

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

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 of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 5, 2021

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

STATEMENTS OF FINANCIAL POSITION

June 30,

	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	\$ 308,299	\$ 313,136

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

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

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.

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

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net deficit	\$ (156,378)	\$ (1,789,898)
Adjustments to reconcile change in net deficit to net cash used in operating activities:		
Depreciation expense	3,105	3,105
Amortization of deferred financing costs and loan payable discount	23,953	28,832
Contribution revenue	(5,033)	(806,789)
Changes in assets and liabilities:		
Grant receivable	-	138,690
Other receivable	2,500	4,959
Prepaid expenses	(16,667)	(525)
Accounts payable and accrued expenses	20,709	(206,249)
Due to University	(2)	(4,714)
Deferred revenue	(22,440)	293,500
Interest payable to University	41,659	51,727
	(108,594)	(2,287,362)
Cash flows from financing activities:		
Proceeds from loans	92,695	2,512,803
	92,695	2,512,803
	(15,899)	225,441
CASH		
Beginning of year	273,899	48,458
End of year	\$ 258,000	\$ 273,899
Supplemental disclosure of noncash financing activity:		
University advance applied to loan payable	\$ -	\$ 100,000

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

**National Aviation Research and Technology Park, Inc.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - DESCRIPTION OF THE ORGANIZATION

On September 18, 2013, the National Aviation 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 ("U.S. GAAP"). U.S. 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, 2021 and 2020.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 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 2021 or 2020.

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

Property and equipment 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. Initially, NARTP was awarded a grant from the Atlantic County Improvement Authority ("ACIA") in the amount of \$300,000 annually for a five-year period through and including the year ending June 30, 2021. On July 1, 2021, NARTP was awarded an extension of this grant in an increased amount of \$400,000 annually for an additional 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. NARTP has recognized grant revenue of \$297,439 and \$17,810 for the years ended June 30, 2021 and 2020, respectively.

NARTP's conditional grants from the ACIA and DCA are contingent upon NARTP meeting donor-imposed barriers which include carrying out certain activities and incurring qualified expenditures stipulated by the grants. As of June 30, 2021, amounts that may be received from such awards is estimated to be approximately \$2,275,000.

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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
Total property and equipment	40,836	40,836
Less: Accumulated depreciation	(8,104)	(4,999)
Property and equipment, net	\$ 32,732	\$ 35,837

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-year U.S. Treasury Note rate plus 150 basis points. The rate as of both June 30, 2021 and 2020 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 Aviation Research and Technology Park or April 10, 2024, which is 10 years from the date of the first advance under the Loan (the Deferral Period). At the end of the Deferral Period, interest only will be due on the outstanding principal balance at the interest rate, payable monthly in arrears, and interest payments shall

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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 interfaces, and research and development space for the 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, 2021 or 2020.

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. Contribution revenues of \$5,033 and \$806,789 were recorded for the years ended June 30, 2021 and 2020, respectively, for the difference between the proceeds drawn and their fair value, after imputing interest.

Loans payable consist of the following at June 30:

	2021	2020
University loan	\$ 1,441,700	\$ 1,441,700
CRDA loan, net of unamortized discount of \$781,017 and \$802,672 at June 30, 2021 and 2020, respectively	1,892,983	1,783,666
	3,334,683	3,225,366
Less: Deferred financing costs, net	(67,216)	(69,514)
	\$ 3,267,467	\$ 3,155,852

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, 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

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

June 30, 2021 and 2020

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 \$166,254 of professional fees to ACEA which are included within program expenses on the statement of activities for the year ended June 30, 2021.

NOTE J - SUBSEQUENT EVENTS

NARTP evaluated subsequent events through November 5, 2021, which is the date the financial statements were available to be issued.

In addition to the subsequent events disclosed in Notes B, H, and I, 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 payments will commence upon 95% occupancy of the building or the second anniversary of the completion of the project, whichever comes first.