

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

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*FINANCIAL STATEMENTS*  
December 31, 2019 and 2018

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RESEARCH ALLIANCE, INC.

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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.**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of **NORTHEAST UAS AIRSPACE INTEGRATION RESEARCH ALLIANCE, INC.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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**Opinion**

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, 2019 and 2018, 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.

*Dermody, Burke & Brown*

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

Syracuse, NY

May 26, 2020

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

**AUDITED FINANCIAL STATEMENTS**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2019 and 2018

<b>ASSETS</b>		
	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 6,483,865	\$ 1,486,330
Government Support Receivable	2,899,281	3,171,641
Program Service Fees Receivable	31,185	48,603
Prepaid Expenses	10,456	9,481
Total Current Assets	9,424,787	4,716,055
<b>EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>		
Leasehold Improvements	165,883	113,264
Equipment	2,757,172	833,652
Construction-in-Progress	0	116,200
	2,923,055	1,063,116
Less: Accumulated Depreciation and Amortization	(761,571)	(466,824)
Net Equipment and Leasehold Improvements	2,161,484	596,292
<b>TOTAL ASSETS</b>	<b>\$ 11,586,271</b>	<b>\$ 5,312,347</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 734,893	\$ 703,753
Accrued Expenses	179,517	104,076
Line-of-Credit	2,456,078	1,680,000
Due to CenterState CEO	12,497	290,955
Refundable Advances	5,577,938	1,411,020
Total Liabilities	8,960,923	4,189,804
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>2,625,348</b>	<b>1,122,543</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,586,271</b>	<b>\$ 5,312,347</b>

See notes to financial statements.

NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.

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STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support:		
Government Support	\$ 7,650,831	\$ 3,565,967
Program Service Fees	121,990	138,592
Consulting	180,606	511,155
Rental Income	0	6,000
In-Kind Contributions	144,000	153,250
Miscellaneous Income	74,239	58,861
	<hr/>	<hr/>
Total Revenue and Support	8,171,666	4,433,825
Expenses:		
Program Services	4,742,976	2,830,419
Management and General	1,925,885	1,501,160
	<hr/>	<hr/>
Total Expenses	6,668,861	4,331,579
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,502,805	102,246
Net Assets, Beginning of Year	1,122,543	1,020,297
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Net Assets, End of Year	\$ 2,625,348	\$ 1,122,543
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See notes to financial statements.

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**STATEMENT OF FUNCTIONAL EXPENSES**Year Ended December 31, 2019 with Comparative Totals  
for the Year Ended December 31, 2018

	<b>NUSTAR</b>	<b>Safety/Tech</b>	<b>AI</b>	<b>Operations</b>
Salaries	\$ 0	\$ 230,105	\$ 82,412	\$ 541,274
Payroll Taxes	0	13,086	6,260	42,493
Employee Benefits	(29)	12,041	5,532	76,985
	<hr/>	<hr/>	<hr/>	<hr/>
Total Salaries and Related Expenses	(29)	255,232	94,204	660,752
Depreciation and Amortization	0	0	0	268,315
Dues and Subscriptions	0	3,557	806	0
Insurance	0	0	0	45,195
Marketing	0	0	0	152
Meetings	0	0	0	46
Miscellaneous	0	0	0	0
Office Supplies	0	403	0	3,681
Professional Development	0	0	0	100
Professional Fees	0	1,382	1,590,797	1,167,719
Conferences	0	84	880	0
Bank Fees	0	65	25	0
Legal and Accounting	4,155	120	6,897	3,654
Professional Support Services	0	4,407	0	0
Program Expense	0	0	0	177,481
Rent	0	0	0	0
Repairs and Maintenance	0	0	0	2,725
Telephone and Computer	0	0	0	855
Travel	5,959	46,976	7,452	26,136
Interest	0	0	0	0
In-Kind Expenses	0	0	0	144,000
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 10,085</b>	<b>\$ 312,226</b>	<b>\$ 1,701,061</b>	<b>\$ 2,500,811</b>

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

Consulting	Symposium	Total Program Services	Management and General	Total	
				2019	2018
\$ 973	\$ 25,763	\$ 880,527	\$ 1,119,908	\$ 2,000,435	\$ 1,513,316
13	1,971	63,823	64,402	128,225	108,940
48	0	94,577	106,192	200,769	105,443
<u>1,034</u>	<u>27,734</u>	<u>1,038,927</u>	<u>1,290,502</u>	<u>2,329,429</u>	<u>1,727,699</u>
0	0	0	0	0	0
0	0	268,315	26,433	294,748	179,526
0	0	4,363	2,167	6,530	4,545
0	0	45,195	7,571	52,766	53,083
0	27,647	27,799	13,656	41,455	23,129
0	0	46	934	980	23,429
0	0	0	26,319	26,319	17,042
0	64	4,148	7,771	11,919	0
0	0	100	0	100	61,661
253	27,893	2,788,044	216,076	3,004,120	1,237,485
0	123,251	124,215	25,476	149,691	237,257
0	0	90	0	90	0
2,190	0	17,016	67,307	84,323	94,531
0	0	4,407	8,433	12,840	105,750
0	0	177,481	0	177,481	69,750
0	0	0	33,000	33,000	45,349
0	0	2,725	0	2,725	5,949
0	0	855	39,960	40,815	57,917
0	8,727	95,250	44,039	139,289	175,504
0	0	0	116,241	116,241	58,723
<u>0</u>	<u>0</u>	<u>144,000</u>	<u>0</u>	<u>144,000</u>	<u>153,250</u>
<u>\$ 3,477</u>	<u>\$ 215,316</u>	<u>\$ 4,742,976</u>	<u>\$ 1,925,885</u>	<u>\$ 6,668,861</u>	<u>\$ 4,331,579</u>

See notes to financial statements.



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

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2018

	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 749,410	\$ 763,906	\$ 1,513,316
Payroll Taxes	54,548	54,392	108,940
Employee Benefits	94,844	10,599	105,443
	<hr/>	<hr/>	<hr/>
Total Salaries and Related Expenses	898,802	828,897	1,727,699
Depreciation and Amortization	169,502	10,024	179,526
Dues and Subscriptions	0	4,545	4,545
Insurance	33,750	19,333	53,083
Marketing	23,129	0	23,129
Meetings	23,429	0	23,429
Miscellaneous	541	16,501	17,042
Office Supplies	4,514	57,147	61,661
Professional Fees	1,142,815	94,670	1,237,485
Conferences	237,187	70	237,257
Legal and Accounting	0	94,531	94,531
Professional Support Services	0	105,750	105,750
Program Expense	69,750	0	69,750
Rent	0	45,349	45,349
Repairs and Maintenance	5,949	0	5,949
Telephone and Computer	0	57,917	57,917
Travel	67,801	107,703	175,504
Interest	0	58,723	58,723
In-Kind Expenses	153,250	0	153,250
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,830,419</b>	<b>\$ 1,501,160</b>	<b>\$ 4,331,579</b>

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets without Donor Restrictions	\$ 1,502,805	\$ 102,246
Adjustments to Reconcile Change in Net Assets without Donor Restrictions Provided By Operating Activities:		
Depreciation and Amortization	294,748	179,526
(Increase) Decrease in Operating Assets:		
Program Service Fees Receivable	17,418	3,093
Government Support Receivable	272,360	(1,495,089)
Prepaid Expenses	(975)	(9,481)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(401,960)	264,332
Accrued Expenses	75,441	96,726
Due to CenterState CEO	(278,458)	63,409
Refundable Advances	4,166,918	1,411,020
Net Cash Provided By Operating Activities	<u>5,648,297</u>	<u>615,782</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Equipment	<u>(1,310,640)</u>	<u>(113,263)</u>
Net Cash Used In Investing Activities	(1,310,640)	(113,263)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Accounts Payable		
Used to Finance Purchase of Equipment	(116,200)	0
Net Proceeds from (Payments on) Line-of-Credit	<u>776,078</u>	<u>(320,000)</u>
Net Cash Provided By (Used In) Financing Activities	<u>659,878</u>	<u>(320,000)</u>
Net Change in Cash	4,997,535	182,519
Cash, Beginning of Year	<u>1,486,330</u>	<u>1,303,811</u>
Cash, End of Year	<u>\$ 6,483,865</u>	<u>\$ 1,486,330</u>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of Equipment through Accounts Payable	<u>\$ 549,300</u>	<u>\$ 116,200</u>

See notes to financial statements.

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

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**NOTE 1 – NATURE OF OPERATIONS**

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The Northeast UAS Airspace Integration Research Alliance (NUAIR) is a New York nonprofit coalition of more than 40 private and public entities and academic institutions working together to operate and manage unmanned aircraft system (UAS) test sites in New York and Massachusetts. NUAIR is teamed with Griffiss International Airport to manage operations of the Federal Aviation Administration designated Griffiss International Airport UAS Test Site. The Organization offers a wide range of services to commercial, civil and educational customers.

**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.

**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, 2019 and 2018.

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

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**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, 2019 and 2018.

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.

**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 \$294,748 and \$ 179,526 for the years ended December 31, 2019 and 2018, 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 property and equipment, 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, 2019 and 2018.

NORTHEAST UAS AIRSPACE INTEGRATION  
RESEARCH ALLIANCE, INC.

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

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

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**Refundable Advances**

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

**Program Service Fees**

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. Revenue is recognized at a single point in time as performance obligations are satisfied. Revenue is 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.

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

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

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

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**In-Kind Contributions**

The Organization receives various in-kind contributions throughout the year. Some of the contributions received were rent, marketing, subject matter experts' time, and government relations services. The Organization values these amounts at an estimate of fair market value. The in-kind contributions received were estimated at a value of \$144,000 and \$153,250, for the years ended December 31, 2019 and 2018 respectively. These in-kind contributions have been recorded in the statements as both revenue and expense.

**Advertising**

Marketing and promotion costs includes non-direct response advertising, which are expensed as incurred. These costs, charged to marketing expense, amounted to \$41,455 and \$23,129 for the years ended December 31, 2019 and 2018, respectively.

**Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the 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.

**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. Accordingly, and under similar requirements of New York State law, no provision has been made for federal or state taxes. 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.

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

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

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

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**Reclassifications**

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. These reclassifications had no impact on the total assets, liabilities, net assets or change in net assets.

**Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2014-09, “*Revenue from Contracts with Customers*,” to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for accounting principles generally accepted in the United States of America. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Organization adopted ASU No. 2014-09 effective January 1, 2019 using the retrospective method. The adoption of ASU No. 2014-09 did not have a significant impact on the recognition of resident service revenue by the Organization for any periods prior to adoption. The Organization utilizes the portfolio approach practical expedient for contracts related to resident service revenue. Revenue is recognized 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.

During the year ended December 31, 2019, the Organization adopted ASU 2018-08, “*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.” ASU 2018-08 provides guidance on characterizing grants and similar contracts as contributions or exchange transactions. It also clarifies how an organization determines whether a resource provider is receiving commensurate value and expands the criteria for determining whether a contribution is conditional. The adoption of this accounting standard did not have a significant impact on the Organization’s revenue recognition.

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

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**NOTE 3 – LIQUIDITY**

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The Organization’s financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of donor restrictions, consist of the following at December 31:

	2019	2018
<b>Financial Assets:</b>		
Cash	\$ 6,483,865	\$ 1,486,330
Governmental Support Receivable	2,899,281	3,171,641
Program Service Fees Receivable	<u>31,185</u>	<u>48,603</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<u><u>\$ 9,414,331</u></u>	<u><u>\$ 4,706,574</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.

**NOTE 4 – GOVERNMENT SUPPORT**

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The Organization has been awarded working capital grants from the New York State Urban Development Corporation doing business as Empire State Development (ESD). In 2017, ESD also awarded the Organization a \$30,000,000 grant (project number AB 925) for a job closing fund, working capital costs and to develop a 50-mile flight traffic management system between Syracuse, New York and Griffiss International Airport, in Rome, New York.

Grant support receivables consists of amounts due from ESD for grant expenses incurred but for payment was not received by the Organization at year-end. The 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, 2019 and 2018. All receivables are expected to be collected in the next year.



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

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**NOTE 4 – GOVERNMENT SUPPORT – Continued**

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Government support receivable consists of the following as of December 31:

<b>Project Number</b>	<b>Award Amount</b>	<b>2019</b>	<b>2018</b>
Z042/Z325	\$ 1,600,000	\$ 0	\$ 182,181
AA304	500,000	0	60,946
AB925	30,000,000	<u>2,899,281</u>	<u>2,928,514</u>
Total Government Support Receivable		<u>\$ 2,899,281</u>	<u>\$ 3,171,641</u>

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.

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.

**NOTE 5 – SUPPORT SERVICES**

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The CenterState CEO (CEO) provides professional and administrative support services to the Organization. The President of CEO is the Board President of the Organization. The original agreement provided for professional and administrative staff services; administrative support including accounting, grant management, and secretarial services; overhead and equipment support; funding support; and additional services as may be necessary and proper to effectively operate the Organization to assist its organizational goals; provided, however, that funding is available for such additional services. The agreement was effective from January 1, 2017 through December 31, 2018. In 2019, the Organization entered into a new agreement that provides access to, support from and the services of government relations, grant development, communication and business development personnel. Support services provided amounted to \$50,000 and \$105,750 for the years ended December 31, 2019 and 2018, respectively. The amount due to CEO was \$12,497 and \$290,955 as of December 31, 2019 and 2018, respectively.

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

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**NOTE 6 – LINES-OF-CREDIT**

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In December 2017, the Organization entered into a \$2,000,000 line-of-credit agreement with a bank at a variable interest rate of one month LIBOR plus 300 basis points. The interest rate at December 31, 2018 was 5.56%. The line-of-credit is secured by the assets of the Organization. The outstanding balance was \$1,680,000 as of December 31, 2018. In 2019, the outstanding balance on the line-of-credit was paid off and the line-of-credit was closed.

In December 2018, the Organization entered into 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 at December 31, 2019 was 3.74%. The line-of-credit is secured by the assets of the Organization. The outstanding balance was \$2,456,078 as of December 31, 2019.

Interest paid on the lines-of-credit was as \$116,241 and \$58,723 for the years ended December 31, 2019 and 2018, 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 2019 and 2018. Profit sharing contributions are determined annually by the Board 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 \$103,021 and \$31,072 for the years ended December 31, 2019 and 2018, respectively.

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

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

**NOTE 8 – COMMITMENTS**

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**Lease Commitments**

In October 2017, the Organization entered into a formal agreement to sublease hangar space that was previously being subleased on a month to month basis. The terms of the agreement called for monthly payments of \$1,000 commencing October 15, 2017 through October 14, 2019. The agreement was terminated in 2018. Rent received was \$6,000 for the year ended December 31, 2018.

In February 2018, the Organization executed a three-year lease for office space. The terms of the lease call for annual rent of \$36,000, payable in equal monthly installments. Beginning with the second lease year and for each lease year thereafter, including any extension terms, the Organization will pay as additional rent an operating expense escalation over the base year 2018 equal to 7% of the total difference between the base year operating expenses and the then current year operating expenses. Rental expense was \$36,000 and \$24,000 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, minimum future rental expense is \$36,000 for 2020 and \$3,000 for 2021.

**Construction Commitment**

In July 2018, the Organization entered into a three-year contract for \$8,583,920 with a contractor to provide the design, procurement, and installation for the flight traffic management system. One of the Organization's board members is the contractor's chief executive officer. As of December 31, 2018, there was \$116,200 recorded in construction in progress and accounts payable on the statements of financial position related to this contract.

**NOTE 9 – SUBSEQUENT EVENTS**

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On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Organization's operating results. Other financial impact could occur though such potential impact is unknown at this time. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Management has evaluated subsequent events through May 26, 2020, which is the date the financial statements were available to be issued.