

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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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the financial statements of National Aerospace Research and Technology Park, Inc. ("NARTP"), a component unit of Stockton University, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NARTP as of June 30, 2023 and 2022, and the changes in its net deficit 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 NARTP 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 NARTP's ability to continue as a going concern for one year after the date the financial statements are 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 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 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 NARTP'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.

Grant Thornton LLP

Philadelphia, Pennsylvania
October 20, 2023

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

STATEMENTS OF FINANCIAL POSITION

June 30,

	2023	2022
ASSETS		
Current assets		
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
LIABILITIES AND NET DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	\$ 12,661	\$ 58,385
Deferred revenue	735,819	676,564
Total current liabilities	748,480	734,949
Noncurrent liabilities		
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
Net deficit		
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.

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

STATEMENTS OF ACTIVITIES

Years ended June 30,

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

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

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

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
Cash flows from operating activities:		
Change in net deficit	\$ (75,700)	\$ 2,884
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation expense	5,040	3,911
Amortization of deferred financing costs and loan payable discount	29,001	28,999
Changes in assets and liabilities:		
Grant receivable	39,287	(42,200)
Other receivable	11	(11)
Prepaid expenses	85,030	(95,627)
Accounts payable and accrued expenses	(45,724)	29,586
Deferred revenue	59,255	405,504
Interest payable to University	41,659	41,659
	<u>137,859</u>	<u>374,705</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	-	(77,454)
	<u>-</u>	<u>(77,454)</u>
Net cash used in investing activities		
	<u>-</u>	<u>(77,454)</u>
INCREASE IN CASH	137,859	297,251
Cash:		
Beginning of year	555,251	258,000
	<u>555,251</u>	<u>258,000</u>
End of year	\$ 693,110	\$ 555,251
	<u>\$ 693,110</u>	<u>\$ 555,251</u>

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE A - DESCRIPTION OF THE ORGANIZATION

On September 18, 2013, the National Aerospace Research and Technology Park of New Jersey, Inc. ("NARTP") 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 University serves as the lead agency in the development of a 58-acre aviation research and technology park for the purposes of developing aviation related educational programs and fostering aviation related research. NARTP will expand opportunities for the University's students and faculty to participate in aviation research and other related teaching and scholarly work, in addition to effective utilization of partnerships, which contribute to the economic development of surrounding communities, the region and the State of New Jersey. As part of its agreement with the University, NARTP is responsible for development and management services with respect to the development of the 58-acre research park. Adjacent to the Federal Aviation Administration ("FAA") William J. Hughes Technical Center, the site will include over 400,000 square feet of research and office space in seven buildings at completion. The facility could generate more than 2,000 high paying technical jobs related to research and development of the advanced technologies, innovations, and product commercialization for aviation and air traffic control, including the integration of uncrewed aircraft systems into the National Airspace Systems.

The purpose of NARTP is to conduct research and development and to promote concept and product development using emerging technologies in a laboratory and operational environment. NARTP is a focal point for interaction and innovation among researchers, academia, government and private industry in developing the next generation air traffic control system ("NextGen"), which is critical to our nation's aviation system.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

NARTP's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). US GAAP also requires that net assets and revenues, gains, expenses, and losses be classified as with or without donor restriction based on the existence or absence of donor-imposed restrictions. There are no net assets with donor restrictions as of June 30, 2023 and 2022.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Internal Revenue Service has classified NARTP as a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and as a public charity under Section 509(a)(1) of the Code. The State of New Jersey Division of Taxation has determined that NARTP be exempt from New Jersey income tax, as well as Sales and Use Tax for purchases directly related to the purposes for which NARTP was formed and purchased with NARTP's funds. NARTP follows the Financial Accounting Standards Board ("FASB") guidance that requires a tax position to be recognized or derecognized based on a more likely than not threshold to be sustained if the position were to be challenged

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

NARTP does not believe its financial statements include any material uncertain tax positions for which recognition or disclosure is warranted. No interest or penalties were recognized in 2023 or 2022.

NARTP is exempt from federal income taxation, but it may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code.

Property and Equipment, Net

Property and equipment, net is carried at historical cost, less accumulated depreciation. NARTP provides for depreciation of its property and equipment by the use of the straight-line method over the estimated useful lives of its assets. The estimated useful lives used in computing the depreciation provisions and the capitalization thresholds are as follows:

<u>Asset Category</u>	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Infrastructure	20 to 40 years	\$ 10,000
Equipment	3 to 15 years	5,000

Grant Revenue

NARTP receives grants under agreements with sponsors and recognizes revenues as related costs are incurred. NARTP was awarded a grant from the Atlantic County Improvement Authority ("ACIA") in the amount of \$400,000 annually for a five-year period through and including the year ending June 30, 2026. On October 1, 2020, NARTP was awarded a State of New Jersey Department of Community Affairs ("DCA") grant in the amount of \$250,000 for a nine-month period through June 30, 2021, which was extended on June 29, 2021 to December 31, 2021. This grant was then extended on February 10, 2022 to March 31, 2022. On July 1, 2021, NARTP was awarded another State of New Jersey DCA grant in the amount of \$750,000 for a 12-month period through June 30, 2022, which was extended on June 7, 2022 to December 31, 2022. On June 15, 2022, NARTP entered a pass-through agreement with Atlantic County Economic Alliance ("ACEA") to receive a portion of their USEDA Prime Grant for Aviation-Related Statewide Planning in the amount of \$29,370 for an 18-month period through December 31, 2023.

NARTP's conditional grants from the ACIA and ACEA are contingent upon NARTP meeting certain barriers which include carrying out certain activities and incurring qualified expenditures stipulated by the grants. As of June 30, 2023, amounts that may be received from such awards are estimated to be approximately \$1,208,451.

Contributed Nonfinancial Assets

NARTP receives several types of contributed nonfinancial assets on an annual basis including space/rent and services. These nontangible contributed nonfinancial assets are recognized as income in the period they are received and recorded as part of management and general expenses upon use and based upon the nature of the nontangible contributed nonfinancial asset. Contributed financial assets did not have donor-imposed restrictions.

Contributed space/rent is recorded at fair value at the date of donation as support and revenue without donor restrictions unless the use of such contributed assets is restricted by a donor-imposed restriction. In valuing contributed space/rent, NARTP utilizes broker quotes or published pricing sources to estimate fair value for comparable facilities in the applicable real estate market. Contributed services, which include

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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 nonfinancial assets, or 2) would typically need to be purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills.

For the years ended June 30, 2023 and 2022, such contributed nonfinancial assets recognized within the statements of activities consisted of the following:

	2023	2022
Space/rent (FAA and ACIA leases)	\$ 49,871	\$ 49,871
Services (ACEA)	17,787	19,690
	\$ 67,658	\$ 69,561

NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment, net at June 30 consisted of the following:

	2023	2022
Depreciable assets:		
Infrastructure	\$ 106,845	\$ 106,845
Equipment	11,445	11,445
Total property and equipment	118,290	118,290
Less: accumulated depreciation	(17,055)	(12,015)
	\$ 101,235	\$ 106,275

Depreciation expense for the years ended June 30, 2023 and 2022 was \$5,040 and \$3,911, respectively.

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-year U.S. Treasury Note rate plus 150 basis points. The rate as of both June 30, 2023 and 2022 was 2.85%. Under the terms of the Loan, payment of the principal balance is not required until May 1, 2044 which is the maturity date of the Loan. Payment of the interest shall be deferred until the earlier of 1 year following the first building securing a tenant in the Aerospace Research and Technology Park or April 10, 2024, which is 10 years from the date of the first advance under the Loan (the "Deferment Period"). At the end of the Deferment Period, interest only will be due on the outstanding principal balance at the interest rate, payable monthly in arrears, and interest payments shall continue monthly thereafter until May 1, 2044, the Loan's maturity date. The Loan is secured by the assets of NARTP. For both years ended June 30, 2023 and 2022, the related party interest expense on the Loan was \$41,659.

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

**National Aerospace Research and Technology Park, Inc.
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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.

**National Aerospace Research and Technology Park, Inc.
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE G - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural classification for the year ended June 30, 2023 are as follows:

	Program Expenses		In-kind Expense	Total Expenses
	Research Park Development	Grant	Management and General	Year Ended June 30, 2023
Professional fees	\$ -	\$ 513,233	\$ -	\$ 513,233
Insurance	-	8,599	-	8,599
Depreciation	5,040	-	-	5,040
Occupancy	-	35,000	49,871	84,871
Travel, conferences, and meetings	-	720	-	720
Printing and publications	-	8	-	8
Loan interest	70,661	-	-	70,661
Other expenses	-	136,903	17,787	154,690
	<u>\$ 75,701</u>	<u>\$ 694,463</u>	<u>\$ 67,658</u>	<u>\$ 837,822</u>

Expenses by functional and natural classification for the year ended June 30, 2022 are as follows:

	Program Expenses		In-kind Expense	Total Expenses
	Research Park Development	Grant	Management and General	Year Ended June 30, 2022
Professional fees	\$ -	\$ 530,942	\$ -	\$ 530,942
Insurance	-	3,007	-	3,007
Depreciation	3,911	-	-	3,911
Occupancy	-	35,000	49,871	84,871
Travel, conferences, and meetings	-	812	-	812
Printing and publications	-	24	-	24
Loan interest	70,659	-	-	70,659
Other expenses	-	39,457	19,690	59,147
	<u>\$ 74,570</u>	<u>\$ 609,242</u>	<u>\$ 69,561</u>	<u>\$ 753,373</u>

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

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 ACIA under which it assigned certain of its rights under the FAA lease to ACIA, who will be responsible for the construction of the building itself. NARTP also entered into a multi-party Cooperation Agreement regarding the financing, design, construction, leasing, and operation of the new building.

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 revenue and expense for the FAA Lease as well as the ACIA building lease of \$49,871 in both the years ended June 30, 2023 and 2022.

**National Aerospace Research and Technology Park, Inc.
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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 University's Board of Trustees approved and authorized the forgiveness of the outstanding principal balance and accrued and unpaid interest on its loan to NARTP effective September 30, 2023. In addition, the University's Board of Trustees approved the assignment to NARTP of all of the University's interests in and to the aviation and research technology park pursuant to a General Assignment, and the transfer to NARTP of all accounts and assets of NARTP that are held or maintained by the University.