

**VERTICAL AVIATION INTERNATIONAL, INC. AND  
AFFILIATES**

**AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
AND CONSOLIDATING INFORMATION**

**YEARS ENDED JUNE 30, 2024 AND 2023**

# **Vertical Aviation International, Inc. and Affiliates**

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## **Independent Auditor's Report**

To the Finance, Risk & Compliance Committee and Board of Directors  
**Vertical Aviation International, Inc. and Affiliates**  
Alexandria, Virginia

### ***Opinion***

We have audited the accompanying consolidated financial statements of **Vertical Aviation International, Inc. and Affiliates** (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of June 30, 2024 and 2023, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the 2024 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Vertical Aviation International, Inc. and Affiliates** as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit 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 **Vertical Aviation International, Inc. and Affiliates** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Vertical Aviation International, Inc. and Affiliates'** ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## Independent Auditor's Report (Continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 **Vertical Aviation International, Inc. and Affiliates'** 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Vertical Aviation International, Inc. and Affiliates'** 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.



Rockville, Maryland  
October 29, 2024

# Vertical Aviation International, Inc. and Affiliates

## Consolidated Statements of Financial Position

| <i>June 30,</i>                               | <b>2024</b>          | <b>2023</b>          |
|-----------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                 |                      |                      |
| Cash                                          | \$ 1,516,674         | \$ 2,769,814         |
| Investments                                   | 8,727,580            | 9,413,395            |
| Accounts receivable, net                      | 198,270              | 679,652              |
| Prepaid expenses                              | 423,027              | 404,261              |
| Rent receivable and deferred lease incentive  | 2,646,360            | 2,907,383            |
| Deferred compensation assets                  | 468,629              | 457,396              |
| Other assets, net                             | 703,950              | 703,950              |
| Interest rate swap contract asset             | 1,194,795            | 1,167,487            |
| Property and equipment, net                   | 13,821,219           | 14,834,143           |
| <b>Total assets</b>                           | <b>\$ 29,700,504</b> | <b>\$ 33,337,481</b> |
| <b>Liabilities and Net Assets</b>             |                      |                      |
| <b>Liabilities</b>                            |                      |                      |
| Accounts payable                              | \$ 555,139           | \$ 645,844           |
| Accrued expenses                              | 780,051              | 530,239              |
| Deferred revenue                              | 2,694,559            | 3,358,590            |
| Line of credit                                | 500,000              | 1,251,110            |
| Deferred compensation liabilities             | 468,629              | 457,396              |
| Loan payable                                  | 1,400,000            | 2,000,000            |
| Mortgage payable                              | 9,045,096            | 9,625,367            |
| Security deposit                              | 134,038              | 125,038              |
| <b>Total liabilities</b>                      | <b>15,577,512</b>    | <b>17,993,584</b>    |
| <b>Commitments and contingencies (Note 8)</b> |                      |                      |
| <b>Net assets</b>                             |                      |                      |
| Without donor restrictions                    | 14,097,329           | 15,318,897           |
| With donor restrictions                       | 25,663               | 25,000               |
| <b>Total net assets</b>                       | <b>14,122,992</b>    | <b>15,343,897</b>    |
| <b>Total liabilities and net assets</b>       | <b>\$ 29,700,504</b> | <b>\$ 33,337,481</b> |

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

# Vertical Aviation International, Inc. and Affiliates

## Consolidated Statements of Activities and Changes in Net Assets

| <i>Year Ended June 30, 2024</i>                     | Without donor<br>restrictions | With donor<br>restrictions | Total                |
|-----------------------------------------------------|-------------------------------|----------------------------|----------------------|
| <b>Revenue and support</b>                          |                               |                            |                      |
| Membership dues                                     | \$ 1,435,790                  | \$ -                       | \$ 1,435,790         |
| Lease income                                        | 1,183,645                     | -                          | 1,183,645            |
| Advertising                                         | 631,474                       | -                          | 631,474              |
| Other income                                        | 9,920                         | -                          | 9,920                |
| Convention                                          | 12,098,643                    | -                          | 12,098,643           |
| Program income- safety, technology and education    | 313,435                       | -                          | 313,435              |
| Federal grants and contracts                        | 77,328                        | -                          | 77,328               |
| Contributions                                       | 193,100                       | -                          | 193,100              |
| <b>Total revenue and support</b>                    | <b>15,943,335</b>             | <b>-</b>                   | <b>15,943,335</b>    |
| <b>Expenses</b>                                     |                               |                            |                      |
| <b>Program services</b>                             |                               |                            |                      |
| Communications                                      | 2,271,172                     | -                          | 2,271,172            |
| Marketing meetings and expositions                  | 5,112,817                     | -                          | 5,112,817            |
| Government affairs                                  | 1,571,880                     | -                          | 1,571,880            |
| Safety and education                                | 1,853,829                     | -                          | 1,853,829            |
| Membership                                          | 512,405                       | -                          | 512,405              |
| Scholarship and events                              | 268                           | -                          | 268                  |
| <b>Total program expenses</b>                       | <b>11,322,371</b>             | <b>-</b>                   | <b>11,322,371</b>    |
| <b>Supporting services</b>                          |                               |                            |                      |
| Management and general                              |                               |                            |                      |
| Other activities                                    | 4,365,069                     | -                          | 4,365,069            |
| Real estate activities                              | 2,244,927                     | -                          | 2,244,927            |
| <b>Total supporting services</b>                    | <b>6,609,996</b>              | <b>-</b>                   | <b>6,609,996</b>     |
| <b>Total expenses</b>                               | <b>17,932,367</b>             | <b>-</b>                   | <b>17,932,367</b>    |
| <b>Change in net assets before other activities</b> | <b>(1,989,032)</b>            | <b>-</b>                   | <b>(1,989,032)</b>   |
| <b>Other activities</b>                             |                               |                            |                      |
| Investment income                                   | 707,722                       | 663                        | 708,385              |
| Unrealized gain on swap contract                    | 59,742                        | -                          | 59,742               |
| <b>Total other activities</b>                       | <b>767,464</b>                | <b>663</b>                 | <b>768,127</b>       |
| <b>Change in net assets</b>                         | <b>(1,221,568)</b>            | <b>663</b>                 | <b>(1,220,905)</b>   |
| <b>Net assets, beginning of year</b>                | <b>15,318,897</b>             | <b>25,000</b>              | <b>15,343,897</b>    |
| <b>Net assets, end of year</b>                      | <b>\$ 14,097,329</b>          | <b>\$ 25,663</b>           | <b>\$ 14,122,992</b> |

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

# Vertical Aviation International, Inc. and Affiliates

## Consolidated Statements of Activities and Changes in Net Assets

| <i>Year Ended June 30, 2023</i>                     | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>         |
|-----------------------------------------------------|---------------------------------------|------------------------------------|----------------------|
| <b>Revenue and support</b>                          |                                       |                                    |                      |
| Membership dues                                     | \$ 1,390,700                          | \$ -                               | \$ 1,390,700         |
| Lease income                                        | 970,726                               | -                                  | 970,726              |
| Advertising                                         | 324,749                               | -                                  | 324,749              |
| Other income                                        | 180,374                               | -                                  | 180,374              |
| Convention                                          | 11,994,813                            | -                                  | 11,994,813           |
| Program income- safety, technology and education    | 335,541                               | -                                  | 335,541              |
| Federal grants and contracts                        | 134,463                               | -                                  | 134,463              |
| Contributions                                       | 83,691                                | 25,000                             | 108,691              |
| <b>Total revenue and support</b>                    | <b>15,415,057</b>                     | <b>25,000</b>                      | <b>15,440,057</b>    |
| <b>Expenses</b>                                     |                                       |                                    |                      |
| <b>Program services</b>                             |                                       |                                    |                      |
| Communications                                      | 1,758,370                             | -                                  | 1,758,370            |
| Marketing meetings and expositions                  | 4,509,165                             | -                                  | 4,509,165            |
| Government affairs                                  | 1,206,959                             | -                                  | 1,206,959            |
| Safety and education                                | 1,561,624                             | -                                  | 1,561,624            |
| Membership                                          | 375,382                               | -                                  | 375,382              |
| Scholarship and events                              | 390                                   | -                                  | 390                  |
| <b>Total program services</b>                       | <b>9,411,890</b>                      | <b>-</b>                           | <b>9,411,890</b>     |
| <b>Supporting activities</b>                        |                                       |                                    |                      |
| Management and general                              |                                       |                                    |                      |
| Other activities                                    | 3,659,932                             | -                                  | 3,659,932            |
| Real estate activities                              | 2,172,987                             | -                                  | 2,172,987            |
| <b>Total supporting activities</b>                  | <b>5,832,919</b>                      | <b>-</b>                           | <b>5,832,919</b>     |
| <b>Total expenses</b>                               | <b>15,244,809</b>                     | <b>-</b>                           | <b>15,244,809</b>    |
| <b>Change in net assets before other activities</b> | <b>170,248</b>                        | <b>25,000</b>                      | <b>195,248</b>       |
| <b>Other activities</b>                             |                                       |                                    |                      |
| Investment loss                                     | 383,205                               | -                                  | 383,205              |
| Unrealized gain on swap contract                    | 405,929                               | -                                  | 405,929              |
| <b>Total other activities</b>                       | <b>789,134</b>                        | <b>-</b>                           | <b>789,134</b>       |
| <b>Change in net assets</b>                         | <b>959,382</b>                        | <b>25,000</b>                      | <b>984,382</b>       |
| <b>Net assets, beginning of year</b>                | <b>14,359,515</b>                     | <b>-</b>                           | <b>14,359,515</b>    |
| <b>Net assets, end of year</b>                      | <b>\$ 15,318,897</b>                  | <b>\$ 25,000</b>                   | <b>\$ 15,343,897</b> |

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Vertical Aviation International, Inc. and Affiliates

Consolidated Statements of Functional Expenses

| Year Ended June 30, 2024      | Program Services |                                     |                    |                      |            |                        |                        | Supporting Activities  |              |                        |                             | Total |
|-------------------------------|------------------|-------------------------------------|--------------------|----------------------|------------|------------------------|------------------------|------------------------|--------------|------------------------|-----------------------------|-------|
|                               |                  |                                     |                    |                      |            |                        |                        | Management and General |              | Real Estate Activities | Total Supporting Activities |       |
|                               | Communications   | Marketing, Meetings and Expositions | Government Affairs | Safety and Education | Membership | Scholarship and Events | Total Program Services | Other Activities       |              |                        |                             |       |
| Salaries and benefits         | \$ 1,371,194     | \$ 1,166,790                        | \$ 789,715         | \$ 969,068           | \$ 436,784 | \$ -                   | \$ 4,733,551           | \$ 1,794,932           | \$ -         | \$ 1,794,932           | \$ 6,528,483                |       |
| Depreciation and amortization | 78,719           | 69,636                              | 18,166             | 57,525               | 15,138     | -                      | 239,184                | 152,896                | 829,589      | 982,485                | 1,221,669                   |       |
| Consultants                   | 382,823          | 572,315                             | 336,268            | 514,047              | 5,797      | -                      | 1,811,250              | 673,234                | 7,262        | 680,496                | 2,491,746                   |       |
| Interest expense              | -                | -                                   | -                  | -                    | -          | -                      | -                      | 143,293                | 485,387      | 628,680                | 628,680                     |       |
| Dues and subscriptions        | 10,191           | 103,267                             | 91,002             | 32,014               | -          | -                      | 236,474                | 299,459                | 18,537       | 317,996                | 554,470                     |       |
| Repairs and maintenance       | 68               | 60                                  | 16                 | 50                   | 13         | -                      | 207                    | 133                    | 330,607      | 330,740                | 330,947                     |       |
| Professional fees             | -                | 13,739                              | 123,358            | -                    | -          | -                      | 137,097                | 652,460                | 260,458      | 912,918                | 1,050,015                   |       |
| Taxes and licenses            | 2,856            | 2,527                               | 659                | 2,087                | 549        | 268                    | 8,946                  | 5,548                  | 153,969      | 159,517                | 168,463                     |       |
| Meetings                      | 790              | 2,048,042                           | 14,223             | 118,937              | 8,280      | -                      | 2,190,272              | 105,732                | -            | 105,732                | 2,296,004                   |       |
| Insurance                     | 25,874           | 170,929                             | 5,971              | 18,908               | 4,976      | -                      | 226,658                | 50,254                 | 44,103       | 94,357                 | 321,015                     |       |
| Printing and promotions       | 180,079          | 441,011                             | 24,113             | 22,303               | 15,789     | -                      | 683,295                | 58,122                 | -            | 58,122                 | 741,417                     |       |
| Telephone and utilities       | 8,077            | 7,126                               | 1,822              | 5,771                | 1,519      | -                      | 24,315                 | 15,338                 | 110,675      | 126,013                | 150,328                     |       |
| Other                         | 2,794            | 6,932                               | 1,163              | 20,513               | -          | -                      | 31,402                 | 95,352                 | -            | 95,352                 | 126,754                     |       |
| Bank charges                  | 46,796           | 41,396                              | 10,799             | 34,197               | 8,981      | -                      | 142,169                | 90,892                 | 783          | 91,675                 | 233,844                     |       |
| Office expense                | 12,026           | 27,485                              | 5,006              | 5,288                | 272        | -                      | 50,077                 | 34,041                 | 3,077        | 37,118                 | 87,195                      |       |
| Travel                        | 65,669           | 435,116                             | 148,905            | 52,859               | 9,998      | -                      | 712,547                | 191,983                | -            | 191,983                | 904,530                     |       |
| Postage                       | 83,216           | 6,446                               | 694                | 262                  | 4,309      | -                      | 94,927                 | 1,400                  | 480          | 1,880                  | 96,807                      |       |
| Total expenses                | \$ 2,271,172     | \$ 5,112,817                        | \$ 1,571,880       | \$ 1,853,829         | \$ 512,405 | \$ 268                 | \$ 11,322,371          | \$ 4,365,069           | \$ 2,244,927 | \$ 6,609,996           | \$ 17,932,367               |       |

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Vertical Aviation International, Inc. and Affiliates**

**Consolidated Statements of Functional Expenses (continued)**

| Year Ended June 30, 2023      | Program Services |                                     |                    |                      |            |                        |                        | Supporting Activities  |                        |                             |               | Total |
|-------------------------------|------------------|-------------------------------------|--------------------|----------------------|------------|------------------------|------------------------|------------------------|------------------------|-----------------------------|---------------|-------|
|                               |                  |                                     |                    |                      |            |                        |                        | Management and General |                        | Total Supporting Activities |               |       |
|                               | Communications   | Marketing, Meetings and Expositions | Government Affairs | Safety and Education | Membership | Scholarship and Events | Total Program Services | Other Activities       | Real Estate Activities |                             |               |       |
| Salaries and benefits         | \$ 1,103,619     | \$ 993,886                          | \$ 646,686         | \$ 992,562           | \$ 317,011 | \$ -                   | \$ 4,053,764           | \$ 1,822,492           | \$ -                   | \$ 1,822,492                | \$ 5,876,256  |       |
| Depreciation and amortization | 87,914           | 77,771                              | 20,288             | 64,245               | 16,907     | -                      | 267,125                | 170,757                | 732,683                | 903,440                     | 1,170,565     |       |
| Consultants                   | 307,939          | 536,699                             | 163,114            | 242,580              | 9,675      | -                      | 1,260,007              | 218,408                | -                      | 218,408                     | 1,478,415     |       |
| Interest expense              | -                | -                                   | -                  | -                    | -          | -                      | -                      | 171,680                | 324,860                | 496,540                     | 496,540       |       |
| Dues and subscriptions        | 13,199           | 73,337                              | 86,814             | 35,280               | -          | 200                    | 208,830                | 286,093                | 15,944                 | 302,037                     | 510,867       |       |
| Repairs and maintenance       | 96               | 85                                  | 22                 | 70                   | 18         | -                      | 291                    | 186                    | 332,926                | 333,112                     | 333,403       |       |
| Professional fees             | -                | 39,572                              | 131,170            | -                    | -          | -                      | 170,742                | 491,736                | 264,223                | 755,959                     | 926,701       |       |
| Taxes and licenses            | 2,318            | 2,051                               | 535                | 1,694                | 446        | 130                    | 7,174                  | 4,503                  | 195,208                | 199,711                     | 206,885       |       |
| Meetings                      | 90               | 1,766,424                           | 8,796              | 107,874              | 5,820      | -                      | 1,889,004              | 109,950                | -                      | 109,950                     | 1,998,954     |       |
| Insurance                     | 27,565           | 86,153                              | 6,361              | 20,144               | 5,301      | -                      | 145,524                | 53,539                 | 42,560                 | 96,099                      | 241,623       |       |
| Printing and promotions       | 88,398           | 443,221                             | 12,262             | 14,262               | 4,479      | -                      | 562,622                | 40,534                 | 8                      | 40,542                      | 603,164       |       |
| Telephone and utilities       | 6,637            | 5,871                               | 1,532              | 4,850                | 1,276      | -                      | 20,166                 | 12,890                 | 96,509                 | 109,399                     | 129,565       |       |
| Other                         | 6,305            | 11,034                              | 726                | 10,782               | 1,448      | -                      | 30,295                 | 5,251                  | 160,000                | 165,251                     | 195,546       |       |
| Bank charges                  | 20,079           | 17,762                              | 4,634              | 14,673               | 3,861      | 60                     | 61,069                 | 28,878                 | 1,431                  | 30,309                      | 91,378        |       |
| Office expense                | 8,626            | 19,437                              | 3,031              | 2,482                | 146        | -                      | 33,722                 | 38,766                 | 6,215                  | 44,981                      | 78,703        |       |
| Travel                        | 44,512           | 426,395                             | 120,873            | 49,407               | 7,335      | -                      | 648,522                | 203,426                | -                      | 203,426                     | 851,948       |       |
| Postage                       | 41,073           | 9,467                               | 115                | 719                  | 1,659      | -                      | 53,033                 | 843                    | 420                    | 1,263                       | 54,296        |       |
| Total expenses                | \$ 1,758,370     | \$ 4,509,165                        | \$ 1,206,959       | \$ 1,561,624         | \$ 375,382 | \$ 390                 | \$ 9,411,890           | \$ 3,659,932           | \$ 2,172,987           | \$ 5,832,919                | \$ 15,244,809 |       |

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

# Vertical Aviation International, Inc. and Affiliates

## Consolidated Statements of Cash Flows

| <i>Years Ended June 30,</i>                                                                              | <b>2024</b>      | <b>2023</b>      |
|----------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                                              |                  |                  |
| Change in net assets                                                                                     | \$ (1,220,905)   | \$ 984,382       |
| <b>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities</b> |                  |                  |
| Depreciation and amortization                                                                            | 1,221,669        | 1,173,495        |
| Loss on disposal of property and equipment                                                               | -                | 102,848          |
| Net realized and unrealized (gain) loss on investments                                                   | (506,751)        | (486,054)        |
| Unrealized gain on interest rate swap contract                                                           | (59,742)         | (405,929)        |
| Deferred rent and lease incentives                                                                       | -                | (122,979)        |
| <b>(Increase) decrease in:</b>                                                                           |                  |                  |
| Accounts receivable                                                                                      | 481,382          | (267,887)        |
| Prepaid expenses and other assets                                                                        | (18,766)         | (51,556)         |
| Rent receivable and deferred lease incentives                                                            | 261,023          | 249,110          |
| <b>Increase (decrease) in:</b>                                                                           |                  |                  |
| Accounts payable                                                                                         | (90,705)         | 326,757          |
| Accrued expenses                                                                                         | 249,812          | (56,133)         |
| Deferred revenue                                                                                         | (664,031)        | 160,622          |
| Security deposit liability                                                                               | 9,000            | -                |
| <b>Net cash (used) provided by operating activities</b>                                                  | <b>(338,014)</b> | <b>1,606,676</b> |
| <b>Cash flows from investing activities</b>                                                              |                  |                  |
| Purchases of investments                                                                                 | (25,000)         | (1,278,319)      |
| Proceeds from the sale of investments                                                                    | 1,250,000        | 1,585,130        |
| Purchases of property and equipment                                                                      | (198,168)        | (579,459)        |
| <b>Net cash provided (used) by investing activities</b>                                                  | <b>1,026,832</b> | <b>(272,648)</b> |

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

# Vertical Aviation International, Inc. and Affiliates

## Consolidated Statements of Cash Flows

| <i>Years Ended June 30,</i>                              | <b>2024</b>         | <b>2023</b>         |
|----------------------------------------------------------|---------------------|---------------------|
| <b>Cash flows from financing activities</b>              |                     |                     |
| Principal payments on mortgage notes                     | <b>(590,848)</b>    | (566,719)           |
| Proceeds from line of credit                             | <b>1,000,000</b>    | -                   |
| Payments on loan payable                                 | <b>(600,000)</b>    | (500,000)           |
| Payments on line of credit                               | <b>(1,751,110)</b>  | (241,111)           |
| <b>Net cash used in financing activities</b>             | <b>(1,941,958)</b>  | (1,307,830)         |
| <b>Net change in cash and cash equivalents</b>           | <b>(1,253,140)</b>  | 26,198              |
| <b>Cash and cash equivalents, beginning of year</b>      | <b>2,769,814</b>    | 2,743,616           |
| <b>Cash and cash equivalents, end of year</b>            | <b>\$ 1,516,674</b> | <b>\$ 2,769,814</b> |
| <b>Supplemental disclosure of cash flow information:</b> |                     |                     |
| Interest paid                                            | <b>\$ 628,680</b>   | <b>\$ 496,540</b>   |

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### 1. Nature of activities and significant accounting policies

**Nature of activities:** The Vertical Aviation International, Inc. (the “Association”) is a nonprofit organization organized to gather, correlate, analyze and distribute facts, data and information relative to the use and operation of helicopters to its members and the helicopter industry. The Association’s significant sources of revenue include membership dues, admission fees for Association sponsored events, subscription and publication revenue, advertising revenue, and investment income.

The Vertical Aviation Foundation International, Inc (the “Foundation”) is a nonprofit organization organized to preserve and promote helicopter history and education. The Foundation’s income primarily consists of contributions from the public.

VAI 1920 Ballenger, LLC (the “LLC”) is a limited liability company in which the Association is the sole member. The LLC was organized to purchase and operate a mixed-use building that will be developed into retail and office space, a substantial portion of which is leased to the Association for its headquarters office (see Note 6).

The three entities are referred to collectively, as the “Organization”.

A summary of the Organization’s significant accounting policies follows:

**Principles of consolidation:** The consolidated financial statements include the accounts of the Association, the Foundation and the LLC. The Association, the Foundation and the LLC have been consolidated due to the presence of common control and economic interest. Intercompany balances and transactions have been eliminated in consolidation.

**Basis of presentation:** The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). As required by the Not-for-Profit Entities topic of the FASB ASC, the Organization is required to report information regarding its net assets and its activities according to two categories of net assets:

**Net assets without donor restrictions:** Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization’s management and the Board of Directors (the “Board”).

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

**Net assets with donor restrictions:** Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Purpose-restricted resources relate to scholarships given by the Foundation. As of June 30, 2024 and 2023, the Organization had \$25,663 and \$25,000 of net assets with donor restrictions held for a specific purpose or time, respectively. The Organization had no net assets required to be held in perpetuity.

**Cash and cash equivalents:** Cash consists of monies held in demand deposit accounts. For financial statement purposes, all highly liquid investments purchased with an original maturity of three months or less are considered cash equivalents, except those held within an investment portfolio.

The Organization maintains cash balances at three commercial banks, these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At June 30, 2024 and 2023, the Organization's cash balances held at the commercial banks exceeded the FDIC limit by approximately \$521,000 and \$1,755,000, respectively. Management does not believe that this results in any significant credit risk. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

**Investments:** Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is unrealized and realized gains (losses) in the Consolidated Statements of Activities and Changes in Net Assets. The Organization invests funds in a professionally managed portfolio that contains mutual funds that invest in common shares of publicly traded companies, as well as preferred stock, exchange-traded funds, corporate bonds, certificates of deposit, and market-linked securities. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

## Vertical Aviation International, Inc. and Affiliates

### Notes to Consolidated Financial Statements

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**Accounts receivable:** Accounts receivable consists primarily of amounts due from members and amounts due to the Organization in conjunction with performing the Organization's mission. Accounts receivable are reported at their outstanding balances, reduced by an allowance for credit losses. As a result of the adoption of Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses*, the Organization changed their accounting policy for allowance for credit losses. The Organization assesses the adequacy of an allowance for credit losses at inception of a receivable, and periodically, based on expected loss over the life of a receivable by analyzing reasonable available information including historical write-offs, aging and delinquency trends, economic status of customers, and other general and contract specific factors. Upon determination that a specific receivable is uncollectible, the receivable is written off against the allowance for credit losses reserve. At June 30, 2024 and 2023, the balance in allowance for credit losses was \$75,521 and \$29,989, respectively.

**Property and equipment:** Property and equipment are recorded at cost. Assets that cost \$500 or more are capitalized. Depreciation on buildings, automobiles, furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which are five years for automobiles, furniture and equipment and 39 years for buildings and improvements.

**Valuation of long-lived assets:** The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

**Leases:** For operating leases with initial lease terms greater than 12 months, operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are disclosed as right-of-use assets – operating lease and the related liabilities are included in lease liabilities – operating lease in the Consolidating Statements of Financial Position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as lease expense in the accompanying Consolidating Statements of Functional Expenses. Lease and non-lease components of office lease agreements are accounted as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization determines if an arrangement is a lease at inception. All leases are recorded on the Consolidating Statements of Financial Position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election.

**Loan costs:** Loan costs incurred in connection with refinancing a mortgage loan are being amortized using the straight-line method over the life of the loan. Unamortized debt issuance costs are presented as a reduction of the carrying amount of the related mortgage payable as disclosed in Note 5, and the related amortization charge is included in interest expense.

**Interest rate swap contract:** The interest rate swap contract is accounted for under FASB ASC Topic 815-10, *Accounting for Derivative Instruments and Hedging Activities*. Since the Organization is a nonprofit organization, cash flow hedging is not permitted under accounting principles generally accepted in the United States of America (“U.S. GAAP”). Therefore, the fair value of this derivative is reflected in the accompanying consolidated statements of financial position, with the related gains or losses reflected in the consolidated statements of activities. The interest rate swap contract involves the exchange of floating-rate interest payments for fixed-rate interest payments over the life of the agreement, without the exchange of the underlying principal amounts. The Organization’s intent is to reduce overall interest expense while maintaining an acceptable level of risk from exposure to increases in interest rates. The Organization does not hold or issue the interest rate swap agreement for trading purposes, nor is it a party to leveraged derivatives.

**Revenue and support:** Revenue includes membership dues, advertising, other income, convention, federal grants and contracts and program income because these line items have performance obligations and relate to contracts with customers, which are considered to be exchange transactions. Support includes contributions, which are considered to be non-reciprocal transactions or contributions.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

The Organization applies Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (“ASC 606”). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers includes line items that have performance obligations that are satisfied either at a point in time or over time and most contracts have initial terms of one year or less. The Organization performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Organization is able to reasonably measure its progress towards complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has not been transferred to the customer. If the certain criteria are met, revenue is recognized at a point in time.

Prices are specific to distinct performance obligations and contracts with customers do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the consolidated financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Organization or can have a positive impact on cash flows in favorable economic conditions.

**Membership dues:** Membership dues are recognized as revenue over the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying Consolidated Statements of Financial Position.

**Advertising:** Advertising is recognized at the point in time when the print advertisement has been placed or when the digital advertisement is published online.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

**Convention:** Revenue and the related costs of the convention are recognized at the point in time when the convention is held. Accordingly, registration and exhibit fees received in advance of the convention are recorded as deferred revenue, and expenses paid in advance of the convention are recorded as prepaid expenses in the accompanying Consolidated Statements of Financial Position.

**Program income:** Program income includes fees related to the Organization's education courses, which is recognized as revenue at the point in time when the specific event occurs.

**Contract costs:** Contract costs generally include direct costs such as consultants, travel, meetings, and shipping costs. Costs are expensed when incurred.

Contract assets and liabilities from contracts with customers are included in accounts receivable and deferred revenue in the accompanying Consolidated Statements of Financial Position. These balances are the result of timing differences between when revenue is recognized and when the related payments is received. Opening balances as of July 1, 2022 were as follows:

|                     |              |
|---------------------|--------------|
| Accounts receivable | \$ 435,451   |
| Deferred revenue    | \$ 3,197,968 |

**Rental income:** Rental income is recognized on a straight-line basis over the life of the lease.

**Other income:** Other income consists of miscellaneous income, the largest source being lease income from parking by the LLC.

**Contributions:** The Organization reports unconditional contributions as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions.

**Federal grants and contracts:** Federal grants are cost-reimbursable agreements conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. No amounts have been received in advance under government grants. When conditions are satisfied and the amounts have not been received, they are included with accounts receivable in the accompanying Consolidated Statements of Financial Position.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying Consolidated Statements of Functional Expenses. Expenses directly attributed to specific functional areas of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas, such as salaries and benefits, occupancy, and depreciation and amortization, have been allocated among the various functional areas based on estimates determined by management to be equitable.

The following categories of expenses included allocations:

| Expenses                      | Method of allocation |
|-------------------------------|----------------------|
| Salaries and benefits         | Time and effort      |
| Depreciation and amortization | Time and effort      |
| Repairs and maintenance       | Time and effort      |
| Taxes and licenses            | Time and effort      |
| Telephone and utilities       | Time and effort      |

**Rebranding:** In fiscal year 2024, the organization rebranded from Helicopter Association International, Inc. to Vertical Aviation International, Inc. Rebranding costs totaled approximately \$1.1 million.

**Income taxes:** The Association and the Foundation are nonprofit organizations under Sections 501(c)(6) and 501(c)(3), respectively, of the Internal Revenue Code and are exempt from federal taxes on income other than net unrelated business income. The LLC, as a single-member limited liability company, is a disregarded entity for income tax purposes, and all of its income is reported by the Association and is treated as unrelated business income and subject to tax.

The Organization reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the years ended June 30, 2024 and 2023, no provision for income taxes was made, as the Organization had no taxable net unrelated business income and did not identify any uncertainty in income taxes requiring recognition or disclosure in these consolidated financial statements. Tax years from 2020 through the current year remain open for examination by tax authorities.

**Use of estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

**Recent accounting pronouncement adopted:** In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, or (“CECL”), which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. For most instruments, entities must apply the standard using a cumulative-effect adjustment to beginning net assets as of the beginning of the fiscal year of adoption.

The adoption of CECL did not have a material impact. A cumulative effect adjustment to beginning net assets was not required. Financial assets and liabilities held by the Organization subject to the “expected credit loss” model prescribed by CECL include trade and other receivables.

**Subsequent events:** Subsequent events have been evaluated through October 29, 2024, which is the date the consolidated financial statements were available to be issued.

### 2. Investments

The framework for measuring fair value in accordance with generally accepted accounting principles uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

**Level 1:** Observable inputs that reflect quoted prices for identical assets of liabilities in active markets such as stock quotes;

**Level 2:** Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

**Level 3:** Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset and liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

Investments are reported at fair value and consist of the following:

| <b>June 30, 2024</b>                            | <b>Total</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|-------------------------------------------------|--------------|----------------|----------------|----------------|
| Investments, at fair value                      |              |                |                |                |
| Preferred stocks                                | \$ 2,391,777 | \$ -           | \$ 2,391,777   | \$ -           |
| Mutual funds                                    |              |                |                |                |
| Fixed income                                    | 3,315,215    | 3,315,215      | -              | -              |
| Equity                                          | 1,332,809    | 1,332,809      | -              | -              |
| Exchange-traded funds                           | 422,050      | 422,050        | -              | -              |
| Certificates of deposit                         | -            | -              | -              | -              |
| Corporate bonds                                 | -            | -              | -              | -              |
| Market-linked securities                        | 888,792      | -              | 888,792        | -              |
| Total investments, at fair value                | 8,350,643    | 5,070,074      | 3,280,569      | -              |
| Investments at cost, cash                       | 376,937      |                |                |                |
| Total investments                               | \$ 8,727,580 | \$ 5,070,074   | \$ 3,280,569   | \$ -           |
| Deferred compensation assets:                   |              |                |                |                |
| Cash surrender value of life insurance policies | \$ 468,629   | \$ -           | \$ 468,629     | \$ -           |
| Liabilities:                                    |              |                |                |                |
| Deferred compensation plan liability            | \$ 468,629   | \$ -           | \$ 468,629     | \$ -           |
| Interest rate swap contract asset               | \$ 1,194,795 | \$ -           | \$ 1,194,795   | \$ -           |

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

| June 30, 2023                                   | Total        | Level 1      | Level 2      | Level 3 |
|-------------------------------------------------|--------------|--------------|--------------|---------|
| Investments, at fair value                      |              |              |              |         |
| Preferred stocks                                | \$ 5,190,297 | \$ -         | \$ 5,190,297 | \$ -    |
| Mutual funds                                    |              |              |              |         |
| Fixed income                                    | 457,926      | 457,926      | -            | -       |
| Equity                                          | 513,227      | 513,227      | -            | -       |
| Exchange-traded funds                           | 805,915      | 805,915      | -            | -       |
| Certificates of deposit                         | 997,411      |              | 997,411      | -       |
| Corporate bonds                                 | 170,926      | -            | 170,926      | -       |
| Market-linked securities                        | 800,877      | -            | 800,877      | -       |
| Total investments, at fair value                | 8,936,579    | 1,777,068    | 7,159,511    | -       |
| Investments at cost, cash                       | 476,816      | -            | -            | -       |
| Total investments                               | \$ 9,413,395 | \$ 1,777,068 | \$ 7,159,511 | \$ -    |
| Deferred compensation assets:                   |              |              |              |         |
| Cash surrender value of life insurance policies | \$ 457,396   | \$ -         | \$ 457,396   | \$ -    |
| Liabilities:                                    |              |              |              |         |
| Deferred compensation plan liability            | \$ 457,396   | \$ -         | \$ 457,396   | \$ -    |
| Interest rate swap contract asset               | \$ 1,167,487 | \$ -         | \$ 1,167,487 | \$ -    |

The Organization used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

**Preferred stocks:** These are valued based on current yields, the securities' terms and conditions, and market activity. Information used includes market sources, credit information, observed market movement and sector news.

**Mutual and exchange-traded funds:** These are valued at quoted market prices for identical assets in active markets.

**Certificates of deposit:** Certificates of deposit are generally valued at original cost plus accrued interest, which approximate fair value. During the year ended June 30, 2024 and 2023, the certificates bore interest rates ranging from 4.85%-5.35%.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

**Corporate bonds:** Estimated fair value is determined by discounting the related cash flows based on current yields of similar instruments with comparable characteristics, as provided by a third-party using a computerized valuation formula. These corporate bonds are not actively traded and are categorized as Level 2 assets.

**Market-linked securities:** Estimated fair value is tied to the value of the underlying reference asset's performance which can be equity, commodities or fixed income.

**Cash surrender value of life insurance policies:** Cash surrender value of the life insurance policies is based upon the reserve value, which is the face amount of the contracts discounted at a specific rate of interest according to the insured's life expectancy.

**Deferred compensation plan liability:** Value is based on market value of the underlying deferred compensation plan assets.

**Interest rate swap contract:** This is valued using an industry-recognized model that discounts the cash flows at each coupon adjustment date.

### 3. Property and equipment and sale of real estate assets

Property and equipment consisted of the following as of June 30:

|                                    | 2024                 | 2023                 |
|------------------------------------|----------------------|----------------------|
| Buildings and improvements         | \$ 20,962,390        | \$ 20,921,164        |
| Land                               | 2,500,000            | 2,500,000            |
| Furniture and equipment            | 1,878,134            | 1,721,192            |
| Automobiles                        | 46,606               | 46,606               |
| Total                              | 25,387,130           | 25,188,962           |
| Less: accumulated depreciation     | (11,565,911)         | (10,354,819)         |
| <b>Property and equipment, net</b> | <b>\$ 13,821,219</b> | <b>\$ 14,834,143</b> |

Depreciation and amortization expense was \$1,221,669 and \$1,173,495 for the years ended June 30, 2024 and 2023, respectively.

## Vertical Aviation International, Inc. and Affiliates

### Notes to Consolidated Financial Statements

#### 4. Lines of credit

The Organization had an unsecured \$4,000,000 revolving line of credit with Truist Bank maturing in October 2023, which bore interest at a rate equal to the greater of the one-month London Interbank Offered Rate (LIBOR) or 1.00%, plus 1.5% (which was 2.50% per annum as of June 30, 2022). The line of credit was terminated when the mortgaged loan was refinanced.

During October 2021, the Organization refinanced its mortgage loan and obtained additional financing with First National Bank of Pennsylvania. The Organization obtained a revolving line of credit up to a maximum of \$1,500,000. The line of credit bears an interest rate of SOFR Daily Flex Rate ("SOFR Daily Flex Rate") plus 1.60%, which was approximately 6.92% and 6.74% as of June 30, 2024 and 2023, respectively, and expired 24 months from the date of the agreement. In November 2023, the line of credit was extended for an additional 12 months.

There was a balance of \$500,000 and \$1,251,110 on the lines of credit as of June 30, 2024 and 2023, respectively.

Interest expense related to the line of credit for the years ended June 30, 2024 and 2023 was \$40,205 and \$66,481, respectively.

#### 5. Debt obligations

**Mortgage Loan:** On April 11, 2012, the LLC entered into a note agreement with Truist Financial Corporation to obtain a mortgage loan in the amount of \$14,000,000 to finance the acquisition and improvement of the commercial property owned by the LLC. The note was to mature on April 11, 2022. Monthly interest and principal payments were required through the maturity date, with a final payment of \$10,084,780 due upon maturity. The Association was a guarantor on the loan. The note was secured by a deed of trust on the LLC's real property and required the LLC, and the Association as the guarantor, to comply with, among other provisions, certain financial and nonfinancial covenants and restrictions on future borrowings.

During October 2021, the mortgage loan was refinanced and the LLC entered into a note agreement with First National Bank of Pennsylvania to obtain a mortgage in the amount of \$10,700,000. Principal payments commenced on December 1, 2021 and the note will mature during October 2036. The note bears interest at a rate equal to the one-month LIBOR plus 1.40%, which was 6.84% and 6.61% per annum as of June 30, 2024 and 2023, respectively. The Association is the guarantor on the loan. The note is secured by a deed of trust on the LLC's real property and requires the LLC, and the Association as the guarantor, to comply with, among other provisions, certain financial and nonfinancial covenants and restrictions on future borrowings.

## Vertical Aviation International, Inc. and Affiliates

### Notes to Consolidated Financial Statements

During October 2021, the Organization obtained a term loan totaling \$2,500,000, bearing an interest rate of LIBOR plus 125 basis points, which was and 6.68% and 6.46% as of June 30, 2024 and 2023, respectively. Interest is due in monthly installments for a period of 60 months and principal payments are due on the anniversary date of the loan agreement in an amount equal to the lesser of \$500,000 or the principal amount then outstanding on the loan. Any outstanding loan amount is due in full in October 2026. The outstanding balance of this term loan as of June 30, 2024 and 2023 were \$1,400,000 and \$2,000,000, respectively.

The lines of credit and loan agreements contain certain financial and nonfinancial covenants, including minimum liquidity and debt service coverage ratios.

As of June 30, 2024 and 2023, the outstanding balance on the mortgage note was \$9,210,106 and \$9,800,954, respectively, which is reported net of unamortized loan costs of \$165,010 and \$175,587, respectively, in the accompanying Consolidated Statements of Financial Position. Maturity of the mortgage loan is as follows:

|                              |                     |
|------------------------------|---------------------|
| Year ending June 30, 2024    | \$ 9,210,106        |
| Less: unamortized loan costs | (165,010)           |
| <b>Total</b>                 | <b>\$ 9,045,096</b> |

Principal of the note will be payable for the next five years as follows:

| Year Ending June 30 | Amount              |
|---------------------|---------------------|
| 2025                | \$ 611,342          |
| 2026                | 631,665             |
| 2027                | 652,665             |
| 2028                | 673,741             |
| 2029                | 696,761             |
| Thereafter          | 5,943,932           |
| <b>Total</b>        | <b>\$ 9,210,106</b> |

The LLC entered into a swap agreement related to its mortgage note to reduce the impact of changes in interest rates. The swap agreement fixed the rate of the mortgage note at 3.23% through November 1, 2036, at which date the swap agreement terminates. The notional amount of the mortgage note covered by the agreement was \$9,210,106 and \$9,800,954 as of June 30, 2024 and 2023, respectively.

## Vertical Aviation International, Inc. and Affiliates

### Notes to Consolidated Financial Statements

As of June 30, 2024 and 2023, the fair value of the interest rate swap agreement resulted in an asset of \$1,194,795 and \$1,167,487, respectively. The Organization recognized an unrealized gain on the swap contract in the amount of \$59,742 and \$405,929 to reflect the recognition of the swap contract's fair value, which has been included in the accompanying Consolidated Statements of Activities and Changes in Net Assets for the years ended June 30, 2024 and 2023, respectively.

The estimated fair value of the interest rate swap represents the cash requirements if the existing agreement had been settled at year-end and is included as an asset in the Consolidated Statements of Financial Position. In general, an increase in short-term market interest rates will result in an increase in the unrealized value of the swap contract. The fair value has been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value.

#### 6. Rental property leases

On May 20, 2016, the LLC entered into a noncancelable lease with a lease term of 10 years and three months. The base building was delivered to the tenant on August 1, 2016, to allow the tenant to construct improvements prior to the lease commencement date of October 1, 2016. The lease provides for an annual base rent escalation of 2.5%. As an inducement to enter into the lease, the lease provides for a free rent period in the beginning of the lease term and a tenant improvement allowance of approximately \$450,000. On May 25, 2019, the LLC entered into another noncancelable lease with a lease term of 16 years. The base building was delivered to the tenant on June 1, 2019, to allow the tenant to construct improvements prior to the lease commencement date of March 1, 2020. The lease provides for an annual base rent escalation of 2.5%. As an inducement to enter into the lease, the lease provides for a free rent period in the beginning of the lease term and a tenant improvement allowance of approximately \$1,650,000.

Lease income is included in the Consolidated Statement of Activities as lease income. Cash receipts from operating leases are classified within cash flows from operating activities. Lease income from operating leases totaled \$1,180,306 and \$970,726 for the years ending June 30, 2024 and 2023, respectively.

The carrying amounts of the underlying assets related to the operating leases are as follows as of June 30:

|                                | 2024          | 2023          |
|--------------------------------|---------------|---------------|
| Building and improvements      | \$ 18,303,962 | \$ 18,262,737 |
| Less: Accumulated depreciation | (6,913,474)   | (6,305,376)   |
| Total                          | \$ 11,390,488 | \$ 11,957,361 |

## Vertical Aviation International, Inc. and Affiliates

### Notes to Consolidated Financial Statements

Under U.S. GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives are recognized on a straight-line basis over the term of the lease. The difference between the U.S. GAAP rent revenue and the required lease payments is reflected as part of rent receivable and deferred lease incentives in the accompanying Consolidated Statements of Financial Position.

The following is a summary of the future minimum rental payments:

| Years ending June 30: |                      |
|-----------------------|----------------------|
| 2025                  | \$ 2,762,433         |
| 2026                  | 2,831,490            |
| 2027                  | 2,712,234            |
| 2028                  | 2,587,630            |
| 2029                  | 2,841,629            |
| Thereafter            | 23,881,703           |
| <b>Total</b>          | <b>\$ 37,617,119</b> |

- 7. Related party transactions** The Association and the LLC entered into an operating lease agreement for office space in the building owned by the LLC. The lease period commenced on June 1, 2013 and extended through May 31, 2023. The base monthly rent was \$109,754 and was subject to certain rent abatement and annual escalation provisions. As of June 30, 2024 and 2023, the total lease commitment under the lease was \$21,229,440 and \$27,261,922, respectively.

The Association and the LLC amended the office agreement to create an extended term for an additional 13 years and 7 months, commencing June 1, 2023 and expiring December 31, 2036. The base monthly rent is \$143,231 and was subject to certain provisions including annual base rent escalation of 2.50%. There are no renewal terms under the amended agreement.

Upon adoption of the new lease standard, the Association evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Association's right to use underlying assets for the lease term, and the lease liabilities represent the Association's obligation to make lease payments arising from the lease. The ROU asset and lease liability from the operating lease was calculated based on the present value of future lease payments over the lease term. The Association has made an accounting policy election to use a risk-free rate, in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities as of June 30, 2024, was 2.88%. The weighted average remaining lease term is 12.5 years as of June 30, 2024.

Total operating lease cost was \$1,983,379 for the year ended June 30, 2024. Total cash flows from operating leases were \$1,722,357 for the year ended June 30, 2024.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

The right-of-use asset, lease liability, and lease costs are eliminated in consolidation.

Future maturities of lease liabilities are as follows:

Years ending June 30:

|                                         |                   |
|-----------------------------------------|-------------------|
| 2025                                    | \$ 1,765,416      |
| 2026                                    | 1,809,551         |
| 2027                                    | 1,854,790         |
| 2028                                    | 1,901,160         |
| 2029                                    | 1,948,689         |
| Thereafter                              | 16,259,959        |
| Total                                   | 25,539,565        |
| Less: imputed interest                  | (4,310,124)       |
| <b>Lease liability- operating lease</b> | <b>21,229,440</b> |

### 8. Commitments and contingencies

**Hotel Contracts:** The Organization has entered into agreements with convention centers and hotels to provide conference facilities and room accommodations for its meetings through 2032. The agreements contain clauses, whereby, the Organization is liable for liquidated damages in the event of cancellation. Management of the Organization does not believe that any losses will be incurred under these contracts.

**Employment agreement:** The Organization has an agreement with its Chief Executive Officer and President which requires that, if his employment is terminated without cause, the Organization is liable to compensate him six months of his base salary.

### 9. Liquidity and availability of financial assets

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests excess cash in its investment portfolio which is invested pursuant to a board-approved asset allocation model, and includes securities traded in active markets that are liquid and can be accessed to meet the Organization's operating cash requirements, as needed.

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds.

# Vertical Aviation International, Inc. and Affiliates

## Notes to Consolidated Financial Statements

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures at June 30, 2024 and 2023, were as follows:

|                                                                                               | 2024                 | 2023                 |
|-----------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Financial assets:</b>                                                                      |                      |                      |
| <b>Cash</b>                                                                                   | \$ 1,516,674         | \$ 2,769,815         |
| <b>Accounts receivable</b>                                                                    | 198,270              | 679,652              |
| <b>Investments</b>                                                                            | 8,727,580            | 9,413,395            |
| <b>Financial assets available to meet cash needs for general expenditures within one year</b> | <b>\$ 10,442,524</b> | <b>\$ 12,862,862</b> |

### 10. Benefit plans

The Association sponsors a profit-sharing 401(k) plan for all employees meeting certain eligibility requirements. Employees may contribute a percentage of their annual compensation to the plan, limited to the maximum amount set periodically by the Internal Revenue Service. The plan allows the Association to make an annual contribution based on a percentage of the participating employees' compensation. For the years ended June 30, 2024 and 2023, the Association contributed \$225,183 and \$186,646 to the plan, respectively.

The Association has a deferred compensation plan for a group of key employees, established in accordance with Section 457(b) of the IRC. The plan is funded by investments held to fund deferred compensation, which are described in Note 2. The deferred compensation assets totaled \$468,629 and \$457,396 as of June 30, 2024 and 2023, respectively, whereas the related liability totaled \$468,629 and \$457,396, respectively. For the years ended June 30, 2024 and 2023, the Association contributed \$44,684 and \$40,845 to the plan, respectively.

## Independent Auditor's Report on Consolidating Information

To the Finance, Risk & Compliance Committee and Board of Directors  
**Vertical Aviation International, Inc. and Affiliates**  
Alexandria, Virginia

We have audited the consolidated financial statements of **Vertical Aviation International, Inc. and Affiliates** as of and for the year ended June 30, 2024, and our report thereon dated October 29, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information on pages 28 - 29 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Aprio, LLP*

Rockville, Maryland  
October 29, 2024

# Vertical Aviation International, Inc. and Affiliates

## Consolidating Statement of Financial Position

|                                              | Vertical Aviation    |                     |                      |                        |                      |  |
|----------------------------------------------|----------------------|---------------------|----------------------|------------------------|----------------------|--|
|                                              | Vertical Aviation    | Foundation          | VAI Ballenger        |                        |                      |  |
| June 30, 2024                                | International, Inc.  | International, Inc. | 1920, LLC            | Eliminations           | Consolidated         |  |
| <b>Assets</b>                                |                      |                     |                      |                        |                      |  |
| Cash and cash equivalents                    | \$ 1,212,001         | \$ 11,264           | \$ 293,409           | \$ -                   | \$ 1,516,674         |  |
| Investments                                  | 8,727,580            | -                   | 611,595              | (611,595)              | 8,727,580            |  |
| Accounts receivable                          | 168,483              | -                   | 29,787               | -                      | 198,270              |  |
| Prepaid expenses                             | 386,839              | -                   | 36,188               | -                      | 423,027              |  |
| Investment in subsidiary                     | 9,222,535            | -                   | -                    | (9,222,535)            | -                    |  |
| Rent receivable and deferred lease incentive | -                    | -                   | 3,722,383            | (1,076,023)            | 2,646,360            |  |
| Deferred compensation assets                 | 468,629              | -                   | -                    | -                      | 468,629              |  |
| Other assets, net                            | -                    | -                   | 703,950              | -                      | 703,950              |  |
| Interest rate swap contract asset            | -                    | -                   | 1,194,795            | -                      | 1,194,795            |  |
| Right-of-use asset- operating                | 19,541,822           | -                   | -                    | (19,541,822)           | -                    |  |
| Property and equipment, net                  | 1,990,482            | -                   | 11,830,737           | -                      | 13,821,219           |  |
| <b>Total assets</b>                          | <b>\$ 41,718,371</b> | <b>\$ 11,264</b>    | <b>\$ 18,422,844</b> | <b>\$ (30,451,975)</b> | <b>\$ 29,700,504</b> |  |
| <b>Liabilities and Net Assets</b>            |                      |                     |                      |                        |                      |  |
| Accounts payable                             | \$ 546,444           | \$ -                | \$ 8,695             | \$ -                   | \$ 555,139           |  |
| Accrued expenses                             | 758,637              | -                   | 21,414               | -                      | 780,051              |  |
| Lease liability- operating lease             | 21,229,440           | -                   | -                    | (21,229,440)           | -                    |  |
| Deferred revenue                             | 2,694,493            | -                   | 66                   | -                      | 2,694,559            |  |
| Line of credit                               | 500,000              | -                   | -                    | -                      | 500,000              |  |
| Deferred compensation liabilities            | 468,629              | -                   | -                    | -                      | 468,629              |  |
| Loan payable                                 | 1,400,000            | -                   | -                    | -                      | 1,400,000            |  |
| Mortgage payable, net                        | -                    | -                   | 9,045,096            | -                      | 9,045,096            |  |
| Security deposit                             | 9,000                | -                   | 125,038              | -                      | 134,038              |  |
| <b>Total liabilities</b>                     | <b>27,606,643</b>    | <b>-</b>            | <b>9,200,309</b>     | <b>(21,229,440)</b>    | <b>15,577,512</b>    |  |
| <b>Net assets (deficit)</b>                  |                      |                     |                      |                        |                      |  |
| Without donor restrictions                   | 14,086,065           | 11,264              | -                    | -                      | 14,097,329           |  |
| With donor restrictions                      | 25,663               | -                   | -                    | -                      | 25,663               |  |
| Member's equity                              | -                    | -                   | 9,222,535            | (9,222,535)            | -                    |  |
| <b>Total net assets</b>                      | <b>14,111,728</b>    | <b>11,264</b>       | <b>9,222,535</b>     | <b>(9,222,535)</b>     | <b>14,122,992</b>    |  |
| <b>Total liabilities and net assets</b>      | <b>\$ 41,718,371</b> | <b>\$ 11,264</b>    | <b>\$ 18,422,844</b> | <b>\$ (30,451,975)</b> | <b>\$ 29,700,504</b> |  |

See Independent Auditor's Report on Consolidating Information.

Vertical Aviation International, Inc. and Affiliates

Consolidating Statements of Activities and Changes in Net Assets

| Year Ended June 30, 2024                            | Vertical Aviation International, Inc. |                            | Total<br>Vertical Aviation<br>International, Inc. | Vertical Aviation<br>Foundation<br>International, Inc. | VAI Ballenger<br>1920, LLC | Eliminations   | Consolidated  |
|-----------------------------------------------------|---------------------------------------|----------------------------|---------------------------------------------------|--------------------------------------------------------|----------------------------|----------------|---------------|
|                                                     | Without donor<br>restrictions         | With donor<br>restrictions |                                                   |                                                        |                            |                |               |
| <b>Revenue and support</b>                          |                                       |                            |                                                   |                                                        |                            |                |               |
| Membership dues                                     | \$ 1,435,790                          | \$ -                       | \$ 1,435,790                                      | \$ -                                                   | \$ -                       | \$ -           | \$ 1,435,790  |
| Lease income                                        | 49,500                                | -                          | 49,500                                            | -                                                      | 2,964,868                  | (1,830,723)    | 1,183,645     |
| Advertising                                         | 631,474                               | -                          | 631,474                                           | -                                                      | -                          | -              | 631,474       |
| Other income                                        | 9,920                                 | -                          | 9,920                                             | -                                                      | 152,656                    | (152,656)      | 9,920         |
| Convention                                          | 12,098,643                            | -                          | 12,098,643                                        | -                                                      | -                          | -              | 12,098,643    |
| Program income- safety, technology, and education   | 313,435                               | -                          | 313,435                                           | -                                                      | -                          | -              | 313,435       |
| Federal grants and contracts                        | 77,328                                | -                          | 77,328                                            | -                                                      | -                          | -              | 77,328        |
| Contributions                                       | 168,950                               | -                          | 168,950                                           | 24,150                                                 | -                          | -              | 193,100       |
| <b>Total revenue and support</b>                    | 14,785,040                            | -                          | 14,785,040                                        | 24,150                                                 | 3,117,524                  | (1,983,379)    | 15,943,335    |
| <b>Expenses</b>                                     |                                       |                            |                                                   |                                                        |                            |                |               |
| <b>Program services</b>                             |                                       |                            |                                                   |                                                        |                            |                |               |
| Communications                                      | 2,669,379                             | -                          | 2,669,379                                         | -                                                      | -                          | (398,207)      | 2,271,172     |
| Marketing meetings and expositions                  | 5,465,077                             | -                          | 5,465,077                                         | -                                                      | -                          | (352,260)      | 5,112,817     |
| Government affairs                                  | 1,663,774                             | -                          | 1,663,774                                         | -                                                      | -                          | (91,894)       | 1,571,880     |
| Safety and education                                | 2,144,827                             | -                          | 2,144,827                                         | -                                                      | -                          | (290,998)      | 1,853,829     |
| Membership                                          | 588,983                               | -                          | 588,983                                           | -                                                      | -                          | (76,578)       | 512,405       |
| Scholarship and events                              | -                                     | -                          | -                                                 | 268                                                    | -                          | -              | 268           |
| <b>Total program services</b>                       | 12,532,040                            | -                          | 12,532,040                                        | 268                                                    | -                          | (1,209,937)    | 11,322,371    |
| <b>Supporting services</b>                          |                                       |                            |                                                   |                                                        |                            |                |               |
| Management and general                              |                                       |                            |                                                   |                                                        |                            |                |               |
| Other activities                                    | 5,138,511                             | -                          | 5,138,511                                         | -                                                      | -                          | (773,442)      | 4,365,069     |
| Real estate activities                              | -                                     | -                          | -                                                 | -                                                      | 2,244,927                  | -              | 2,244,927     |
| <b>Total supporting services</b>                    | 5,138,511                             | -                          | 5,138,511                                         | -                                                      | 2,244,927                  | (773,442)      | 6,609,996     |
| <b>Total expenses</b>                               | 17,670,551                            | -                          | 17,670,551                                        | 268                                                    | 2,244,927                  | (1,983,379)    | 17,932,367    |
| <b>Change in net assets before other activities</b> | (2,885,511)                           | -                          | (2,885,511)                                       | 23,882                                                 | 872,597                    | -              | (1,989,032)   |
| <b>Other activities</b>                             |                                       |                            |                                                   |                                                        |                            |                |               |
| Investment gain                                     | 538,523                               | 663                        | 539,186                                           | -                                                      | 169,199                    | -              | 708,385       |
| Unrealized gain on swap contract                    | -                                     | -                          | -                                                 | -                                                      | 59,742                     | -              | 59,742        |
| Equity earnings in subsidiary                       | 1,101,538                             | -                          | 1,101,538                                         | -                                                      | -                          | (1,101,538)    | -             |
| <b>Total other activities</b>                       | 1,640,061                             | 663                        | 1,640,724                                         | -                                                      | 228,941                    | (1,101,538)    | 768,127       |
| <b>Change in net assets</b>                         | (1,245,450)                           | 663                        | (1,244,787)                                       | 23,882                                                 | 1,101,538                  | (1,101,538)    | (1,220,905)   |
| <b>Member distributions from LLC</b>                | -                                     | -                          | -                                                 | -                                                      | (1,259,000)                | 1,259,000      | -             |
| <b>Net assets (deficit), beginning of year</b>      | \$ 15,331,515                         | \$ 25,000                  | 15,356,515                                        | \$ (12,618)                                            | \$ 9,379,997               | (9,379,997)    | 15,343,897    |
| <b>Net assets (deficit), end of year</b>            | \$ 14,086,065                         | \$ 25,663                  | 14,111,728                                        | \$ 11,264                                              | \$ 9,222,535               | \$ (9,222,535) | \$ 14,122,992 |

See Independent Auditor's Report on Consolidating Information.