

Financial Statements and Report of Independent Certified Public Accountants

National Aviation Research and
Technology Park, Inc.
(A Component Unit of Stockton University)

June 30, 2021 and 2020

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Report of Independent Certified Public Accountants

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Board of Directors
National Aviation Research and Technology Park, Inc.

We have audited the accompanying financial statements of National Aviation Research and Technology Park, Inc. ("NARTP"), a component unit of Stockton University, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities 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, completeness, and accuracy of the accounting estimates and related disclosures. The auditor's responsibility is to express an opinion on the financial statements based on the audit evidence obtained. The auditor's responsibility is not to detect fraud or error, whether or not it is material, unless it is specifically identified by the auditor. The auditor's responsibility is not to detect fraud or error, whether or not it is material, unless it is specifically identified by the auditor.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Aviation Research and Technology Park, Inc. as of June 30, 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.



Philadelphia, Pennsylvania

November 5, 2021

| | 2021 | 2020 |
|---------------------------------------|-------------|-------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 258,000 | \$ 273,899 |
| Other receivable | - | 2,500 |
| Prepaid expenses | 17,567 | 900 |
| Total current assets | 275,567 | 277,299 |
| Property and equipment, net | 32,732 | 35,837 |
| Total assets | \$ 308,299 | \$ 313,136 |
| LIABILITIES AND NET DEFICIT | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 28,799 | \$ 8,090 |
| Due to University | - | 2 |
| Deferred revenue | 271,060 | 293,500 |
| Total current liabilities | 299,859 | 301,592 |
| Noncurrent liabilities | | |
| Interest payable to University | 284,203 | 242,544 |
| Loans payable | 3,267,467 | 3,155,852 |
| Total noncurrent liabilities | 3,551,670 | 3,398,396 |
| Total liabilities | 3,851,529 | 3,699,988 |
| Net deficit | | |
| Without donor restriction | (3,543,230) | (3,386,852) |
| Total net deficit | (3,543,230) | (3,386,852) |
| Total liabilities and net deficit | 3,699,988 | 3,699,988 |

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STATEMENTS OF ACTIVITIES

Years ended June 30,

| | 2021 | 2020 |
|-----------------------------------|----------------|----------------|
| Revenues and other support | | |
| Grant revenue | \$ 297,439 | \$ 17,810 |
| Contribution revenue | 5,033 | 806,789 |
| In-kind revenue | 69,722 | 133,496 |
| Total revenues and other support | 372,194 | 958,095 |
| Expenses | | |
| Program expenses | 458,850 | 2,614,497 |
| In-kind expense | 69,722 | 133,496 |
| Total expenses | 528,572 | 2,747,993 |
| Change in net deficit | (156,378) | (1,789,898) |
| Net deficit | | |
| Beginning of year | (3,386,852) | (1,596,954) |
| End of year | \$ (3,543,230) | \$ (3,386,852) |

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. For the year ended June 30, 2021, COVID-19 continued to cause disruption, and until recently was showing signs of improvement. While the disruption is currently expected to be temporary, there is uncertainty around the duration. NARTP does not expect this matter to negatively impact its financial position for the year ending June 30, 2022.

Pending Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02, as amended, is effective for years beginning after December 15, 2021. An entity is required to apply the amendments in ASU 2016-02 under the modified retrospective transition approach. This approach includes a number of optional practical expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current U.S. GAAP, unless the lease is modified. However, lessees are required to recognize on the balance sheet leased assets and liabilities for operating leases at each reporting date. NARTP does not anticipate that the adoption of ASU 2016-02 will have a significant effect on its financial statements.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

| | 2021 | 2020 |
|--------------------------------|------------------|------------------|
| Depreciable assets: | | |
| Infrastructure | \$ 29,391 | \$ 29,391 |
| Equipment | 11,445 | 11,445 |
| | <u>40,836</u> | <u>40,836</u> |
| Total property and equipment | | |
| | <u>40,836</u> | <u>40,836</u> |
| Less: Accumulated depreciation | <u>(8,104)</u> | <u>(4,999)</u> |
| | <u>\$ 32,732</u> | <u>\$ 35,837</u> |
| Property and equipment, net | | |

Depreciation expense for both years ended June 30, 2021 and 2020 was \$3,105.

NOTE D - LOANS PAYABLE

NARTP has a \$1,500,000 Commercial Line Note (the “Loan”) from the University. Under the terms of the Loan, as amended, NARTP pays interest to the University on the outstanding and unpaid principal amount of the Loan at an adjustable interest rate of the 30-yea

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

continue monthly thereafter until May 1, 2044, the Loan's maturity date. The Loan is secured by the assets of NARTP. For the years ended June 30, 2021 and 2020, the related party interest expense on the Loan was \$41,659 and \$51,727, respectively.

On September 28, 2018, the Casino Reinvestment Development Authority ("CRDA") agreed to lend an amount equal to \$2,674,000 to NARTP for the purposes of funding a portion of the construction of 66,000 square feet of laboratories, public-private security

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following balances as of June 30 are settled during the normal course of operations:

| | 2021 | 2020 |
|--------------------------------|------------|------------|
| Due to University | | |
| Due to University | \$ - | \$ 2 |
| Interest payable to University | 284,203 | 242,544 |
| Total due to University | \$ 284,203 | \$ 242,546 |

NOTE G - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural classification for the year ended June 30, 2021 are as follows:

| | Program Expenses | | In-Kind Expense | Total Expenses Year Ended June 30, 2021 |
|---------------------------|------------------------------|------------|---------------------------|---|
| | Research Park Development | Grant | Management and General | |
| Salaries and benefits | \$ - | \$ 10,000 | \$ - | \$ 10,000 |
| Professional fees | 87,661 | 228,238 | - | 315,899 |
| Insurance | - | 1,258 | - | 1,258 |
| Depreciation | 3,105 | - | - | 3,105 |
| Occupancy | - | 35,000 | 49,871 | 84,871 |
| Printing and publications | - | 28 | - | 28 |
| Loan interest | 70,645 | - | - | 70,645 |
| Other expenses | - | 22,915 | 19,851 | 42,766 |
| Total expenses | \$ 161,411 | \$ 297,439 | \$ 69,722 | \$ 528,572 |

Expenses by functional and natural classification for the year ended June 30, 2020 are as follows:

| | Program Expenses | | In-Kind Expense | Total Expenses Year Ended June 30, 2020 |
|--------------------------------------|------------------------------|-----------|---------------------------|---|
| | Research Park Development | Grant | Management and General | |
| Salaries and benefits | \$ - | \$ - | \$ 65,841 | \$ 65,841 |
| Professional fees | 2,512,803 | 4,499 | - | 2,517,302 |
| Insurance | - | 6,779 | - | 6,779 |
| Depreciation | 3,105 | - | - | 3,105 |
| Occupancy | - | - | 49,871 | 49,871 |
| Travel, conferences, and meetings | - | 471 | - | 471 |
| Printing and publications | - | 619 | - | 619 |
| Loan interest | 80,560 | - | - | 80,560 |
| Other expenses | 219 | 5,442 | 17,784 | 23,445 |
| Total expenses | \$ 2,596,687 | \$ 17,810 | \$ 133,496 | \$ 2,747,993 |

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

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NOTE H - LIQUIDITY AND AVAILABILITY OF RESOURCES

NARTP's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30:

| | 2021 | 2020 |
|--|------------|------------|
| Cash | \$ 258,000 | \$ 273,899 |
| Other receivable | - | 2,500 |
| Total financial assets available within one year | \$ 258,000 | \$ 276,399 |

NARTP's cash position is impacted by the timing of the receipt of grant payments. As part of NARTP's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

In addition to its work at the Research Park, NARTP continues to seek additional revenue and support through existing operations including memberships, rental fees for the use of its facilities, fees for services and additional various public funding sources. The ACIA grant in the amount of \$300,000 annually for a five-year period through and including the year ending June 30, 2021 was extended. This new agreement was increased to \$400,000 annually and extended for an additional five-year period through and including the year ending June 30, 2026. Additionally, in October 2020, NARTP received a new grant from the State of New Jersey DCA in the amount of \$250,000 for a 13-month period ending December 31, 2021. NARTP plans to effectively continue its operations using these grant funds, professional services support from the ACEA, and its efforts under the new building project approved in August 2021, upon completion of which NARTP will generate additional rental income from tenants of the building (see Note J).

NOTE I - LEASES

The Research Park is located on land owned by the FAA. NARTP is authorized to develop, manage and operate the Research Park under the terms of its 2015 Master Lease and Memorandum of Agreement with the FAA which has a term through August 17, 2065 (the "FAA Lease"). Pursuant to a partial assignment of NARTP's rights under the FAA Lease to ACIA and a 2016 Assignment and Construction Agreement between ACIA and NARTP, ACIA constructed the first building at the Research Park and leased it to various tenants engaged in aviation research and technology, one of which is NARTP. As part of the 2016 Assignment and Construction Agreement, NARTP assigned all of its lessee rights under the FAA Lease for the Research Park land to ACIA.

NARTP recorded in-kind occupancy expense for the FAA Lease as well as the ACIA building lease of \$49,871 in both the years ended June 30, 2021 and 2020.

On June 6, 2020, NARTP requested the approval of ACIA to sublease a portion of the space to Atlantic County Economic Alliance ("ACEA"). As a condition of that approval, for as long as ACEA remains in the space, NARTP agrees to pay ACIA \$35,000 per year in lieu of rent ("PILOT"). NARTP recorded \$35,000 of PILOT expenses which are included within program expenses on the statement of activities for the year ended June 30, 2021. The lease between ACIA and NARTP for NARTP's space in the Research Park's first building was extended on June 6, 2021 through June 5, 2022.

