



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, 2023 and 2022

(With Independent Auditors' Report Thereon)

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

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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 28, 2023

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, 2023 and 2022 and certain comparative information as of and for the year ended June 30, 2021. 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: statements of net position; statements of revenues, expenses and changes in net position; and statements 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.

Statements of Net Position

The statements of net position present the assets, liabilities, deferred inflows of resources, and net position of SJTP as of the end of the fiscal year. The statements of net position is a point in time financial statement. The purpose of the statements of net position is to present to the readers of the financial statements a fiscal snapshot of SJTP. The statements of net position present 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 statements of net position provide a picture of the net position and its availability for expenditures 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 or leased 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, 2023, 2022, and 2021 is as follows:

Condensed Statements of Net Position			
(in thousands)			
	2023	2022	2021
Current assets	\$ 2,056	\$ 2,272	\$ 2,189
Noncurrent assets	27,429	28,434	29,759
Total assets	29,485	30,706	31,948
Current liabilities	523	463	457
Noncurrent liabilities	6,386	6,789	7,183
Total liabilities	6,909	7,252	7,640
Deferred inflows of resources	15,571	16,645	17,719
Net position:			
Net investment in capital assets	5,025	4,814	5,044
Unrestricted	1,980	1,994	1,544
Total net position	\$ 7,005	\$ 6,808	\$ 6,588

Current assets consist of cash and cash equivalents and the current portion of lease receivables, as well as other receivables, and other assets and amounts due from Rowan University (the University). Noncurrent assets consist of lease receivables, net of current portion and capital assets. 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, net of current portion. Deferred inflows of resources consist of deferred amounts for revenue to be recognized in future periods.

Fiscal Year 2023 Compared to Fiscal Year 2022

The decrease of \$216 in current assets is primarily attributable to a decrease of \$254 in cash and cash equivalents, offset by an increase of \$35 in lease receivables, and an increase of \$4 in due from Rowan University. The decrease of \$1,005 in noncurrent assets is due to a decrease of \$857 in lease receivables due to the now current portion as of June 30, 2023 and capital assets decrease of \$148 due to depreciation of \$529 offset by an increase in building improvements and equipment of \$381.

The increase of \$60 in current liabilities is due to an increase of \$50 in accounts payable and accrued expenses and an increase of \$10 in long-term debt – current portion. Noncurrent liabilities decreased \$403 due to the payments of debt.

Deferred inflows of resources decreased \$1,074 as a result of the amortization of the lease revenue attributable to the current fiscal year.

Total net position increased \$197. Within total net position, net investment in capital assets increased \$211 and unrestricted net position increased \$14.

Management's Discussion and Analysis (Unaudited)

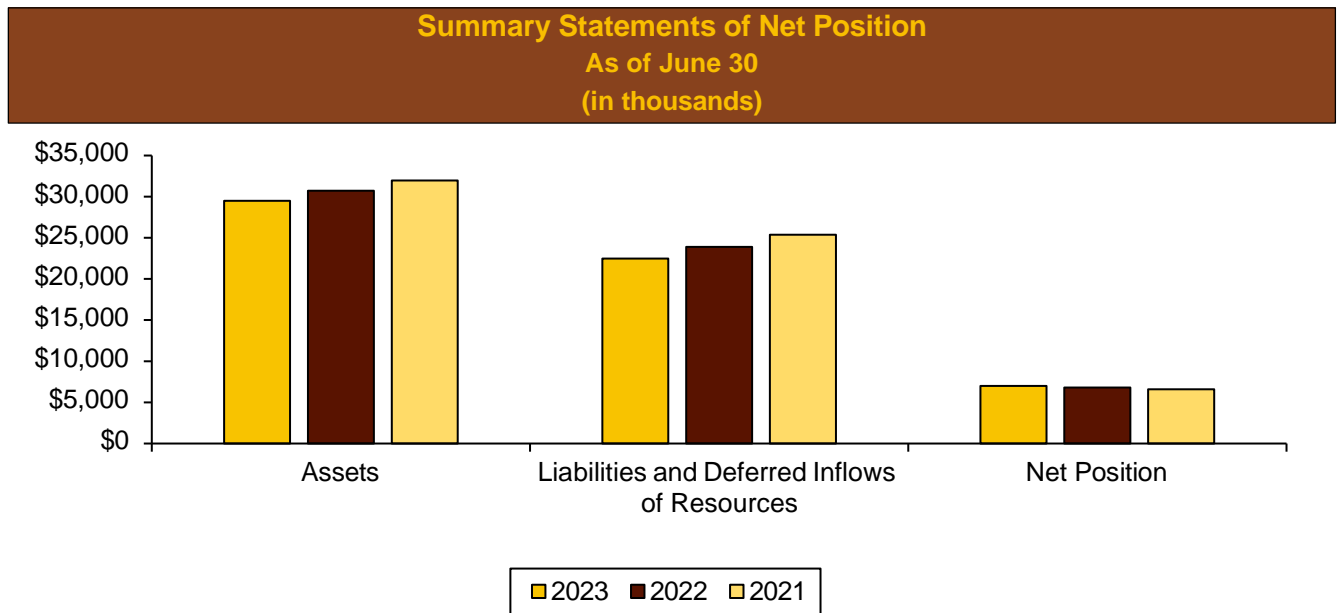
Fiscal Year 2022 Compared to Fiscal Year 2021

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 receivables due to the now current portion as of June 30, 2022 and capital assets decrease of \$503 due to depreciation.

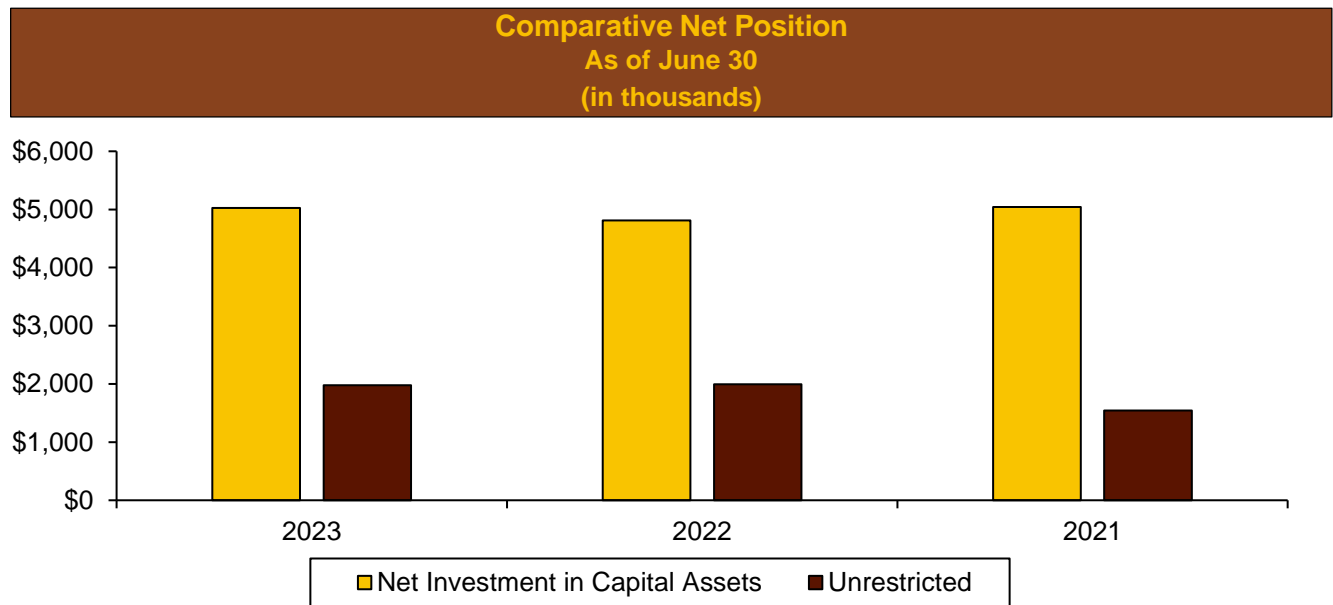
The increase of \$6 in current liabilities is due to a decrease of \$4 in accounts payable and accrued expenses and an increase of \$10 in long term debt – current portion. Noncurrent liabilities decreased \$393 due to the pay down of debt.

Deferred inflows of resources decreased \$1,074 as a result of the amortization of lease revenue attributable to the current fiscal year.

Total net position increased \$220. Within total net position, net investment in capital assets decreased \$230 and unrestricted net position increased \$450.



Management's Discussion and Analysis (Unaudited)



Statements of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the statements 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 recognized by SJTP, both operating and nonoperating, and the expenses paid by SJTP, operating and nonoperating, and any other revenues, expenses, gains, and losses recognized or incurred by SJTP.

Generally speaking, operating revenues are recognized for providing goods and services to the various customers and constituents of SJTP. Operating expenses are those expenses incurred 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 recognized for which goods and services are not provided, for example, interest and dividend income, other income and interest expense. The statements of revenues, expenses, and changes in net position present SJTP's results of operations.

Management's Discussion and Analysis (Unaudited)

A summary of SJTP's revenues, expenses, and changes in net position for the years ended June 30, 2023, 2022, and 2021 is as follows:

Statements of Revenue, Expenses, and Changes in Net Position			
(in thousands)			
	2023	2022	2021
Operating revenues:			
Rental income	\$ 1,107	\$ 1,085	\$ 1,074
Total operating revenues	1,107	1,085	1,074
Operating expenses:			
Materials and supplies	4	3	3
Professional and other services	632	597	635
Depreciation	529	503	520
Total operating expenses	1,165	1,103	1,158
Operating loss	(58)	(18)	(84)
Nonoperating revenues (expenses):			
Interest and dividends	29	1	4
Lease interest income	411	430	449
Interest on long-term debt	(185)	(193)	(217)
Other income	—	—	4
Total nonoperating revenues, net	255	238	240
Change in net position	197	220	156
Net position as of beginning of year	6,808	6,588	6,432
Net position as of end of year	\$ 7,005	\$ 6,808	\$ 6,588

Management's Discussion and Analysis (Unaudited)

Fiscal Year 2023 Compared to Fiscal Year 2022

Operating revenues increased \$22 primarily due to an increase in rental rates. Operating expenses increased \$62. Within operating expenses, professional and other services increased \$35 and depreciation expense increased \$26.

The increase of \$35 in professional and other services expense is mainly due to an increase in repairs of \$11 and an increase in other services of \$10.

Interest and dividends income increased \$28. Lease interest income decreased \$19 due to the amortization of the building lease. Interest paid on the long-term debt decreased \$8 due to the payments of debt.

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 income 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.

Capital Assets and Debt Activity

As of June 30, 2023 and 2022, SJTP had \$5,025 and \$4,814, respectively in net investment in capital assets. Outstanding long-term debt as of June 30, 2023 is \$6,386, compared to \$6,789 as of June 30, 2022.

There were no significant transactions related to capital assets and long-term debt that occurred during fiscal year 2023 and 2022.

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, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,062,059	1,316,456
Due from Rowan University (note 3)	136,409	132,863
Lease receivables - current portion (note 8)	856,566	821,450
Receivables and other assets	1,582	1,459
Total current assets	2,056,616	2,272,228
Noncurrent assets:		
Lease receivables - net of current portion (note 8)	15,573,550	16,430,117
Capital assets, net (note 4)	11,855,686	12,004,113
Total noncurrent assets	27,429,236	28,434,230
Total assets	29,485,852	30,706,458
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (note 5)	112,831	62,351
Accrued interest payable	7,157	7,646
Long-term debt – current portion (note 6)	403,164	393,236
Total current liabilities	523,152	463,233
Noncurrent liabilities:		
Long-term debt, net of current portion (note 6)	6,386,236	6,789,400
Total noncurrent liabilities	6,386,236	6,789,400
Total liabilities	6,909,388	7,252,633
Deferred Inflows of Resources		
Deferred inflows of resources:		
Leases (note 8)	15,571,478	16,645,373
Total deferred inflows of resources	15,571,478	16,645,373
Net Position		
Net investment in capital assets	5,025,173	4,813,831
Unrestricted	1,979,813	1,994,621
Total net position	\$ 7,004,986	6,808,452

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, 2023 and 2022

	2023	2022
Operating revenues:		
Rental income (notes 3 and 7)	\$ 1,107,375	1,084,902
Total operating revenues	1,107,375	1,084,902
Operating expenses:		
Materials and supplies	4,232	3,220
Professional and other services (note 3)	632,330	597,039
Depreciation (note 4)	529,312	503,060
Total operating expenses	1,165,874	1,103,319
Operating loss	(58,499)	(18,417)
Nonoperating revenues (expenses):		
Interest and dividends	28,967	1,072
Lease interest income	411,008	430,708
Interest on long-term debt	(184,942)	(193,335)
Total nonoperating revenues, net	255,033	238,445
Changes in net position	196,534	220,028
Net position as of beginning of year	6,808,452	6,588,424
Net position as of end of year	\$ 7,004,986	6,808,452

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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Rental income	\$ 1,107,375	1,084,902
Payments to suppliers	(589,751)	(603,982)
Net cash provided by operating activities	517,624	480,920
Cash flows from capital and related financing activities:		
Payments of long-term debt	(393,236)	(383,356)
Leases	158,564	144,165
Interest paid on capital debt	(185,431)	(193,812)
Purchases of capital assets	(380,885)	—
Net cash used in financing activities	(800,988)	(433,003)
Cash flows from investing activities:		
Interest and dividends	28,967	1,072
Net (decrease) increase in cash and cash equivalents	(254,397)	48,989
Cash and cash equivalents as of beginning of year	1,316,456	1,267,467
Cash and cash equivalents as of end of year	\$ 1,062,059	1,316,456
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (58,499)	(18,417)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	529,312	503,060
Changes in operating assets and liabilities:		
Due from Rowan University	(3,546)	(3,403)
Receivables and other assets	(123)	3,207
Accounts payable and accrued expenses	50,480	(3,527)
Net cash provided by operating activities	\$ 517,624	480,920

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 (GAAP). SJTP reports are based on applicable Governmental Accounting Standards Board (GASB) pronouncements.

SJTP reports its net position in the following categories:

- *Net investment in capital assets:* Capital assets, including leases, net of accumulated depreciation and amortization, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, and any other capital-related liability.
- *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. There were no remeasurements in 2023 or 2022.

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) New Accounting Standard Adopted

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The statement improves the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-private or public-public partnerships and availability payment arrangements by enhancing the understandability, reliability, relevance, and consistency of information. The requirements of this standard are effective for fiscal years beginning after June 15, 2022 (fiscal year 2023). SJTP has evaluated this new standard and determined that there is no impact.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This statement improves the financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions meeting that definition. It defines SBITAs as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement a government entity is required to establish a right-of-use subscription asset and a corresponding subscription liability. The requirements of this standard are effective for fiscal years beginning after June 15, 2022 (fiscal year 2023). SJTP has evaluated this new standard and determined that there is no impact.

(vii) *Classification of Revenues 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.

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

In June 2023, the GASB issued Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62 (GASB 100). This statement improves accounting and financial reporting for accounting changes and error corrections to provide a more understandable, reliable, and comparable information for making decisions or assessing accountability. GASB 100 defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. Under this Statement, accounting changes would require restatement of reported periods as well as additional note disclosure. The requirements of this standard are effective for periods beginning after June 15, 2023 (fiscal year 2024). SJTP is evaluating the impact of this new standard.

In June 2022, the GASB issued Statement No. 101, Compensated Absences (GASB 101). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this standard are effective for periods beginning after December 15, 2023 (fiscal year 2025). SJTP is evaluating the impact of this new standard.

(ix) *Use of Estimates*

The preparation of financial statements in conformity with GAAP 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.

(x) *Reclassification*

Certain prior year amounts have been reclassified to conform to the current year presentation.

(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, 2023 and 2022 were partially insured by Federal Depository Insurance in the amount of \$250,000 in 2023 and 2022. SJTP's bank deposits as of June 30, 2023 and 2022 were \$1,151,505 and \$1,326,555 respectively, leaving uninsured and uncollateralized balances of \$901,505 and \$1,076,555.

(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 \$51,500 as of June 30, 2023 and \$50,000 as of June 30, 2022. 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 2023 and 2022. 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, 2023 and 2022, SJTP recognized \$1,107,375 and \$1,084,902, respectively, in rental income related to this lease agreement. The University also reimbursed SJTP \$209,982 and \$220,265 for utility charges associated with this lease for fiscal years 2023 and 2022, respectively.

As of June 30, 2023 and 2022, the total amount due from Rowan University arising from these transactions amounted to \$136,409 and \$132,863, 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 \$422,491 and \$409,542 for fiscal years 2023 and 2022, 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 details of capital assets activity for the years ended June 30, 2023 and 2022 follows:

	Capital Assets				
	2023	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Nondepreciable assets:					
Construction in progress	\$	7,500	7,080	(7,500)	7,080
Total nondepreciable assets		7,500	7,080	(7,500)	7,080
Depreciable assets:					
Building		14,503,055	237,000	—	14,740,055
Equipment		—	144,305	—	144,305
Right-of-use assets		2,692,397	—	—	2,692,397
Total depreciable assets		17,195,452	381,305	—	17,576,757
Less accumulated depreciation and amortization:					
Building		5,060,768	439,950	—	5,500,718
Equipment		—	20,326	—	20,326
Right-of-use assets		138,071	69,036	—	207,107
Total accumulated depreciation and amortization		5,198,839	529,312	—	5,728,151
Total capital assets, net excluding right-of-use assets	\$	9,449,787	(71,891)	(7,500)	9,370,396
Right-of-use assets, net (Note 8)					2,485,290
Total capital assets, net as reported in the statements of net position					11,855,686

2022	Capital Assets			Ending balance
	Beginning balance	Additions/ Transfers	Deletions/ transfers	
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 and amortization:				
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 and amortization	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 statements of net position				12,004,113

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of amounts due to vendors totaling \$112,831 and \$62,351 as of June 30, 2023 and 2022, 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, 2023, required during the next five fiscal years and in five year increments thereafter are as follows as of June 30, 2023:

Long-term Debt Principle and Interest Repayments				
	Interest rate	Principal amount	Interest amount	Total amount
Year ending June 30:				
2024	2.00-2.37%	\$ 436,901	90,267	527,168
2025	2.00-2.37%	446,990	80,178	527,168
2026	2.37%	266,035	71,833	337,868
2027	2.37%	272,499	65,369	337,868
2028	2.37%	279,119	58,749	337,868
2029–2033	2.37%	1,500,672	188,668	1,689,340
2034–2038	2.37%	792,212	24,026	816,238
		<u>\$ 3,994,428</u>	<u>579,090</u>	<u>4,573,518</u>

Changes in long-term liabilities for the years ended June 30, 2023 and 2022 are as follows:

2023					
Long-term Liabilities Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Private Placement, GCIA	\$ 3,871,158	—	247,555	3,623,603	253,341
Rowan University	550,753	—	179,928	370,825	183,560
Leases	2,760,725	—	(34,247)	2,794,972	(33,737)
Total long-term liabilities	7,182,636	—	393,236	6,789,400	403,164
Total long-term liabilities excluding leases	<u>4,421,911</u>	—	427,483	3,994,428	436,901
Lease liabilities				2,794,972	(33,737)
Total long-term liabilities as reported in the statements of net position				<u>6,789,400</u>	<u>403,164</u>

2022					
Long-term Liabilities 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	4,839,963	—	418,052	4,421,911	427,483
Lease liabilities				2,760,725	(34,247)
Total long-term liabilities as reported in the statements of net position				\$ 7,182,636	393,236

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 (CPI) or (ii) three percent (3%). For the years ended June 30, 2023 and 2022, SJTP recognized \$1,107,375 and \$1,084,902, respectively, in rental income related to this lease agreement. The anticipated rental income over the next five fiscal years using the 3% rate are as follows as of June 30, 2023:

Rental Income	
	Amount
Year ending June 30:	
2024	\$ 1,303,917
2025	1,343,035
2026	1,383,326
2027	1,424,825
2028	1,467,570

Actual results may differ from management's estimates based on fluctuations in the CPI.

(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 for the years ended June 30, 2023 and 2022 is as follows:

	Lease Assets				
	2023	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 amortization:					
Right-of-use assets:					
Land		138,071	69,036	—	207,107
Total accumulated amortization		138,071	69,036	—	207,107
Total right-of-use assets, net	\$	2,554,326	(69,036)	—	2,485,290

	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 amortization:					
Right-of-use assets:					
Land		69,036	69,035	—	138,071
Total accumulated amortization		69,036	69,035	—	138,071
Total right-of-use assets, net	\$	2,623,361	(69,035)	—	2,554,326

Lease liabilities

A summary of changes in the related lease liabilities for the years ended June 30, 2023 and 2022 is as follows:

2023						
Lease Liabilities						
	Beginning balance	Additions	Remeasurements	Amortization	Ending balance	Due within One Year
Leases	\$ 2,760,725	—	—	(34,247)	2,794,972	(33,737)
Total leases	\$ 2,760,725	—	—	(34,247)	2,794,972	(33,737)

2022						
Lease Liabilities						
	Beginning balance	Additions	Remeasurements	Amortization	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)

Future payments due under operating leases as of June 30, 2023 are as follows:

Lease Payments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
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	(31,022)	90,725	59,703
2029-2033	(140,401)	466,879	326,478
2034-2038	(107,026)	485,504	378,478
2039-2043	(58,938)	497,698	438,760
2044-2048	7,789	500,853	508,642
2049-2053	97,977	491,679	589,656
2054-2058	217,525	466,048	683,573
2059-2063	373,637	418,812	792,449
2064-2068	575,092	343,574	918,666
2069-2073	832,563	232,422	1,064,985
2074-2078	1,159,007	75,601	1,234,608
	\$ 2,794,972	4,422,947	7,217,919

(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:			
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	1,073,895	299,285	1,373,180
2029–2033	5,369,475	1,098,169	6,467,644
2034–2038	4,832,528	338,734	5,171,262
	\$ 15,571,478	3,165,893	18,737,371

(9) Subsequent Events

The SJTP evaluated events subsequent to June 30, 2023 and through November 28, 2023, the date of which the financial statements were issued. The SJTP determined that there were no subsequent events to disclose.