

Financial Statements and Report of
Independent Certified Public
Accountants

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

June 30, 2020 and 2019

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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, 2020 and 2019, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter regarding going concern

The accompanying financial statements have been prepared assuming that NARTP will continue as a going concern. As discussed in Note H to the financial statements, NARTP increased net deficit by \$1,789,898 during the year ended June 30, 2020, and as of that date, its current liabilities exceeded its current assets by \$24,293 and its total liabilities exceeded its total assets by \$3,386,852, and there exists substantial doubt about NARTP's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note H. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**National Aviation Research and Technology Park, Inc.
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STATEMENTS OF FINANCIAL POSITION

June 30,

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 273,899	\$ 48,458
Grant receivable	-	138,690
Other receivable	2,500	7,459
Prepaid expenses	900	375
Total current assets	277,299	194,982
PROPERTY AND EQUIPMENT, net	35,837	38,942
Total assets	\$ 313,136	\$ 233,924
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 8,090	\$ 214,339
Due to University	2	104,716
Deferred revenue	293,500	-
Total current liabilities	301,592	319,055
NONCURRENT LIABILITIES		
Interest payable to University	242,544	190,817
Loans payable	3,155,852	1,321,006
Total noncurrent liabilities	3,398,396	1,511,823
Total liabilities	3,699,988	1,830,878
NET DEFICIT		
Without donor restriction	(3,386,852)	(1,596,954)
Total net deficit	(3,386,852)	(1,596,954)
Total liabilities and net deficit	\$ 313,136	\$ 233,924

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

	2020		2019
REVENUES AND OTHER SUPPORT			
Grant revenue	\$ 17,810	\$	289,833
Memberships	-		22,916

National Aviation Research and Technology Park, Inc.

	2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net deficit	\$ (1,789,898)	\$	(195,911)
Adjustments to reconcile change in net deficit to net cash (used in) provided by operating activities:			
Depreciation expense	3,105		1,758
Amortization of deferred financing costs and loan payable discount	28,832		2,262
Contribution revenue	(806,789)		(22,956)
Changes in assets and liabilities:			
Grant receivable	138,690		10,166
Other receivable	4,959		(5,375)
Prepaid expenses	(525)		4,548
Accounts payable and accrued expenses	(206,249)		108,565
Due to University	(4,714)		70,100
Deferred revenue	293,500		-
Interest payable to University	51,727		58,213
Net cash (used in) provided by operating activities	(2,287,362)		31,370
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	-		(40,836)
Net cash used in investing activities	-		(40,836)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	2,512,803		50,000
Net cash provided by financing activities	2,512,803		50,000
Increase in cash	225,441		40,534
CASH			
Beginning of year	48,458		7,924
End of year	\$ 273,899	\$	48,458
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY			
Change in property and equipment additions in accounts payable	\$ -	\$	11,445
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY			
University advance applied to loan payable	\$ 100,000	\$	-

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION

On September 18, 2013, the National Aviation Research and Technology Park of New Jersey, Inc. became an auxiliary organization of Stockton University (the "University") for the purpose of supporting the teaching and learning mission of the University under the Public College Auxiliary Organization Act, N.J.S.A. 18A:64-26 et seq. (the "ACT") as the Stockton Aviation Research a

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Memberships

NARTP offers memberships to any academic, industry, government, individual or organization that can support the advancement of aviation through res

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE D - LOANS PAYABLE

Loans payable consist of the following at June 30, 2020 and 2019:

	2020	2019
University loan	\$ 1,441,700	\$ 1,341,700
CRDA loan, net of unamortized discount of \$802,672 and \$22,418 at June 30, 2020 and 2019, respectively	1,783,666	51,117
	3,225,366	1,392,817
Less: Deferred financing costs, net	(69,514)	(71,811)
	\$ 3,155,852	\$ 1,321,006

NARTP has a \$1,500,000 Commercial Line Note (the "Loan") from the University. Under the terms of the Loan, NARTP pays interest to the University on the outstanding and unpaid principal amount of the Loan at an adjustable interest rate of the 30-year U.S. Treasury Note rate plus 150 basis points. During the year ended June 30, 2020, NARTP's \$100,000 University advance (see Note F) was added to the outstanding loan balance from the University. The rates as of June 30, 2020 and 2019, were 2.85% and 4.31%, respectively. Under the terms of the Loan, payment of the Loan balance is not required until April 2044. The Loan is secured by the assets of NARTP and was available for draws until June 30, 2019 through an amendment to the Loan agreement executed on September 19, 2019. For the years ended June 30, 2020 and 2019, the related party interest expense on the Loan was \$51,727 and \$58,213, 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 interfaces, and research and development space for the FAA Next Gen initiatives at the Tech Center in Egg Harbor Township, New Jersey (the "Research Park"). The remaining loan proceeds are held in trust by a third party until submission of reimbursement by the Atlantic County Improvement Authority. 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, the Atlantic County Improvement Authority ("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, 2020 or 2019.

NARTP has imputed interest on this interest free obligation 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. Contribution revenue of \$806,789 and \$22,956 was recorded for the years ended June 30, 2020 and 2019, respectively, for the difference between the proceeds drawn and their fair value, after imputing interest.

NOTE E - CONCENTRATION OF RISK

NARTP maintains its cash and cash equivalents in bank deposits, which at times may exceed federally

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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

