

NORTHEAST MARITIME INSTITUTE, INC.

COLLEGE OF MARITIME SCIENCE



Financial Statements

Year Ended December 31, 2021





NORTHEAST MARITIME INSTITUTE, INC.
FINANCIAL STATEMENTS
December 31, 2021

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NORTHEAST MARITIME INSTITUTE, INC.
FINANCIAL STATEMENTS
December 31, 2021

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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, 2021 and 2020, 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, 2021 and 2020, 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.

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
August 8, 2022



NORTHEAST MARITIME INSTITUTE, INC.
FINANCIAL STATEMENTS
 December 31, 2021

	(comparative)	
	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 32,681	\$ 56,175
Accounts receivable, net allowance (Note 5)	832,091	1,057,289
Prepaid expenses	29,813	19,133
Inventory	25,351	27,801
Current portion of long-term student loans (Note 7)	108,379	-
Total current assets	1,028,315	1,160,398
Other assets:		
Property and equipment, net (Note 6)	2,921,819	3,078,584
Long-term student loans	299,810	-
Total other assets	3,221,629	3,078,584
Total assets	\$ 4,249,944	\$ 4,238,982
<u>LIABILITIES & EQUITY</u>		
Current Liabilities:		
Accounts payable and accrued expenses (Note 8)	\$ 284,437	\$ 193,535
Current portion of notes payable (Note 9)	25,457	25,457
Deferred revenue (Note 10)	116,500	197,350
Total current liabilities	426,394	416,342
Long-term Liabilities:		
Notes payable - shareholders (Note 12)	213,260	221,817
Notes payable - related party (Note 3)	1,222,392	1,222,392
Notes payable (Note 9)	578,733	598,148
Total long-term liabilities	2,014,385	2,042,357
Total liabilities	2,440,779	2,458,699
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)	60,979	32,097
Total stockholder's equity	1,809,165	1,780,283
Total liabilities & stockholder's equity	\$ 4,249,944	\$ 4,238,982



NORTHEAST MARITIME INSTITUTE, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
 For the Year Ended December 31, 2021

	<u>2021</u>	<u>(comparative)</u> <u>2020</u>
Operating Revenue:		
Tuition and Educational Services , Net - Continuing Ed.	\$ 63,855	\$ 71,171
Tuition and Educational Services , Net - Higher Ed.	364,315	451,673
Tuition and Educational Services , Net - NEMO Online	817,282	441,161
NMI Foundation Scholarship Funds and Grants	69,770	94,260
Materials Revenue	4,912	9,087
Consulting Revenue	236,250	196,350
NMI Affiliation Fees	8,700	13,980
Lodging Income	34,700	41,885
Rent Income	8,625	6,000
Other Revenues	<u>32,343</u>	<u>9,599</u>
Total Operating Revenue:	<u>1,640,752</u>	<u>1,335,166</u>
Cost of Revenues:		
Payroll, Payroll Taxes and Employee Benefits		
- Continuing Education:	(143,401)	(122,856)
Payroll, Payroll Taxes and Employee Benefits		
- Higher Education:	(329,798)	(275,312)
Textbooks	<u>(10,426)</u>	<u>(6,336)</u>
Total Cost of Revenues:	<u>(483,625)</u>	<u>(404,504)</u>
Gross Profit	<u>1,157,127</u>	<u>930,662</u>
Operating Expenses:		
Selling, General and Administrative	992,269	879,417
Bad Debt Expense	49,775	11,439
Depreciation	<u>166,871</u>	<u>139,651</u>
Total Operating Expenses	<u>1,208,915</u>	<u>1,030,507</u>
Income (loss) from operations	<u>(51,788)</u>	<u>(99,845)</u>
Other Income (Expense):		
Interest income	7	26
Interest expense	(43,929)	(34,020)
Gain on extinguishment of debt	<u>151,800</u>	<u>161,800</u>
Total other income (expense)	<u>107,878</u>	<u>127,806</u>
Net income	56,090	27,961
Retained earnings (deficit), beginning of year	<u>32,097</u>	<u>31,343</u>
Current Year Distributions	<u>(27,208)</u>	<u>(27,207)</u>
Retained earnings (deficit), end of year	<u>\$ 60,979</u>	<u>\$ 32,097</u>



NORTHEAST MARITIME INSTITUTE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

	(comparative)	
	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Net income	\$ 56,090	\$ 27,961
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	166,871	139,651
Changes in:		
Accounts receivable	176,044	(315,507)
Prepaid expenses	(10,680)	(9,446)
Long-term student loans	(408,189)	-
Inventory	2,450	(45)
Accounts payable	90,902	17,450
Deferred revenue	(80,850)	(151,040)
Net cash provided by operating activities	<u>41,792</u>	<u>(169,485)</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	(10,106)	(25,092)
Net cash provided by investing activities	<u>(10,106)</u>	<u>(25,092)</u>
Cash Flows from Financing Activities:		
Advances from shareholders	(8,557)	6,385
Distributions to shareholders	(27,208)	(27,207)
Principal payments on notes payable	(19,415)	(24,356)
Loans from related parties	-	(43,000)
Net cash provided by financing activities	<u>(55,180)</u>	<u>(88,178)</u>
Increase (decrease) in cash	(23,494)	(282,755)
Cash and cash equivalents, Beginning of Year	<u>56,175</u>	<u>338,930</u>
Cash and cash equivalents, End of Year	<u>\$ 32,681</u>	<u>\$ 56,175</u>

NOTES TO THE FINANCIAL STATEMENTS





NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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 2021 and the financial statements will reflect the continued transition of revenues normally under Continuing Education tuition to Online tuition in addition to an increase in these revenues, with the ability to reach more students nationally through the online platform.

Note 2: 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").

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include money market funds, bank overnight deposits, and tax-exempt commercial paper, which are all placed with high-credit-quality institutions. The Company has not experienced any losses on our cash and cash equivalents.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

Credit and Market Risk

The Company maintains bank accounts with several financial institutions. From time to time during the year the amounts of deposit may exceed federally insured amounts.

Note 2: Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

Accounts receivable 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 looks at the historical write-offs of all receivables. Management monitors our collections and write-off experience to assess whether adjustments are necessary. Management periodically evaluates the standard allowance estimation methodology for propriety 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.

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 receivable 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.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

Note 2: Significant Accounting Policies (continued)

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.

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.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Note 2: Significant Accounting Policies (continued)

Revenue Recognition (continued)

NMI anticipates implementation of 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.

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.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

Note 2: Significant Accounting Policies (continued)

Income Taxes (continued)

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, 2021, the Company has no unrecognized tax benefits and the Company's statutes of limitations are closed for all federal and state tax years before 2017 and 2016, respectively. The Company is not currently under any Internal Revenue Service or state tax examination.

As of December 31, 2021, 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 and sales promotion expense was \$7,671 and \$6,857 for the years December 31, 2021 and December 31, 2020, respectively.

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.

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.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

Note 2: Significant Accounting Policies (continued)

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, 2020 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. The Company received some consulting income and rental income from the Commonwealth of Dominica Maritime Registry, Inc. The consulting income was \$236,250 and \$196,350 for the years ended December 31, 2021 and 2020, respectively. 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.

The rental income was paid to the shareholders from NMI in the amounts of \$72,000 and \$72,000 for the years ended December 31, 2021 and 2020 (respectively) for the 32 Washington Street property, \$36,000 and \$36,000 for the years ended December 31, 2021 and 2020 (respectively) for the 56 Main Street property, and \$42,000 and \$42,000 for the years ended December 31, 2021 and December 31, 2020 (respectively) for the 4 Bluepoint Street property.

Northeast Maritime Institute, Inc. signed a contract with Transas Americas, Inc. in April 2018 for the upgrade of its current Transas bridge simulator software and equipment, on which work was to begin July 2018.

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.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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.

The notes receivable from related parties consist 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, 2021 the outstanding loan amounts were \$55,799 for the Marina at Slocum Cove and \$63,401 for Northeast Properties.

Note 4: Cash, Cash Equivalents and Investments

Deposits are in various financial institutions and are carried at cost or fair value in the case of pooled deposits for trust funds. The carrying value is separately displayed on the balance sheet as "cash and cash equivalents". Petty cash is included in the presentation of cash on the statement of net position in the amount of \$300 at December 31, 2021 and \$300 at December 31, 2020.

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.

At year end December 31, 2021, the entity's carrying amount of deposits was \$32,681, including \$300 of petty cash and the bank balance was \$36,463. Of the bank balance, \$36,463 was covered by Federal Depository Insurance.

The Company has not experienced any losses of funds in excess of federally insured limits held in any financial institutions. Management feels that the entity is not exposed to any significant credit risk related to cash.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Note 5: Accounts Receivable, net

Accounts receivable, net of allowances, as of December 31, 2021 is as follows:

	2021	(comparative) 2020
1 - 30 days	\$ 109,757	\$ 79,109
31 - 60 days	210,139	210,048
61 - 90 days	11,646	(24,159)
91 - 180 days	86,769	60,260
181 - 365 days	(311,194)	143,017
366 - 730 days	208,977	240,336
731 days+	565,151	470,170
Less: Allowance	(49,154)	(121,492)
	<u>\$ 832,091</u>	<u>\$ 1,057,289</u>

The largest amount due within the receivable account relates to the Dominica Maritime Registry billings. The amount uncollected from the Dominica Maritime Registry was \$286,827 at December 31, 2021. Against the amount uncollected of \$286,827 from the Dominica Maritime Registry, an allowance was recorded in accordance with NMI's policy in the amount of \$35,665.

The second largest amount due in the receivable account relates to student deferred tuitions as of December 31, 2021. The amount totaled \$129,500 at December 31, 2021.

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, 2021

Note 6: Property and Equipment, net

Changes in property and equipment as of December 31, 2021, is as follows:

<u>2021</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>2020 (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	617,304	7,301	-	624,605	617,304
Equipment	1,036,172	1,157	-	1,037,329	1,036,172
Office equipment	416,218	-	-	416,218	416,218
Furniture & fixtures	234,380	1,649	-	236,029	234,380
Vehicles	105,069	-	-	105,069	105,069
Total assets being depreciated:	<u>5,813,467</u>	<u>10,107</u>	<u>-</u>	<u>5,823,574</u>	<u>5,813,467</u>
Total capital assets:	<u>\$ 5,887,217</u>	<u>\$ 10,107</u>	<u>\$ -</u>	<u>\$ 5,897,324</u>	<u>\$ 5,887,217</u>
Accumulated depreciation:					
Building	(216,860)	(58,756)	-	(275,616)	(216,860)
Leasehold improvements	(641,774)	(44,912)	-	(686,686)	(641,774)
Boats	(338,545)	(5,245)	-	(343,790)	(338,545)
Equipment	(998,954)	(12,084)	-	(1,011,038)	(998,954)
Office equipment	(323,619)	(38,737)	-	(362,356)	(323,619)
Furniture & fixtures	(180,048)	(7,136)	-	(187,184)	(180,048)
Vehicles	(105,069)	-	-	(105,069)	(105,069)
Total accumulated depreciation:	<u>(2,804,869)</u>	<u>(166,870)</u>	<u>-</u>	<u>(2,971,739)</u>	<u>(2,804,869)</u>
Total assets net of accumulated depreciation:	<u>\$ 3,082,348</u>	<u>\$ (156,763)</u>	<u>\$ -</u>	<u>\$ 2,925,583</u>	<u>\$ 3,082,348</u>



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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:

Asset Class:	Useful Life:
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, 2021 is \$166,870.

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, 2021, including the current portion, is \$408,189.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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, 2021:

	<u>2021</u>	(comparative) <u>2020</u>
Bristol County Savings Credit Card	5,875	\$ 9,363
Accounts Payable	242,519	170,193
Misc Withholdings	(424)	3,374
Accrued Payroll Taxes	2,591	981
Accrued Payroll	<u>33,876</u>	<u>9,624</u>
Total	<u>\$ 284,437</u>	<u>\$ 193,535</u>

Transas Accounts Payable Balance:

Accounts payable includes \$74,034 due to Transas America, Inc. per contract dated July 1, 2018 for simulator system software upgrades. See Note 14 for subsequent event related to this balance. Northeast Maritime Institute signed in April 2018 with Transas Americas for the upgrade to its Transas simulators and equipment, which began in July 2018. As a result of several failures in the installation and upgrade of the Transas 3000 Simulators, the Institute decided to withdraw and rescind any and all obligation for the final payment of \$74,037. The installation of the new software is complete with glitches that have been identified and have yet to be completely remedied. More importantly, the upgrade process wiped out over a decade of scenario development costing the Institute hundreds of thousands of dollars in man hours.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2021

Note 9: Notes Payable and Long-Term Debt

Outstanding Notes and Long-Term Debt Payable

	Maturity Dates	Balance 12/31/2020	Increases	Decreases	Balance 12/31/2021	Principal due in 2022	Interest Paid in 2021
29-31 Center St. Note	7/28/2030	\$ 138,080	\$ -	\$ 9,821	\$ 128,259	\$ 10,851	\$ 7,656
2 Elm Ave. Note	10/18/2039	487,372	-	9,570	477,802	22,344	26,058
PPP Loan	4/16/2022	-	151,800	151,800	-	-	-
		<u>\$ 625,452</u>	<u>\$ 151,800</u>	<u>\$ 171,191</u>	<u>\$ 606,061</u>	<u>\$ 33,195</u>	<u>\$ 33,714</u>

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

	Effective Interest Rate	Payments Required	Secured By
29-31 Center St. Note	6.25%	Monthly	Real Property
2 Elm Ave. Note	4.75%	Monthly	Real Property
PPP Loan	1.00%	Monthly	N/A

Paycheck Protection Payment Loans:

NMI received a loan from Bristol County Savings Bank in the amount of \$151,800, issued under the Small Business Act’s Paycheck Protection Program Second Draw Loans under section 7(a)(37) of the Small Business Act (PPP-SD). The note, dated January 26, 2021, is subject to the terms, conditions, and provisions of the Small Business Act (the “SB Act”), The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), and the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the “Economic Aid Act”). The loan matures 5 years from the date of the note and bears interest at an annual rate of 1%. Payments are due in monthly installments including principle and interest. The loan may be repaid at any time with no prepayment penalty. NMI may be eligible for loan forgiveness of up to the full principal amount and any accrued interest pursuant to the PPP Rules. The entire amount of \$151,800 was forgiven on October 26, 2021. Loan forgiveness is reflected as other income in the statement of operations.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

Note 10: Disaggregation of Deferred Revenues

The balance in “deferred revenues” can be disaggregated as follows at December 31, 2021:

	<u>2021</u>	(comparative) <u>2020</u>
Tuition - Continuing Ed.	\$ -	\$ -
Tuition - Higher Ed.	105,000	171,645
Fees	6,500	5,205
Books	-	-
Housing	<u>5,000</u>	<u>20,500</u>
Total Deferred Revenue (net)	<u>\$ 116,500</u>	<u>\$ 197,350</u>

At December 31, 2021, deferred revenues represent amounts related to the spring semester for higher education as well as related fees and books.

Note 11: Rental and Lease Agreements

Rental Agreements

The Company rents its operating facility from its shareholders. Rent expense amounted to \$150,000 and \$130,100 for the years ended December 31, 2021 and 2020, respectively.

Operating Lease Agreements

The Company is obligated under two copier leases through 2023 and 2025.

Future obligations due under the Toshiba copier lease total approximately \$35,084 at December 31, 2021. The leases extend through May of 2023 and 2025.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

Note 12: Notes Payable to Shareholders

On August 28, 2013, the shareholders entered into an agreement with the NMI to loan the NMI \$288,104 in order to provide “additional financial support during the higher education application process”. This loan was provided to the NMI at 0%. The NMI is not on a regular payment schedule to the shareholders and the agreement provides that the outstanding amount 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. The balance of the account was \$213,260 and \$221,817 at December 31, 2021 and 2020, 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 2021 or 2020.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 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, our policy is to expense legal fees as incurred.

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.

Management has evaluated the activity of NORTHEAST MARITIME INSTITUTE, INC. through August 8, 2022 (the date the financial statements were available to be issued) and concluded that the following subsequent events require disclosure:

Related Party Loan

The Northeast Maritime Institute received a loan dated March 25, 2022 in the amount of \$50,104 from Eric and Angela Dawicki, shareholders and members of the Board of Trustees. The loan is non-interest-bearing with a maturity date of December 18, 2024. The terms of the loan require monthly payments beginning on April 18, 2022 in the amount of \$2,544.

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SUPPLEMENTARY INFORMATION





NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF CHANGES IN OPERATING REVENUES
 Years Ended December 31, 2021 and December 31, 2020

	<u>2021</u>	<u>2020</u>	<u>2021 vs. 2020</u> <u>Change in \$</u>	<u>2021 vs. 2020</u> <u>Change in %</u>
<i>Continuing Education:</i>				
Tuition and Fees - Continuing Education	\$ 65,185	\$ 71,406	\$ (6,221)	-8.7%
Discounts - Continuing Education	(1,330)	(235)	(1,095)	466.0%
<i>Higher Education:</i>				
Tuition and Fees - Higher Education	434,085	545,933	(111,848)	-20.5%
<i>Online Education</i>				
Tuition and Fees - NEMO Online	817,282	441,161	376,121	85.3%
<i>Materials Revenues:</i>				
Books	4,912	9,087	(4,175)	-45.9%
<i>Consulting Revenue:</i>				
Dominica Maritime Registry & Other	236,250	196,350	39,900	20.3%
NMI Affiliation Fees	8,700	13,980	(5,280)	100.0%
Lodging Income	34,700	41,885	(7,185)	-17.2%
Rent Income	8,625	6,000	2,625	43.8%
Other Revenues	32,343	9,599	22,744	236.9%
<i>Total Operating Revenue:</i>	<u>\$ 1,640,752</u>	<u>\$ 1,335,166</u>	<u>\$ 305,586</u>	<u>22.9%</u>

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NORTHEAST MARITIME INSTITUTE, INC.
SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
 Years Ended December 31, 2021 and December 31, 2020

	<u>2021</u>	<u>2020</u>	<u>2021 vs. 2020</u> <u>Change in \$</u>	<u>2021 vs. 2020</u> <u>Change in %</u>
Advertising	\$ 7,671	\$ 6,857	\$ 814	11.9%
Auto Expense	4,270	5,674	(1,404)	-24.7%
Building Maintenance and Repair	13,687	14,747	(1,060)	-7.2%
Course Development Fees	1,441	-	1,441	100.0%
Dues and Subscriptions	22,355	37,825	(15,470)	-40.9%
Equipment	28,132	18,550	9,582	51.7%
Fees	77,457	41,923	35,534	84.8%
Insurance	49,884	44,363	5,521	12.4%
Lease Expense	3,446	772	2,674	346.4%
Legal Fees	350	126	224	177.8%
Meals and Entertainment	7,566	4,617	2,949	63.9%
Miscellaneous	(6,998)	8,865	(15,863)	-178.9%
Office Expense	15,211	27,435	(12,224)	-44.6%
Other Payroll	344,850	334,491	10,359	3.1%
Outside Labor	30,101	45,168	(15,067)	-33.4%
Postage and Supplies	5,938	1,994	3,944	197.8%
Printing	6,739	5,139	1,600	31.1%
Professional Fees	23,826	22,946	880	3.8%
Reference/Educational Materials	2,203	442	1,761	398.4%
Rent	195,300	130,100	65,200	50.1%
SV Fritha Vessel Expenses	43,619	30,919	12,700	41.1%
Taxes	55,764	33,802	21,962	65.0%
Telephone	30,014	24,171	5,843	24.2%
Travel Expense	3,018	6,733	(3,715)	-55.2%
Utilities	22,282	27,370	(5,088)	-18.6%
Water and Sewer	4,143	4,388	(245)	-5.6%
	<u>\$ 992,269</u>	<u>\$ 879,417</u>	<u>\$ 112,852</u>	<u>12.8%</u>

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NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
 Years Ended December 31, 2021 and December 31, 2020

	<u>2021 Total</u>	<u>Higher Education</u>	<u>Continuing Education</u>	<u>% Higher Education</u>	<u>% Continuing Education</u>
Income					
Cont. Ed. - Tuition	\$ 46,368	\$ -	\$ 46,368	0%	100%
Cont. Ed. - Fees	11,465	-	11,465	0%	100%
Cont. Ed. - Books	4,912	-	4,912	0%	100%
Cont. Ed. - Tuition Discount	(1,295)	-	(1,295)	0%	100%
Certificates	26	-	26	0%	100%
Licensing Fees	6,080	-	6,080	0%	100%
Cont. Ed. - Discount on Books	(35)	-	(35)	0%	100%
Discount Clothing	(593)	(593)	-	100%	0%
Company-Billed Tuition and Fees	7,352	-	7,352	0%	100%
Goods Sold	2,891	2,891	-	100%	0%
Tuition - H.Ed.	348,371	348,371	-	100%	0%
Fees - H.Ed.	13,985	13,985	-	100%	0%
Books - H. Ed.	4,709	4,709	-	100%	0%
Sage Scholars Tuition Discount	(2,750)	(2,750)	-	100%	0%
NMI Foundation Schol Funds	67,200	67,200	-	100%	0%
Lodging/Housing Income	34,700	34,700	-	100%	0%
Online Training Income	10	-	10	0%	100%
NEMO Online Tuition	698,255	-	698,255	0%	100%
NEMO Online Fees	121,856	-	121,856	0%	100%
NEMO Revenue Sharing Costs	(2,016)	-	(2,016)	0%	100%
Discount - Online Tuition	(813)	-	(813)	0%	100%
Grants - Restricted	149,455	-	149,455	0%	100%
Grant Allocation to Tuit & Fees	(146,885)	-	(146,885)	0%	100%
Tutoring	300	-	300	0%	100%
FCC Exam	300	-	300	0%	100%
Consulting Income	236,250	-	236,250	0%	100%
Interest Income	7	7	-	100%	0%
Rent Income	8,625	8,625	-	100%	0%
Finance Charge Income	75	75	-	100%	0%
Postage and Handling Income	90	90	-	100%	0%
NMI Association Fee	7,425	-	7,425	0%	100%
Exam and Certificate Fees Inc	1,275	-	1,275	0%	100%
Other Income-SBA PPP Funding	151,800	151,800	-	100%	0%
Total Income	1,792,559	629,110	1,163,449	35%	65%
Cost of Goods Sold					
Cost of Goods Sold	4,659	4,659	-	100%	0%
Total COGS	4,659	4,659	-	100%	0%
Gross Profit	\$ 1,787,900	\$ 624,451	\$ 1,163,449	35%	65%



NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
 Years Ended December 31, 2021 and December 31, 2020

<i>Expenses</i>	2021 Total	Higher Education	Continuing Education	% Higher Education	% Continuing Education
Management Salaries	\$ 9,983	\$ 6,988	\$ 2,995	70%	30%
Administrative Salaries	64,151	44,906	19,245	70%	30%
Higher Ed Faculty Salaries	249,589	187,192	62,397	75%	25%
Higher Ed Support	41,959	41,959	-	100%	0%
Consulting	6,891	-	6,891	0%	100%
Admission/Recruit/Registrar Sal	89,648	67,236	22,412	75%	25%
Maintenance Salaries	65,363	32,682	32,681	50%	50%
Multimedia Salaries	179,856	71,942	107,914	40%	60%
Vacation Pay Expense	6,910	3,455	3,455	50%	50%
Sick Pay Expense	2,386	1,193	1,193	50%	50%
Holiday Pay Expense	3,312	1,656	1,656	50%	50%
Employer SS Tax	38,111	25,153	12,958	66%	34%
Employer Medicare Tax	8,913	5,883	3,030	66%	34%
FUI Tax (FUTA)	826	545	281	66%	34%
MA Unemployment(SUI)	9,260	6,112	3,148	66%	34%
WI Unemployment(SUI)	427	282	145	66%	34%
CA Unemployment(SUI)	245	162	83	66%	34%
Employee Benefits	139	92	47	66%	34%
Group Health Insurance	7,110	1,778	5,332	25%	75%
Payroll Tax	1,611	1,063	548	66%	34%
Rent	72,000	36,000	36,000	50%	50%
Rent Main Street	36,000	18,000	18,000	50%	50%
Offsite Facility Rental	45,300	1,812	43,488	4%	96%
Rent - Bluepoint Road	42,000	-	42,000	0%	100%
Building, M&R, Security	13,687	6,844	6,843	50%	50%
Equipment - Teaching Equipment	2,270	1,135	1,135	50%	50%
Small Vessel Maint. & Repair	9,462	4,731	4,731	50%	50%
Equipment - Office Lease	3,446	-	3,446	0%	100%
Util/Dock for Vessels	12,711	9,533	3,178	75%	25%
Large Vessel M&R	24,464	18,348	6,116	75%	25%
Office Expense - Utilities	22,282	11,141	11,141	50%	50%
Office Expense - Water & Sewer	4,143	2,072	2,071	50%	50%
Office Expense - Telephone	30,014	15,007	15,007	50%	50%
Office Expense - Cleaning	8,567	4,284	4,283	50%	50%
Office Expense - Dues & Subscr	22,355	6,707	15,648	30%	70%
Office Expense -Office Supplies	4,155	2,078	2,077	50%	50%
Office Expense -Student Awards	15	15	-	100%	0%
Office Expense -COVID19 Related	150	150	-	100%	0%
Office Expense-Refer/Educ Mats	2,203	2,203	-	100%	0%
Professional Devpt	2,339	2,339	-	100%	0%
Aquaculture Expenses	1,441	1,441	-	100%	0%
Office Expense - Printing	6,739	3,370	3,369	50%	50%
Office Expense-Postage & Shipp	5,938	2,969	2,969	50%	50%
Office Expense-Small Off.Equip.	3,674	1,837	1,837	50%	50%
Office Expense-Meals&Entertain	7,566	-	7,566	0%	100%



NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
 Years Ended December 31, 2021 and December 31, 2020

	2021 Total	Higher Education	Continuing Education	% Higher Education	% Continuing Education
<i>Expenses (continued)</i>					
Insurance - Business Insurance	\$ 33,140	\$ 13,256	\$ 19,884	40%	60%
Insurance - Workers Comp	6,721	3,361	3,360	50%	50%
Insurance - Auto Insurance	2,378	1,189	1,189	50%	50%
Insurance - Fritha	19,155	9,578	9,577	50%	50%
Insurance - Navigator	7,370	3,685	3,685	50%	50%
Insurance - FEMA Flood Ins.	275	138	137	50%	50%
Taxes	55,808	18,417	37,391	33%	67%
Fees - Professional Fees	2,334	934	1,400	40%	60%
Fees - Accounting Fees	21,492	8,597	12,895	40%	60%
Fees - Legal Fees	350	140	210	40%	60%
Fees - Permits	685	274	411	40%	60%
Fees - Credit Card Process Fees	32,095	4,814	27,281	15%	85%
Fees - Bank Charges	4,706	1,177	3,529	25%	75%
Fees - Finance and Late Charges	1,181	295	886	25%	75%
Fees - Licenses & Fees	8,984	-	8,984	0%	100%
Fees - Drug Test & Physical	(2,098)	-	(2,098)	0%	100%
Fees - Interest Expense	43,929	10,982	32,947	25%	75%
Fees - COVID-19 Testing	25,910	10,364	15,546	40%	60%
Adjunct Professor - H.E. (FS)	38,250	38,250	-	100%	0%
1099s - Medical Care	1,620	-	1,620	0%	100%
Fees - Student Recruitment Exp	5,994	5,994	-	100%	0%
1099s-Contracted Labor	1,000	-	1,000	0%	100%
1099s-Consulting General	1,950	-	1,950	0%	100%
1099s-Adj Instructor/Faculty	18,640	-	18,640	0%	100%
Revenue Sharing Expense	4,260	-	4,260	0%	100%
Auto Expense	4,270	2,135	2,135	50%	50%
Travel Exp - Corporate Travel	3,018	1,509	1,509	50%	50%
Student Exp - Lodging	10,626	10,626	-	100%	0%
Student Exp - Graduation	2,298	2,298	-	100%	0%
Student Exp - FieldTrips,Events	2,172	2,172	-	100%	0%
Advertising & Marketing	7,671	3,836	3,835	50%	50%
Miscellaneous Expense/Underages	(26,354)	(26,354)	-	100%	0%
Inventory Adjustment	5,767	-	5,767	0%	100%
Corporate Tax Expense	456	-	456	0%	100%
Corporate State Fees	(500)	-	(500)	0%	100%
Depreciation	166,871	16,687	150,184	10%	90%
Bad Debt Expense	49,775	19,910	29,865	40%	60%
Total Expense	\$ 1,731,810	\$ 816,559	\$ 915,251	47%	53%
Net Income	\$ 56,090	\$ (192,108)	\$ 248,198	-342%	442%