



SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.
(A Component Unit of Rowan University)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.
(A Component Unit of Rowan University)

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
South Jersey Technology Park at Rowan University, Inc.

Opinion

We have audited the financial statements of the South Jersey Technology Park at Rowan University, Inc. (SJTP), a component unit of Rowan University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise SJTP's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SJTP as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SJTP 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.

Emphasis of Matter

As discussed in note 1(b)(viii) to the financial statements, in 2022, SJTP adopted Governmental Accounting Standards Boards (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 SJTP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 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 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 SJTP'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 SJTP'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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Short Hills, New Jersey
November 22, 2022

Management's Discussion and Analysis (Unaudited)

Introduction

This section of South Jersey Technology Park at Rowan University, Inc.'s (SJTP) financial statements presents our discussion and analysis of SJTP's financial performance as of the fiscal years ended for June 30, 2022 and 2021, and comparative amounts as of and for the year ended June 30, 2020. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with SJTP's basic financial statements, which follow this section.

Basic Financial Statements

SJTP's basic financial statements include three financial statements: statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows, which have been prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). These statements present SJTP's operations and focus on its assets, liabilities, deferred inflows of resources, revenues, expenses and cash flows on an entity-wide basis. The basic financial statements also include notes to the financial statements.

Statement of Net Position

The statement of net position presents the assets, liabilities, and net position of SJTP as of the end of the fiscal year. The statement of net position is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of SJTP. The statement of net position presents end-of-the-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), deferred inflows of resources, and net position (assets minus liabilities minus deferred inflows of resources).

Net position is one indicator of the current financial condition of SJTP and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of SJTP. They are also able to determine how much SJTP owes vendors, investors and lending institutions. Finally, the statement of net position provides a picture of the net position and its availability for expenditure by SJTP.

Net position of SJTP is divided into two major categories. The first category, net investment in capital assets, provides SJTP's equity in the property, plant and equipment owned by SJTP. The second category is unrestricted net position. Unrestricted net position is available to SJTP for any lawful purpose of SJTP.

Management's Discussion and Analysis (Unaudited)

A condensed summary of SJTP's assets, liabilities, deferred inflows of resources and net position as of June 30, 2022, 2021, and 2020 is as follows:

Condensed Statement of Net Position (in thousands)			
	2022	2021	2020*
Current assets	\$ 2,272	\$ 2,189	\$ 1,528
Noncurrent assets	28,434	29,759	10,327
Total assets	30,706	31,948	11,855
Current liabilities	463	457	574
Noncurrent liabilities	6,789	7,183	4,849
Total liabilities	7,252	7,640	5,423
Deferred inflows of resources	16,645	17,719	—
Net position:			
Net investment in capital assets	5,028	5,044	4,964
Unrestricted	1,780	1,544	1,468
Total net position	\$ 6,808	\$ 6,588	\$ 6,432

*Amounts not restated for GASB Statement No. 87, *Leases* (GASB 87).

Current assets consist of cash and cash equivalents and the current portion of lease receivables, as well as other receivables and other assets. Noncurrent assets consist of capital assets and lease receivables. Current liabilities consist of accounts payable and accrued expenses, accrued interest payable, and the current portion of long term debt; noncurrent liabilities consist of long term debt. Deferred inflows of resources consist of deferred amounts for leases to be recognized in future periods.

Fiscal Year 2022 Compared to Fiscal Year 2021

The increase in current assets is primarily attributable to an increase of \$49 in cash and cash equivalents and an increase of \$34 in lease receivables, offset by a decrease of \$3 in receivables and other assets. The decrease of \$1,324 in noncurrent assets is due to a decrease of \$821 in lease receivable due to the now current portion as of June 30, 2022 and capital assets decrease of \$503 due to depreciation.

The increase in current liabilities is due to a decrease of \$4 in accounts payable and accrued expenses and an increase of \$10 in long-term debt – current portion. Noncurrent liabilities decreased \$393 due to the pay down of debt.

Deferred inflows of resources decreased \$1,074 as a result of the amortization of the deferred inflow-leases into revenue.

Total net position increased \$220. Within total net position, net investment in capital assets decreased \$16 and unrestricted net position increased \$236.

Fiscal Year 2021 Compared to Fiscal Year 2020

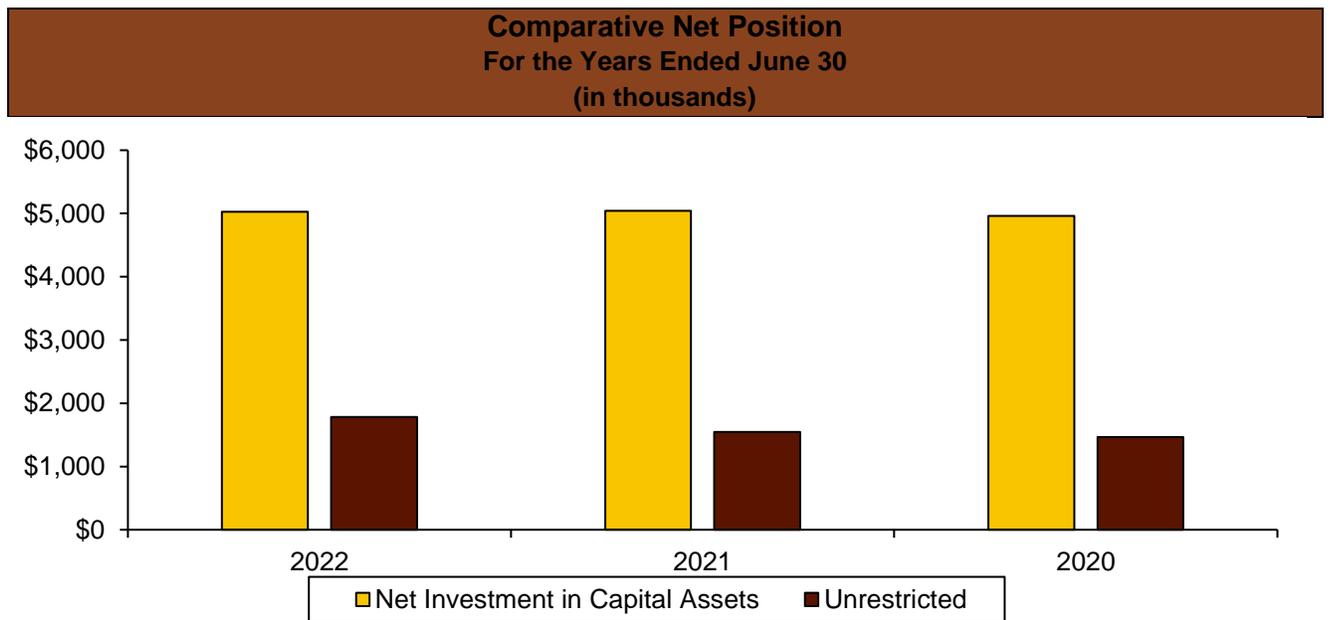
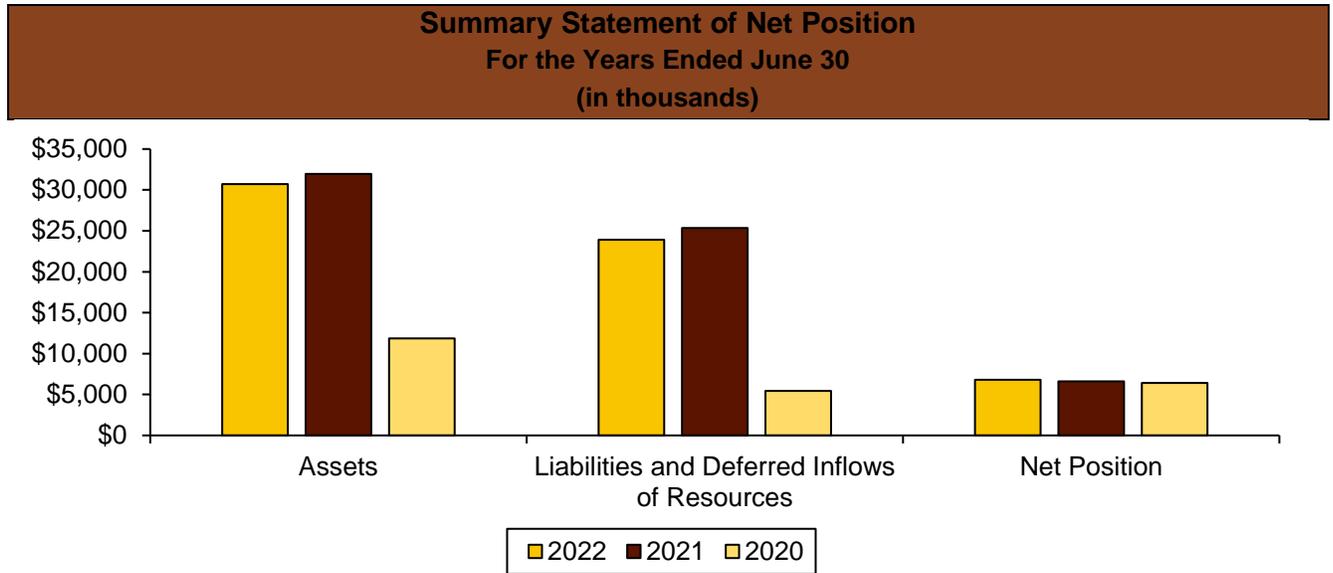
The increase in current assets is attributed to an increase of \$787 in lease receivables due to the implementation of GASB 87, offset by a decrease of \$135 in cash and cash equivalents.

Management's Discussion and Analysis (Unaudited)

Within noncurrent assets, lease receivables increased \$17,251 due to the implementation of GASB 87 and capital assets increase of \$2,180 which is primarily due to the intangible right-of-use asset increase of \$2,692, offset by \$69 of depreciation.

The decrease in current liabilities is due to a decrease of \$103 in accounts payable and accrued expenses along with a decrease of \$9 in long-term debt – current portion. Noncurrent liabilities increased \$2,334 due to the lease liabilities of \$2,692 resulting from the implementation of GASB 87 offset by the pay down of debt.

Deferred inflows of resources increased \$17,719 for leases as a result of the implementation of GASB 87.



Management's Discussion and Analysis (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the statement of net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues received by SJTP, both operating and nonoperating, and the expenses paid by SJTP, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by SJTP.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of SJTP. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of SJTP. Nonoperating revenues and expenses are revenues and expenses received for which goods and services are not provided, for example, interest and dividend income, other income and interest expense. The statement of revenues, expenses, and changes in net position present SJTP's results of operations.

A summary of SJTP's revenues, expenses, and changes in net position for the years ended June 30, 2022, 2021, and 2020 is as follows:

Statement of Revenue, Expenses, and Changes in Net Position			
(in thousands)			
	2022	2021	2020*
Operating revenues:			
Rental income	\$ 1,085	\$ 1,074	\$ 1,186
Total operating revenues	1,085	1,074	1,186
Operating expenses:			
Materials and supplies	3	3	6
Professional and other services	597	635	593
Depreciation	503	520	442
Total operating expenses	1,103	1,158	1,041
Operating (loss) income	(18)	(84)	145
Nonoperating revenues (expenses):			
Interest and dividends	1	4	12
Lease interest income	430	449	—
Interest on long-term debt	(193)	(217)	(155)
Other income	—	4	30
Net nonoperating revenues (expenses)	238	240	(113)
Increase in net position	220	156	32
Net position as of beginning of year (as restated)	6,588	6,432	6,400
Net position as of end of year	\$ 6,808	\$ 6,588	\$ 6,432

*Amounts not restated for GASB 87.

Management's Discussion and Analysis (Unaudited)

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenues increased \$11 primarily due to an increase in rental rates. Operating expenses decreased \$55. Within operating expenses, professional and other services decreased \$38 and depreciation expense decreased \$17.

The decrease in professional and other services expense is primarily due to a decrease of \$35 in legal fees, an increase in utilities of \$38 and a decrease of \$47 in repairs.

Interest and dividends revenue decreased \$3. Lease interest income decreased \$19 due to the amortization of the building lease. Interest paid on the long-term debt decreased \$24 due to the interest rate renegotiation of the bond in fiscal year 2021.

Fiscal Year 2021 Compared to Fiscal Year 2020

Operating revenues decreased \$112 as a result of the implementation of GASB 87. Operating expenses increased \$117. Within operating expenses, materials and supplies decreased \$3, professional and other services increased \$42 and depreciation expense increased \$78.

The increase in professional and other services expense is primarily due to an increase of \$20 in legal fees, an increase in utilities of \$15 and an increase of \$63 in repairs offset by a \$50 decrease as a result of the change in the land lease expense presentation for GASB 87.

Interest and dividends revenue decreased \$8. Interest paid on the long-term debt increased \$62 as a result of an increase in lease interest of \$82 offset by a decrease of \$21 due to the interest rate renegotiation of the bond. Other income decreased \$26 due to the end of a one-year external project assistance agreement. Lease interest income increased \$449 as a result of the implementation of GASB 87

The increase in depreciation expense is primarily due to an increase of \$69 for the addition of intangible lease assets and \$25 for the addition of the HVAC improvement project placed in service in 2020, offset by a decrease of \$17 for equipment.

Capital Assets and Debt Activity

As of June 30, 2022 and 2021, SJTP had \$5,028 and \$5,044, respectively in net investment in capital assets. Outstanding long-term debt as of June 30, 2022 is \$7,183, compared to \$7,566 as of June 30, 2021.

Significant transactions related to capital assets and long-term debt that occurred during fiscal year 2022 and 2021 were as follows:

In fiscal year 2021, SJTP renegotiated the interest rate on the long-term private placement bond held by TD Bank. The interest rate decreased from 3.45% to 2.37% as of November 1, 2020 and is effective until fiscal year 2031.

Future Outlook

The SJTP completed construction of its building in fiscal year 2009. That building, the Samuel H. Jones Innovation Center, has been fully leased since January 1, 2010. SJTP revenues are based on rental income from the tenants of this building. In accordance with the lease, this revenue is expected to increase modestly each year over the near future. The second-floor tenant terminated its lease early as of July 15, 2016. Beginning July 16, 2016, Rowan University assumed the lease for the second floor of the Innovation Center.

SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.
(A Component Unit of Rowan University)

Statements of Net Position

June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,316,456	1,267,467
Due from Rowan University	132,863	129,460
Lease receivables	821,450	787,352
Receivables and other assets	1,459	4,666
Total current assets	2,272,228	2,188,945
Noncurrent assets:		
Lease receivables	16,430,117	17,251,567
Capital assets (note 4)	12,004,113	12,507,173
Total noncurrent assets	28,434,230	29,758,740
Total assets	30,706,458	31,947,685
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (note 5)	62,351	65,878
Accrued interest payable	7,646	8,123
Long-term debt – current portion (note 6)	393,236	383,356
Total current liabilities	463,233	457,357
Noncurrent liabilities:		
Long-term debt (note 6)	6,789,400	7,182,636
Total noncurrent liabilities	6,789,400	7,182,636
Total liabilities	7,252,633	7,639,993
Deferred Inflows of Resources		
Deferred inflows of resources:		
Leases	16,645,373	17,719,268
Total deferred inflows of resources	16,645,373	17,719,268
Net Position		
Net investment in capital assets	5,027,876	5,043,850
Unrestricted	1,780,576	1,544,574
Total net position	\$ 6,808,452	6,588,424

See accompanying notes to the financial statements.

SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.
(A Component Unit of Rowan University)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Rental income (notes 3 and 7)	\$ 1,084,902	1,073,895
Total operating revenues	1,084,902	1,073,895
Operating expenses:		
Materials and supplies	3,220	2,630
Professional and other services (note 3)	597,039	635,302
Depreciation (note 4)	503,060	520,207
Total operating expenses	1,103,319	1,158,139
Operating loss	(18,417)	(84,244)
Nonoperating revenues (expenses):		
Interest and dividends	1,072	4,544
Lease interest income	430,708	449,586
Interest on long-term debt	(193,335)	(217,332)
Other income	—	3,695
Net nonoperating revenues	238,445	240,493
Increase in net position	220,028	156,249
Net position as of beginning of year	6,588,424	6,432,175
Net position as of end of year	\$ 6,808,452	6,588,424

See accompanying notes to the financial statements.

SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.
(A Component Unit of Rowan University)

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Rental income	\$ 1,084,902	1,073,895
Payments to suppliers	(603,982)	(639,724)
Net cash provided by operating activities	480,920	434,171
Cash flows from capital and related financing activities:		
Principal paid on long term debt	(383,356)	(367,893)
Leases	144,165	129,935
Interest paid on capital debt	(193,812)	(221,692)
Purchases of capital assets	—	(117,400)
Other income	—	3,695
Net cash used by financing activities	(433,003)	(573,355)
Cash flows from investing activities:		
Interest and dividends	1,072	4,544
Net increase (decrease) in cash and cash equivalents	48,989	(134,640)
Cash and cash equivalents as of beginning of the year	1,267,467	1,402,107
Cash and cash equivalents as of end of the period	\$ 1,316,456	1,267,467
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (18,417)	(84,244)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	503,060	520,207
Changes in assets and liabilities:		
Due from Rowan University	(3,403)	(5,790)
Receivables and other assets	3,207	(2,733)
Accounts payable and accrued expenses	(3,527)	6,731
Net cash provided by operating activities	\$ 480,920	434,171
Supplemental disclosures of cash flow information:		
Changes in accounts payable and accrued expenses for capital	\$ —	(109,900)

See accompanying notes to the financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

South Jersey Technology Park at Rowan University, Inc. (SJTP) was established and is being maintained as part of the economic outreach vision of Rowan University (the University). The mission of the SJTP is to expand and strengthen the unique research and learning environment of Rowan University, establish a technology-based entrepreneurial community and create value for its surrounding communities in their economic, physical and social development. The members of the Board of Directors of SJTP are appointed by the Board of Trustees of the University. SJTP is considered a component unit of the University and is discretely presented in the University's financial statements. SJTP is an organization described under Section 501(c)(3) of the Internal Revenue Code and therefore exempt from Federal income taxes under Section 501(a) of the Code.

(b) Summary of Significant Accounting Policies

(i) Basis of Presentation

The accounting policies of SJTP conform to U.S. generally accepted accounting principles. SJTP reports are based on applicable GASB pronouncements.

SJTP reports its net position in the following categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- *Unrestricted:* Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors.

(ii) Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting utilizing the economic resources measurement focus. SJTP reports as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

(iii) Cash and Cash Equivalents

SJTP classifies as cash equivalents, funds that are in short-term, highly liquid investments and are readily convertible to known amounts of cash.

(iv) *Capital Assets (excluding intangible right-to-use lease)*

Capital assets include buildings, building improvements, and equipment, net of accumulated depreciation. Such assets are recorded at historical cost. Building improvements and bulk equipment with a unit cost under \$5,000, costing over \$50,000, as well as equipment with a unit cost over \$5,000 are capitalized. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Capital assets are depreciated over their estimated useful lives using the straight-line method.

	<u>Useful lives</u>
Buildings	20–40 years
Equipment	2–20 years

(v) *Leases*

SJTP is a lessee for a noncancelable lease of land and a lessor for a noncancelable building lease.

For all other leases, other than short term leases, SJTP recognizes a lease liability and an intangible right-of-use asset as a lessee or a lease receivable and a deferred inflow of resources as a lessor.

Measurement of Lease Amounts

At lease commencement, as a lessee, SJTP initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If SJTP is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

At lease commencement, as a lessor, SJTP initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, less lease payments received at or before the lease commencement date, less any lease incentives paid to, or on behalf of, the lessee at or before the lease commencement date. Subsequently, the deferred inflow of resources is amortized into rental income on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Amounts associated with a purchase option are recognized as a receivable and an inflow of resources when the option is exercised.

Key Estimates and Judgements

Key estimates and judgements include how SJTP determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

- SJTP generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor/vendor charges is known. The incremental borrowing rate estimate is provided by an external financial advisor. SJTP's incremental borrowing rate for

leases is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments under similar terms at the commencement or remeasurement date. These rates are tax-exempt and are also applied to lessees of SJTP in line with the mission to foster economic development.

- The lease term includes the noncancelable period of the lease, plus any additional periods covered by either a SJTP or lessor/lessee unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both SJTP and the lessor/lessee have an option to terminate or if both parties have to agree to extend are excluded from the lease term.
- Payments are evaluated by SJTP to determine if they should be included in the measurement of the lease, including those payments that require a determination of whether they are reasonably certain of being made, such as purchase options or payments for termination penalties.

Remeasurement of Leases

SJTP monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease, the liability is remeasured and a corresponding adjustment is made to the lease asset.

Presentation in Statement of Net Position

Lease intangible right-of-use assets are reported within capital assets and lease liabilities are reported with long-term debt in the statement of net position.

(vi) Classification of Revenue and Expenses

SJTP's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve SJTP's principal purpose and generally result from exchange transactions. Examples would include rental income and expenses related to acquiring or producing goods and services provided in return for the operating revenue. Nonoperating activities have the characteristics of nonexchange transactions, such as transfers from the University and the University's component units, and interest and dividend income, other income and interest expense.

(vii) Accounting Pronouncements Applicable to SJTP, Issued but Not Yet Effective

SJTP has evaluated issued pronouncements not yet effective and determined they will not have a material impact. SJTP will continue to evaluate all pronouncements as they are issued to determine applicability.

(viii) New Accounting Standard Adopted

In June 2017, the GASB issued GASB 87. This statement improves accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of GASB 87 resulted in an initial lease receivable of \$18,793,163 with an equivalent deferred inflow of resources and a right-of-use lease asset of \$2,692,397 with an equivalent lease liability at July 1,

2020. The beginning net position of fiscal 2022 was increased by \$216,984 as a result of the implementation of GASB 87.

Statement of Revenue, Expenses and Changes in Net Position			
Restatement Changes for GASB 87			
	2021 prior to Restatement	2021 As Restated	Restatement Change
Rental income	\$ 1,203,830	1,073,895	(129,935)
Professional and other services	685,302	635,302	(50,000)
Depreciation	451,171	520,207	69,036
Lease interest income	—	449,586	449,586
Interest on long term debt	(133,701)	(217,332)	(83,631)
Net Impact of restatement			\$ 216,984

(ix) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

(2) Cash and Cash Equivalents

Custodial credit risk associated with SJTP's cash and cash equivalents includes uninsured and uncollateralized deposits that exceed FDIC insurance coverage limits. SJTP's bank deposits as of June 30, 2022 and 2021 were partially insured by Federal Depository Insurance in the amount of \$250,000 in 2022 and 2021. SJTP's bank deposits as of June 30, 2022 and 2021 were \$1,326,555 and \$1,299,154 respectively, leaving uninsured and uncollateralized balances of \$1,076,555 and \$1,049,154.

(3) Related Party Transactions

(a) Lease Agreements

In fiscal year 2008, the University Board of Trustees approved a long-term lease agreement for the SJTP to use a parcel of land owned by the University. The lease commenced on January 1, 2008 and is for 50 years with a renewal term of 20 years. Under the lease agreement, SJTP paid \$50,000 per year as of June 30, 2022 and 2021. The rental payment is subject to GASB 87, as such the interest portion of the payment is included in interest on long-term debt in the accompanying statements of revenues, expenses, and changes in net position for fiscal years 2022 and 2021. The lease is also included in the accompanying statements of net position as discussed in note 1(b)(v).

The University Board of Trustees approved a lease agreement by and between the University and the SJTP to lease the first floor of the Samuel H. Jones Innovation Center to support its educational mission. Beginning July 16, 2016, the University also assumed the lease for the second floor of the Innovation Center. For the years ended June 30, 2022 and 2021, SJTP recognized \$1,084,902 and \$1,073,895, respectively, in rental income related to this lease agreement. The University also reimbursed SJTP \$220,265 and \$181,796 for utility charges associated with this lease for fiscal years 2022 and 2021, respectively.

(b) Business Operating Agreement

SJTP and the University entered into a business operating agreement for the University to provide certain services and functions to SJTP. SJTP pays the University for these services and functions which include salaries and benefits of employees who perform functions for SJTP, accounting services, custodial services, repairs and maintenance, and other indirect charges. The charges amounted to \$409,542 and \$455,830 for fiscal years 2022 and 2021, respectively and are reflected in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net position.

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2022 and 2021 follows:

	Capital Assets				
	2022	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Nondepreciable assets:					
Construction in progress	\$	7,500	—	—	7,500
Total nondepreciable assets		7,500	—	—	7,500
Depreciable assets:					
Building		14,503,055	—	—	14,503,055
Equipment		102,852	—	(102,852)	—
Right-of-use assets		2,692,397	—	—	2,692,397
Total depreciable assets		17,298,304	—	(102,852)	17,195,452
Less accumulated depreciation:					
Building		4,626,743	434,025	—	5,060,768
Equipment		102,852	—	(102,852)	—
Right-of-use assets		69,036	69,035	—	138,071
Total accumulated depreciation		4,798,631	503,060	(102,852)	5,198,839
Total capital assets, net excluding right-of-use assets	\$	9,883,812	(434,025)	—	9,449,787
Right-of-use assets, net (Note 8)					2,554,326
Total capital assets, net as reported in the statement of net position					12,004,113

2021	Capital Assets			
	Beginning balance	Additions/Transfers	Deletions/transfers	Ending balance
Nondepreciable assets:				
Construction in progress	\$ —	7,500	—	7,500
Total nondepreciable assets	—	7,500	—	7,500
Depreciable assets:				
Building	14,503,055	—	—	14,503,055
Equipment	102,852	—	—	102,852
Right-of-use assets	—	2,692,397	—	2,692,397
Total depreciable assets	14,605,907	2,692,397	—	17,298,304
Less accumulated depreciation:				
Building	4,192,717	434,026	—	4,626,743
Equipment	85,707	17,145	—	102,852
Right-of-use assets	—	69,036	—	69,036
Total accumulated depreciation	4,278,424	520,207	—	4,798,631
Total capital assets, net excluding right-of-use assets	\$ 10,327,483	(443,671)	—	9,883,812
Right-of-use assets, net (Note 8)				2,623,361
Total capital assets, net as reported in the statement of net position				12,507,173

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of amounts due to vendors totaling \$62,351 and \$65,878 for June 30, 2022 and 2021, respectively.

(6) Long-Term Debt

In October 2010, the Gloucester County Improvement Authority (GCIA) issued a private placement bond purchased by TD Bank on behalf of SJTP in the amount of \$6,120,000. \$6,000,000 of the proceeds was used to repay SJTP debt to Rowan University. An additional \$120,000 was financed to pay costs associated with the financing. The twenty-five year tax-exempt bond matures on November 1, 2035. Interest on the bond was calculated for the first ten years at a fixed rate of 3.45% per annum. The interest rate on the bond was renegotiated effective November 1, 2020. The fixed rate is now 2.37% per annum. The rate will be renegotiated in fiscal year 2031. In the event that there is a determination of taxability the rate shall increase to 5.00% per annum.

Aggregate principal and interest repayments, using fixed interest rates in effect as of June 30, 2022, required during the next five fiscal years and in five year increments thereafter are as follows as of June 30, 2022:

Long Term Debt Principle and Interest Repayments				
	Interest rate	Principal amount	Interest amount	Total amount
Year ending June 30:				
2023	2.00-2.37%	\$ 427,483	99,685	527,168
2024	2.00-2.37%	437,130	90,038	527,168
2025	2.00-2.37%	446,996	80,172	527,168
2026	2.37%	266,041	71,827	337,868
2027	2.37%	272,504	65,364	337,868
2028–2032	2.37%	1,465,108	224,232	1,689,340
2033–2037	2.37%	1,106,649	47,146	1,153,795
		<u>\$ 4,421,911</u>	<u>678,464</u>	<u>5,100,375</u>

Changes in long-term obligations for the year ended June 30, 2022 and 2021 are as follows:

2022					
Long-term Obligations Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Private Placement, GCIA	\$ 4,112,842	—	241,684	3,871,158	247,555
Rowan University	727,121	—	176,368	550,753	179,928
Leases	2,726,029	—	(34,696)	2,760,725	(34,247)
Total long-term liabilities	7,565,992	—	383,356	7,182,636	393,236
Total long-term liabilities excluding leases	<u>4,839,963</u>	—	418,052	4,421,911	427,483
Lease liabilities				2,760,725	(34,247)
Total long-term liabilities as reported in the statement of net position				<u>\$ 7,182,636</u>	<u>393,236</u>

2021					
Long-term Obligations Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Private Placement, GCIA	\$ 4,341,488	—	228,646	4,112,842	241,684
Rowan University	900,000	—	172,879	727,121	176,368
Leases	—	2,692,397	(33,632)	2,726,029	(34,696)
Total long-term liabilities	5,241,488	2,692,397	367,893	7,565,992	383,356
Total long-term liabilities excluding leases	<u>5,241,488</u>	—	401,525	4,839,963	418,052
Lease liabilities				2,726,029	(34,696)
Total long-term liabilities as reported in the statement of net position				<u>\$ 7,565,992</u>	<u>383,356</u>

The SJTP's building and all improvements are considered collateral for the private placement bond with GCIA noted above. SJTP's agreement with GCIA includes a listing of events of default that could result in finance-related consequences, such as acceleration clauses and surrender of the collateral.

The SJTP does not have any open lines of credit.

(7) Rental Income

The SJTP leased space to two tenants under operating lease arrangements. Rowan University leases the first floor of the Samuel H. Jones Innovation Center to support its educational mission for a thirty year lease term expiring December 31, 2037. The second floor of the Samuel H. Jones Innovation Center was leased to another tenant for a lease term of seven years, which terminated early as of July 15, 2016, when it was assumed by Rowan University at the same square footage rate as the first floor of the building.

On January 1st of each year during the lease term, the annual rent is adjusted to reflect the lesser of (i) the increase in the Consumer Price Index or (ii) three percent. For the years ended June 30, 2022 and 2021, SJTP recognized \$1,029,760 and \$1,018,753, respectively, in rental income related to this lease agreement. The anticipated rental income over the next five fiscal years using the three percent rate are as follows as of June 30, 2022:

Rental Income	
	Amount
Year ending June 30:	
2023	\$ 1,265,939
2024	1,303,917
2025	1,343,035
2026	1,383,326
2027	1,424,825

Actual results may differ from management's estimates based on fluctuations in the Consumer Price Index.

(8) Leases

(a) Lessee

As discussed in note 1(b)(v), SJTP is a lessee for a noncancelable lease of land.

A summary of lease assets activity during the years ended June 30, 2022 and 2021 is as follows:

	Lease Assets				
	2022	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Right-of-use assets:					
Land	\$	2,692,397	—	—	2,692,397
Total right-of-use assets		2,692,397	—	—	2,692,397
Less accumulated depreciation:					
Right-of-use assets:					
Land		69,036	69,035	—	138,071
Total accumulated depreciation		69,036	69,035	—	138,071
Total right-of-use assets, net	\$	2,623,361	(69,035)	—	2,554,326

	Lease Assets				
	2021	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Right-of-use assets:					
Land	\$	—	2,692,397	—	2,692,397
Total right-of-use assets		—	2,692,397	—	2,692,397
Less accumulated depreciation:					
Right-of-use assets:					
Land		—	69,036	—	69,036
Total accumulated depreciation		—	69,036	—	69,036
Total right-of-use assets, net	\$	—	2,623,361	—	2,623,361

Lease liabilities

A summary of changes in the related lease liabilities during the years ended June 30, 2022 and 2021 is as follows:

2022						
Lease Liabilities						
	Beginning balance	Additions	Remeasurements	Reductions	Ending balance	Due within One Year
Leases	\$ 2,726,029	—	—	(34,696)	2,760,725	(34,247)
Total leases	\$ 2,726,029	—	—	(34,696)	2,760,725	(34,247)

2021						
Lease Liabilities						
	Beginning balance	Additions	Remeasurements	Reductions	Ending balance	Due within One Year
Leases	\$ —	2,692,397	—	(33,632)	2,726,029	(34,696)
Total leases	\$ —	2,692,397	—	(33,632)	2,726,029	(34,696)

Future annual lease payments are as follows:

Lease Payments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
2023	\$ (34,247)	85,747	51,500
2024	(33,737)	86,782	53,045
2025	(33,163)	87,800	54,637
2026	(32,522)	88,797	56,275
2027	(31,809)	89,773	57,964
2028–2032	(145,603)	462,572	316,969
2033–2037	(114,766)	482,220	367,454
2038-2042	(69,909)	495,890	425,981
2043-2047	(7,264)	501,092	493,828
2048-2052	77,797	494,685	572,482
2053-2057	190,941	472,722	663,663
2058-2062	339,093	430,275	769,368
2063-2067	530,691	361,217	891,908
2068-2072	776,002	257,964	1,033,966
2073-2077	1,087,491	111,158	1,198,649
2078-2082	261,730	—	261,730
	\$ 2,760,725	4,508,694	7,269,419

(b) Lessor

As discussed in note 1(b)(v), SJTP is a lessor for a noncancelable building lease.

Future annual lease revenues are as follows:

Lease Revenue			
	Future inflows	Interest amount	Total amount
Year ending June 30:			
2023	\$ 1,073,895	411,008	1,484,903
2024	1,073,895	390,461	1,464,356
2025	1,073,895	369,041	1,442,936
2026	1,073,895	346,723	1,420,618
2027	1,073,895	323,480	1,397,375
2028–2032	5,369,475	1,234,435	6,603,910
2033–2037	5,369,475	498,042	5,867,517
2038-2042	536,948	3,712	540,660
	\$ 16,645,373	3,576,902	20,222,275

(9) Subsequent Events

The SJTP evaluated events subsequent to June 30, 2022 and through November 22, 2022, the date of which the financial statements were issued. The SJTP determined that there were no subsequent events to disclose.