

Financial Statements and Report of
Independent Certified Public
Accountants

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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, 2022 and 2021, 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, 2022 and 2021, 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 requir



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.

Philadelphia, Pennsylvania
November 9, 2022

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

STATEMENTS OF FINANCIAL POSITION

June 30,

	2022	2021
ASSETS		
Current assets		
Cash	\$ 555,251	\$ 258,000
Grant receivable	42,200	-
Other receivable	11	-
Prepaid expenses	113,194	17,567
Total current assets	710,656	275,567
Property and equipment, net	106,275	32,732
Total assets	\$ 816,931	\$ 308,299
 LIABILITIES AND NET DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	\$ 58,385	\$ 28,799
Deferred revenue	676,564	271,060
Total current liabilities	734,949	299,859
Noncurrent liabilities		
Interest payable to University	325,862	284,203
Loans payable	3,296,466	3,267,467
Total noncurrent liabilities	3,622,328	3,551,670
Total liabilities	4,357,277	3,851,529
Net deficit		
Without donor restriction	(3,540,346)	(3,543,230)
Total net deficit	(3,540,346)	(3,543,230)
Total liabilities and net deficit	\$ 816,931	\$ 308,299

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

	2022		2021
Revenues and other support			
Grant revenue	\$ 686,696	\$	297,439
Contribution revenue	-		5,033
In-kind revenue	69,561		

National Aerospace Research and Technology Park, Inc.

	2022	2021
Cash flows from operating activities		
Change in net deficit	\$ 2,884	\$ (156,378)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities		
Depreciation expense	3,911	3,105
Amortization of deferred financing costs and loan payable discount	28,999	23,953
Contribution revenue	-	(5,033)
Changes in assets and liabilities		
Grant receivable	(42,200)	-
Other receivable	(11)	2,500
Prepaid expenses	(95,627)	(16,667)
Accounts payable and accrued expenses	29,586	20,709
Due to University	-	(2)
Deferred revenue	405,504	(22,440)
Interest payable to University	41,659	41,659
Net cash provided by (used in) operating activities	374,705	(108,594)
 Cash flows from investing activities		
Purchases of property and equipment	(77,454)	-
Net cash used in investing activities	(77,454)	-
 Cash flows from financing activities		
Proceeds from loans	-	92,695
Net cash provided by financing activities	-	92,695
 INCREASE (DECREASE) IN CASH	 297,251	 (15,899)
 Cash		
Beginning of year	258,000	273,899
End of year	\$ 555,251	\$ 258,000

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Contributed space/rent is recorded

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE C - PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>
Depreciable assets:		

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June 30, 2022 and 2021

Loans payable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
University loan	\$ 1,441,700	\$ 1,441,700
CRDA loan	<u>2,674,000</u>	<u>2,674,000</u>
	4,115,700	4,115,700
Less: original issue discount, net	(754,316)	(781,017)
Less: deferred financing costs, net	<u>(64,918)</u>	<u>(67,216)</u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

	Program Expenses		In-Kind Expense	Total Expenses
	Research Park Development	Grant	Management and General	Year Ended June 30, 2021
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
	<u>\$ 161,411</u>	<u>\$ 297,439</u>	<u>\$ 69,722</u>	<u>\$ 528,572</u>

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:

	2022	2021
Cash	\$ 555,251	\$ 258,000
Grant receivable	42,200	-
Other receivable	11	-
	<u>\$ 597,462</u>	<u>\$ 258,000</u>

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 for the development and construction of the Research Park's next building. 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. The Cooperation Agreement provides for terms of revenue sharing of any future income generated by the new building at the Research Park, whereby NARTP will be entitled to 12.5% of the residual income generating by leasing the building. These

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June 30, 2022 and 2021

payments will commence upon 95% occupancy of the building or the second anniversary of the completion of the project, whichever comes first.

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, 2022 and 2021.

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, 2022 and 2021. The lease between ACIA and NARTP for NARTP's space in the Research Park's first building was extended on June 6, 2022 through June 5, 2023.

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 \$208,113 and \$166,254 of professional fees to ACEA which are included within program expenses on the statements of activities for the years ended June 30, 2022 and 2021, respectively.

NOTE J - SUBSEQUENT EVENTS

NARTP evaluated subsequent events through November 9, 2022, which is the date the financial statements were available to be issued. NARTP is not aware of any subsequent events that would require recognition