

**N**ORTHEAST UAS AIRSPACE  
INTEGRATION RESEARCH  
ALLIANCE, INC.

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*FINANCIAL STATEMENTS*  
December 31, 2023 and 2022

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Dermody, Burke & Brown, CPAs, LLC

## INDEPENDENT AUDITORS' REPORT

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### BOARD OF DIRECTORS NORTHEAST UAS AIRSPACE INTEGRATION RESEARCH ALLIANCE, INC.

#### Opinion

We have audited the accompanying financial statements of **NORTHEAST UAS AIRSPACE INTEGRATION RESEARCH ALLIANCE, INC.** (a Not-for-Profit Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast UAS Airspace Integration Research Alliance, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeast UAS Airspace Integration Research Alliance, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast UAS Airspace Integration Research Alliance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Northeast UAS Airspace Integration Research Alliance, Inc.'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 Northeast UAS Airspace Integration Research Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

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**Auditor’s Responsibilities for the Audit of the Financial Statements – Continued**

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.

*Dermody, Burke & Brown*

**DERMODY, BURKE & BROWN, CPAs, LLC**

Syracuse, NY

July 30, 2024

**AUDITED FINANCIAL STATEMENTS****STATEMENTS OF FINANCIAL POSITION**

December 31, 2023 and 2022

**ASSETS**

	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 4,033,040	\$ 3,706,564
Government Support Receivable	1,087,117	1,754,850
Program Service Fees Receivable, Net of Allowance for Credit Losses of \$-0-	177,564	160,143
Prepaid Expenses	<u>0</u>	<u>35,574</u>
Total Current Assets	5,297,721	5,657,131
<b>EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>		
Leasehold Improvements	165,883	165,883
Equipment	<u>9,888,242</u>	<u>9,150,906</u>
	10,054,125	9,316,789
Less: Accumulated Depreciation and Amortization	<u>(4,907,623)</u>	<u>(3,896,107)</u>
Net Equipment and Leasehold Improvements	5,146,502	5,420,682
<b>RIGHT-OF-USE ASSET - OPERATING LEASES</b>	<u>551,609</u>	<u>290,991</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,995,832</u></u>	<u><u>\$ 11,368,804</u></u>

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

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**LIABILITIES AND NET ASSETS**

	<b>2023</b>	<b>2022</b>
<b>CURRENT LIABILITIES</b>		
Current Portion of Operating Lease Liabilities	\$ 127,029	\$ 85,646
Line of Credit	1,085,000	950,000
Accounts Payable	322,538	244,476
Accrued Expenses	197,286	166,419
Refundable Advances	<u>4,054,679</u>	<u>3,671,052</u>
Total Current Liabilities	5,786,532	5,117,593
<b>NON-CURRENT LIABILITIES</b>		
Operating Lease Liabilities, Net of Current Portion	<u>431,339</u>	<u>209,238</u>
Total Liabilities	6,217,871	5,326,831
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>4,777,961</u>	<u>6,041,973</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 10,995,832</u></u>	<u><u>\$ 11,368,804</u></u>

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See notes to financial statements.

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

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**STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Revenue and Support:		
Government Support	\$ 6,167,567	\$ 4,261,450
Consulting	1,145,020	504,649
Employee Retention Credit	0	115,927
Miscellaneous Income	<u>0</u>	<u>806</u>
Total Revenue and Support	7,312,587	4,882,832
Expenses:		
Program Services	5,256,848	2,936,768
Management and General	<u>3,319,751</u>	<u>2,045,482</u>
Total Expenses	<u>8,576,599</u>	<u>4,982,250</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,264,012)	(99,418)
Net Assets Without Donor Restrictions, Beginning of Year	<u>6,041,973</u>	<u>6,141,391</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 4,777,961</u>	<u>\$ 6,041,973</u>

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See notes to financial statements.



**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2023 with Comparative Totals  
for Year Ended December 31, 2022

	Safety/Tech	Operations	Total Program Services	Management and General	Total 2023	Total 2022
Salaries	\$ 104,032	\$ 1,512,766	\$ 1,616,798	\$ 1,325,642	\$ 2,942,440	\$ 2,133,630
Payroll Taxes	8,922	121,730	130,652	85,885	216,537	152,159
Employee Benefits	9,059	183,340	192,399	178,893	371,292	271,516
Total Salaries and Related Expenses	122,013	1,817,836	1,939,849	1,590,420	3,530,269	2,557,305
Depreciation and Amortization	1,495	1,488,490	1,489,985	26,108	1,516,093	888,551
Dues and Subscriptions	865	15,237	16,102	149,422	165,524	108,320
Insurance	51	116,033	116,084	23,065	139,149	100,932
Marketing	0	28,903	28,903	57,342	86,245	15,114
Miscellaneous	0	7,667	7,667	5,056	12,723	3,244
Office Supplies	0	37,146	37,146	11,539	48,685	12,101
Professional Fees	73,619	725,658	799,277	753,850	1,553,127	652,202
Conferences	0	9,265	9,265	106,007	115,272	30,525
Credit Loss	0	0	0	5,000	5,000	0
Legal and Accounting	0	162,032	162,032	224,654	386,686	200,859
Program Expense	0	350,197	350,197	0	350,197	85,911
Rent	0	94,631	94,631	44,000	138,631	124,437
Repairs and Maintenance	0	38,398	38,398	221	38,619	19,832
Telephone and Computer	589	57,257	57,846	96,780	154,626	81,752
Travel	6,278	103,188	109,466	100,749	210,215	74,609
Interest	0	0	0	125,538	125,538	26,556
<b>TOTAL EXPENSES</b>	<b>\$ 204,910</b>	<b>\$ 5,051,938</b>	<b>\$ 5,256,848</b>	<b>\$ 3,319,751</b>	<b>\$ 8,576,599</b>	<b>\$ 4,982,250</b>

See notes to financial statements.

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2022

	<b>Safety/Tech</b>	<b>Operations</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 163,143	\$ 874,558	\$ 1,037,701	\$ 1,095,929	\$ 2,133,630
Payroll Taxes	13,213	69,667	82,880	69,279	152,159
Employee Benefits	21,645	83,376	105,021	166,495	271,516
	<u>198,001</u>	<u>1,027,601</u>	<u>1,225,602</u>	<u>1,331,703</u>	<u>2,557,305</u>
Total Salaries and Related Expenses					
Depreciation and Amortization	1,495	852,091	853,586	34,965	888,551
Dues and Subscriptions	822	12,067	12,889	95,431	108,320
Insurance	0	83,660	83,660	17,272	100,932
Marketing	0	1,000	1,000	14,114	15,114
Miscellaneous	50	526	576	2,668	3,244
Office Supplies	0	10,008	10,008	2,093	12,101
Professional Fees	99,681	385,529	485,210	166,992	652,202
Conferences	8,040	576	8,616	21,909	30,525
Legal and Accounting	1,056	0	1,056	199,803	200,859
Program Expense	0	85,911	85,911	0	85,911
Rent	0	88,037	88,037	36,400	124,437
Repairs and Maintenance	0	19,832	19,832	0	19,832
Telephone and Computer	150	16,036	16,186	65,566	81,752
Travel	13,538	31,061	44,599	30,010	74,609
Interest	0	0	0	26,556	26,556
	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,556</u>	<u>26,556</u>
TOTAL EXPENSES	<u>\$ 322,833</u>	<u>\$ 2,613,935</u>	<u>\$ 2,936,768</u>	<u>\$ 2,045,482</u>	<u>\$ 4,982,250</u>

See notes to financial statements.

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets Without Donor Restrictions	\$ (1,264,012)	\$ (99,418)
Adjustments to Reconcile Change in Net Assets		
Without Donor Restrictions Provided By Operating Activities:		
Amortization of Right-of-Use Asset - Operating Leases	101,874	78,334
Depreciation and Amortization	1,516,093	888,551
Credit Losses	5,000	0
(Increase) Decrease in Operating Assets:		
Government Support Receivable	667,733	(1,082,160)
Program Service Fees Receivable	(22,421)	(110,818)
Prepaid Expenses	35,574	(4,994)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	78,062	11,554
Accrued Expenses	30,867	33,369
Refundable Advances	383,627	2,373,715
Operating Lease Liabilities	<u>(99,008)</u>	<u>(74,697)</u>
Net Cash Provided By Operating Activities	1,433,389	2,013,436
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Equipment	<u>(1,241,913)</u>	<u>(432,508)</u>
Net Cash Used In Investing Activities	(1,241,913)	(432,508)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Proceeds from Line of Credit	<u>135,000</u>	<u>785,000</u>
Net Cash Provided By Financing Activities	<u>135,000</u>	<u>785,000</u>
Net Change in Cash	326,476	2,365,928
Cash, Beginning of Year	<u>3,706,564</u>	<u>1,340,636</u>
Cash, End of Year	<u><u>\$ 4,033,040</u></u>	<u><u>\$ 3,706,564</u></u>

See notes to financial statements.

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 1 – NATURE OF OPERATIONS**

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Northeast UAS Airspace Integration Research Alliance, Inc. (NUAIR) is a New York-based nonprofit driving economic development through innovations in UAS and Advanced Air Mobility to safely integrate into the national airspace. As a proven and credible industry leader, NUAIR is delivering the next generation of UAS/AAM solutions for the safety, societal, and economic benefits of New York State and beyond.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Accounting**

The Organization’s financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Financial Statement Presentation**

The financial statements of NUAIR have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and the board of directors. There were no board designated net assets as of December 31, 2023 and 2022.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no net assets with donor restrictions as of December 31, 2023 and 2022.

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization uses the indirect method of reporting net cash flows from operating activities, and considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2023 and 2022.

The Organization maintains its cash in bank accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

**Recently Adopted Accounting Guidance – Allowance for Credit Losses**

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASU 2016-13 were program service fees receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Equipment and Leasehold Improvements**

Equipment and leasehold improvements are recorded at cost. It is the Organization's policy to capitalize individual expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Depreciation and amortization are recorded on the straight-line method over the estimated economic useful life of the respective asset. Depreciation and amortization expense was \$1,516,093 and \$888,551 for the years ended December 31, 2023 and 2022, respectively.

When properties are retired or otherwise disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts and any gain or loss is recorded in the statements of activities.

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets, including equipment and leasehold improvements, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recovered. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. The Organization has determined that no impairment existed as of December 31, 2023 and 2022.

**Refundable Advances**

Assets received from conditional government support and contributions are accounted for as a refundable advance until the conditions have been substantially met.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Revenue Recognition – Consulting**

The Organization charges clients a fee based on the nature of the service provided. The Organization charges the clients shortly after the services are performed. The Organization utilizes the portfolio approach practical expedient for contracts related to fee for services. The Organization accounts for contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the clients within each portfolio. Revenue is recognized at a single point in time when the Organization does not believe it is required to provide additional goods or services to the client. As a result, the Organization has concluded that revenue utilizing the given portfolio would not be materially different than if accounting for revenue on a contract by contract basis. The Organization utilizes the portfolio approach practical expedient for contracts related to revenue as reported at the estimated realizable amounts from clients in accordance with ASU No. 2014-09, “*Revenue from Contracts with Customers*.”

**Contributions**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as with donor restriction if they are received with donor stipulations that limit the use of the donated assets.

Contributions are considered available for general use unless specifically restricted by the donor and are recorded when received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Leases**

The Organization determines if an arrangement is or contains a lease at inception. Leases are included as right-of-use (“ROU”) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. In determining the present value of lease payments, the Organization uses an incremental borrowing rate of a period comparable with that of the lease term if the rate is not provided within the lease agreement. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less) or those leases with a present value of the lease payments less than \$1,000. Operating lease expense is recognized on a straight-line basis over the expected lease term. Operating variable lease payments are expensed as incurred.

**Advertising**

Marketing costs includes non-direct response advertising, which are expensed as incurred. These costs, charged to marketing expense, amounted to \$29,365 and \$9,069 for the years ended December 31, 2023 and 2022, respectively.

**Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Management and general expenses are allocated to the various programs in the form of internal charges based on space occupied, time expended, budgeted allowable share of overhead, etc.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management is unaware of any unrelated business activities that may be subject to unrelated business income tax or any activities that would jeopardize the Organization's exempt status.

**Reclassifications**

Certain 2022 amounts have been reclassified to conform to the 2023 presentation. These reclassifications had no impact on the total assets, liabilities, net assets or change in net assets.

**Subsequent Events**

Management has evaluated subsequent events through July 30, 2024, which is the date the financial statements were available to be issued.

**NOTE 3 – LIQUIDITY**

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The Organization's financial assets consist of the following as of December 31:

	<b>2023</b>	<b>2022</b>
<b>Financial Assets:</b>		
Cash	\$ 4,033,040	\$ 3,706,564
Governmental Support Receivable	1,087,117	1,754,850
Program Service Fees Receivable	<u>177,564</u>	<u>160,143</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<u><u>\$ 5,297,721</u></u>	<u><u>\$ 5,621,557</u></u>

The Organization's policy is to structure its financial assets to be available for general expenditures and payment of liabilities as they come due. As more fully described in Note 6, the Organization has a line of credit which can be drawn upon as needed.

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 4 – GOVERNMENT SUPPORT**

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In 2017, the Empire State Development Corporation (ESD) awarded the Organization a \$30,000,000 grant to develop a 50-mile flight traffic management system between Syracuse, New York and Griffiss International Airport, in Rome, New York. This project was completed in 2023. In 2022, the Organization was awarded another grant from ESD to be used for operational costs and design, procurement, and installation for a radar/sensor test corridor for unmanned aircraft systems. As the Organization receives substantially all of its revenue from ESD, significant budget cuts by ESD could have a potential impact upon the funding of program services.

Government support receivable consists of amounts due from ESD for grant expenses incurred but payment was not received by the Organization at year-end. Management of the Organization reviews the collectability of the accounts receivable on a monthly basis and has determined no allowance is necessary for the years ended December 31, 2023 and 2022. All receivables are expected to be collected in the next year. These grants are subject to audit by ESD. Such audits may result in disallowances and a request for a return of funds. The Organization believes disallowances, if any, will be immaterial.

The Organization has approximately \$16,600,000 and \$3,100,000 remaining on executed conditional state grants as of December 31, 2023 and 2022, respectively. These balances are not recognized as assets and will be recognized as revenue as the conditions of the agreement are met.

**NOTE 5 – SUPPORT SERVICES**

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The CenterState CEO (CEO) provides the Organization access to, support from and the services of its government relations, grant development, communication and business development personnel. The President of CEO is the Board President of the Organization. Support services provided amounted to \$67,500 and \$65,000 for years ended December 31, 2023 and 2022, respectively.

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 6 – LINE OF CREDIT**

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The Organization has a \$4,000,000 line of credit agreement with a bank at a variable interest rate of LIBOR plus LIBOR rate margin. The interest rate as of December 31, 2023 and 2022 was 7.47% and 6.52%, respectively. The line of credit is secured by the assets of the Organization. The outstanding balance was \$1,085,000 and \$950,000 as of December 31, 2023 and 2022, respectively. Interest paid on the line of credit was \$125,538 and \$26,556 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 7 – EMPLOYEE RETIREMENT PLAN**

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The Organization has a profit sharing 401(k) plan. Employees may begin making salary deferrals upon date of hire. The plan has both employer matching and profit sharing contributions. Employees are eligible for matching contributions upon date of hire and profit sharing contributions once they have 1,000 hours of service. Matching contributions are 3% of salary for 2023 and 2022. Profit sharing contributions are determined annually by management and are allocated pro rata to eligible participants based upon participant salary compared to total employee eligible compensation. To be eligible for profit sharing contributions, participants must be employed for more than one year. Profit sharing contributions follow a 6-year graded vesting schedule. The Organization's contribution to the plan was \$177,179 and \$144,010 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 8 – LEASES**

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The Organization's operating leases consist of real estate leases for office space and a tower. Initial lease terms range from three to seven years and, in some cases, provide for renewal options. The exercise of such renewal options is generally at the Organization's sole discretion. The Organization evaluates renewal options at lease commencement to determine if such options are reasonably certain to be exercised based on economic factors. The Organization is also responsible for its proportionate share of operating expenses for one of the leases. These variable lease payments are recognized as operating expenses when incurred. In 2024, the Organization terminated its lease for one of the office spaces.

The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2023 and 2022 was 6.92% and 6.00%, respectively. The weighted-average remaining lease term as of December 31, 2023 and 2022 was 4.21 and 3.90 years, respectively. Cash paid for lease expense was \$135,766 and \$124,437 for the years ending December 31, 2023 and 2022, respectively.

**NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**NOTE 8 – LEASES – Continued**

The following is a summary of lease cost and other required information for the year ended December 31:

<b>Lease Cost</b>	<b>Classification</b>	<b>2023</b>	<b>2022</b>
Operating Lease - Real Estate	Rent	\$ 123,345	\$ 98,784
Variable Lease - Real Estate	Rent	<u>15,286</u>	<u>25,653</u>
Total Rent		<u><u>\$ 138,631</u></u>	<u><u>\$ 124,437</u></u>

Supplemental Cash Flow Information

Operating Lease Asset Acquired Through Operating Lease Obligations	<u><u>\$ 362,493</u></u>	<u><u>\$ 42,996</u></u>
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Future minimum lease payments and reconciliations to the statements of financial position as of December 31, 2023 are as follows:

2024	\$ 161,448
2025	155,420
2026	153,054
2027	96,359
2028	76,460
2029	<u>4,805</u>
Total Future Undiscounted Lease Payments	647,546
Less: Imputed Interest	<u>(89,178)</u>
Present Value of Operating Lease Liability	558,368
Less: Current Portion of Operating Lease Liabilities	<u>(127,029)</u>
Total Long-Term Operating Lease Liability	<u><u>\$ 431,339</u></u>