>93,524</u>	<u>166,871</u>
Total Operating Expenses	<u>1,115,259</u>	<u>1,208,915</u>
Income (loss) from operations	<u>179,215</u>	<u>(51,788)</u>
Other Income (Expense):		
Interest income	19	7
Interest expense	(36,308)	(43,929)
Gain on extinguishment of debt	<u>-</u>	<u>151,800</u>
Total other income (expense)	<u>(36,289)</u>	<u>107,878</u>
Net income	142,926	56,090
Retained earnings (deficit), beginning of year	<u>60,979</u>	<u>32,097</u>
Current Year Distributions	<u>(27,207)</u>	<u>(27,208)</u>
Retained earnings (deficit), end of year	<u>\$ 176,698</u>	<u>\$ 60,979</u>

See Independent Auditors' Report and accompanying Notes to the Financial Statements



NORTHEAST MARITIME INSTITUTE, INC.
STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2022
 (With summarized comparative information for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Net income	\$ 142,926	\$ 56,090
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	93,524	166,871
Changes in:		
Accounts receivable	(73,355)	176,043
Allowance for doubtful accounts	50,064	49,154
Prepaid expenses	6,852	(10,680)
Long-term student loans	(52,300)	2,450
Inventory	(2,342)	(408,189)
Accounts payable	(73,931)	90,902
Deferred revenue	12,125	(80,850)
Net cash provided by operating activities	<u>103,563</u>	<u>41,791</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	<u>71,230</u>	<u>(10,106)</u>
Net cash provided by investing activities	<u>71,230</u>	<u>(10,106)</u>
Cash Flows from Financing Activities:		
Advances from shareholders	84,840	(8,557)
Distributions to shareholders	(27,207)	(27,207)
Principal payments on notes payable	(28,600)	(19,415)
Loans from related parties	<u>(201,627)</u>	<u>-</u>
Net cash provided by financing activities	<u>(172,594)</u>	<u>(55,179)</u>
Increase (decrease) in cash	2,199	(23,494)
Cash and cash equivalents, Beginning of Year	<u>32,681</u>	<u>56,175</u>
Cash and cash equivalents, End of Year	<u>\$ 34,880</u>	<u>\$ 32,681</u>

See Independent Auditors' Report and accompanying Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS





NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 1: Nature of Operations

The NORTHEAST MARITIME INSTITUTE, INC. ("NMI", "the Company"), is a private, co-educational maritime institution that offers its students an opportunity to pursue maritime career-oriented education. The NMI provides required marine safety education, ship operation courses, Coast Guard license and document courses, as well as programs that grant students with a certificate and Merchant Marine Document upon completion. In 2014, the Institute was approved by the Massachusetts Department of Higher Education as a degree granting institution and currently offers an Associate in Applied Science in Nautical Science degree program under its College of Maritime Science. NMI has also focused efforts in the past few years on creating NEMO™, an online learning management platform to deliver maritime courses to mariners around the globe more effectively. NEMO™ is also host to NMI-developed online maritime simulators to further enhance the online learning environment and increase student engagement and learning.

The COVID pandemic impacted NMI's normal professional education operations, moving the delivery of courses from primarily on-site to its online platform, using Northeast Maritime Online. Additional approval by the USCG of its online exam monitoring application allowed students to complete some courses entirely online, eliminating the need for them to travel to NMI and take exams in person. This trend continued through 2022, and improvements to the NEMO™ website and marketing efforts resulted in increased Online tuition revenues reflected in the financial statements. On site programming also increased in 2022 as COVID restrictions lifted which will be reflected in increased Continuing Education tuition revenues in the financial statements.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Company maintains its accounting records on an accrual basis in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 2: Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Credit and Market Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Company maintains its cash deposits at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits at FDIC insured institutions are insured up to \$250,000 per depositor. From time to time during the year the amounts of deposits may exceed federally insured amounts. The Company has not experienced any losses of funds in excess of federally insured limits held in any financial institution. Management feels that the entity is not exposed to any significant credit risk related to cash.

Receivables

The Institute extends credit to primarily students in the form of loans and accounts receivables for educational expenses. Accounts receivables are reduced by an allowance for amounts that may become uncollectible in the future. Estimates are used in determining the allowance for doubtful accounts and are based on historical collection experience and current trends. In determining these amounts, management monitors collections and write-off experience to assess whether adjustments are necessary. Management periodically evaluates the standard allowance estimation methodology and modifies as necessary. In doing so, the allowance for doubtful accounts reflects the most recent collections experience and is responsive to changes in trends.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 2: Significant Accounting Policies (continued)

Allowance for Doubtful Accounts (continued)

Currently, management applied appropriate percentages to each stratum of account receivable aging intervals, based on experience, as follows:

<u>Aging Interval</u>	<u>Estimated Uncollectible</u>
1 - 30 days	1%
31 - 60 days	3%
61 - 90 days	5%
91 - 180 days	10%
181 - 365 days	15%
366 - 730 days	20%
731 days+	100%

Accounts receivables are written off once the account is deemed to be uncollectible. This typically occurs once all efforts are exhausted to collect the account, which include collection attempts by both our employees and outside collection agencies. Please refer to “Note 5: Accounts Receivable, net”, for further discussion.

Inventory

Inventories consist of textbooks purchased from the Company's suppliers or books printed and produced in house. Inventories are stated at the lower of cost or market. Costs for all finished goods are valued at actual cost. Inventory is periodically reviewed to determine if it is marketable, obsolete or impaired. Inventory that is determined to not be marketable is written down to market value. Inventory that is determined to be obsolete or impaired is written off to expense at the time the impairment is identified. The Company sells its inventory directly to students and affiliated schools.

Property and Equipment, net

Property and equipment is recorded at cost less accumulated depreciation. Property and equipment under capital leases, and the related obligation, is recorded at an amount equal to the present value of future minimum lease payments. Buildings, furniture, equipment, and software, including internally developed software, are depreciated using straight-line methods over the estimated useful lives of the related assets, which range from three to forty years. It is management’s policy to evaluate the estimated useful lives on a periodic basis.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 2: Significant Accounting Policies (continued)

Property and Equipment, net (continued)

Capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the related assets. Construction in progress, excluding software, is recorded at cost until the corresponding asset is placed into service and depreciation begins. Software is recorded at cost and is amortized once the related asset is ready for its intended use. Maintenance and repairs are expensed as incurred. Please refer to “Note 6: Property and Equipment, net”, for further discussion.

Revenue Recognition

The Company’s educational programs, primarily comprised of Northeast Maritime Institute programs, range in length from one-day seminars to certificate programs lasting up to two years to the newly approved Associate Degree program in Applied Science in Nautical Science which was approved by the Massachusetts Board of Higher Education on October 21, 2014. Generally, students are billed on a course-by-course basis when the student first attends a session, resulting in the recording of a receivable from the student and deferred revenue in the amount of the billing. Students generally fund their education through tuition assistance from their employers or personal funds.

NMI implemented FASB ASC Topic 606 Revenue from Contracts with Customers for the year ended December 31, 2022 in accordance with the FASB guidance for private companies which mandates an effective date of the standard for fiscal years beginning after December 15, 2021.

Tuition and educational services revenues consist largely of tuition and fees associated with different educational programs as well as related revenues from maritime consulting, ship inspection and mariner certification. Net revenues are shown net of discounts.

Consulting revenue consists primarily of non-educational services to the maritime industry in areas safety, security and regulatory compliance.

Other revenues consist of the *lodging fees* paid primarily by exchange students, tutoring income and other miscellaneous fees and reimbursements. Other revenue also includes non-tuition generating revenues, such as *renting* classroom space. This revenue is recognized as the services are provided.

Discounts reflect reductions in tuition or other revenue including military, corporate, and other employer discounts, grants, and promotions.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 2: Significant Accounting Policies (continued)

Revenue Recognition (continued)

Generally, total net revenue varies from period to period based on several factors, including the aggregate number of students attending classes, the number of classes held during the period and the tuition price per credit hour.

Net revenue excludes any applicable state sales taxes. Sales tax collected from students is excluded from net revenue. Collected but unremitted sales tax is included as a liability in our balance sheet and is not material to our financial statements.

Income Taxes

The Company and its subsidiary are S Corporations under the Internal Revenue Code (26 USC Section 1361). As an S Corporation, the Company's taxable income flows through to its shareholders and income tax is assessed on the shareholder's individual federal and state income tax returns. Each shareholder is responsible for paying taxes on their pro rata share of the S corporation's items of income, deductions, and credits. Therefore, no provision or liability for income taxes is reflected in these financial statements.

The Company follows the guidance under ASC 740 in accounting for uncertainties in income taxes, which defines the thresholds for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. At December 31, 2022, the Company has no unrecognized tax benefits and the Company's statutes of limitations are closed for all federal and state tax years before 2018 and 2017, respectively. The Company is not currently under any Internal Revenue Service or state tax examination.

As of December 31, 2022, the Company had no uncertain tax positions, or interest and penalties, that qualify for either recognition or disclosure in the financial statements.

Advertising

Advertising costs are expensed when the advertisement or commercial appears in the selected media. Advertising expenses were \$5,920 and \$7,671 for the years December 31, 2022 and December 31, 2021, respectively.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 2: Significant Accounting Policies (continued)

Translation of Foreign Currencies

The company conducts business with companies in several countries as part of its ongoing maritime consulting and ship registry business. This may result in a number of payables denominated in the currencies of those countries being outstanding at any time. The company does not engage in hedging activities to offset the risk of exchange rate fluctuations on these payables. During the reporting period, the company experienced no material benefit or loss from foreign exchange on these accounts payable.

Summarized Financial Information

The financial information includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statement for the year ended December 31, 2021 from which the summarized information was derived.

Note 3: Related Party Transactions

The advances from related parties consist of non-interest-bearing loans from entities that are affiliated to the Company by common management.

Notes Receivable

The notes receivable from related parties consists of non-interest-bearing loans to entities that are affiliated with the Company by common management. In 2019, the Company loaned the Marina at Slocum Cove \$49,859 and Northeast Properties \$44,200. Both agreements include a deferral period ending on September 30, 2022, within which no payments are required to be made. Both loans have been amended since and as of December 31, 2022 the outstanding loan amounts were \$70,753 for the Marina at Slocum Cove and \$67,104 for Northeast Properties.

Consulting Income

The Company received some consulting income and rental income from the Commonwealth of Dominica Maritime Registry, Inc. The consulting income was \$91,150 and \$236,250 for the years ended December 31, 2022 and 2021, respectively.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 3: Related Party Transactions (continued)

Leases

Lease payment for property rentals were paid to the shareholders from NMI in the amounts of \$72,000 and \$72,000 for the years ended December 31, 2022 and 2021 (respectively) for the 32 Washington Street property, \$36,000 and \$36,000 for the years ended December 31, 2022 and 2021 (respectively) for the 56 Main Street property, and \$0 and \$42,000 for the years ended December 31, 2022 and December 31, 2021 (respectively) for the 4 Bluepoint Street property. See Note 11 for additional information regarding leases.

Loans Payable

The Company also received two loans from the Commonwealth of Dominica Maritime Registry, Inc. in 2018 totaling \$1,351,435. Both loans include a five-year deferral period within which no payments are required to be made. The first loan dated June 21, 2018 for \$950,781, requires monthly payments beginning on June 30, 2023 of \$2,641, and matures May 30, 2053. The second loan dated October 1, 2018 for \$400,654, requires monthly payments beginning on October 30, 2023 of \$1,113, and matures September 30, 2053.

Mr. Aaron Bresnahan, President and Managing Director of Wartsila North America was invited to join the Northeast Maritime Institute Board of Trustees in the Fall of 2018 as a Director due to his experience with the marine engineering systems Wartsila has manufactured for many years to contribute to the development of a marine engineering degree program at Northeast Maritime Institute over the next five years. Mr. Bresnahan began his term as director in October 2018.

Wartsila Corporation finalized its acquisition of Transas Corporation, the global parent company of Transas Americas, in May 2018. Mr. Bresnahan's division and role are in no way connected to the simulator division of Wartsila Corporation.

Note 4: Cash and Cash Equivalents

The carrying value of NMI's deposits in various financial institutions is separately displayed on the balance sheet as "cash and cash equivalents". At year end December 31, 2022, the entity's carrying amount of deposits was \$44,832, including \$300 of petty cash and the bank balance was \$45,132. Of the bank balance, \$44,832 was covered by Federal Depository Insurance.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 5: Accounts Receivable, net

Accounts receivable, net of allowances, as of December 31, 2022 is as follows:

	<u>2022</u>	<u>2021</u>
1 - 30 days	\$ 140,678	\$ 109,757
31 - 60 days	109,480	210,139
61 - 90 days	5,556	11,646
91 - 180 days	(16,117)	86,769
181 - 365 days	238,863	(311,194)
366 - 730 days	(216,000)	208,977
731 days+	<u>642,986</u>	<u>565,151</u>
Less: Allowance	<u>(33,641)</u>	<u>(49,154)</u>
	<u>\$ 871,805</u>	<u>\$ 832,091</u>

The largest amount due within the receivable account relates to student deferred tuitions as of December 31, 2022. The amount totaled \$132,000 at December 31, 2022.

The second largest amount due in the receivable account relates to the Dominica Maritime Registry billings. The amount uncollected from the Dominica Maritime Registry was \$114,423 at December 31, 2022. Against the amount uncollected of \$114,423 from the Dominica Maritime Registry, an allowance was recorded in accordance with NMI's policy in the amount of \$14,911.

See "Note 2: Significant Accounting Policies" for further detail on estimated allowance percentages across all aging intervals.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 6: Property and Equipment, net

Changes in property and equipment as of December 31, 2022, is as follows:

<u>2022</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>2021 (comparative)</u>
Non-depreciable assets:					
Model ships	\$ 73,750	\$ -	\$ -	\$ 73,750	\$ 73,750
Total non-depreciable assets:	<u>73,750</u>	<u>-</u>	<u>-</u>	<u>73,750</u>	<u>73,750</u>
Assets being depreciated:					
Buildings	2,377,121	-	-	2,377,121	2,377,121
Leasehold improvements	1,027,203	-	-	1,027,203	1,027,203
Boats	624,305	-	-	624,305	624,305
Equipment	1,037,329	-	-	1,037,329	1,037,329
Office equipment	416,218	2,803	(74,014)	345,007	416,218
Furniture & fixtures	236,029	-	-	236,029	236,029
Vehicles	105,069	-	-	105,069	105,069
Total assets being depreciated:	<u>5,823,274</u>	<u>2,803</u>	<u>(74,014)</u>	<u>5,752,063</u>	<u>5,823,274</u>
Total capital assets:	<u>\$ 5,897,024</u>	<u>\$ 2,803</u>	<u>\$ (74,014)</u>	<u>\$ 5,825,813</u>	<u>\$ 5,897,024</u>
Accumulated depreciation:					
Building	(275,616)	(58,756)	-	(334,372)	(275,616)
Leasehold improvements	(686,686)	(44,912)	-	(731,598)	(686,686)
Boats	(343,790)	(5,283)	-	(349,073)	(343,790)
Equipment	(1,011,038)	(12,200)	-	(1,023,238)	(1,011,038)
Office equipment	(362,356)	(39,188)	74,014	(327,530)	(362,356)
Furniture & fixtures	(187,184)	(7,218)	-	(194,402)	(187,184)
Vehicles	(105,069)	-	-	(105,069)	(105,069)
Total accumulated depreciation:	<u>(2,971,739)</u>	<u>(167,557)</u>	<u>74,014</u>	<u>(3,065,282)</u>	<u>(2,971,739)</u>
Total assets net of accumulated depreciation:	<u>\$ 2,925,285</u>	<u>\$ (164,754)</u>	<u>\$ -</u>	<u>\$ 2,760,531</u>	<u>\$ 2,925,285</u>



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 6: Property and Equipment, net (continued)

The cost of the property and equipment is being depreciated using the straight-line method over its useful life. It is management's policy to re-evaluate useful lives on a periodic basis. Useful lives by asset class are as follows:

<u>Asset Class:</u>	<u>Useful Life:</u>
Buildings	40 years
Leasehold Improvements	20 years
Boats – Fritha	50 years
Boats – Large vessel	20 years
Boats – Small vessel	10 years
Boats – Inflatable	5 years
Furniture & Fixtures	10 years
Equipment	5-7 years
Equipment – Simulators	10-15 years
Office Equipment & Computers	5 years
Vehicle	7-10 years
Library Acquisitions	10 years

Depreciation expense for the year ended December 31, 2022 is \$93,543.

Note 7: Long-Term Student Loans

The long-term student loans consist of tuition and fee amounts due from graduated students. The terms of repayment agreements range from three to five years, are non-interest-bearing, and require automatic monthly payments. The total amount due at December 31, 2022, including the current portion, is \$460,489 and \$409,189 at December 31, 2021.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2022

Note 8: Disaggregation of Accounts Payable and Accrued Expenses

The balance in “accounts payable and accrued expenses” can be disaggregated as follows at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Bristol County Savings Credit Card	15,620	\$ 5,875
Accounts Payable	161,039	242,519
Misc Withholdings	95	(424)
Accrued Payroll Taxes	2,399	2,591
Accrued Payroll	<u>31,353</u>	<u>33,876</u>
Total	<u>\$ 210,506</u>	<u>\$ 284,437</u>

Note 9: Notes Payable and Long-Term Debt

Outstanding Notes and Long-Term Debt Payable

	<u>Maturity</u> <u>Dates</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Principal due</u> <u>in 2023</u>	<u>Interest</u> <u>Paid in 2022</u>
29-31 Center St. Note	7/28/2030	\$ 128,259	\$ -	\$ 10,859	\$ 117,400	\$ 11,859	\$ 9,647
2 Elm Ave. Note	10/18/2039	477,802	-	17,740	460,062	17,479	24,350
		<u>\$ 606,061</u>	<u>\$ -</u>	<u>\$ 28,599</u>	<u>\$ 577,462</u>	<u>\$ 29,338</u>	<u>\$ 33,997</u>

Outstanding Notes and Long-Term Debt Payable (continued from above)

	<u>Effective</u> <u>Interest Rate</u>	<u>Payments</u> <u>Required</u>	<u>Secured</u> <u>By</u>
29-31 Center St. Note	6.25%	Monthly	Real Property
2 Elm Ave. Note	<u>4.75%</u>	<u>Monthly</u>	<u>Real Property</u>



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 10: Disaggregation of Deferred Revenues

The balance in “deferred revenues” can be disaggregated as follows at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Tuition - Continuing Ed.	\$ -	\$ -
Tuition - Higher Ed.	110,000	105,000
Fees	6,500	6,500
Books	-	-
Housing	<u>12,125</u>	<u>5,000</u>
Total Deferred Revenue (net)	<u>\$ 128,625</u>	<u>\$ 116,500</u>

At December 31, 2022, deferred revenues represent amounts related to the spring semester for higher education as well as related fees and books.

Note 11: Leases

Operating Lease Agreements

Lease assets and liabilities recorded on the balance sheet in accordance with FASB’s ASU 2016-02 *Leases (Topic 842)* includes amounts related to agreements for operating facilities which the Institute rents from its shareholders. The two lease agreements include the buildings at 32 Washington Street where NMI’s administrative offices are located and 56 Main Street which NMI uses mainly for classrooms. The lease agreement for 32 Washington Street commenced January 1, 2014, and expires January 1, 2024, with a term of 10 years, and monthly payments of \$6,000. The lease agreement for 56 Main Street commenced February 1, 2016, and expires February 1, 2026, with a term of 10 years, and monthly payments of \$3,000. Both contracts are noninterest bearing and allow for an automatic renewal unless written notice is provided within 30 days by either party.

Other Operating Lease Agreements

The Company is also obligated under two copier leases through 2023 and 2025. Future obligations due under the Toshiba copier lease total approximately \$12,000 at December 31, 2022.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 12: Notes Payable to Shareholders

On August 28, 2013, the shareholders entered into an agreement with NMI to loan the Institute \$288,104 in order to provide additional financial support during the higher education application process. This loan was non-interest bearing and does not include a repayment schedule. The agreement provides that the outstanding balance may be reduced by expenses paid for the shareholders that are considered personal and any other amounts that may be due from the shareholders to NMI. An additional \$23,000 was added to the loan in 2018 under the same terms as the original agreement.

On March 25, 2022, the shareholders entered into an agreement with NMI to loan the Institute an additional \$50,104. The loan is non-interest-bearing with a maturity date of December 18, 2024 and monthly payments of \$2,544 beginning April 18, 2022. The balance of the account was \$298,100 and \$213,260 at December 31, 2022 and 2021, respectively.

Note 13: Profit Sharing Plan

The Company implemented a 401(k)-profit sharing plan during 2004 which covers all employees meeting the eligibility requirements relating to age, length of service and compensation. Profit sharing contributions, if any, are determined by the Board of Directors. Participants may elect to make plan contributions by having their gross compensation reduced through payroll withholding. These elective deferrals may not exceed 15% of gross compensation, subject to a maximum deferral limit set by IRS regulations. In addition, the Company can make discretionary matching contributions equal to 25% of the participant's elective deferral contribution up to 3% of compensation. No contributions were made during 2022 or 2021.

Note 14: Loss Contingencies

The Company is subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to our business, including those related to regulation, litigation, business transactions, employee-related matters and taxes, among others. In accordance with SFAS No. 5, "Accounting for Contingencies" (ASC 450), when we become aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. The liability recorded includes probable and estimable legal costs incurred to date and future legal costs to the point in the legal matter where we believe a conclusion to the matter will be reached. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the claim if the likelihood of a potential loss is reasonably possible, and the amount of the potential loss is material. For matters where no loss contingency is recorded, NMI's policy is to expense legal fees as incurred.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

Note 15: Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes.

Subsequent events have been evaluated through July 14, 2023, the date the financial statements were available to be issued. No events occurring subsequent to year end requiring disclosure were noted as of July 14, 2023.

Note 16: Accounting Updates

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 *Leases (Topic 842)*. This update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This update is effective for periods beginning after December 15, 2021. NMI implemented this standard in 2022. See Note 11 for additional information.

In November 2021, the FASB issued Accounting Standards Update No. 2021-09 *Leases (Topic 842) Discount Rate for Lessees That Are Not Public Business Entities*. This update currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. NMI implemented this standard in 2022. See Note 11 for additional information.

This page was intentionally left blank

SUPPLEMENTARY INFORMATION





NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF CHANGES IN OPERATING REVENUES
 Years Ended December 31, 2022 and December 31, 2021

	<u>2022</u>	<u>2021</u>	<u>2022 vs. 2021</u> <u>Change in \$</u>	<u>2022 vs. 2021</u> <u>Change in %</u>
<i>Continuing Education:</i>				
Tuition and Fees - Continuing Education	\$ 56,807	\$ 65,185	\$ (8,378)	-12.9%
Discounts - Continuing Education	2,898	(1,330)	4,228	-317.9%
<i>Higher Education:</i>				
Tuition and Fees - Higher Education	485,551	434,085	51,466	11.9%
<i>Online Education</i>				
Tuition and Fees - NEMO Online	1,063,911	817,282	246,629	30.2%
<i>Materials Revenues:</i>				
Books	5,369	4,912	457	9.3%
<i>Consulting Revenue:</i>				
Dominica Maritime Registry & Other	91,150	236,250	(145,100)	-61.4%
NMI Affiliation Fees	6,520	8,700	(2,180)	100.0%
Lodging Income	11,025	34,700	(23,675)	-68.2%
Rent Income	6,000	8,625	(2,625)	-30.4%
Other Revenues	6,814	32,343	(25,529)	-78.9%
<i>Total Operating Revenue:</i>	<u>\$ 1,736,045</u>	<u>\$ 1,640,752</u>	<u>\$ 95,293</u>	<u>5.8%</u>

See Independent Auditor's Report

This page was intentionally left blank



NORTHEAST MARITIME INSTITUTE, INC.
SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
 Years Ended December 31, 2022 and December 31, 2021

	<u>2022</u>	<u>2021</u>	<u>2022 vs. 2021</u> <u>Change in \$</u>	<u>2022 vs. 2021</u> <u>Change in %</u>
Advertising	\$ 5,920	\$ 7,671	\$ (1,751)	-22.8%
Auto Expense	5,791	4,270	1,521	35.6%
Building Maintenance and Repair	18,443	13,687	4,756	34.7%
Course Development Fees	1,586	1,441	145	100.0%
Dues and Subscriptions	51,851	22,355	29,496	131.9%
Equipment	21,430	28,132	(6,702)	-23.8%
Fees	71,276	77,457	(6,181)	-8.0%
Insurance	68,078	49,884	18,194	36.5%
Lease Expense	3,438	3,446	(8)	-0.2%
Legal Fees	3,409	350	3,059	874.0%
Meals and Entertainment	6,117	7,566	(1,449)	-19.2%
Miscellaneous	(6,619)	(6,998)	379	-5.4%
Office Expense	10,171	15,211	(5,040)	-33.1%
Other Payroll	392,470	344,850	47,620	13.8%
Outside Labor	36,051	30,101	5,950	19.8%
Postage and Supplies	4,833	5,938	(1,105)	-18.6%
Printing	9,439	6,739	2,700	40.1%
Professional Fees	23,329	23,826	(497)	-2.1%
Reference/Educational Materials	2,308	2,203	105	4.8%
Rent	154,640	195,300	(40,660)	-20.8%
SV Fritha Vessel Expenses	33,327	43,619	(10,292)	-23.6%
Taxes	36,110	55,764	(19,654)	-35.2%
Telephone	33,164	30,014	3,150	10.5%
Travel Expense	6,223	3,018	3,205	106.2%
Utilities	24,172	22,282	1,890	8.5%
Water and Sewer	3,867	4,143	(276)	-6.7%
	<u>\$ 1,020,824</u>	<u>\$ 992,269</u>	<u>\$ 28,555</u>	<u>2.9%</u>

See Independent Auditor's Report

This page was intentionally left blank



NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
 Years Ended December 31, 2022

	<u>2022 Total</u>	<u>Higher Education</u>	<u>Continuing Education</u>	<u>% Higher Education</u>	<u>% Continuing Education</u>
<i>Income</i>					
Continuing Ed Tuition & Fees, Net	\$ 53,295	\$ -	\$ 53,295	0%	100%
NEMO Online Tuition & Fees, Net	1,065,411	-	1,065,411	0%	100%
Certificate & Licensing Fees	1,870	-	1,870	0%	100%
Company-Billed Tuition and Fees	11,780	-	11,780	0%	100%
Consulting Income	91,150	-	91,150	0%	100%
NMI Association Fee	4,500	-	4,500	0%	100%
Higher Ed Tuition & Fees, Net	235,532	235,532	-	100%	0%
Goods Sold	4,878	4,878	-	100%	0%
NMI Foundation Scholarship Funds	250,000	250,000	-	100%	0%
Housing Income	11,025	11,025	-	100%	0%
Interest Income	19	19	-	100%	0%
Rental Income	6,000	6,000	-	100%	0%
Miscellaneous Income	605	595	10	98%	2%
<i>Total Income</i>	\$ 1,736,065	\$ 508,049	\$ 1,228,016	29%	71%
<i>Cost of Goods Sold</i>					
Cost of Goods Sold	5,453	5,453	-	100%	0%
<i>Total COGS</i>	5,453	5,453	-	100%	0%
<i>Gross Profit</i>	\$ 1,730,612	\$ 502,596	\$ 1,228,016	29%	71%

See Independent Auditor's Report



NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
 Years Ended December 31, 2022

	2022 Total	Higher Education	Continuing Education	% Higher Education	% Continuing Education
<i>Expenses</i>					
Management Salaries	\$ 50,455	\$ 12,614	\$ 37,841	25%	75%
Administrative Salaries	52,301	13,075	39,226	25%	75%
Higher Ed Salaries	273,008	208,735	64,273	76%	24%
Admission/Recruit/Registrar Salaries	90,491	45,246	45,245	50%	50%
Maintenance Salaries	69,499	17,375	52,124	25%	75%
Multimedia Salaries	182,026	27,304	154,722	15%	85%
Vacation, Sick & Holiday Pay Expenses	21,952	10,977	10,975	50%	50%
Payroll Taxes	58,660	29,331	29,329	50%	50%
Employee Benefits & Health Insurance	26,845	6,712	20,133	25%	75%
Rent Expense	154,640	28,866	125,774	19%	81%
Maintenance & Equipment	52,548	19,427	33,121	37%	63%
Office Expenses	147,054	27,234	119,820	19%	81%
Professional Development	10	10	-	100%	0%
Aquaculture Expenses	1,586	1,586	-	100%	0%
Insurance	91,027	33,428	57,599	37%	63%
Taxes	35,544	8,886	26,658	25%	75%
Fees - Professional & Legal	6,013	-	6,013	0%	100%
Fees - Accounting	20,725	5,181	15,544	25%	75%
Fees - Licensing & Permits	5,355	-	5,355	0%	100%
Fees - Bank & Finance	84,749	4,237	80,512	5%	95%
Fees - Medical Tests	5,716	748	4,968	13%	87%
1099 Expenses	36,051	-	36,051	0%	100%
Fees - Recruitment	2,889	2,889	-	100%	0%
Fees - Accreditation	8,875	4,438	4,437	50%	50%
Revenue Sharing Expense	12,597	-	12,597	0%	100%
Commissions	908	-	908	0%	100%
Trade Relations	1,063	-	1,063	0%	100%
Travel Expenses	12,014	3,004	9,010	25%	75%
Student Expenses	5,849	5,849	-	100%	0%
Advertising & Marketing	5,920	2,960	2,960	50%	50%
Miscellaneous Expense/Underages	(27,038)	(27,038)	-	100%	0%
Inventory Adjustment	3,353	-	3,353	0%	100%
Corporate Taxes & Fees	566	-	566	0%	100%
Depreciation Expense	93,524	4,676	88,848	5%	95%
Bad Debt Expense	911	364	547	40%	60%
Total Expense	\$ 1,587,686	\$ 498,114	\$ 1,089,572	31%	69%
Net Income	\$ 142,926	\$ 4,482	\$ 138,444	3%	97%

See Independent Auditor's Report