

Financial Statements and Report of  
Independent Certified Public  
Accountants

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

June 30, 2023 and 2022

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

### **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 US GAAS 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 US GAAS, 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 NARTP's internal



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**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

|                                       | <b>2023</b> | <b>2022</b> |
|---------------------------------------|-------------|-------------|
| <b>ASSETS</b>                         |             |             |
| <b>Current assets</b>                 |             |             |
| Cash                                  | \$ 693,110  | \$ 555,251  |
| Grant receivable                      | 2,913       | 42,200      |
| Other receivable                      | -           | 11          |
| Prepaid expenses                      | 28,164      | 113,194     |
| Total current assets                  | 724,187     | 710,656     |
| Property and equipment, net           | 101,235     | 106,275     |
| Total assets                          | \$ 825,422  | \$ 816,931  |
| <b>LIABILITIES AND NET DEFICIT</b>    |             |             |
| <b>Current liabilities</b>            |             |             |
| Accounts payable and accrued expenses | \$ 12,661   | \$ 58,385   |
| Deferred revenue                      | 735,819     | 676,564     |
| Total current liabilities             | 748,480     | 734,949     |
| <b>Noncurrent liabilities</b>         |             |             |
| Interest payable to University        | 367,521     | 325,862     |
| Loans payable                         | 3,325,467   | 3,296,466   |
| Total noncurrent liabilities          | 3,692,988   | 3,622,328   |
| Total liabilities                     | 4,441,468   | 4,357,277   |
| <b>Net deficit</b>                    |             |             |
| Without donor restriction             | (3,616,046) | (3,540,346) |
| Total net deficit                     | (3,616,046) | (3,540,346) |
| Total liabilities and net deficit     | \$ 825,422  | \$ 816,931  |

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

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**STATEMENTS OF ACTIVITIES**

**Years ended June 30,**

|                                   | <u>2023</u>                  | <u>2022</u>                  |
|-----------------------------------|------------------------------|------------------------------|
| <b>Revenues and other support</b> |                              |                              |
| Grant revenue                     | \$ 694,464                   | \$ 686,696                   |
| In-kind revenue                   | <u>67,658</u>                | <u>69,561</u>                |
| Total revenues and other support  | 762,122                      | 756,257                      |
| <b>Expenses</b>                   |                              |                              |
| Program expenses                  | 770,164                      | 683,812                      |
| In-kind expense                   | <u>67,658</u>                | <u>69,561</u>                |
| Total expenses                    | <u>837,822</u>               | <u>753,373</u>               |
| <b>CHANGE IN NET DEFICIT</b>      | (75,700)                     | 2,884                        |
| <b>Net deficit</b>                |                              |                              |
| Beginning of year                 | <u>(3,540,346)</u>           | <u>(3,543,230)</u>           |
| End of year                       | <u><u>\$ (3,616,046)</u></u> | <u><u>\$ (3,540,346)</u></u> |

|  | <b>2023</b> |    | <b>2022</b> |
|--|-------------|----|-------------|
| <b>Cash flows from operating activities:</b>                           |             |    |             |
| Change in net deficit  | \$ (75,700) | \$ | 2,884       |
| Adjustments to reconcile change in net deficit to net cash provided by |             |    |             |





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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

professional services from ACEA, are reported as contributions at their fair value based on current rates for similar services if such services 1) create or enhance nonNm 0 TwtrviceTrvinc9inc9inc9lte2 (nc9ienha)6ity (IN).401 0 Td[b

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

FAA NextGen initiatives at the Tech Center in Egg Harbor Township, New Jersey (the "Research Park"). The loan bears no interest and will be due and payable in full on October 1, 2050. The CRDA loan was executed in conjunction with a cooperation agreement between CRDA, FAA, ACIA, and NARTP. The cooperation agreement provides for terms of revenue sharing of any future income generated by the Research Park, none of which was generated during the years ended June 30, 2023 or 2022.

NARTP has imputed interest on the interest free CRDA loan at a rate of 3.71%, which is based on the 30-year U.S. Treasury rate upon the execution of the CRDA loan document.

Loans payable consist of the following at June 30:

|                                     | 2023         | 2022         |
|-------------------------------------|--------------|--------------|
| University loan                     | \$ 1,441,700 | \$ 1,441,700 |
| CRDA loan                           | 2,674,000    | 2,674,000    |
|                                     | 4,115,700    | 4,115,700    |
| Less: original issue discount, net  | (727,615)    | (754,316)    |
| Less: deferred financing costs, net | (62,618)     | (64,918)     |
|                                     | \$ 3,325,467 | \$ 3,296,466 |

**NOTE E - CONCENTRATION OF RISK**

NARTP maintains its cash and cash equivalents in bank deposits, which at times may exceed federally insured limits. NARTP has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE F - RELATED-PARTY TRANSACTIONS**

NARTP is not under the common control of the University's Board of Trustees (the "Trustees"). A separate Board of Directors (the "Board") has oversight responsibility for NARTP and acts independently of the University. The Board includes members from the University community. The Board has 20 members, including two students of the University, one member of the Trustees and two administrators from the University. The remaining 15 members of the Board are leaders from the local community.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE H - LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

|                  | 2023       | 2022       |
|------------------|------------|------------|
| Cash             | \$ 693,110 | \$ 555,251 |
| Grant receivable | 2,913      | 42,200     |
| Other receivable | -          | 11         |
|                  | \$ 696,023 | \$ 597,462 |

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. 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.

On August 18, 2021, NARTP entered into a Qualified Opportunity Zone Project Agreement with the ACIA, ACEA, and Atlantic County 03 Fund, LLC ("AC03") for the development and construction of the Research Park's next building. On April 6, 2023, NARTP entered into an Assignment and Release Agreement with AC03. As part of this next building project, NARTP also entered into a new Assignment and Construction Agreement with AC03 on 12/16/23. It is anticipated that the assignment and release agreement will be completed by the end of 2023.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 statements of activities for the years ended June 30, 2023 and 2022. The lease between ACIA and NARTP for NARTP's space in the Research Park's first building was extended to August 14, 2024.

NARTP and ACEA are party to an October 12, 2019 Memorandum of Understanding for the provision of certain administrative and professional services by ACEA for NARTP. NARTP recorded \$198,512 and \$208,113 of professional fees to ACEA which are included within program expenses on the statements of activities for the years ended June 30, 2023 and 2022, respectively.

**NOTE J - SUBSEQUENT EVENTS**

NARTP evaluated subsequent events through October 20, 2023, which is the date the financial statements were available to be issued.

On July 27, 2023, NARTP and the University entered into a Reorganization Agreement whereby NARTP agreed to take such action as necessary or appropriate to reorganize NARTP as a separate not-for-profit organization and nullify NARTP's status as an auxiliary organization of the University and the University agreed, subject to the approval of its Board of Trustees, to forgive the outstanding principal balance and accrued and unpaid interest on its loan to NARTP.

On June 27, 2023, the Board of Directors for NARTP approved the Second Amended and Restated Certificate of Incorporation to eliminate its auxiliary status and reorganize NARTP as a separate not-for-profit organization and in connection therewith, NARTP satisfied all the terms and conditions set forth in the Reorganization Agreement.

On September 20, 2023, the Board of Directors for NARTP approved the Third Amended and Restated Certificate of Incorporation to eliminate its auxiliary status and reorganize NARTP as a separate not-for-profit organization and in connection therewith, NARTP satisfied all the terms and conditions set forth in the Reorganization Agreement.