

NORTHEAST MARITIME INSTITUTE, INC.

COLLEGE OF MARITIME SCIENCE



Financial Statements

Year Ended December 31, 2020





NORTHEAST MARITIME INSTITUTE, INC.
FINANCIAL STATEMENTS
December 31, 2020

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NORTHEAST MARITIME INSTITUTE, INC.
FINANCIAL STATEMENTS
December 31, 2020

Table of Contents

INDEPENDENT AUDITOR’S REPORT	1
Financial Statements.....	3
Balance Sheet.....	3
Statement of Cash Flows	5
Notes to the Financial Statements.....	6
Note 1: Nature of Operations.....	7
Note 2: Significant Accounting Policies	7
Note 3: Related Party Transactions	12
Note 4: Cash, Cash Equivalents and Investments	13
Note 5: Accounts Receivable, net.....	14
Note 6: Property and Equipment, net	15
Note 7: Disaggregation of Accounts Payable and Accrued Expenses	17
Note 8: Notes Payable and Long-Term Debt.....	18
Note 9: Disaggregation of Deferred Revenues.....	19
Note 10: Rental and Lease Agreements	19
Note 11: Employee Advances and Notes Payable to Shareholders	20
Note 12: Profit Sharing Plan.....	20
Note 13: Loss Contingencies	21
Note 14: Subsequent Events.....	21
Supplementary Information	24
Detailed Schedule of Changes in Operating Revenues.....	25
Schedule of Selling, General and Administrative Expenses.....	27
Detailed Schedule of Revenues and Expenses by Department.....	29

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
the Northeast Maritime Institute, Inc.
Fairhaven, Massachusetts

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, 2020 and 2019, and the related statement of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Maritime Institute, Inc. as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed schedule of changes in operating revenues and the schedule of selling, general and administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hague, Sahady & Co., P.C.

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

Fall River, MA

June 25, 2021



NORTHEAST MARITIME INSTITUTE, INC.
FINANCIAL STATEMENTS
 December 31, 2020

	<u>(comparative)</u>	
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 56,175	\$ 338,930
Accounts receivable, net allowance (Note 5)	1,057,289	863,273
Prepaid expenses	19,133	9,687
Inventory	27,801	27,756
	<u>1,160,398</u>	<u>1,239,646</u>
Other assets:		
Property and equipment, net (Note 6)	3,078,584	3,193,143
	<u>3,078,584</u>	<u>3,193,143</u>
Total assets	<u>\$ 4,238,982</u>	<u>\$ 4,432,789</u>
<u>LIABILITIES & EQUITY</u>		
Current Liabilities:		
Accounts payable and accrued expenses (Note 7)	\$ 193,535	\$ 176,085
Current portion of notes payable (Note 8)	25,457	25,292
Deferred revenue (Note 9)	197,350	348,390
	<u>416,342</u>	<u>549,767</u>
Long-term Liabilities:		
Notes payable - shareholders (Note 11)	221,817	215,432
Notes payable - related party (Note 3)	1,222,392	1,265,392
Notes payable (Note 8)	598,148	622,669
	<u>2,042,357</u>	<u>2,103,493</u>
Total liabilities	<u>2,458,699</u>	<u>2,653,260</u>
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)	32,097	31,343
	<u>1,780,283</u>	<u>1,779,529</u>
Total liabilities & stockholder's equity	<u>\$ 4,238,982</u>	<u>\$ 4,432,789</u>



NORTHEAST MARITIME INSTITUTE, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
For the Year Ended December 31, 2020

	<u>2020</u>	<u>(comparative)</u> <u>2019</u>
Operating Revenue:		
Tuition and Educational Services , Net - Continuing Ed.	\$ 71,171	329,314
Tuition and Educational Services , Net - Higher Ed.	451,673	400,473
Tuition and Educational Services , Net - NEMO Online	441,161	364,718
NMI Foundation Scholarship Funds and Grants	94,260	223,588
Materials Revenue	9,087	28,588
Consulting Revenue	196,350	362,750
NMI Affiliation Fees	13,980	-
Lodging Income	41,885	66,744
Rent Income	6,000	6,000
Other Revenues	9,599	14,619
	<u>1,335,166</u>	<u>1,796,794</u>
Total Operating Revenue:		
Cost of Revenues:		
Payroll, Payroll Taxes and Employee Benefits		
- Continuing Education:	(122,856)	(150,565)
Payroll, Payroll Taxes and Employee Benefits		
- Higher Education:	(275,312)	(285,284)
Textbooks	(6,336)	(17,970)
	<u>(404,504)</u>	<u>(453,819)</u>
Total Cost of Revenues:		
Gross Profit	<u>930,662</u>	<u>1,342,975</u>
Operating Expenses:		
Selling, General and Administrative	879,417	1,113,776
Bad Debt Expense	11,439	(2,356)
Depreciation	139,651	112,809
	<u>1,030,507</u>	<u>1,224,229</u>
Total Operating Expenses		
Income (loss) from operations	<u>(99,845)</u>	<u>118,746</u>
Other Income (Expense):		
Interest income	26	-
Interest expense	(34,020)	(16,495)
Gain on extinguishment of debt	161,800	-
	<u>127,806</u>	<u>(16,495)</u>
Total other income (expense)		
Net income	27,961	102,251
Retained earnings (deficit), beginning of year	<u>31,343</u>	<u>(63,250)</u>
Current Year Distributions	<u>(27,207)</u>	<u>(7,658)</u>
Retained earnings (deficit), end of year	<u>\$ 32,097</u>	<u>\$ 31,343</u>



NORTHEAST MARITIME INSTITUTE, INC.
STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2020

	(comparative)	
	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Net income	\$ 27,961	\$ 102,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	139,651	112,809
Changes in:		
Accounts receivable	(315,507)	(410,103)
Prepaid expenses	(9,446)	(7,389)
Employee Advances	-	20,597
Inventory	(45)	1,958
Accounts payable	17,450	(97,169)
Deferred revenue	(151,040)	47,975
Net cash provided by operating activities	<u>(169,485)</u>	<u>(114,998)</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	(25,092)	(44,445)
Net cash provided by investing activities	<u>(25,092)</u>	<u>(44,445)</u>
Cash Flows from Financing Activities:		
Advances from shareholders	6,385	3,692
Distributions to shareholders	(27,207)	(7,658)
Principal payments on notes payable	(24,356)	495,830
Loans from related parties	(43,000)	(86,043)
Net cash provided by financing activities	<u>(88,178)</u>	<u>405,821</u>
Increase (decrease) in cash	(282,755)	246,378
Cash and cash equivalents, Beginning of Year	<u>338,930</u>	<u>92,552</u>
Cash and cash equivalents, End of Year	<u>\$ 56,175</u>	<u>\$ 338,930</u>

NOTES TO THE FINANCIAL STATEMENTS





NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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. The financial statements will reflect a transition of revenues normally under Continuing Education tuition to Online tuition. This transition also reflects a significant reduction in adjunct faculty expenses for Continuing Education courses.

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, 2020

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 Uncollectable</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, 2020

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
December 31, 2020

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, 2020

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, 2020, the Company has no unrecognized tax benefits and the Company's statutes of limitations are closed for all federal and state tax years before 2016 and 2015, respectively. The Company is not currently under any Internal Revenue Service or state tax examination.

As of December 31, 2020, 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 \$6,857 and \$6,952 for the years December 31, 2020 and December 31, 2019, 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, 2020

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, 2019 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 \$196,350 and \$362,750 for the years ended December 31, 2020 and 2019, 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 rental income was paid to the shareholders from NMI in the amounts of \$72,000 and \$72,000 for the years ended December 31, 2020 and 2019 (respectively) for the 32 Washington Street property, \$36,000 and \$36,000 for the years ended December 31, 2020 and 2019 (respectively) for the 56 Main Street property, and \$42,000 and \$42,000 for the years ended December 31, 2020 and December 31, 2019 (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
December 31, 2020

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 included a one-year deferral period within which no payments are required to be made.

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, 2020 and \$300 at December 31, 2019.

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, 2020, the entity's carrying amount of deposits was \$56,175, including \$300 of petty cash and the bank balance was \$52,916. Of the bank balance, \$52,916 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
 December 31, 2020

Note 5: Accounts Receivable, net

Accounts receivable, net of allowances, as of December 31, 2020 is as follows:

	2020	(comparative) 2019
1 - 30 days	\$ 79,109	\$ 124,436
31 - 60 days	210,048	77,285
61 - 90 days	(24,159)	7,587
91 - 180 days	60,260	68,157
181 - 365 days	143,017	226,375
366 - 730 days	240,336	(63,411)
731 days+	<u>470,170</u>	<u>540,417</u>
Less: Allowance	<u>(121,492)</u>	<u>(117,573)</u>
	<u>\$ 1,057,289</u>	<u>\$ 863,273</u>

The largest amount due in the receivable account relates to student deferred tuitions as of December 31, 2020. The amount totaled \$469,547 at December 31, 2020.

The second largest vendor within the receivable account relates to the school affiliations billing as of December 31, 2020. The amount uncollected from "NMI Punjab, India" was \$104,854 at December 31, 2020. Against the amount uncollected of \$104,854 from "NMI Punjab, India", an allowance was recorded for 100% as those receivables fall into the "731 days +" category above. This allowance was recorded initially at December 31, 2015.

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, 2020

Note 6: Property and Equipment, net

Changes in property and equipment as of December 31, 2020, is as follows:

<u>2020</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>2019 (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	1,021,038	6,165	-	1,027,203	1,021,038
Boats	617,304	-	-	617,304	617,304
Equipment	1,018,229	17,943	-	1,036,172	1,018,229
Office equipment	416,218	-	-	416,218	416,218
Furniture & fixtures	233,380	1,000	-	234,380	233,380
Vehicles	105,069	-	-	105,069	105,069
Total assets being depreciated:	<u>5,788,359</u>	<u>25,109</u>	<u>-</u>	<u>5,813,468</u>	<u>5,788,359</u>
Total capital assets:	<u>\$ 5,862,109</u>	<u>\$ 25,109</u>	<u>\$ -</u>	<u>\$ 5,887,218</u>	<u>\$ 5,862,109</u>
Accumulated depreciation:					
Building	(161,282)	(55,578)	-	(216,860)	(161,282)
Leasehold improvements	(596,940)	(44,833)	-	(641,774)	(596,940)
Boats	(332,641)	(5,904)	-	(338,545)	(332,641)
Equipment	(1,012,935)	13,981	-	(998,954)	(1,012,935)
Office equipment	(282,642)	(40,978)	-	(323,619)	(282,642)
Furniture & fixtures	(172,009)	(8,039)	-	(180,048)	(172,009)
Vehicles	(106,776)	1,707	-	(105,069)	(106,776)
Total accumulated depreciation:	<u>(2,665,224)</u>	<u>(139,645)</u>	<u>-</u>	<u>(2,804,869)</u>	<u>(2,665,224)</u>
Total assets net of accumulated depreciation:	<u>\$ 3,196,885</u>	<u>\$ (114,536)</u>	<u>\$ -</u>	<u>\$ 3,082,346</u>	<u>\$ 3,196,885</u>



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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, 2020 is \$139,645.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 7: Disaggregation of Accounts Payable and Accrued Expenses

The balance in “accounts payable and accrued expenses” can be disaggregated as follows at December 31, 2020:

	<u>2020</u>	(comparative) <u>2019</u>
Bristol County Savings Credit Card	\$ 9,363	\$ 8,910
Accounts Payable	170,193	157,741
Misc Withholdings	3,374	3,083
Accrued Payroll Taxes	981	640
Accrued Payroll	<u>9,624</u>	<u>5,711</u>
Total	<u>\$ 193,535</u>	<u>\$ 176,085</u>

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, INC.
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2020

Note 8: Notes Payable and Long-Term Debt

Outstanding Notes and Long-Term Debt Payable

	Maturity Dates	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020	Principal due in 2021	Interest Paid in 2020
29-31 Center St. Note	7/28/2030	\$ 147,964	\$ -	\$ 9,884	\$ 138,080	\$ 10,196	\$ 9,524
2 Elm Ave. Note	10/18/2039	\$ 500,000	\$ -	\$ 12,628	487,372	\$ 15,712	\$ 19,225
PPP Loan	4/16/2022	-	151,800	151,800	-	-	-
		<u>\$ 647,964</u>	<u>\$ 151,800</u>	<u>\$ 174,312</u>	<u>\$ 625,452</u>	<u>\$ 25,908</u>	<u>\$ 28,749</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



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 9: Disaggregation of Deferred Revenues

The balance in “deferred revenues” can be disaggregated as follows at December 31, 2020:

	<u>2020</u>	(comparative) <u>2019</u>
Tuition - Continuing Ed.	\$ -	\$ 8,549
Tuition - Higher Ed.	171,645	334,905
Fees	5,205	3,600
Books	-	1,336
Housing	<u>20,500</u>	<u>-</u>
Total Deferred Revenue (net)	<u>\$ 197,350</u>	<u>\$ 348,390</u>

At December 31, 2020, deferred revenues represent amounts related to the spring semester for higher education as well as related fees and books.

Note 10: Rental and Lease Agreements

Rental Agreements

The Company rents its operating facility from its shareholders. Rent expense amounted to \$130,100 and \$187,800 for the years ended December 31, 2020 and 2019, 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 \$45,416 at December 31, 2020. The leases extend through May of 2023 and 2025.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 11: 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 \$221,817 and \$215,432 at December 31, 2020 and 2019, respectively.

Note 12: 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 2020 or 2019.



NORTHEAST MARITIME INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 13: 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 14: 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 June 25, 2021 (the date the financial statements were available to be issued) and concluded that the following subsequent events require disclosure:

Transas Accounts Payable 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 \$74,033.75. 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, 2020

Paycheck Protection Payment Loans:

NMI received a loan from Bristol County Savings Bank in the amount of \$151,800, issued under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 16, 2020. NMI applied for and has been notified that the entire amount of \$151,800 in eligible payroll expenses paid during the 24-week period following the date of the note, was forgiven on January 11, 2021. Loan forgiveness is reflected as other income in the statement of operations.

NMI received a second 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. No determination has been made as to whether NMI will be eligible for forgiveness, in whole or in part.

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SUPPLEMENTARY INFORMATION





NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF CHANGES IN OPERATING REVENUES
 Years Ended December 31, 2020 and December 31, 2019

	<u>2020</u>	<u>2019</u>	<u>2020 vs. 2019</u> <u>Change in \$</u>	<u>2020 vs. 2019</u> <u>Change in %</u>
<i>Continuing Education:</i>				
Tuition and Fees - Continuing Education	\$ 71,406	\$ 333,427	\$ (262,021)	-78.6%
Discounts - Continuing Education	(235)	(4,113)	3,878	-94.3%
<i>Higher Education:</i>				
Tuition and Fees - Higher Education	545,933	624,061	(78,128)	-12.5%
<i>Online Education</i>				
Tuition and Fees - NEMO Online	441,161	364,718	76,443	21.0%
<i>Materials Revenues:</i>				
Books	9,087	28,588	(19,501)	-68.2%
<i>Consulting Revenue:</i>				
Dominica Maritime Registry & Other	196,350	362,750	(166,400)	-45.9%
NMI Affiliation Fees	13,980	-	13,980	100.0%
Lodging Income	41,885	66,744	(24,859)	-37.2%
Rent Income	6,000	6,000	-	0.0%
Other Revenues	9,599	14,619	(5,020)	-34.3%
<i>Total Operating Revenue:</i>	<u>\$ 1,335,166</u>	<u>\$ 1,796,794</u>	<u>\$ (461,628)</u>	<u>-25.7%</u>

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NORTHEAST MARITIME INSTITUTE, INC.
SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
 Years Ended December 31, 2020 and December 31, 2019

	<u>2020</u>	<u>2019</u>	<u>2020 vs. 2019</u> <u>Change in \$</u>	<u>2020 vs. 2019</u> <u>Change in %</u>
Advertising	\$ 6,857	\$ 6,952	\$ (95)	-1.4%
Auto Expense	5,674	3,010	2,664	88.5%
Building Maintenance and Repair	14,747	18,431	(3,684)	-20.0%
Donations	-	275	(275)	-100.0%
Dues and Subscriptions	37,825	48,515	(10,690)	-22.0%
Equipment	18,550	20,716	(2,166)	-10.5%
Fees	41,923	52,743	(10,820)	-20.5%
Insurance	44,363	45,014	(651)	-1.4%
Lease Expense	772	29,461	(28,689)	-97.4%
Legal Fees	126	8,078	(7,952)	-98.4%
Meals and Entertainment	4,617	4,339	278	6.4%
Miscellaneous	8,865	30,298	(21,433)	-70.7%
Office Expense	27,435	11,015	16,420	149.1%
Other Payroll	334,491	336,402	(1,911)	-0.6%
Outside Labor	45,168	97,899	(52,731)	-53.9%
Postage and Supplies	1,994	2,244	(250)	-11.1%
Printing	5,139	10,539	(5,400)	-51.2%
Professional Fees	22,946	32,234	(9,288)	-28.8%
Reference/Educational Materials	442	2,488	(2,046)	-82.2%
Rent	130,100	187,800	(57,700)	-30.7%
SV Fritha Vessel Expenses	30,919	18,520	12,399	66.9%
Taxes	33,802	69,901	(36,099)	-51.6%
Telephone	24,171	22,433	1,738	7.7%
Travel Expense	6,733	12,687	(5,954)	-46.9%
Utilities	27,370	38,481	(11,111)	-28.9%
Water and Sewer	4,388	3,301	1,087	32.9%
	<u>\$ 879,417</u>	<u>\$ 1,113,776</u>	<u>\$ (234,359)</u>	<u>-21.0%</u>

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NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
 Years Ended December 31, 2020 and December 31, 2019

	<u>2020 Total</u>	<u>Higher Education</u>	<u>Continuing Education</u>	<u>% Higher Education</u>	<u>% Continuing Education</u>
<i>Income</i>					
Cont. Ed. - Tuition	\$ 50,217	\$ -	\$ 50,217	0%	100%
Cont. Ed. - Fees	21,189	-	21,189	0%	100%
Cont. Ed. - Books	9,087	-	9,087	0%	100%
Cont. Ed. - Tuition Discount	(235)	-	(235)	0%	100%
Certificates	5	-	5	0%	100%
Licensing Fees	75	-	75	0%	100%
Discount Clothing	(737)	-	(737)	0%	100%
Goods Sold	3,135	2,351	784	75%	25%
Tuition - H.Ed.	432,914	432,914	-	100%	0%
Fees - H.Ed.	16,954	16,954	-	100%	0%
Books - H. Ed.	3,180	3,180	-	100%	0%
Sage Scholars Tuition Discount	(1,375)	(1,375)	-	100%	0%
Work Study Credit	(2,475)	(2,475)	-	100%	0%
NMI Foundation Schol Funds	94,260	94,260	-	100%	0%
Lodging/Housing Income	41,885	41,885	-	100%	0%
Online Training Income	1,175	-	1,175	0%	100%
NEMO Online Tuition	362,728	-	362,728	0%	100%
NEMO Online Fees	78,433	-	78,433	0%	100%
FCC Exam	1,050	-	1,050	0%	100%
Consulting Income	196,350	-	196,350	0%	100%
Interest Income	26	-	26	0%	100%
Rent Income	6,000	-	6,000	0%	100%
Finance Charge Income	12	-	12	0%	100%
Postage and Handling Income	34	-	34	0%	100%
NMI Association Fee	13,980	-	13,980	0%	100%
Other Income-SBA PPP Funding	161,800	80,900	80,900	50%	50%
Other Income	40	-	40	0%	100%
Miscellaneous Income/Overages	7,285	3,643	3,643	50%	50%
Total Income	\$ 1,496,992	\$ 672,237	\$ 824,755	45%	55%
<i>Cost of Goods Sold</i>					
Cost of Goods Sold	5,951	2,976	2,976	50%	50%
Total COGS	\$ 5,951	\$ 2,976	\$ 2,976	50%	50%
Gross Profit	\$ 1,491,041	\$ 669,262	\$ 821,780	45%	55%



NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
Years Ended December 31, 2020 and December 31, 2019

	2020 Total	Higher Education	Continuing Education	% Higher Education	% Continuing Education
<i>Expenses</i>					
Management Salaries	\$ 41,895	\$ 27,651	\$ 14,244	66%	34%
Administrative Salaries	46,648	30,788	15,860	66%	34%
Higher Ed Faculty Salaries	194,329	194,329	-	100%	0%
Higher Ed Support	45,233	45,233	-	100%	0%
Consulting	7,870	-	7,870	0%	100%
Admission/Recruit/Registrar Sal	75,017	30,007	45,010	40%	60%
Maintenance Salaries	65,405	32,703	32,703	50%	50%
Multimedia Salaries	152,174	-	152,174	0%	100%
Vacation Pay Expense	7,404	3,702	3,702	50%	50%
Sick Pay Expense	3,815	1,908	1,908	50%	50%
Holiday Pay Expense	6,319	3,160	3,160	50%	50%
Employer SS Tax	33,405	21,713	11,692	65%	35%
Employer Medicare Tax	7,812	5,078	2,734	65%	35%
FUI Tax (FUTA)	728	473	255	65%	35%
MA Unemployment(SUI)	9,171	5,961	3,210	65%	35%
WI Unemployment(SUI)	427	278	149	65%	35%
CA Unemployment(SUI)	115	75	40	65%	35%
Employee Benefits	2,564	1,667	897	65%	35%
Group Health Insurance	3,325	2,161	1,164	65%	35%
Payroll Tax	1,122	729	393	65%	35%
Rent	55,450	13,863	41,588	25%	75%
Rent Main Street	27,000	6,750	20,250	25%	75%
Offsite Facility Rental	16,150	1,777	14,374	11%	89%
Rent - Bluepoint Road	31,500	7,875	23,625	25%	75%
Building, M&R, Security	14,747	6,636	8,111	45%	55%
Equipment - Teaching Equipment	3,318	1,493	1,825	45%	55%
Small Vessel Maint. & Repair	3,742	1,684	2,058	45%	55%
Equipment - Office Lease	772	-	772	0%	100%
Util/Dock for Vessels	9,982	4,492	5,490	45%	55%
Large Vessel M&R	16,823	7,570	9,253	45%	55%
Office Expenses	2,091	941	1,150	45%	55%
Office Expense - Utilities	27,370	9,032	18,338	33%	67%
Office Expense - Water & Sewer	4,388	1,448	2,940	33%	67%
Office Expense - Telephone	24,171	7,976	16,195	33%	67%
Office Expense - Cleaning	7,347	-	7,347	0%	100%
Office Expense - Dues & Subscr	37,825	12,482	25,343	33%	67%
Office Expense -Office Supplies	384	173	211	45%	55%
Office Expense -COVID19 Related	2,597	1,299	1,299	50%	50%
Office Expense-Refer/Educ Mats	442	199	243	45%	55%
Professional Devpt	15,016	4,054	10,962	27%	73%
Office Expense - Printing	5,139	2,313	2,826	45%	55%
Office Expense-Postage & Shipp	1,994	897	1,097	45%	55%
Office Expense-Small Off.Equip.	1,508	-	1,508	0%	100%
Office Expense-Meals&Entertain	4,617	-	4,617	0%	100%



NORTHEAST MARITIME INSTITUTE, INC.
DETAILED SCHEDULE OF REVENUES AND EXPENSES BY DEPARTMENT
 Years Ended December 31, 2020 and December 31, 2019

	<u>2020 Total</u>	<u>Higher Education</u>	<u>Continuing Education</u>	<u>% Higher Education</u>	<u>% Continuing Education</u>
<i>Expenses (continued)</i>					
Insurance - Business Insurance	30,675	13,804	16,871	45%	55%
Insurance - Workers Comp	6,257	2,816	3,441	45%	55%
Insurance - Auto Insurance	2,604	1,172	1,432	45%	55%
Insurance - Fritha	14,096	6,343	7,753	45%	55%
Insurance - Navigator	4,828	2,173	2,655	45%	55%
Taxes	32,683	10,785	21,898	33%	67%
Fees - Professional Fees	2,052	677	1,375	33%	67%
Fees - Accounting Fees	20,894	6,895	13,999	33%	67%
Fees - Legal Fees	126	57	69	45%	55%
Fees - Credit Card Process Fees	25,068	6,267	18,801	25%	75%
Fees - Bank Charges Exchange Fe	5,155	1,289	3,866	25%	75%
Fees - Finance and Late Charges	1,439	648	791	45%	55%
Fees - Licenses & Fees	1,065	479	586	45%	55%
Fees - Drug Test & Physical	2,343	1,054	1,289	45%	55%
Fees - Interest Expense	34,020	8,505	25,515	25%	75%
Fees - COVID-19 Testing	1,000.00	450	550	45%	55%
Adjunct Professor - H.E. (FS)	35,750	35,750	-	100%	0%
Fees - Student Recruitment Exp	5,853	5,853	-	100%	0%
1099s - Medical Care	1,170	-	1,170	0%	100%
1099s-Contracted Labor	1,511	-	1,511	0%	100%
1099s-Consulting General	3,450	1,553	1,898	45%	55%
1099s-Adj Instructor/Faculty	22,700	-	22,700	0%	100%
1099s-Course Development	8,468	1,016	7,452	12%	88%
Trade relations	718	323	395	45%	55%
Auto Expense	5,674	2,553	3,121	45%	55%
Travel Exp - Corporate Travel	6,733	1,683	5,050	25%	75%
Student Exp - Lodging	5,982	5,982	-	100%	0%
Student Exp - Graduation	833	833	-	100%	0%
Student Exp - FieldTrips,Events	631	631	-	100%	0%
Student Exp - Athletic Teams	700	700	-	100%	0%
Advertising & Marketing	6,857	3,086	3,771	45%	55%
Miscellaneous Expense/Underages	-	-	-	0%	0%
Inventory Adjustment	385	173	212	45%	55%
Corporate Tax Expense	619	279	340	45%	55%
Corporate State Fees	500	225	275	45%	55%
Depreciation	139,651	34,913	104,738	25%	75%
Bad Debt Expense	11,439	5,148	6,291	45%	55%
Total Expense	\$ 1,463,080	\$ 664,680	\$ 798,400	45%	55%
Net Income	\$ 27,961	\$ 4,582	\$ 23,379	16%	84%