

Report on Financial Statements and
Federal Award Expenditures in
Accordance with Uniform Guidance
and State of New Jersey Award
Expenditures in Accordance with State
of New Jersey Department of Treasury
Circular 2015-08

STOCKTON UNIVERSITY
(A Component Unit of the State of New Jersey)

June 30, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Stockton University

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Stockton University (the "University"), a component unit of the State of New Jersey, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities and the aggregate discretely presented component units of Stockton University as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Required supplementary information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, included on pages 6 through 21, and the required supplementary information on pages 60 through 62 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State of New Jersey Awards for the year ended June 30, 2020, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Department of Treasury Circular 2015-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, respectively, on pages 63 through 66, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 12, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Philadelphia, Pennsylvania
March 12, 2021

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Years ended June 30, 2020 and 2019

INTRODUCTION

Stockton University (the "University" or "Stockton") is proud to present its comparative financial statements for fiscal years 2020 and 2019, and its changes in financial position for the fiscal years then ended with fiscal year 2018 data presented for comparative purposes. This section of the University's financial statements presents our discussion and analysis of the University's financial performance. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements, which follow this section.

At Stockton, we seek to help our students develop the capacity for continuous learning and the ability to adapt to changing circumstances in a multicultural and interdependent world by insisting on breadth, as well as depth, in our curriculum. We believe that the breadth inherent in an interdisciplinary approach to liberal education both prepares students for inevitable career changes and enriches their lives. Stockton is committed to the positive development of southern New Jersey. Through research and community service, we actively seek to take advantage of and to improve the unique physical and human environment in which the University is located.

UNIVERSITY OVERVIEW

The University's main campus is located in Galloway Township, New Jersey. Stockton's Galloway holdings include a main campus of more than 1,600 acres, the majority of which is pristine forest and wetlands in the Pinelands National Reserve. The University opened a new beachfront residential campus in Atlantic City in fall 2018, and maintains additional instructional sites in Atlantic, Cape May and Ocean counties.

The Unified Science Center expansion in Galloway opened in spring 2018, providing an additional 56,000 square feet in a three-story structure, with science labs, classrooms, a greenhouse, a vivarium, a gross anatomy lab, and faculty offices. The \$33.2 million expansion enabled the continued growth of the School of Natural Sciences and Mathematics, which currently graduates 22% of the math and science majors at New Jersey's senior public colleges and universities. The Unified Science Center expansion was supported by \$21.5 million in funding from the Building Our Future Bond Act approved by voters in 2012.

The new 36,000 square-foot John F. Scarpa Health Sciences Center also opened in spring 2018 and houses a sustainability lab, health science simulation rooms, an exercise science classroom, physical therapy classrooms, and offices. The \$18.0 million facility received \$13.5 million in funding from the Building Our Future Bond Act.

In Atlantic City, Stockton opened a new \$178.3 million residential campus in August 2018. The campus has approximately 220,000 square feet of housing and retail space for almost 535 students overlooking the beach and boardwalk. The campus was built as a public/private partnership with Atlantic City Development Corp. (ACDevco). The campus includes a parking garage topped by new offices for South Jersey Gas, with 879 parking spaces available for use by the University, South Jersey Gas and the public. AtlanticCare Urgent Care and Atlantic Shores Offshore Wind LLC lease two of the retail sites.

The new three-story 56,000 square-foot John F. Scarpa Academic Center in Atlantic City consists of classrooms, the multipurpose Fannie Lou Hamer event room, a food court with indoor and outdoor seating, and administrative and faculty offices. The site houses the Master of Social Work program, the Master in Education - Certificate of Eligibility program, and the doctoral program in Organizational Leadership as well as undergraduate courses in multiple majors with an emphasis on Business, Hospitality and Tourism.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

Funding sources for the Atlantic City campus included \$50.6 million in bonds from the Atlantic County Improvement Authority from proceeds of almost \$70.0 million in tax credits issued by the N.J. Economic Development Authority, \$22.0 million from a Capital Improvement Fund ("CIF") grant awarded in July 2016 by the N.J. Secretary of Higher Education, an \$8.3 million contribution from South Jersey Gas, \$2.1 million in developer's equity and \$18.0 million from Stockton, along with \$77.3 million in Atlantic County Improvement Authority revenue bonds secured by lease payments from the University.

Also, in Atlantic City, the University owns the Carnegie Center, a 17,335 square-foot historical building which has hosted courses, continuing professional education programming, and special events.

Stockton also owned the Stockton Seaview Hotel and Golf Club ("Seaview") resort in Galloway, which was sold on July 31, 2018 for \$21.0 million to KDG Capital LLC of Florida.

Three additional instructional sites, located in Manahawkin, Hammonton and Woodbine, provide academic offerings that range from continuing education and professional opportunities to undergraduate and graduate courses.

In September 2012, Stockton extended its reach into southern Ocean County with the Manahawkin instructional site, a 3,200 square-foot facility that hosts classes and community events. That site expanded in January 2018, adding 7,915 square feet of space dedicated to nursing education. The expansion includes a Foundations of Nursing Lab with simulated patients and examination rooms.

In January 2013, Stockton opened Kramer Hall in downtown Hammonton, which provides students with state-of-the-art classrooms, computer labs, and seminar rooms, as well as providing the local community use of the facility. A new Master of Science degree in Data Science and Strategic Analytics has been offered at that site since fall 2017. A new Masters in Counseling began classes there in fall 2019.

In April 2013, Anne Azeez Hall in Woodbine opened, allowing Stockton to offer students courses in Cape May County.

A significant percentage of the student body is from Atlantic, Cape May and Ocean counties, but the University is expanding its reach, attracting more students from northern New Jersey and other areas. Stockton continues to sustain enrollment, with a headcount of 9,925 students for fall 2020, compared with 9,934 students enrolled for fall 2019.

The University offers undergraduate Bachelor of Arts, Bachelor of Science, Bachelor of Fine Arts, Bachelor of Science in Nursing, and Bachelor of Arts in Liberal Studies degrees, as well as 13 Master's level programs and three doctoral programs in Physical Therapy, Nursing Practice, and Organizational Leadership.

FINANCIAL STATEMENTS

The University's comparative financial statements include three basic financial statements: statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows, which have been prepared following Governmental Accounting Standards Board ("GASB") principles. These statements present the University's operations as a whole, focusing on its assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, and cash flows on an entity-wide basis.

STOCKTON UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

SUMMARY OF NET POSITION

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

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

From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors and lending institutions. Finally, the statements of net position provide a picture of the net position (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources) and their availability for expenditure by the University.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the University, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows and outflows of resources related to the acquisition, construction, or improvement of those assets. The next net position category is restricted. Expendable restricted is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of those assets. Nonexpendable restricted net position is required to be maintained in perpetuity by donors and/or external entities. The final category is unrestricted. Unrestricted assets are available to the University for any lawful purpose of the University.

Effective July 1, 2014, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* ("GASB 68"), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement 68* ("GASB 71"). These standards require all state and local governmental employers providing defined benefit pensions to recognize their proportionate share of the actuarially determined amount of the unfunded pension benefit obligation as a liability. As required from the data provided by the State of New Jersey, the University recorded its portion of the pension liabilities and expenses from the New Jersey State-administered retirement system. The unfunded pension liability will change each year, resulting from the changes in plan assumptions about economic and demographic factors, differences between actual and expected experience, and differences between actual and expected investment earnings. The net pension liability was measured each fiscal year end with the latest measurement as of June 30, 2019, a one-year lag from the University's year-end reporting date (note: GASB 68 requires the net pension liability to be measured as of a date no earlier than the end of the employer's prior fiscal year).

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

Effective July 1, 2017, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). The primary objective of this statement is to improve accounting and financial reporting for other postemployment benefits (OPEB). This statement replaced the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. It established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. This statement also identified the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The State is legally required to pay for the OPEB benefit coverage for eligible retirees of the University. Since the University does not contribute directly to the plan, there is no total OPEB liability, deferred outflows of resources, or deferred inflows of resources to record. Under the GASB 75 special funding situation, the University is required to record in its financial statements, as an expense and corresponding revenue, its proportionate share of the OPEB expense allocated to the State of New Jersey and include its proportionate share of the collective total OPEB liability in its respective notes to the financial statements. The total OPEB liability is measured each fiscal year end with the latest measurement as of June 30, 2019, a one-year lag from the University's year-end reporting date.

As a result of the requirements in reporting for GASB 68 and GASB 75, the University has recorded its proportionate share of the net pension liability, pension expense, deferred outflows, and deferred inflows of resources in the June 30, 2020 and 2019 financial statements for GASB 68 and its proportionate share of expense and corresponding revenue for GASB 75 in the June 30, 2020 and 2019 financial statements. The note disclosures regarding the pension and OPEB benefits include a discussion of applicable net pension liability and pension and OPEB expense. Finally, as part of required supplemental information, the University has included certain schedules of data. These accounting changes do not impact the University's funding requirements for the pension and OPEB plans.

The effect of GASB 68 was the recognition of net pension expense, changes in deferred outflows and inflows of resources, and net pension liability. The effect of GASB 75 was the recognition of an expense and corresponding revenue of the University's proportionate share of the OPEB expense allocated to the State of New Jersey.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

The following reflects the impact of GASB 68 and 75 on the University's financials at June 30, 2020:

	<u>Excluding GASB 68 and 75</u>	<u>Recognition of GASB 68</u>	<u>Recognition of GASB 75</u>	<u>Including GASB 68 and 75</u>
Statement of net position at June 30, 2020:				
Deferred outflows of resources - related	\$ -	\$ 1,149,065	\$ -	\$ 1,149,065
Net pension liability	-	174,874,057	-	174,874,057
Deferred inflows of resources - related	-	24,113,495	-	24,113,495
Net position - unrestricted	84,080,062	(197,838,487)	-	(113,758,425)
Total net position	198,440,445	(197,838,487)	-	601,958
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2020:				
Operating expenses				
Instruction	61,616,818	682,356	-	62,299,174
Research	1,217,989	-	-	1,217,989
Public service	8,808,430	31,017	-	8,839,447
Academic support	24,940,923	248,130	-	25,189,053
Student services	22,618,742	341,177	-	22,959,919
Institutional support	35,020,725	1,395,598	-	36,416,323
Operation and maintenance of plant	23,562,786	744,389	-	24,307,175
Student aid	14,687,419	-	-	14,687,419
Auxiliary enterprises	11,997,445	217,114	-	12,214,559
Depreciation	18,079,482	-	-	18,079,482
OPEB expense	-	-	1,064,835	1,064,835
	<u>-</u>	<u>-</u>	<u>1,064,835</u>	<u>1,064,835</u>
Total operating expenses	<u>\$ 222,550,759</u>	<u>\$ 3,659,781</u>	<u>\$ 1,064,835</u>	<u>\$ 227,275,375</u>

STOCKTON UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2020, 2019 and 2018 is as follows (in thousands):

	2020	2019	2018
ASSETS			
Current assets	\$ 34,627	\$ 34,266	\$ 41,648
Capital assets	439,198	445,428	482,464
Other non-current assets	88,562	83,843	71,134
Total assets	<u>562,387</u>	<u>563,537</u>	<u>595,246</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	1,149	14,351	37,810
Loss on refunding debt	10,057	10,586	11,153
Total deferred outflows of resources	<u>11,206</u>	<u>24,937</u>	<u>48,963</u>
LIABILITIES			
Current liabilities	35,749	34,464	44,848
Noncurrent liabilities	511,005	510,883	538,103
Total liabilities	<u>546,754</u>	<u>545,347</u>	<u>582,951</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	24,114	34,620	26,503
Capital lease	2,035	2,107	-
Gain on refunding debt	88	100	111
Total deferred inflows of resources	<u>26,237</u>	<u>36,827</u>	<u>26,614</u>
NET POSITION			
Net investment in capital assets	107,863	114,894	147,230
Restricted for:			
Debt service reserve	6,497	6,425	8,443
Unrestricted	<u>(113,758)</u>	<u>(115,019)</u>	<u>(121,029)</u>
Total net position	<u>\$ 602</u>	<u>\$ 6,300</u>	<u>\$ 34,644</u>

Excluding GASB 68 and GASB 75, which require employers to report and disclose State of New Jersey obligations for pension and OPEB, the University's statements of net position reflect a prudent utilization of financial resources, management of investments, and utilization of debt to support the University's capital plan.

Current assets consist primarily of cash and cash equivalents, deposits held by bond trustees, investments, and receivables. Noncurrent assets consist primarily of investments, deposits held by bond trustees, and capital assets. Current liabilities consist primarily of accounts payable and accrued expenses, compensated absences, and the current portion of long-term debt. Noncurrent liabilities consist primarily of long-term debt and net pension liability per the implementation of GASB 68.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

Total assets for the University decreased by \$1,149,464 in fiscal year 2020. This decrease is related to decreases in capital assets of \$6,230,534, deposits held by bond trustees of \$2,023,477, State of New Jersey receivables of \$750,470, and other current assets of \$821,244 offset by additional Federal grant receivables of \$3,424,136 and cash of \$2,412,147, mainly attributable to CARES Act funding awarded to the University, along with market increases in investments of \$3,654,799. Total assets for the University decreased by \$31,709,644 in fiscal year 2019. This decrease is primarily due to the decrease in capital assets, net of \$37,035,916 and the decrease in deposits held by bond trustees of \$3,676,109. These decreases were offset by an increase in investments of \$10,364,091. The sale of the Seaview property impacted both capital assets and investments as the net book value was written off and the sale proceeds were invested. Investments were also positively impacted by the market. Deposits held by bond trustees were utilized during the fiscal year to fund construction projects on the Galloway campus.

The decrease in deferred outflows of \$13,730,726 is primarily attributed to GASB 68 pensions and represents the fiscal year 2020 contribution made on behalf of the University after the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other components of the pension related deferred outflows include changes in assumption and the University's proportionate share of the liability from the previous year that will be recognized as a component of pension expense in future years.

Total liabilities increased by \$1,407,727 in fiscal year 2020. This is mainly due to the increase in the GASB 68 net pension liability of \$964,915 and compensated absences of \$304,496. Total liabilities decreased by \$37,604,518 in fiscal year 2019. This is mainly a result of the decline in the GASB 68 net pension liability of \$21,611,656, a reduction in bonds payable and other long-term debt of \$7,435,762, and a decrease in accounts payable of \$8,084,148 related to the completion of major capital projects in the early months of fiscal year 2019.

The decrease in deferred inflows of \$10,590,271 is mainly attributable to GASB 68 pensions. These deferred inflows are related to the net difference between projected and actual investment earnings on pension plan investments and changes in the share of the University's net pension liability. These deferred inflows will be recognized as a component of pension expense in future years.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

Operating revenues are received for providing goods and services to the various customers and constituents of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided in exchange. For example, State of New Jersey appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services in exchange for those revenues. Amounts awarded to the University from the Federal government under the CARES Act are also classified as nonoperating revenues. In accordance with GASB 75, OPEB expenses are recorded as operating expenses, while the corresponding revenue is recorded as nonoperating revenue.

STOCKTON UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

The statements of revenues, expenses, and changes in net position present the University's results of operations. A summary of the University's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018 is as follows (in thousands):

	2020	2019	2018
OPERATING REVENUES			
Net student revenues	\$ 120,728	\$ 117,702	\$ 110,699
Governmental grants	28,736	27,818	25,235
Independent operations	-	1,632	14,715
Other	6,373	7,994	8,225
Total operating revenues	155,837	155,146	158,874
OPERATING EXPENSES	227,275	240,219	257,024
Operating loss	(71,438)	(85,073)	(98,150)
NON-OPERATING AND OTHER REVENUES (EXPENSES):			
State of New Jersey appropriations	49,879	49,498	48,891
State of New Jersey OPEB	1,065	10,275	14,840
Pell grants	18,226	17,024	15,534
Federal Grants	7,724	-	-
Investment income	1,981	5,046	4,816
Capital grant revenue	139	261	22,570
(Loss) gain on disposal of capital assets, net	(50)	(12,261)	260
Interest on capital related debt	(12,970)	(12,984)	(9,127)
Other non-operating expenses, net	(254)	(130)	(96)
Net non-operating and other revenues	65,740	56,729	97,688
Decrease in net position	(5,698)	(28,344)	(462)
Net position - beginning of year	6,300	34,644	35,106
Net position - end of year	\$ 602	\$ 6,300	\$ 34,644

REVENUES

To fund its operations, the University receives revenues from a variety of sources including tuition and fees, grants and contracts, auxiliary services, independent operations, State of New Jersey appropriations, and investment income. The University is continuing to seek additional funds from all possible sources to adequately fund operating activities.

STOCKTON UNIVERSITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

OPERATING REVENUES

Operating revenues for the years ended June 30, 2020, 2019 and 2018 totaled \$155,837,299, \$155,145,812, and \$158,873,614, respectively. For the year ended June 30, 2020, student revenues net of scholarships were \$120,728,495, governmental grants were \$28,735,506, and other revenue totaled \$6,373,298. For the year ended June 30, 2019, student revenues net of scholarships were \$117,701,746, governmental grants were \$27,817,674, independent operations were \$1,632,056, and other revenue totaled \$7,994,336. For the year ended June 30, 2018, student revenues net of scholarships were \$110,699,364, governmental grants were \$25,234,678, independent operations were \$14,714,719, and other revenue totaled \$8,224,853.

Student revenues, which includes tuition and fees, are the primary source of operating revenue for the University. These tuition and fee revenues have increased from fiscal year 2019 to fiscal year 2020 by approximately 7%. Auxiliary activities, related to housing, decreased from fiscal year 2019 by 15%. The decrease is directly related to the University's closure of the campus in March due to the outbreak of a novel coronavirus (COVID-19). Most students returned to their homes and continued their semester with remote learning. The University provided students with housing refunds/credits. The decrease in independent operations revenue for fiscal year 2019 is due to the sale of Seaview on July 31, 2018.

Operating revenues for 2020, 2019 and 2018 were as follows (in thousands):

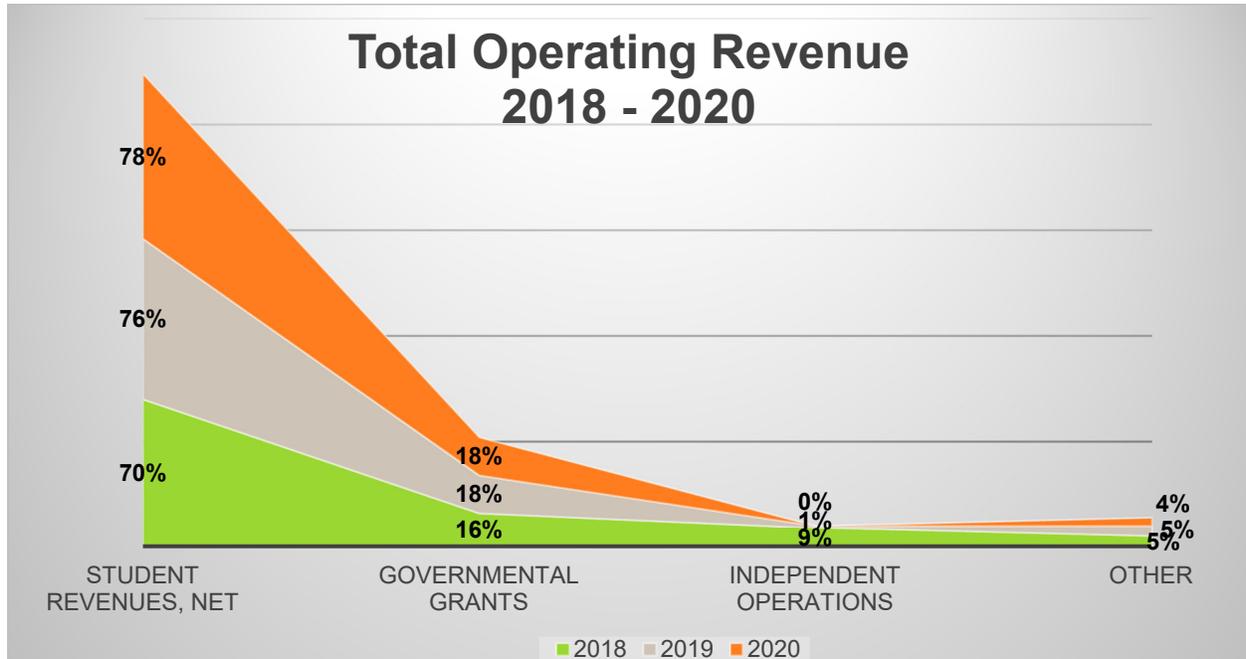
	2020	%	2019	%	2018	%
		Total		Total		Total
Student revenues, net	\$ 120,728	78%	\$ 117,702	76%	\$ 110,699	70%
Governmental grants	28,736	18	27,818	18	25,235	16
Independent operations	-	0	1,632	1	14,715	9
Other	6,373	4	7,994	5	8,225	5
Total operating revenues	\$ 155,837	100%	\$ 155,146	100%	\$ 158,874	100%

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

Total operating revenue represented graphically for the three years is as follows:



NONOPERATING AND OTHER REVENUES

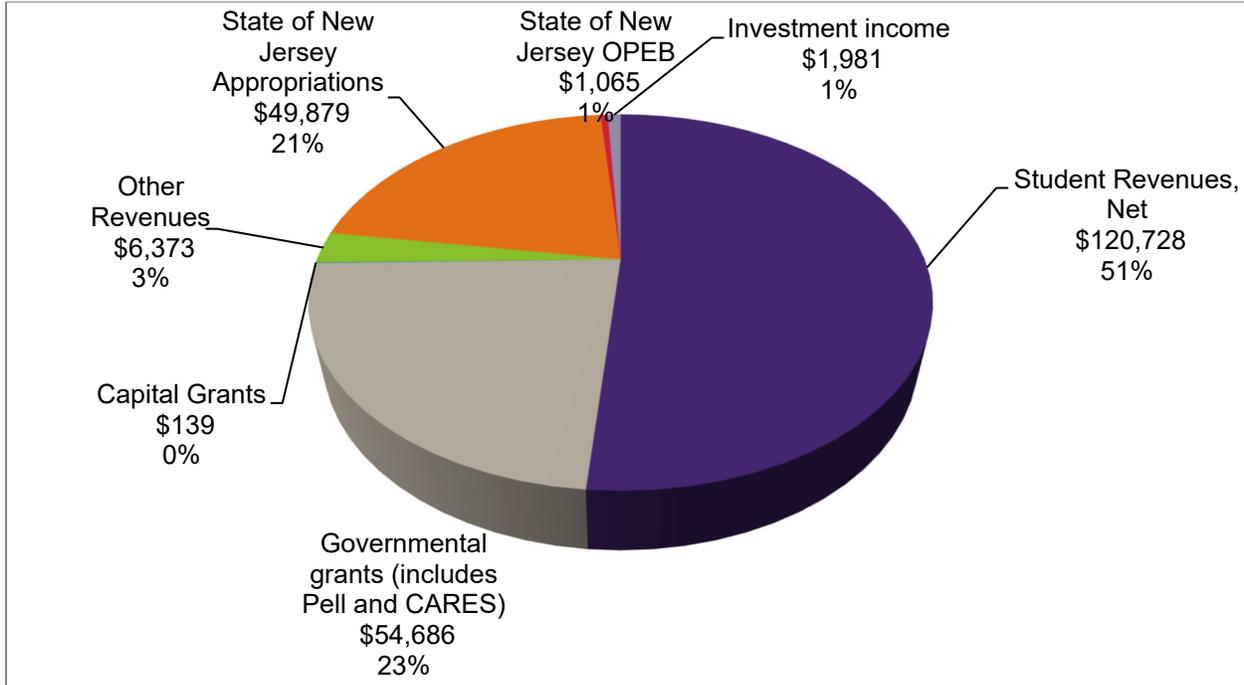
Net non-operating and other revenues for the years ended June 30, 2020, 2019, and 2018 totaled \$65,740,430, \$56,728,848, and \$97,688,486, respectively. The primary source of nonoperating revenue was the State of New Jersey appropriation, including fringe benefits, of \$49,879,144, \$49,498,328, and \$48,890,683 respectively, for the years ended June 30, 2020, 2019, and 2018. The other components of net nonoperating revenues were Pell grant revenues of \$18,225,942, \$17,023,586, and \$15,534,505, investment income of \$1,980,844, \$5,046,415, and \$4,816,085 and interest expense on plant facilities related debt of (\$12,969,363), (\$12,983,929), and (\$9,127,259) for the years ended June 30, 2020, 2019, and 2018, respectively. Included in other revenues for the years ended June 30, 2020, 2019, and 2018 was capital grant revenue of \$138,784, \$261,320, and \$22,570,172, respectively. In compliance with GASB 75, the University recorded nonoperating OPEB revenue from the State of New Jersey of \$1,064,835, \$10,275,436, and \$14,840,154 for the years ended June 30, 2020, 2019, and 2018, respectively. Also, for the year ended June 30, 2020, the University recorded Federal CARES Act funding of \$7,723,592.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

Categories of both operating, nonoperating, and other revenues that support the University's core activities in 2020 are as follows (in thousands of dollars):



OPERATING EXPENSES

Operating expenses are defined as expenses paid by the University to acquire or produce goods and services used to carry out its mission, in return for operating revenues. For the years ended June 30, 2020, 2019, and 2018, the University incurred operating expenses totaling \$227,275,375 (\$222,550,759 excluding the effects of GASB 68 and GASB 75), \$240,218,872 (\$219,979,288 excluding the effects of GASB 68 and GASB 75), and \$257,024,598 (\$218,569,136 excluding the effects of GASB 68 and GASB 75), respectively. Operating revenues for these periods totaled \$155,837,299, \$155,145,812, and \$158,873,614, respectively, causing a loss from operations of (\$71,438,076) (loss of \$66,713,460 excluding the effects of GASB 68 and GASB 75), (\$85,073,060) (loss of \$64,833,476 excluding the effects of GASB 68 and GASB 75), and (\$98,150,984) (loss of \$59,695,522 excluding the effects of GASB 68 and GASB 75), respectively, prior to State appropriations, State OPEB revenue, and other nonoperating revenue.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

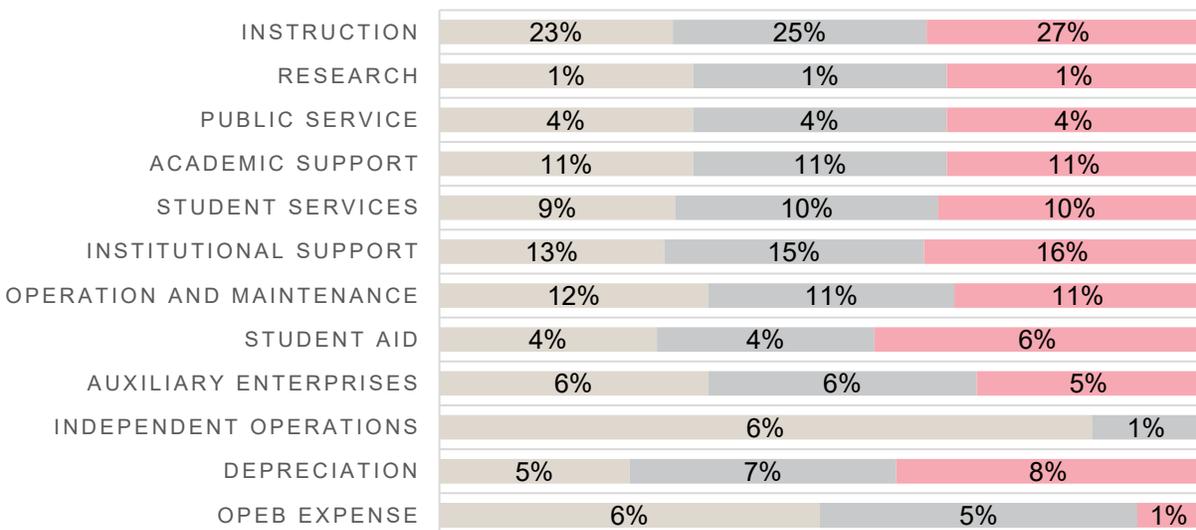
A summary of operating expenses for the years ended June 30, 2020, 2019, and 2018 is as follows (in thousands):

	2020	% of Total	2019	% of Total	2018	% of Total
Instruction	\$ 62,299	27%	\$ 61,188	25%	\$ 60,084	23%
Research	1,218	1	1,589	1	1,859	1
Public service	8,839	4	9,519	4	9,583	4
Academic support	25,189	11	26,679	11	29,544	11
Student services	22,960	10	24,360	10	23,728	9
Institutional support	36,416	16	36,045	15	32,214	13
Operation and maintenance of plant	24,307	11	27,147	11	30,814	12
Student aid	14,687	6	9,931	4	10,414	4
Auxiliary enterprises	12,215	5	13,242	6	16,033	6
Independent operations	-	0	2,639	1	14,266	6
Depreciation	18,080	8	17,605	7	13,645	5
OPEB expense	1,065	1	10,275	5	14,840	6
Total operating expenses	\$ 227,275	100%	\$ 240,219	100%	\$ 257,024	100%

As the full-time equivalent and student headcount numbers increase, so do expenses University-wide. Based on the amounts reported above, expenses have remained fairly consistent for each of the categories over the past years. In complying with GASB 75, the University recorded OPEB expense of \$ 1,064,835, \$10,275,436 and \$14,840,154 for the years ended June 30, 2020, June 30, 2019 and June 30, 2018, respectively. Total operating expenses represented graphically for the three years are as follows:

TOTAL OPERATING EXPENSE

■ 2018 ■ 2019 ■ 2020

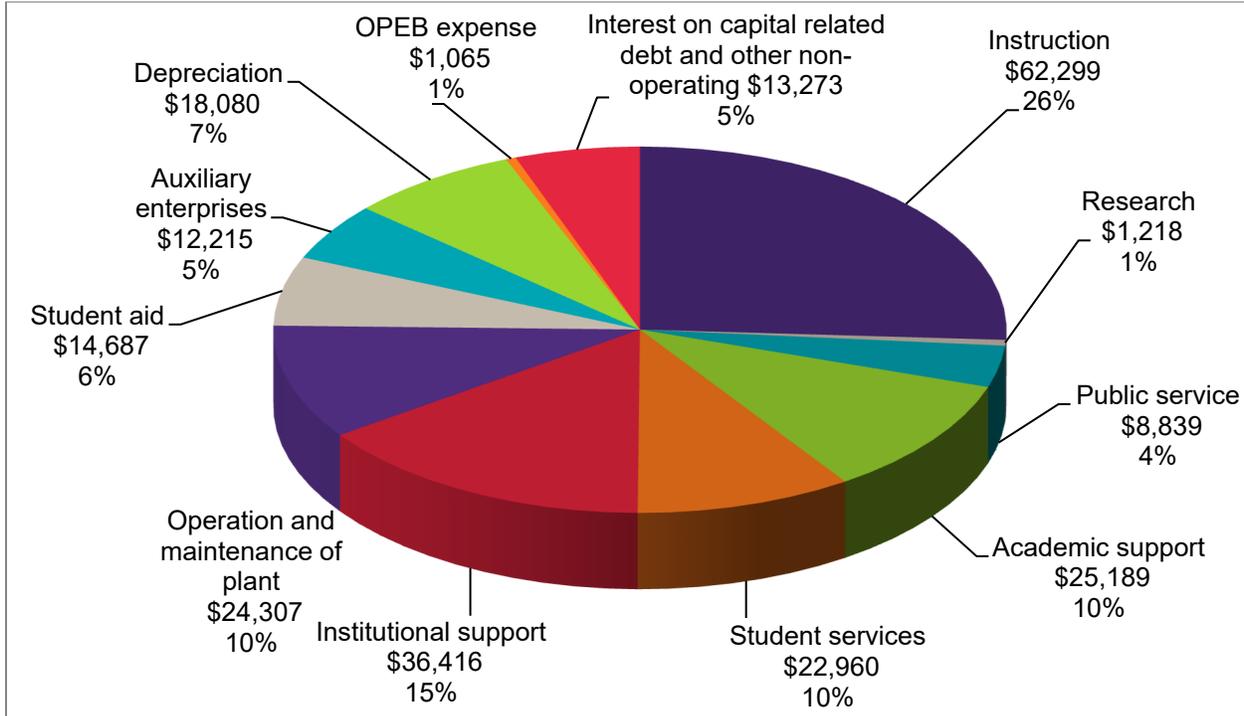


STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

Categories of both operating and nonoperating expenses related to Stockton's core activities in 2020 are as follows (in thousands of dollars):



CHANGE IN NET POSITION

The University had a decrease in net position of \$5,697,646, \$28,344,212, and \$462,498 for fiscal years 2020, 2019, and 2018, respectively. These decreases are the result of the operating revenue, operating expense, nonoperating revenue and expense, and other revenue activity that took place during the respective fiscal year.

CAPITAL ASSETS AND DEBT ACTIVITIES

The University continues to manage its financial resources so as to ensure adequate financial flexibility to access the capital markets as needed. The University has a debt rating from Moody's Investor Services and Fitch Rating Ltd. of Baa1 and A-, respectively.

The University has been advancing a master plan consistent with its strategic and Middle States reaccreditation plans, where the University intends to keep the existing campus in good repair and to ensure that it is prepared to meet the needs of future students. Included in those plans are numerous renovation and site improvement projects.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

COVID-19 UPDATE

COVID-19 profoundly affected Stockton University and its students during the spring 2020 term. When the pandemic escalated in mid-March, the University quickly moved to remote learning, necessitating investments in both instructional technology and online training. The campus closed to all but essential workers, as well as just over one hundred students, including international students unable to return home and others who faced housing insecurity. By the beginning of April, the institution decided to shift all summer teaching off-campus.

While necessary, these decisions compromised Stockton's FY20 budget in significant ways that fall into three broad categories: 1) housing and meal plan refunds; 2) lost credit and non-credit tuition revenue; and 3) lost facility rental/auxiliary activity revenue. Refunds and credits for room, board and transportation caused a net loss of \$6.3 million. An additional \$527,000 was lost in tuition dollars from students who withdrew from the term when instruction went online after March 25, and another \$218,000 was lost from cancelled non-credit-bearing and professional development programming. Finally, cancelled facility rentals and auxiliary services, including fundraising events, athletic events, cultural, arts and theatre performances, and summer and athletic camps and activities, cost the University another \$696,000.

Beyond these shortfalls, the campus incurred expenses directly related to its COVID-19 response including technology outlays, Personal Protective Equipment (PPE) purchases, and expanded maintenance and cleaning services.

Stockton's fiscal plight was further exacerbated in early May by \$6.9 million in cuts from the State of New Jersey - a nearly 30% reduction in the institution's entire FY20 state appropriation. This included a 50% cut in the University's remaining FY20 operating funds totaling \$3.0 million, an additional \$3.7 million loss of the University's remaining legislative add-on funds, and a 50% cut in the University's final outcomes-based funding installment of \$185,300. Several state and county-funded initiatives were also eliminated, primarily in K-12 professional development, causing lost revenue of another \$597,000.

Fortunately, Stockton received \$10.5 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Stockton received a \$5.0 million student allocation, a \$5.0 million institutional allocation, and \$490,000 in Strengthening Institutional Programs (SIP) funding under the Act. As of June 30, 2020, the University distributed \$3.3 million in CARES Act emergency grants to students. As such, the University was able to recognize a corresponding \$3.3 million of the institutional allocation as nonoperating revenue. Additionally, the \$490,000 in SIP funding was also recognized as nonoperating revenue.

Stockton was also awarded \$2.8 million from the State of New Jersey for implementation of the Governor's Emergency Education Relief Fund grant. The University expended approximately \$700,000 of this award through June 30, 2020 on activities related to the response and mitigation of COVID-19 on campus.

In addition to CARES Act funding, the University attempted to offset lost revenue with significant cuts to the operating budget of \$6.8 million and the capital budget of \$1.4 million. Further, the University implemented a hiring freeze and a rigorous expenditure pre-approval process.

Though the full impact of COVID-19 and the scope of any impact on the University's operations and financial condition cannot be determined, potential adverse consequences to the University of COVID-19 may include a decline in enrollment, a decline in demand for University housing and dining, postponement or cancellation of athletic, fundraising, and cultural events, and a decrease in interest and investment income from the University's investment assets. The University will continue to closely monitor the COVID-19 pandemic and its impact on the Stockton community. Necessary steps will be taken to manage the financial impact and ensure financial sustainability of the University.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2020 and 2019

ECONOMIC OUTLOOK

The populations of Atlantic and Ocean counties provide the majority of the University's student body, but the University's reputation for providing quality, value, and distinction attracts applicants from throughout New Jersey and beyond.

Stockton ranked #34 among Public Regional Universities in the North by U.S. News & World Report in its 2021 edition of "America's Best Colleges". Stockton was also named as a 2021 "Best Regional College" by The Princeton Review. Stockton is included on Forbes' and Money Magazine's list of "Best Value Colleges" and The Military Times ranked Stockton 31st in the nation in its 2020 rankings of "Best Colleges for Veterans".

Stockton's tuition and fees are competitive with New Jersey's seven other public master's and doctoral colleges and universities – and a great value compared to private institutions. Stockton's flat-rate tuition program enables full-time students to take between 12 and 20 credits and pay the same rate. Students who take 20 credits can graduate sooner and potentially save thousands of dollars on the cost of classes and housing or commuting.

On average, Stockton receives more than 10,000 applications. More than 1,400 new freshmen were enrolled for fall 2020. In addition, Stockton typically enrolls about 1,400 transfer students annually, most entering as juniors from area community colleges. Stockton also enrolls about 500 graduate students annually.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller's Office, Stockton University, 101 Vera King Farris Drive - N126, Galloway, NJ 08205.

Stockton University
(A Component Unit of the State of New Jersey)

STATEMENTS OF NET POSITION

Year ended June 30,

	2020		2019	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,623,646	\$ 1,607,109	\$ 5,211,499	\$ 1,867,264
Receivables				
Students, less allowance of \$1,228,526 in 2020 and \$1,130,501 in 2019	564,684	-	551,958	-
Perkins Loans, less allowance of \$127,100 in 2020 and \$117,494 in 2019	280,817	-	294,515	-
Federal government	5,042,012	-	1,617,876	-
State of New Jersey	756,431	-	1,506,901	-
Due from University/component units	386,245	98,386	903,558	470,125
Other receivables	3,745,137	717,446	3,832,086	491,220
Total receivables	<u>10,775,326</u>	<u>815,832</u>	<u>8,706,894</u>	<u>961,345</u>
Investments	8,562,989	2,191,319	10,517,708	2,163,000
Deposits held by bond trustees	6,568,799	-	7,912,455	-
Other current assets	1,095,982	224,819	1,917,226	843,617
Total current assets	<u>34,626,742</u>	<u>4,839,079</u>	<u>34,265,782</u>	<u>5,835,226</u>
Noncurrent assets:				
Investments	83,705,860	41,752,947	78,096,342	39,479,391
Deposits held by bond trustees	931,088	-	1,610,909	-
Perkins Loans, less allowance of \$529,215 in 2020 and \$589,969 in 2019	1,169,248	-	1,478,835	-
Note receivable from component units	2,756,383	-	2,656,383	-
Other receivables	-	5,523,646	-	451,823
Capital assets, net	439,197,878	1,889,364	445,428,412	2,095,737
Total noncurrent assets	<u>527,760,457</u>	<u>49,165,957</u>	<u>529,270,881</u>	<u>42,026,951</u>
Total assets	<u>562,387,199</u>	<u>54,005,036</u>	<u>563,536,663</u>	<u>47,862,177</u>
Deferred Outflows of Resources				
Pension related	1,149,065	-	14,350,470	-
Loss on refunding debt	10,057,100	-	10,586,421	-
Total deferred outflows of resources	<u>11,206,165</u>	<u>-</u>	<u>24,936,891</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 18,716,805	\$ 1,031,684	\$ 19,775,699	\$ 1,363,232
Due to University/component units	98,386	386,245	470,125	903,557
Unearned revenue	6,063,185	312,750	4,315,363	58,312
Compensated absences	4,764,132	41,039	4,254,130	37,432
Capitalized lease obligations	205,000	-	100,000	-
Bonds payable	3,149,157	-	3,049,157	-
Other long-term debt	2,752,644	-	2,499,620	-
Total current liabilities	<u>35,749,309</u>	<u>1,771,718</u>	<u>34,464,094</u>	<u>2,362,533</u>
Noncurrent liabilities:				
Compensated absences	804,654	-	1,010,160	-
U.S. Government grants refundable	2,033,035	-	2,498,131	-
Capitalized lease obligations	78,675,000	-	78,880,000	-
Net pension liability	174,874,057	-	173,909,142	-
Bonds payable	222,513,140	-	225,662,297	-
Other long-term debt	32,105,421	4,470,535	28,923,065	2,635,689
Total noncurrent liabilities	<u>511,005,307</u>	<u>4,470,535</u>	<u>510,882,795</u>	<u>2,635,689</u>
Total liabilities	<u>546,754,616</u>	<u>6,242,253</u>	<u>545,346,889</u>	<u>4,998,222</u>
Deferred Inflows of Resources				
Pension related	24,113,495	-	34,620,034	-
Capital lease	2,034,816	-	2,107,488	-
Gain on refunding debt	88,479	-	99,539	-
Total deferred inflows of resources	<u>26,236,790</u>	<u>-</u>	<u>36,827,061</u>	<u>-</u>
Net Position				
Net investment in capital assets	\$ 107,862,887	\$ 538,844	\$ 114,893,589	\$ 742,112
Restricted:				
Nonexpendable	-	29,781,058	-	22,152,105
Expendable:				
Scholarships	-	17,834,153	-	18,146,282
Debt service and debt service reserves	6,497,496	-	6,425,150	-
Unrestricted	(113,758,425)	(391,272)	(115,019,135)	1,823,456
Total net position	<u>\$ 601,958</u>	<u>\$ 47,762,783</u>	<u>\$ 6,299,604</u>	<u>\$ 42,863,955</u>

The accompanying notes are an integral part of these financial statements.

Stockton University
(A Component Unit of the State of New Jersey)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30,

	2020		2019	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Operating Revenues				
Student revenues:				
Tuition and fees	\$ 142,437,400	\$ -	\$ 133,429,702	\$ -
Auxiliary enterprises	24,390,938	-	28,696,031	-
Less: scholarship allowances	(46,099,843)	-	(44,423,987)	-
Net student revenues	120,728,495	-	117,701,746	-
Federal grants and contracts	7,324,407	-	6,476,695	-
State and local grants and contracts	21,411,099	17,810	21,340,979	289,833
Nongovernmental grants and contracts	838,345	-	1,113,795	-
Other auxiliary enterprises revenues	158,358	12,378,892	110,211	14,437,427
Independent operations	-	-	1,632,056	-
Other operating revenues	5,376,595	1,016,891	6,770,330	419,524
In-kind contributions	-	1,151,551	-	610,204
Total operating revenues	155,837,299	14,565,144	155,145,812	15,756,988
Operating Expenses				
Instruction	62,299,174	-	61,187,595	-
Research	1,217,989	-	1,588,907	-
Public service	8,839,447	-	9,519,463	-
Academic support	25,189,053	-	26,679,113	-
Student services	22,959,919	-	24,359,918	-
Institutional support	36,416,323	5,226,822	36,044,562	4,700,824
Operation and maintenance of plant	24,307,175	-	27,147,100	-
Student aid	14,687,419	1,009,493	9,930,458	958,234
Auxiliary enterprises	12,214,559	11,438,272	13,242,499	13,014,217
Independent operations	-	-	2,638,603	-
Depreciation	18,079,482	203,268	17,605,218	209,120
OPEB expense	1,064,835	-	10,275,436	-
In-kind expense	-	1,151,551	-	610,204
Total operating expenses	227,275,375	19,029,406	240,218,872	19,492,599
Operating loss	(71,438,076)	(4,464,262)	(85,073,060)	(3,735,611)
Nonoperating Revenues (Expenses)				
State of New Jersey appropriations	17,492,600	-	18,391,000	-
State of New Jersey appropriations - fringe benefits	32,386,544	-	31,107,328	-
State of New Jersey - OPEB	1,064,835	-	10,275,436	-
Pell Grants	18,225,942	-	17,023,586	-
Federal Grants	7,723,592	-	-	-
Gifts and contributions	-	802,950	-	1,336,095
Investment income	1,980,844	903,164	5,046,415	2,802,100
Loss on disposal of capital assets	(49,954)	-	(12,261,826)	-
Interest on capital related debt	(12,969,363)	(48,067)	(12,983,929)	(57,670)
University support	-	76,090	-	80,721
Other nonoperating expense	(253,394)	-	(130,482)	-
Total nonoperating revenues, net	65,601,646	1,734,137	56,467,528	4,161,246
Other Revenues				
Capital grant revenue	138,784	-	261,320	-
Additions to permanent endowments	-	7,628,953	-	1,211,749
Total other revenues	138,784	7,628,953	261,320	1,211,749
(Decrease) Increase in net position	(5,697,646)	4,898,828	(28,344,212)	1,637,384
Net position - beginning of year	6,299,604	42,863,955	34,643,816	41,226,571
Net position - end of year	\$ 601,958	\$ 47,762,783	\$ 6,299,604	\$ 42,863,955

The accompanying notes are an integral part of these financial statements.

Stockton University
(A Component Unit of the State of New Jersey)

STATEMENTS OF CASH FLOWS
(BUSINESS-TYPE ACTIVITIES-UNIVERSITY ONLY)

Years ended June 30,

	2020	2019
Cash Flows from Operating Activities		
Student revenue	\$ 122,480,138	\$ 117,155,804
Grants and contracts	27,038,969	30,092,924
Payments to suppliers	(46,951,526)	(35,916,896)
Payments for employee salaries and benefits	(155,030,852)	(164,486,938)
Other receipts	13,080,533	16,006,976
	<u>(39,382,738)</u>	<u>(37,148,130)</u>
Net cash flows used in operating activities		
Cash Flows from Noncapital Financing Activities		
Receipts from State of New Jersey appropriations	42,075,206	41,843,738
Pell Grants	18,225,942	17,023,586
Federal Grants	7,723,592	-
Payments made for other nonoperating expenses	(253,394)	(130,482)
	<u>67,771,346</u>	<u>58,736,842</u>
Net cash flows provided by noncapital financing activities		
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of debt	5,935,000	-
Principal paid on capital debt	(4,144,609)	(5,997,433)
Purchases of capital assets	(14,296,742)	12,436,320
Proceeds from the sale of capital assets	(49,954)	(12,261,826)
Proceeds from capital lease	(72,672)	2,107,488
Interest paid on capital debt	(13,629,377)	(13,683,579)
Change in deposits held by bond trustees	2,023,477	3,676,109
	<u>(24,234,877)</u>	<u>(13,722,921)</u>
Net cash flows used in capital and related financing activities		
Cash Flows from Investing Activities		
Proceeds from sales of investments	118,880,369	154,963,362
Purchases of investments	(122,488,021)	(162,284,757)
Earnings from investments	1,866,068	1,917,092
	<u>(1,741,584)</u>	<u>(5,404,303)</u>
Net cash flows used in investing activities		
Net increase in cash and cash equivalents	2,412,147	2,461,488
Cash and cash equivalents as of beginning of year	5,211,499	2,750,011
Cash and cash equivalents as of end of year	<u>\$ 7,623,646</u>	<u>\$ 5,211,499</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	(71,438,076)	(85,073,060)
Adjustments to reconcile operating loss to net cash used in operating activities:		
State-paid fringe benefit expense	7,803,938	7,654,590
OPEB expense	-	10,275,436
Depreciation	18,079,482	17,605,218
Change in assets and liabilities:		
Receivables	(1,691,215)	4,378,812
Note receivable	(100,000)	(50,000)
Other assets	821,244	(418,986)
Accounts payable and accrued expenses	691,267	(1,244,602)
Unearned revenues - Student	1,747,822	(972,315)
Unearned revenues - State Capital Grants	138,784	261,320
Compensated absences	304,496	471,309
Net pension liability	3,659,781	9,964,148
U.S. Government grants refundable	(465,096)	-
	<u>(39,382,738)</u>	<u>(37,148,130)</u>
Net cash used in operating activities		
Supplemental Disclosure of Noncash Capital Financing Activity		
Change in capital asset additions in accounts payable	\$ (2,347,794)	\$ (6,772,639)

The accompanying notes are an integral part of these financial statements.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Stockton University (the "University"), which was formerly known as The Richard Stockton College of New Jersey, is primarily an undergraduate university of arts, sciences, and professional studies that provides undergraduate programs, including traditional and alternative approaches to education. The operations of management are vested in the University's Board of Trustees. In 1986, State College Autonomy legislation was enacted, which granted certain fiscal and financial responsibility to the University Board of Trustees. In 1994, the Higher Education Restructuring Act further expanded the role of the Board of Trustees. Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, for financial reporting purposes, the University is considered a discretely presented component unit of the State of New Jersey. Accordingly, the University's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report. The University is exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described under Section 501(c)(3).

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an Amendment of GASB Statement No. 14*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, and GASB Statement No. 14, *The Financial Reporting Entity*, the University has determined that the Stockton University Foundation (the "Foundation"), Stockton Affiliated Services, Inc. ("SASI"), and National Aviation Research and Technology Park, Inc. ("NARTP") should be included in the University's financial statements as discretely presented component units. A component unit is a legally separate organization for which the primary institution is financially accountable or to which the primary institution is closely related.

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity to supplement the resources that are available to the University in support of its programs. The Board of Directors of the Foundation, which consists of at least five and no more than 40 persons, is self-perpetuating and consists of qualified persons elected by majority vote of the Board of Directors of the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the resources, or income thereon, the Foundation holds investments that are used exclusively for the benefit, support, and promotion of the University for its educational activities. Because these resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

SASI was established in accordance with New Jersey's Public College Auxiliary Organization Act (N.J.S.A. 18A:64-26, et seq.) in July 2008. SASI is a legally separate, tax-exempt 501(c)(3) organization. SASI's purpose is to support the mission of the University by expanding and improving the level of services provided by the University. The University has contracted with SASI to manage programs and services, which support the University's mission of teaching, research, scholarship, and public services. Because of its relationship with the University, SASI is considered a component unit of the University and is discretely presented in the University's financial statements. SASI contributed \$1,048,320 and \$1,273,080 for fiscal 2020 and 2019, respectively, to the University as auxiliary services revenues.

STOCKTON UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NARTP was established in accordance with New Jersey's Public College Auxiliary Organization Act (N.J.S.A. 18A:64-26, et seq.) in September 2013. NARTP is a legally separate, tax-exempt 501(c)(3) organization. NARTP's purpose is to conduct research and development and to promote concept and product development using emerging technologies in a laboratory and operational environment. NARTP is a focal point for interaction and innovation among researchers, academia, government and private industry in developing the next generation air traffic control system ("NextGen"), which is critical to the nation's aviation system. Because of its relationship with the University, NARTP is considered a component unit of the University and is discretely presented in the University's financial statements. The auditor's opinion on the stand-alone audited financial statements of NARTP for the year ended June 30, 2020 includes an emphasis of matter paragraph relating to the uncertainty of NARTP's ability to continue as a going concern due to NARTP's recurring losses from operations, its net deficit position of \$3,386,852 at June 30, 2020, and its dependency on the continuation of in-kind contributions from certain government agencies to remain operational. NARTP has updated its financial forecasts to reduce expenses below anticipated revenues. NARTP is also actively seeking additional revenue and support that are expected to be available within the next year.

Separately issued financial statements are available for the Foundation, SASI, and NARTP and are available by contacting the University Controller's Office.

Basis of Presentation

The University's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as promulgated by GASB.

Use of Estimates

The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the statements of net position dates, as well as the reported amounts of revenues and expenses for the fiscal years then ended. Significant estimates include but are not limited to depreciation, other post-retirement benefits, allowance for doubtful accounts, pension liabilities, and investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in three months or less from the date of purchase.

The University invests a certain portion of its cash in the State of New Jersey Cash Management Fund, which permits the overnight sweep of available cash balances directly into a common fund for short-term investments. This is an interest-bearing account from which funds are available upon demand.

Investments and Deposits Held With Trustees

The University follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments traded in active markets are recorded at fair value, based on quoted market prices. Hedge and other investment funds are carried at estimated fair value based on the net asset values reported by the fund managers, which are reviewed by management for reasonableness. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, changes in the values of investment securities could occur. In the near term, such changes could materially affect the amounts reported in the statements of net position.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Although legal title to certain academic buildings and equipment remains with the State of New Jersey, the University has been given exclusive use of the buildings and equipment through enabling legislation, and has included their cost in the accompanying statements of net position. The University currently does not pay any rental fees to the State of New Jersey in connection with the aforementioned buildings and equipment and has not included any amount as revenue or expense in the accompanying financial statements of the University.

Depreciation is calculated on the straight-line basis. Capital leases are depreciated by the straight-line method over the shorter of the lease term or estimated useful life of the equipment. The University's capital assets policy establishes the following capitalization thresholds and estimated useful lives:

<u>Asset Category</u>	<u>Useful Life</u>	<u>Capital Threshold</u>
Buildings	40 to 60 Years	\$100,000
Infrastructure	20 to 40 Years	10,000
Land improvements	10 to 25 Years	10,000
Equipment	3 to 15 Years	5,000

The University discontinued capitalizing library books in accordance with its capitalization policy adopted in fiscal 2007. Library books placed into service prior to 2007 are fully depreciated, and current library book purchases are expensed annually.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets that are applicable to a future reporting period. Deferred inflows and deferred outflows of resources include differences between expected or projected results related to the University's proportionate share of net pension liability and contributions made to the pension systems subsequent to the measurement date. Deferred outflows and inflows of resources also include gains and losses resulting from refinancing of debt, which represents the difference between the reacquisition price and the net carrying amount of the old debt, and are amortized over the life of the related debt. Deferred inflows also includes an amount recorded as a result of the University utilizing a portion of the Atlantic County Improvement Authority's Series 2016A Bonds towards the Atlantic City Academic project.

Net Pension and Other Postretirement Liabilities

The University is required to report its proportionate share of the pension and other postretirement plans' activities for the plans in which it participates. For the purposes of measuring the net pension and other postretirement liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postretirement liabilities, and pension and other postretirement expense, information about the fiduciary net position of the pension and other postretirement plans, and additions and deductions from the pension and other postretirement plans' fiduciary net position have been determined on the same basis as they are reported to the University by those plans.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Classification of Net Position

The University classifies its resources into the following net position categories:

- Net investment in capital assets contains the land and land improvements, buildings and building improvements, equipment and other assets, and construction in progress of the University, net of depreciation, and the indebtedness incurred to finance their acquisition and construction, as well as capital assets acquired through research grants and contracts whose title remains with the University at the conclusion of the grant or contract period with the permission of the grantor;
- Restricted nonexpendable net position is comprised of donor-restricted endowment funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity;
- Restricted expendable net position includes gifts that are restricted to use for specific purposes by the donor, capital grants and gifts, endowment income and appreciation, and other restricted resources. Funds that are restricted are utilized only for the specified purposes; and
- Unrestricted net position is derived principally from student tuition and fees, gifts and bequests, and investment income, and is spent to meet the objectives of the University. The University's policy is to first utilize available restricted expendable, and then unrestricted resources in the conduct of its operations.

Classification of Revenues and Expenses

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) federal, state, and local grants and contracts. Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as operating and capital appropriations from the State of New Jersey, Pell grants, investment income and other activity that does not meet the definition of an operating activity. Other revenues arise from non-exchange transactions which provide funding for acquisitions of capital assets and additions to permanent endowments.

Interest expense is reported as a non-operating activity.

Revenue Recognition

Student revenues are presented in the statements of revenues, expenses, and changes in net position, net of scholarships applied to student accounts, while other payments made directly to students are presented as student aid expenses and are recognized in the period earned. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on students' behalf to the extent revenues from such programs are used to satisfy tuition and fees and other student services. Student revenues collected in advance of the fiscal year are recorded as deferred revenue in the statements of net position.

Federal, state, and local grant and contract revenue is comprised mainly of grant revenues received from the federal government and the State of New Jersey, and is recognized as the related expenses are incurred. Amounts received from grants, which have not yet been earned under the terms of the agreement, are recorded as deferred revenue in the statements of net position.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Investment income, which includes interest, dividends, and realized and unrealized gains and losses, is recognized on the accrual basis. Gains and losses on investments are determined using specific identification, except for mutual funds, which are based on average cost.

Gifts and bequests are recorded upon receipt by the University. Pledges, other than endowment, are recognized as gift income and recorded at their present value. Additions to permanent endowments are recognized upon their receipt.

Risk Management

The University carries commercial insurance covering its risks of loss related to real and personal property, personal injuries, torts, errors and omissions, environmental damage, and natural and other unforeseen disasters.

Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The outbreak of the disease has affected travel, commerce, and financial markets globally. The University has been and continues to closely monitor the COVID-19 pandemic and its impact on the Stockton community. Though the full impact of COVID-19 and the scope of any impact on the University's operations and financial condition cannot be determined, potential adverse consequences to the University of COVID-19 may include a decline in enrollment, a decline in demand for University housing and dining, postponement or cancellation of athletic, fundraising, and cultural events, and a decrease in interest and investment income from the University's investment assets.

Pending Accounting Standards

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The University is evaluating the impact of adopting this statement.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021. The University is evaluating the impact of adopting this statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and no longer be included in the historical cost of a capital asset reported in a business-type activity. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The University is evaluating the impact of adopting this statement.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents:		
Cash (bank accounts)	\$ 5,342,433	\$ 5,012,193
New Jersey Cash Management Fund	2,281,213	199,306
Total	\$ 7,623,646	\$ 5,211,499

Cash balances maintained by banks amounted to \$6,974,419 and \$6,996,913 as of June 30, 2020 and 2019, respectively, of which \$250,000 are Federal Deposit Insurance Corporation insured. Bank balances in excess of insured amounts of \$6,724,419 and \$6,746,913 as of June 30, 2020 and 2019, respectively, were collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The University participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into a large-scale investment program. The cash management fund is unrated. Statutes of the State of New Jersey ("Statutes") and Regulations of the State Investment Council ("Regulations") authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies and municipal or political subdivisions of the State, commercial paper, bankers' acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes and mortgages, certificates of deposit, repurchase agreements, equity, convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the Statutes and Regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

Investments

Investments, at fair value, consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Money market accounts	\$ 6,545,207	\$ 6,926,196
U.S. Treasury and agency obligations	381,153	364,588
Corporate bonds	1,676,685	1,621,293
U.S. government bonds	361,372	231,913
Stocks	5,220,778	6,040,545
Mutual funds	65,108,388	60,882,327
Alternative investments	12,975,266	12,547,188
Total	\$ 92,268,849	\$ 88,614,050

The University's investments are subject to custodial credit risk, credit risk, concentration of credit risk and interest rate risk. Each one of these risks is described in more detail below.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of June 30, 2020 and 2019, the University's investments were either insured, registered, or held by the University's investment custodian in the University's name and, accordingly, not subject to custodial credit risk.

Credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill its obligations. GASB 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's, Fitch or Standard and Poor's ("S&P").

Concentration of credit risk is the risk associated with the amount of investments the University has with any one issuer or agreement with a counterparty that exceeds 5% or more of its total investments. The University's investment policy provides guidance pertaining to the diversification of the investment portfolio. The University's investment policy requires each investment manager to develop and propose a diversification strategy to the University's Investment Committee. The Investment Committee's agreement to the proposed strategy will not alter the investment manager's responsibility for the results of pursuing that diversification strategy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy provides limitations in the maturities and composition of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The following tables present the University's credit and interest rate risk on its fixed-income investments as of June 30, 2020 and 2019:

Investment Type	S&P Ratings	June 30, 2020 Investment Maturities (in Years)			
		Fair Value	Less than 1	1 to 2	Greater than 2
U.S. Treasury and agency obligations	AA to Aa	\$ 381,153	\$ -	\$ -	\$ 381,153
Corporate bonds	AA to Ba	1,676,685	56,099	48,993	1,571,593
U.S. government bonds	AA to Aa	361,372	-	-	361,372
Total		<u>\$ 2,419,210</u>	<u>\$ 56,099</u>	<u>\$ 48,993</u>	<u>\$ 2,314,118</u>

Investment Type	S&P Ratings	June 30, 2019 Investment Maturities (in Years)			
		Fair Value	Less than 1	1 to 2	Greater than 2
U.S. Treasury and agency obligations	AA to Aa	\$ 364,588	\$ -	\$ -	\$ 364,588
Corporate bonds	AA to Ba	1,621,293	55,995	116,110	1,449,188
U.S. government bonds	AA to Aa	231,913	56,834	116,378	58,701
Total		<u>\$ 2,217,794</u>	<u>\$ 112,829</u>	<u>\$ 232,488</u>	<u>\$ 1,872,477</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Fair value measurements and disclosures provide the framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques require maximization of observable inputs and minimization of unobservable inputs.

The levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a net asset value ("NAV") per share, or its equivalent, that cannot be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

The financial instruments' level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement and does not necessarily correspond to the University's perceived risk of such investment.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2020:

	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury and Agency Obligations	\$ 381,153	\$ 381,153	\$ -	\$ -
U.S. Government Bonds	361,372	361,372	-	-
Debt Mutual Funds	25,791,619	25,791,619	-	-
Money Market Accounts	6,545,207	6,545,207	-	-
Domestic Corporate Bonds	1,611,585	1,611,585	-	-
Foreign Corporate Bonds	65,100	65,100	-	-
Total Debt Securities	<u>34,756,036</u>	<u>34,756,036</u>	-	-
Other Securities				
International Mutual Funds	85,999	85,999	-	-
Equity Mutual Funds	39,230,770	39,230,770	-	-
Domestic Stocks	2,010,234	2,010,234	-	-
Foreign Stocks	3,210,544	3,210,544	-	-
Total Investments, by Fair Value Level	<u>79,293,583</u>	<u>79,293,583</u>	-	-
Investments Measured at NAV				
Hedge Funds - Diversifying	2,794,375	-	-	2,794,375
Hedge Funds - Systematic CTA	2,623,587	-	-	2,623,587
Other Limited Partnerships	7,557,304	-	-	7,557,304
Total Investments, Measured at NAV	<u>12,975,266</u>	-	-	<u>12,975,266</u>
Total Investments, Measured at Fair Value	<u>\$ 92,268,849</u>	<u>\$ 79,293,583</u>	<u>\$ -</u>	<u>\$ 12,975,266</u>

The following table lists investments measured at NAV by major investment category as of June 30, 2020 as follows:

	2020 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds - Diversifying	\$ 2,794,375	\$ -	Quarterly	60 to 65 days
Hedge Funds - Systematic CTA	2,623,587	-	Monthly	10 days
Other Limited Partnerships	7,557,304	-	N/A	N/A
Total Investments, Measured at NAV	<u>\$ 12,975,266</u>	<u>\$ -</u>		

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June 30, 2020 and 2019

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury and Agency Obligations	\$ 364,588	\$ 364,588	\$ -	\$ -
U.S. Government Bonds	231,913	231,913	-	-
Debt Mutual Funds	24,000,871	24,000,871	-	-
Money Market Accounts	6,926,196	6,926,196	-	-
Domestic Corporate Bonds	1,561,593	1,561,593	-	-
Foreign Corporate Bonds	59,700	59,700	-	-
Total Debt Securities	<u>33,144,861</u>	<u>33,144,861</u>	-	-
Other Securities				
International Mutual Funds	401,193	401,193	-	-
Equity Mutual Funds	36,480,263	36,480,263	-	-
Domestic Stocks	1,844,305	1,844,305	-	-
Foreign Stocks	4,196,240	4,196,240	-	-
Total Investments, by Fair Value Level	<u>76,066,862</u>	<u>76,066,862</u>	-	-
Investments Measured at NAV				
Hedge Funds - Diversifying	3,064,956	-	-	3,064,956
Hedge Funds - Systematic CTA	4,104,768	-	-	4,104,768
Other Limited Partnerships	5,377,464	-	-	5,377,464
Total Investments, Measured at NAV	<u>12,547,188</u>	-	-	<u>12,547,188</u>
Total Investments, Measured at Fair Value	<u>\$ 88,614,050</u>	<u>\$ 76,066,862</u>	<u>\$ -</u>	<u>\$ 12,547,188</u>

The following table lists investments measured at NAV by major investment category as of June 30, 2019 as follows:

	<u>2019 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Hedge Funds - Diversifying	\$ 3,064,956	\$ -	Quarterly	60 to 65 days
Hedge Funds - Systematic CTA	4,104,768	-	Monthly	10 days
Other Limited Partnerships	5,377,464	-	N/A	N/A
Total Investments, Measured at NAV	<u>\$ 12,547,188</u>	<u>\$ -</u>		

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Deposits Held by Bond Trustees

Deposits held by bond trustees include restricted funds held by board-approved trustees. Deposits held by bond trustees are carried in the accompanying financial statements at fair value, as determined by quoted market prices, and consist primarily of cash and cash equivalents. As of June 30, 2020 and 2019, deposits held by bond trustees included the following:

	2020	2019
Cash and cash equivalents - cash held by trustees	\$ 7,499,887	\$ 9,523,364

The investments held by trustees are held in U.S. Treasury bills for debt service requirements and are considered Level 1 inputs.

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. The University's deposits held with bond trustees are held in the University's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The above investments are current in nature, and interest rate risk is minimal, if any.

As of June 30, 2020 and 2019, deposits held by bond trustees were composed of funds held for the following purposes:

	2020	2019
State capital grant programs	\$ 431,089	\$ 662,265
Construction	571,333	2,435,949
Debt service and debt service reserves	6,497,465	6,425,150
Total	\$ 7,499,887	\$ 9,523,364

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 consisted of the following:

	July 1, 2019	Additions	Retirements and Adjustments	June 30, 2020
Nondepreciable assets:				
Land	\$ 13,106,742	\$ 702,605	\$ -	\$ 13,809,347
Construction in progress	8,115,157	4,713,649	(5,952,472)	6,876,334
Works of art	722,555	-	-	722,555
Total nondepreciable assets	21,944,454	5,416,254	(5,952,472)	21,408,236
Depreciable assets:				
Land improvements	20,234,134	-	-	20,234,134
Buildings and improvements	439,757,670	9,948,741	-	449,706,411
Leasehold improvements	81,544,149	-	-	81,544,149
Infrastructure	27,665,906	998,024	-	28,663,930
Equipment	40,903,605	1,488,405	(327,466)	42,064,544
Total depreciable assets	610,105,464	12,435,170	(327,466)	622,213,168
Less accumulated depreciation:				
Land improvements	8,851,288	643,376	-	9,494,664
Buildings and improvements	132,543,981	11,248,767	-	143,792,748
Leasehold improvements	2,491,627	2,718,138	-	5,209,765
Infrastructure	15,814,587	525,312	-	16,339,899
Equipment	26,920,023	2,943,889	(277,462)	29,586,450
Total accumulated depreciation	186,621,506	18,079,482	(277,462)	204,423,526
Depreciable assets, net	423,483,958	(5,644,312)	(50,004)	417,789,642
Capital assets, net	<u>\$ 445,428,412</u>	<u>\$ (228,058)</u>	<u>\$ (6,002,476)</u>	<u>\$ 439,197,878</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Capital asset activity for the year ended June 30, 2019 consisted of the following:

	July 1, 2018	Additions	Retirements and Adjustments	June 30, 2019
Nondepreciable assets:				
Land	\$ 19,735,905	\$ 3,771,430	\$ (10,400,593)	\$ 13,106,742
Construction in progress	133,740,758	11,957,998	(137,583,599)	8,115,157
Works of art	722,555	-	-	722,555
Total nondepreciable assets	154,199,218	15,729,428	(147,984,192)	21,944,454
Depreciable assets:				
Land improvements	21,009,160	1,234,502	(2,009,528)	20,234,134
Buildings and improvements	416,940,591	44,058,315	(21,241,236)	439,757,670
Leasehold improvements	-	81,544,149	-	81,544,149
Infrastructure	27,728,248	-	(62,342)	27,665,906
Equipment	38,749,253	5,521,486	(3,367,134)	40,903,605
Total depreciable assets	504,427,252	132,358,452	(26,680,240)	610,105,464
Less accumulated depreciation:				
Land improvements	8,727,823	642,800	(519,335)	8,851,288
Buildings and improvements	125,065,072	11,081,621	(3,602,712)	132,543,981
Leasehold improvements	-	2,491,627	-	2,491,627
Infrastructure	15,300,821	522,078	(8,312)	15,814,587
Equipment	27,068,426	2,867,092	(3,015,495)	26,920,023
Total accumulated depreciation	176,162,142	17,605,218	(7,145,854)	186,621,506
Depreciable assets, net	328,265,110	114,753,234	(19,534,386)	423,483,958
Capital assets, net	<u>\$ 482,464,328</u>	<u>\$ 130,482,662</u>	<u>\$ (167,518,578)</u>	<u>\$ 445,428,412</u>

The University capitalized interest expense of \$45,953 and \$116,887 in construction-in-progress during the years ended June 30, 2020 and 2019, respectively.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2020 and 2019, accounts payable and accrued expenses consisted of the following:

	2020	2019
Accounts payable, construction	\$ 1,074,622	\$ 3,422,416
Accounts payable, other	5,599,435	4,465,091
Accrued salaries, fringe benefits and withholdings	6,412,439	6,483,777
Accrued interest on bonds payable and other long-term debt	5,630,309	5,404,415
Total	<u>\$ 18,716,805</u>	<u>\$ 19,775,699</u>

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June 30, 2020 and 2019

NOTE 5 - STATE PAID FRINGE BENEFITS

The State of New Jersey, through separate appropriations, pays certain fringe benefits (principally health insurance and FICA taxes) on behalf of University employees. Such benefits amounted to \$32,386,544 and \$31,107,328 for the years ended June 30, 2020 and 2019, respectively, and are included in both the State of New Jersey appropriations revenue and operating expenses in the accompanying financial statements.

NOTE 6 - RETIREMENT PROGRAMS

General Information about Pension Plans

The University participates in several retirement plans covering its employees – the Public Employees' Retirement System ("PERS"), the Police and Firemen's Retirement System ("PFRS"), and the Alternate Benefit Program ("ABP"), which are administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). PERS and PFRS are defined benefit pension plans, and ABP is a defined contribution pension plan. Generally, all employees, except certain part time employees, participate in one of these plans.

The State issues a publicly available Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits, which includes financial statements and required supplementary information for PERS and PFRS. These reports can be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625 0295, or obtained at www.nj.gov/treasury/pensions.

Defined Benefit Plans

Public Employees' Retirement System

PERS is a cost-sharing, multiple-employer defined benefit pension plan which provides coverage to substantially all full-time employees and certain part-time employees of the State or public agencies who are not members of another State-administered retirement system.

Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits, including post-retirement health care benefits. All benefits vest after ten years of service, except for health care benefits, which vest after 25 years of service or under the disability provisions of PERS. Benefits are determined by member's tier (based on date of enrollment), as defined in the PERS plan documents, member's age, years of service, and final compensation.

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. The current employee contribution rate is 7.5% of base salary. Employer contributions are based on an actuarially determined rate, which was 16.5% and 15.6% of annual covered payroll for the years ended June 30, 2020 and 2019, respectively. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The State's contribution on behalf of the University ("State Contribution") to PERS for the years ended June 30, 2020 and 2019 was \$5,706,569 and \$4,308,870, respectively, which is recognized as a deferred outflow of resources in the statements of net position.

Police and Firemen's Retirement System

PFRS is a cost-sharing multiple-employer defined benefit pension plan which provides coverage for substantially all permanent, full-time police officers and firemen in the State.

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Membership is mandatory for eligible employees. The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death, and disability benefits, including post-retirement health care benefits. All benefits vest after ten years of service, except for health care benefits, which vest after 25 years of service and disability benefits which vest after four years of service. Benefits are determined by member's tier (based on date of enrollment), as defined in the PFRS plan documents, member's age, years of service, and final compensation.

The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. The current employee contribution rate is 10.0% of base salary. Employer contributions are based on an actuarially determined rate, which was 53.4% and 43.2% of annual covered payroll for the years ended June 30, 2020 and 2019, respectively. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The State contribution to PFRS for the years ended June 30, 2020 and 2019 was \$563,993 and \$307,566, respectively, which is recognized as a deferred outflow of resources in the statements of net position.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of the respective plan's published financial statements and actuarial valuations as of June 30, 2019 ("Measurement Date"). The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and net pension expense related to PERS and PFRS, at and for the fiscal year ended June 30, 2020, are as follows:

	PERS	PFRS	Total
Proportionate share of the net pension liability (\$)			
2019	\$ 164,700,547	\$ 10,173,510	\$ 174,874,057
2018	164,511,244	17,849,912	182,361,156
2017	186,353,409	9,167,389	195,520,798
2016	199,651,829	6,341,900	205,993,729
2015	157,129,973	6,709,530	163,839,503
Proportionate share of the net pension liability (%)			
2019	0.716%	0.242%	
2018	0.694%	0.412%	
2017	0.727%	0.209%	
2016	0.679%	0.135%	
2015	0.662%	0.156%	
2014	0.643%	0.183%	
2013	0.630%	0.245%	
Deferred outflows of resources	(947,033)	2,096,098	1,149,065
Deferred inflows of resources	24,325,844	(212,349)	24,113,495
Net pension expense	3,101,622	558,159	3,659,781

The University's proportionate share of each respective plan's net pension liability was based on the State contribution to the respective plans from July 1, 2013 to June 30, 2019 relative to the total contributions from all participating employers.

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The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date for the fiscal year ended June 30, 2020 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Deferred outflows of resources:			
Differences between expected and actual experience	\$ (1,203,036)	\$ -	\$ (1,203,036)
Changes of assumptions	(8,728,833)	(336,420)	(9,065,253)
Net differences between projected and actual investment earnings on pension plan investments	(1,077,450)	(1,123)	(1,078,573)
Changes in proportionate share	3,154,366	1,605,120	4,759,486
Contributions subsequent to the measurement date	6,907,920	828,521	7,736,441
Total	<u>\$ (947,033)</u>	<u>\$ 2,096,098</u>	<u>\$ 1,149,065</u>
Deferred inflows of resources:			
Differences between expected and actual experience	\$ 882,873	\$ 161,302	\$ 1,044,175
Changes of assumptions	19,799,663	1,014,919	20,814,582
Net differences between projected and actual investment earnings on pension plan investments	(193,927)	-	(193,927)
Changes in proportionate share	3,837,235	(1,388,570)	2,448,665
Total	<u>\$ 24,325,844</u>	<u>\$ (212,349)</u>	<u>\$ 24,113,495</u>

The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date for the fiscal year ended June 30, 2019 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Deferred outflows of resources:			
Differences between expected and actual experience	\$ 564,761	\$ -	\$ 564,761
Changes of assumptions	1,555,070	(51,622)	1,503,448
Net differences between projected and actual investment earnings on pension plan investments	(655,283)	41,887	(613,396)
Changes in proportionate share	4,710,813	1,766,986	6,477,799
Contributions subsequent to the measurement date	5,637,853	780,005	6,417,858
Total	<u>\$ 11,813,214</u>	<u>\$ 2,537,256</u>	<u>\$ 14,350,470</u>
Deferred inflows of resources:			
Differences between expected and actual experience	\$ 1,372,382	\$ 82,140	\$ 1,454,522
Changes of assumptions	27,221,614	938,186	28,159,800
Net differences between projected and actual investment earnings on pension plan investments	(1,175,509)	(40,246)	(1,215,755)
Changes in proportionate share	6,755,285	(533,818)	6,221,467
Total	<u>\$ 34,173,772</u>	<u>\$ 446,262</u>	<u>\$ 34,620,034</u>

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The deferred outflows of resources related to pensions resulting from contributions subsequent to the Measurement Date of \$6,907,920 for PERS and \$828,521 for PFRS will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense in the statement of revenues, expenses, and changes in net position as follows:

	PERS	PFRS	TOTAL
Years ending:			
2021	\$ (5,178,400)	\$ 476,896	\$ (4,701,504)
2022	(10,824,389)	513,457	(10,310,932)
2023	(10,315,312)	349,778	(9,965,534)
2024	(4,996,153)	57,015	(4,939,138)
2025	(866,543)	82,780	(783,763)
Contributions paid subsequent to Measurement Date	6,907,920	828,521	7,736,441
	<u>\$ (25,272,877)</u>	<u>\$ 2,308,447</u>	<u>\$ (22,964,430)</u>

Actuarial Assumptions

The University's net pension liability at the Measurement Date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The actuarial valuation used the following actuarial assumptions:

	PERS	PFRS
Inflation rate	2.75%	2.75%
Salary increases:		
Through 2026	2.00 - 6.00% based on years of service	3.25 - 15.25% based on years of service
Thereafter	3.00 - 7.00% based on years of service	3.25 - 15.25% based on years of service
Investment rate of return	7.00%	7.00%

For PERS, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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June 30, 2020 and 2019

For PFRS, pre-retirement mortality rates were based on the Pub-2010 Safety Employee Mortality Table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuations were based on the results of actuarial experience studies for the periods July 1, 2014 to June 30, 2018 for PERS and July 1, 2013 to June 30, 2018 for PFRS.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the New Jersey Division of Investments and New Jersey Division of Pension and Benefits, the board of trustees of each plan and the plans' actuaries. Best estimates of the arithmetic real rates of return for each major asset class included PERS's and PFRS's target asset allocations at the Measurement Date are summarized in the following table:

<u>Asset Class</u>	<u>PERS and PFRS</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

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Discount Rates

The discount rates used to measure the total pension liabilities were 6.28% and 6.85% for PERS and PFRS at the Measurement Date and 5.66% and 6.51% at June 30, 2019 and 2018, respectively. These single-blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% at the Measurement Date based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher for PERS and PFRS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057 for PERS and 2076 for PFRS.

Therefore, the long-term expected rate of return on plan investments was applied to the projected benefit payments through 2057 for PERS and 2076 for PFRS, and the municipal bond rate was applied to the projected benefit payments after those dates in determining the total pension liabilities.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plans calculated using the discount rates of 6.28% for PERS and 6.85% for PFRS, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	PERS		PFRS	
	Rate	Amount	Rate	Amount
1% decrease	5.28%	\$ 189,487,475	5.85%	\$ 11,899,142
Current discount rate	6.28%	164,700,547	6.85%	10,173,510
1% increase	7.28%	143,871,784	7.85%	8,746,389

Defined Contribution Pension Plans

Alternate Benefit Program Information

ABP is a defined contribution retirement program administered by the Division for eligible full-time employees in accordance with N.J.S.A. 52:18A.

ABP provides retirement and death benefits for or on behalf of the full-time professional employees and faculty members participating in this retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. ABP provides the choice of seven investment carriers, all of which are privately operated defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions.

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Participating University employees are required to contribute 5% of total base salary and may contribute a voluntary additional contribution of salary up to the maximum federal statutory limit, on a pretax basis. Employer contributions are 8% of base salary up to \$175,000. During the year ended June 30, 2020, ABP employer and employee contributions were \$4,903,897 and \$3,064,936, respectively, which were based on participating employee salaries of \$61,298,713. During the year ended June 30, 2019, ABP employer and employee contributions were \$4,850,353 and \$3,031,471, respectively, which were based on participating employee salaries of \$60,629,413. Employer contributions to ABP paid by the State of New Jersey are reflected in the accompanying financial statements as State of New Jersey appropriations revenue and as expenses.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

General Information about Postemployment Plans Other than Pensions

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the "Plan").

Plan Description, Including Benefits Provided - The Plan is a single-employer defined benefit other postemployment benefit plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (the "State") is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: the PERS, the ABP or the PFRS. In addition, Chapter 302, P.L. 1996 provides that for purposes of this plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State; therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB 75.

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

The Plan is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the definition of a trust as per GASB 75.

Total OPEB Liability and OPEB expense

As of June 30, 2020 and 2019 the State recorded a liability of \$178,379,517 and \$224,108,076, respectively, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the "University's share"). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2020 and 2019, the University's share was 3.247732% and 3.135728% of the special funding situation, respectively, and 0.979791% and 0.949556% of the Plan, respectively.

For the year ended June 30, 2020 and 2019, the University recognized OPEB expense of \$1,064,835 and \$10,275,436 respectively. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of \$1,064,835 and \$10,275,436, respectively.

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Actuarial Assumptions and Other Inputs - The State's liability associated with the University at June 30, 2020 and 2019 was determined by an actuarial valuation as of June 30, 2018 and 2017, which was rolled forward to the measurement dates of June 30, 2019 and 2018, respectively.

Inflation rate	2.50%
Discount rate	3.50% - June 30, 2019 3.87% - June 30, 2018
Salary increases Through 2026	1.55% - 15.25%

The discount rate is based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on age or years of service.

June 30, 2019 Measurement Period

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS/JRS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "Safety" (PFRS/SPRS), "Teachers" (TPAF/ABP), and "General" (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2014 through June 30, 2018), ABP (using the experience of the Teacher's Pension and Annuity Fund – July 1, 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018).

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

June 30, 2018 Measurement Period

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2011 through June 30, 2014) ABP (using the experience of the Teacher's Pension and Annuity Fund – July 1, 2012 through June 30, 2015), and PFRS (July 1, 2010 through June 30, 2013).

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June 30, 2020 and 2019

NOTE 8 - BONDS PAYABLE AND OTHER LONG-TERM DEBT

Bonds payable and other long-term debt as of June 30, 2020 and 2019 consisted of the following:

	<u>Interest Rate</u>	<u>2020</u>	<u>2019</u>
Bonds payable:			
New Jersey Educational Facilities Authority Bonds:			
Series 2016 A (Refunded 2006F, 2007G, 2008A)	3.00 - 5.00%	\$ 197,120,000	\$ 198,810,000
Unamortized premium		<u>28,542,297</u>	<u>29,901,454</u>
Total		225,662,297	228,711,454
Less: current portion		<u>(3,149,157)</u>	<u>(3,049,157)</u>
Bonds payable, noncurrent portion		<u>\$ 222,513,140</u>	<u>\$ 225,662,297</u>
Other long-term debt:			
Higher Education Equipment Leasing Fund	5.00%	\$ 643,282	\$ 837,689
Higher Education Capital Improvement Fund Series 2015E (Current refunding of 2005F)	3.00 - 5.25%	12,172,623	12,992,430
Series 2020A	2.83%	13,447,491	14,866,301
Island Campus Redevelopment Urban Renewal Assoc.	2.14%	5,935,000	-
Dam Restoration Loan	12.00%	2,100,000	2,100,000
Total	2.00%	<u>163,744</u>	<u>185,329</u>
Unamortized premium		<u>395,925</u>	<u>440,936</u>
Total		34,462,140	30,981,749
Less: current portion		<u>(2,752,644)</u>	<u>(2,499,620)</u>
Other long-term debt, noncurrent portion		<u>\$ 32,105,421</u>	<u>\$ 28,923,065</u>
Capital lease obligations (see Note 12):			
Atlantic County Improvement Authority: Stockton University AC Campus	4.21%	\$ 78,880,000	\$ 78,980,000
Less: current portion		<u>(205,000)</u>	<u>(100,000)</u>
Capital lease obligations, noncurrent portion		<u>\$ 78,675,000</u>	<u>\$ 78,880,000</u>

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Bonds Payable

The University issued on the Series 2016A Bonds on July 13, 2016, consisting of \$176,095,000 Serial Bonds and \$26,350,000 5.00% Term Bonds. The Serial Bonds bear interest at rates between 3.00%-5.00%, with the average being 4.71%. They are due annually each July 1 through 2037. The \$26,350,000 Term Bonds are due July 1, 2041. The Series 2016A Bonds were issued to finance the refunding of the outstanding Series 2006F Bonds, the advance refunding of the outstanding Series 2007G Bonds and outstanding Series 2008A Bonds, and the renovation, acquisition, installation and construction of certain capital improvements to the University's facilities. The financing included a premium of \$33,978,925, which is amortized as a component of interest expense over the life of the bond.

The Bond Series 2016A refunded Bond Series 2006F, 2007G and 2008A. \$210,219,046 was placed in an irrevocable trust with an escrow agent to provide for future debt service payments. As a result, the refunded Series Bonds are considered to be defeased, and the related liability has been removed from the statements of net position. This transaction resulted in a loss on advance refunding which is presented as a deferred outflow and is amortized as a component of interest expense over the life of the defeased Series Bonds.

Other Long-Term Debt

During 2003, the University entered into a lease agreement with the New Jersey Educational Facilities Authority (the "Authority"), along with other colleges and universities. Under the terms of the agreement, the Authority issued Series 2002A Revenue Bonds to provide funding for the Higher Education Capital Improvement Fund. The University was allocated \$17,204,000 of the total proceeds of the bond issue to be used for academic campus exterior repairs, HVAC improvements, gallery safety rails, Housing II roof replacement, and F-Wing extension and renovation design. The terms of the agreement require one-third of the total allocation, or \$5,734,667, to be repaid in annual rental payments equal to the University's allocable share of the Series 2002A Bonds and related program expenses through 2022.

During 2004, the University entered into a lease agreement with the Authority, along with other colleges and universities. Under the terms of the agreement, the Authority issued Series 2004A Revenue Bonds to provide funding for the Higher Education Capital Improvement Fund. The University was allocated \$3,848,250 of the total proceeds of the bond issue to be used for Housing I exterior and Housing I HVAC. The terms of the agreement require one-third of the total allocation, or \$1,282,750, to be repaid in annual rental payments equal to the University's allocable share of the Series 2004A Bonds and related program expenses through 2024.

During 2014, the University entered into a lease agreement with the Authority, along with other colleges and universities. Under the terms of the agreement, the Authority issued Series 2014A Revenue Bonds to provide funding for the Higher Education Capital Improvement Fund. The University was allocated \$10,600,000 of the total proceeds of the bond issue to be used for the Arts and Science Renovations and an Energy Management Project. The terms of the agreement require one-third of the total allocation, or \$3,287,691, to be repaid in annual rental payments equal to the University's allocable share of the Series 2014A Bonds through 2034. The financing included a premium of \$245,288 which is amortized as a component of interest expense over the life of the bond.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

During 2014, the University entered into a lease agreement with the Authority, along with other colleges and universities. Under the terms of the agreement, the Authority issued Series 2014 Revenue Bonds to provide funding for the Higher Education Equipment Leasing Fund. The University was allocated \$7,595,000 of the total proceeds of the bond issue to be used for the Science Building Teaching Laboratory Equipment and the Education Technology Project. The terms of the agreement require one-quarter of the total allocation, or \$1,652,956, to be repaid in annual rental payments equal to the University's allocable share of the Series 2014 Bonds through 2023. The financing included a premium of \$241,699 which is amortized as a component of interest expense over the life of the bond.

During 2017, the University entered into a lease agreement with the Authority, along with other colleges and universities. Under the terms of the agreement, the Authority issued Series 2016B Revenue Bonds to provide funding for the Higher Education Capital Improvement Fund. The University was allocated \$22,000,000 of the total proceeds of the bond issue to be used for the Atlantic City academic building. The terms of the agreement require one-third of the total allocation, or \$7,332,600, to be repaid in annual rental payments equal to the University's allocable share of the Series 2016B Bonds and related program expenses through 2036.

On June 12, 2015, the University issued \$18,830,826 of Tax-Exempt Series 2015E Revenue Refunding Bonds issued through the Authority. The 2015E issuance was issued as a direct loan with a fixed interest rate of 2.83% and a final maturity of July 1, 2028. The proceeds of the 2015E Bonds were used to refund Series 2005F Bonds originally issued October 27, 2005 including issuance costs of \$123,222. This transaction resulted in a gain on refunding which is a deferred inflow and amortized as a component of interest expense over the life of the 2015E Series Bonds.

On February 12, 2020, the University issued \$5,935,000 of Tax-Exempt Series 2020A Revenue Refunding Bonds issued through the Authority. The 2020A issuance was issued as a direct loan with a fixed interest rate of 2.14% and a final maturity of February 1, 2035. The transaction structure is a direct placement with T.D. Bank, N.A. Proceeds from this transaction financed the University's acquisition of a 42-room residence facility located approximately 2 miles from the University's main campus in Galloway Township.

Payments due on bonds payable and other long-term debt excluding net unamortized premiums, discounts, and deferred gains and losses totaling \$21,004,417 subsequent to June 30, 2020 are as follows:

Years Ending June 30,	Principal	Interest	Total
2021	\$ 4,497,632	\$ 10,560,992	\$ 15,058,624
2022	7,888,381	10,232,844	18,121,225
2023	9,914,146	9,800,180	19,714,326
2024	9,127,881	9,371,286	18,499,167
2025	10,480,706	8,893,003	19,373,709
2026-2030	58,371,171	36,389,627	94,760,798
2031-2035	66,722,463	20,853,235	87,575,698
2036-2040	53,459,760	6,531,924	59,991,684
2041-2049	11,120,000	284,750	11,404,750
Total	<u>\$ 231,582,140</u>	<u>\$ 112,917,841</u>	<u>\$ 344,499,981</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Capital Lease Obligation

The University is the guarantor, and obligor under a capital lease agreement, for the Atlantic County Improvement Authority's issuance on September 22, 2016, General Obligation Lease Revenue Series 2016A Bonds consisting of \$26,950,000 Serial Bonds and \$18,905,000 3.25% Term Bonds, \$22,650,000 4% Term Bonds, and \$10,475,000 5% Term Bonds. The Serial Bonds bear interest at rates between 2.125-5%, with the average being 4.4%. They are due annually each July 1 through 2036. The Term Bonds fully mature July 1, 2048. These bonds were issued to finance a portion of the costs of the development and construction of the University's Atlantic City campus.

In September 2018, the University utilized \$2,180,246 of the bond funds towards the Atlantic City Academic project which is recorded as a deferred inflow of financial resources. This deferred inflow is amortized and recognized as a component of interest expense over the lease term. The balance of the deferred inflow - capital lease at June 30, 2020 is \$2,034,816.

NOTE 9 - LINE OF CREDIT

The University has available a \$48,579,816 revolving priority credit line with Wells Fargo Advisors which has no expiration, and had no outstanding balance as of June 30, 2020 and 2019. Interest is payable monthly at a rate of 2.706% of the priority credit line outstanding, if any. The credit line is available for all purposes, with the exception of the purchase of additional securities, is fully collateralized by the investments of the University, and is due on demand. Interest expense was \$63,978 and \$37,851 for the years ended June 30, 2020 and 2019, respectively.

NOTE 10 - LONG-TERM LIABILITIES

Activity in long-term liabilities for the years ended June 30, 2020 and 2019 follows:

	July 1, 2019	Additions	Current Reductions	June 30, 2020	Current Portion
Compensated absences	\$ 5,264,290	\$ 4,558,626	\$ (4,254,130)	\$ 5,568,786	\$ 4,764,132
Net pension liability	173,909,142	964,915	-	174,874,057	-
U.S. Government grants refundable	2,498,131	-	(465,096)	2,033,035	-
Bonds payable	228,711,454	-	(3,049,157)	225,662,297	3,149,157
Other long-term debt	31,422,685	5,935,000	(2,499,620)	34,858,065	2,752,644
Capital lease obligations	78,980,000	-	(100,000)	78,880,000	205,000
Total	<u>\$ 520,785,702</u>	<u>\$ 11,458,541</u>	<u>\$ (10,368,003)</u>	<u>\$ 521,876,240</u>	<u>\$ 10,870,933</u>
	July 1, 2018	Additions	Current Reductions	June 30, 2019	Current Portion
Compensated absences	\$ 4,792,981	\$ 4,317,555	\$ (3,846,246)	\$ 5,264,290	\$ 4,254,130
Net pension liability	195,520,798	-	(21,611,656)	173,909,142	-
U.S. Government grants refundable	2,498,131	-	-	2,498,131	-
Bonds payable	233,705,611	-	(4,994,157)	228,711,454	3,049,157
Other long-term debt	33,830,129	-	(2,407,444)	31,422,685	2,499,620
Capital lease obligations	79,014,161	-	(34,161)	78,980,000	100,000
Total	<u>\$ 549,361,811</u>	<u>\$ 4,317,555</u>	<u>\$ (32,893,664)</u>	<u>\$ 520,785,702</u>	<u>\$ 9,902,907</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE 11 - DISCRETELY PRESENTED COMPONENT UNITS

The following displays condensed combining information, which is presented in total in the accompanying statements of net position for the University's discretely presented component units as of June 30, 2020 and 2019:

	2020				Total
	Foundation	SASI	NARTP	Eliminations	
Current assets:					
Cash and cash equivalents	\$ 496,156	\$ 837,054	\$ 273,899	\$ -	\$ 1,607,109
Due from University/component units	165	98,221	-	-	98,386
Investments	2,191,319	-	-	-	2,191,319
Other receivables	600,200	114,746	2,500	-	717,446
Other current assets	109,979	113,940	900	-	224,819
Noncurrent assets:					
Investments	41,752,947	-	-	-	41,752,947
Other receivables	5,523,646	-	-	-	5,523,646
Capital assets, net	-	1,853,527	35,837	-	1,889,364
Total assets	<u>\$ 50,674,412</u>	<u>\$ 3,017,488</u>	<u>\$ 313,136</u>	<u>\$ -</u>	<u>\$ 54,005,036</u>
Accounts payable and other current liabilities					
Due to University/component units	\$ 37,265	\$ 1,046,618	\$ 301,590	\$ -	\$ 1,385,473
Long-term liabilities to University	132,353	11,346	242,546	-	386,245
	-	1,314,683	3,155,852	-	4,470,535
Total liabilities	<u>\$ 169,618</u>	<u>\$ 2,372,647</u>	<u>\$ 3,699,988</u>	<u>\$ -</u>	<u>\$ 6,242,253</u>
Net position:					
Net investment in capital assets	\$ -	\$ 538,844	\$ -	\$ -	\$ 538,844
Restricted - nonexpendable	29,781,058	-	-	-	29,781,058
Restricted - expendable	17,834,153	-	-	-	17,834,153
Unrestricted	2,889,583	105,997	(3,386,852)	-	(391,272)
Total net position	<u>\$ 50,504,794</u>	<u>\$ 644,841</u>	<u>\$ (3,386,852)</u>	<u>\$ -</u>	<u>\$ 47,762,783</u>

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June 30, 2020 and 2019

	2019				Total
	Foundation	SASI	NARTP	Eliminations	
Current assets:					
Cash and cash equivalents	\$ 474,010	\$ 1,344,796	\$ 48,458	\$ -	\$ 1,867,264
Due from University/component units	2,263	467,862	-	-	470,125
Investments	2,163,000	-	-	-	2,163,000
Other receivables	333,828	11,243	146,149	-	491,220
Other current assets	680,824	162,418	375	-	843,617
Noncurrent assets:					
Investments	39,479,391	-	-	-	39,479,391
Other receivables	451,823	-	-	-	451,823
Capital assets, net	-	2,056,795	38,942	-	2,095,737
Total assets	<u>\$43,585,139</u>	<u>\$ 4,043,114</u>	<u>\$ 233,924</u>	<u>\$ -</u>	<u>\$47,862,177</u>
Accounts payable and other current liabilities					
Due to University/component units	\$ 25,449	\$ 1,219,188	\$ 214,339	\$ -	\$ 1,458,976
Long-term liabilities to University	416,707	191,317	295,533	-	903,557
	-	1,314,683	1,321,006	-	2,635,689
Total liabilities	<u>\$ 442,156</u>	<u>\$ 2,725,188</u>	<u>\$ 1,830,878</u>	<u>\$ -</u>	<u>\$ 4,998,222</u>
Net position:					
Net investment in capital assets	\$ -	\$ 742,112	\$ -	\$ -	\$ 742,112
Restricted - nonexpendable	22,152,105	-	-	-	22,152,105
Restricted - expendable	18,146,282	-	-	-	18,146,282
Unrestricted	2,844,596	575,814	(1,596,954)	-	1,823,456
Total net position	<u>\$43,142,983</u>	<u>\$ 1,317,926</u>	<u>\$ (1,596,954)</u>	<u>\$ -</u>	<u>\$42,863,955</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The following displays condensed combining information, which is presented in total in the accompanying statements of revenues, expenses, and changes in net position for the University's discretely presented component units for the years ended June 30, 2020 and 2019:

	2020				
	Foundation	SASI	NARTP	Eliminations	Total
Operating revenues:					
Grants	\$ -	\$ -	\$ 17,810	\$ -	\$ 17,810
Other auxiliary enterprises	-	12,378,892	-	-	12,378,892
Other	178,848	31,254	806,789	-	1,016,891
In-kind contributions	1,018,055	-	133,496	-	1,151,551
Total operating revenues	<u>1,196,903</u>	<u>12,410,146</u>	<u>958,095</u>	<u>-</u>	<u>14,565,144</u>
Operating expenses:					
Institutional support	1,229,720	1,639,980	2,614,497	(257,375)	5,226,822
Student aid	1,009,493	-	-	-	1,009,493
Auxiliary enterprises	-	11,438,272	-	-	11,438,272
Depreciation	-	203,268	-	-	203,268
In-kind expense	1,018,055	-	133,496	-	1,151,551
Total operating expenses	<u>3,257,268</u>	<u>13,281,520</u>	<u>2,747,993</u>	<u>(257,375)</u>	<u>19,029,406</u>
Operating (loss) income	<u>(2,060,365)</u>	<u>(871,374)</u>	<u>(1,789,898)</u>	<u>257,375</u>	<u>(4,464,262)</u>
Non-operating revenues					
(expenses):					
Gifts and contributions	822,950	-	-	(20,000)	802,950
Investment income	970,273	(67,109)	-	-	903,164
Interest expense	-	(48,067)	-	-	(48,067)
University and Foundation support	-	313,465	-	(237,375)	76,090
	<u>1,793,223</u>	<u>198,289</u>	<u>-</u>	<u>(257,375)</u>	<u>1,734,137</u>
Other revenues:					
Additions to permanent endowments	<u>7,628,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,628,953</u>
Change in net position	7,361,811	(673,085)	(1,789,898)	-	4,898,828
Net position - beginning of year	<u>43,142,983</u>	<u>1,317,926</u>	<u>(1,596,954)</u>	<u>-</u>	<u>42,863,955</u>
Net position - end of year	<u>\$ 50,504,794</u>	<u>\$ 644,841</u>	<u>\$ (3,386,852)</u>	<u>\$ -</u>	<u>\$ 47,762,783</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

	2019				
	Foundation	SASI	NARTP	Eliminations	Total
Operating revenues:					
Grants	\$ -	\$ -	\$ 289,833	\$ -	\$ 289,833
Other auxiliary enterprises	-	14,437,427	-	-	14,437,427
Other	316,753	64,899	45,872	(8,000)	419,524
In-kind contributions	563,846	-	46,358	-	610,204
Total operating revenues	<u>880,599</u>	<u>14,502,326</u>	<u>382,063</u>	<u>(8,000)</u>	<u>15,756,988</u>
Operating expenses:					
Institutional support	1,606,412	2,817,154	531,616	(254,358)	4,700,824
Student aid	958,234	-	-	-	958,234
Auxiliary enterprises	-	13,014,217	-	-	13,014,217
Depreciation	-	209,120	-	-	209,120
In-kind expense	563,846	-	46,358	-	610,204
Total operating expenses	<u>3,128,492</u>	<u>16,040,491</u>	<u>577,974</u>	<u>(254,358)</u>	<u>19,492,599</u>
Operating (loss) income	<u>(2,247,893)</u>	<u>(1,538,165)</u>	<u>(195,911)</u>	<u>246,358</u>	<u>(3,735,611)</u>
Non-operating revenues (expenses):					
Gifts and contributions	1,348,095	-	-	(12,000)	1,336,095
Investment income	2,776,103	25,997	-	-	2,802,100
Interest expense	-	(57,670)	-	-	(57,670)
University and Foundation support	-	315,079	-	(234,358)	80,721
	<u>4,124,198</u>	<u>283,406</u>	<u>-</u>	<u>(246,358)</u>	<u>4,161,246</u>
Other revenues:					
Additions to permanent endowments	1,211,749	-	-	-	1,211,749
Change in net position	3,088,054	(1,254,759)	(195,911)	-	1,637,384
Net position - beginning of year	<u>40,054,929</u>	<u>2,572,685</u>	<u>(1,401,043)</u>	<u>-</u>	<u>41,226,571</u>
Net position - end of year	<u>\$ 43,142,983</u>	<u>\$ 1,317,926</u>	<u>\$ (1,596,954)</u>	<u>\$ -</u>	<u>\$ 42,863,955</u>

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June 30, 2020 and 2019

The following amounts are presented in the statements of net position of the respective entities as due to/from the University as of June 30, 2020 and 2019:

	2020			
	Foundation	SASI	NARTP	Total
Due from the University:				
Food service	\$ -	\$ 1,811	\$ -	\$ 1,811
Services provided	-	3,284	-	3,284
Overhead charge adjustment	-	7,021	-	7,021
Miscellaneous	165	86,105	-	86,270
Total due from the University	<u>\$ 165</u>	<u>\$ 98,221</u>	<u>\$ -</u>	<u>\$ 98,386</u>
Due to the University:				
Institutional support	\$ 51,072	\$ -	\$ -	\$ 51,072
Services provided	12,352	-	-	12,352
Scholarships	68,929	-	-	68,929
Interest on loan	-	-	242,544	242,544
Miscellaneous	-	11,346	2	11,348
Total due to the University	<u>\$ 132,353</u>	<u>\$ 11,346</u>	<u>\$ 242,546</u>	<u>\$ 386,245</u>
	2019			
	Foundation	SASI	NARTP	Total
Due from the University:				
Scholarships	\$ 1,425	\$ -	\$ -	\$ 1,425
Food service	-	1,336	-	1,336
Services provided	-	160	-	160
Overhead charge adjustment	-	381,555	-	381,555
Miscellaneous	838	84,811	-	85,649
Total due from the University	<u>\$ 2,263</u>	<u>\$ 467,862</u>	<u>\$ -</u>	<u>\$ 470,125</u>
Due to the University:				
Institutional support	\$ 326,171	\$ 159,135	\$ 100,000	\$ 585,306
Services provided	17,700	-	-	17,700
Scholarships	72,836	-	-	72,836
Overhead charge	-	21,151	2,743	23,894
Interest on loan	-	-	190,817	190,817
Miscellaneous	-	11,031	1,973	13,004
Total due to the University	<u>\$ 416,707</u>	<u>\$ 191,317</u>	<u>\$ 295,533</u>	<u>\$ 903,557</u>

The Foundation provided support of \$1,744,751 and \$1,955,937 to the University for scholarships, academic, faculty, and facilities support for the years ended June 30, 2020 and 2019, respectively. The University provided in-kind finance and administrative services to the Foundation of \$1,015,499 and \$558,846 for the years ended June 30, 2020 and 2019, respectively.

The Foundation provided support to SASI for the Sam Azeez Museum of \$237,375 and \$234,358 for the years ended June 30, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The University has issued a line of credit to SASI in the amount of \$2,000,000. As of June 30, 2020 and 2019, a note receivable in the amount of \$1,314,683 was reflected in the financial statements of the University relating to this line of credit. The University charges interest on the outstanding principal balance from the date advanced until the full amount of principal has been paid at a fixed rate equal to 2.85% and 4.31% for the years ended June 30, 2020 and 2019, respectively. The interest rate will be reviewed and changed by the University, at its sole discretion, to a rate equal to 150 basis points plus the thirty-year U.S. Treasury Note rate at the time of the interest review. Interest-only payments will be made on the outstanding principal balance at the stated interest rate. Interest expense on the line of credit totaled \$48,067 and \$57,670 for the years ended June 30, 2020 and 2019, respectively. SASI reimburses the University for use of space and personnel through payment of an overhead charge. For the years ended June 30, 2020 and 2019, the overhead charge was \$97,481 and \$104,502, respectively.

The University has issued a line of credit to NARTP in the amount of \$1,500,000. During the year ended June 30, 2020, NARTP's \$100,000 University advance due to the University as of June 30, 2019, was added to the outstanding loan balance from the University. As of June 30, 2020 and 2019, a note receivable in the amount of \$1,441,700 and \$1,341,700, respectively, was reflected in the financial statements of the University relating to this line of credit. The University charges interest on the outstanding principal balance from the date advanced until the full amount of principal has been paid at a fixed rate equal to 2.85% and 4.31% for the years ended June 30, 2020 and 2019, respectively. The interest rate will be reviewed and changed by the University, at its sole discretion, to a rate equal to 150 basis points plus the thirty-year U.S. Treasury Note rate at the time of the interest review. Per the agreement, interest payments on the outstanding principal balance shall be deferred until the earlier of one year following the issuance of a certificate of occupancy for the first building for tenant occupancy in NARTP or April 10, 2024. Interest expense on the line of credit totaled \$51,727 and \$58,213 for the years ended June 30, 2020 and 2019, respectively. NARTP reimbursed the University for the use of space and personnel through payment of an overhead charge for the year ended June 30, 2019 of \$49,625.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Compensated Absences

The University recorded a liability for compensated absences in the amount of \$5,568,786 and \$5,264,290 for the years ended June 30, 2020 and 2019, respectively. The liability is calculated based upon employees' accrued vacation leave as of year-end, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances.

Litigation

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible, at this time, to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial statements.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Grants

The University receives support from federal government and State of New Jersey grant programs, primarily student financial assistance. Entitlement to these resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for allowable purposes. Substantially all grants are subject to financial and compliance audits by the respective sponsors. As of June 30, 2020 and 2019, the University believes that adjustments, if any, as a result of such audits would not have a material adverse effect on the University's financial statements.

Construction Contracts

The University has outstanding construction commitments in the amount of \$2,361,928 as of June 30, 2020. These commitments are primarily related to projects on the Galloway campus. It is expected that all of the funding for these projects will be allocated from unrestricted resources.

Capital Lease Obligation

Stockton University Atlantic City Campus

On September 22, 2016, the Atlantic County Improvement Authority ("ACIA") issued \$78,980,000 of its Revenue Notes, Series 2016A. The proceeds of the notes were loaned by ACIA to Island Campus Redevelopment Urban Renewal Associates LLC (the "Landlord"), whose sole and managing member is the Atlantic City Development Corporation ("ACDevco"), pursuant to a Loan Agreement dated September 30, 2016 to finance a portion of the costs of the development and construction in connection with the establishment of the University's new Atlantic City campus. The Landlord is leasing the Property to the University pursuant to the Master Lease Agreement dated September 30, 2016. At the end of the term, title to the property will be transferred to the University upon payment of the outstanding amounts due on the ACIA's notes and on ACDevco's equity contribution.

The aggregate future payments on the ACDevco capital lease are as follows for the years ending June 30:

	Amount
2021	\$ 3,459,456
2022	3,559,206
2023	3,663,456
2024	3,756,706
2025	3,864,206
Thereafter	122,655,514
	140,958,544
Less: interest	(62,078,544)
Total	\$ 78,880,000

Leasehold improvements capitalized under this agreement totaled \$81,080,000 with the related accumulated depreciation of \$5,180,111 and \$2,477,444 at June 30, 2020 and 2019, respectively.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Lease Commitments

Future minimum lease payments required under all non-cancelable operating leases are as follows for the years ending June 30:

	Amount
2021	\$ 202,078
2022	207,131
2023	100,049
Total	\$ 509,258

Total rent expense for the years ended June 30, 2020 and 2019 was \$450,719 and \$773,341, respectively.

Power Purchase Agreement

The University entered into various agreements with Stockton Blue Sky Power, LLC (“Blue Sky”) related to the construction of a solar power plant at the University. Blue Sky owns and operates the solar power plant, and the University leases the space on campus where the solar power plant is located. The University agreed to purchase all of the energy produced by the solar power plant for a 15-year period at a fixed rate of \$0.03 per kWh, expiring on May 25, 2021.

NOTE 13 - SUBSEQUENT EVENTS

The University evaluated subsequent events through March 12, 2021, the date the financial statements were available to be issued.

Despite the challenges of fiscal year 2020 as a result of COVID-19, the University is in a sound financial position at June 30, 2020. Overall enrollment increased for the fiscal 2020 academic year and residence halls were filled pre-COVID-19.

While the disruption caused by COVID-19 is currently expected to be temporary, there is uncertainty around the duration. Stockton realized an increase in the summer 2020 enrollment, while the fall 2020 enrollment remained flat compared to the prior year. Fall 2020 courses were taught in a variety of teaching modalities. These included in-person classes on campus, hybrid classes that combined in-person and on-line lessons, and completely on-line classes. Residence hall census saw a decline in fall 2020. Stockton continues to take measures in fiscal year 2021 to mitigate the impact on its financial operations. A conservative fiscal year 2021 budget was developed with continued cost-containing measures, including budget reductions, a salary program freeze, and voluntary and involuntary furloughs.

During fiscal year 2021, Stockton applied for and was awarded CARES Act funds of \$8.8 million under the Coronavirus Relief Fund (CRF), all of which was received by December 2020; \$15.5 million under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA); and \$2.8 million under the Governor’s Emergency Education Relief Fund (GEERF), half of which was received in August 2020. These funds will be used for emergency grant awards to students, to offset lost institutional revenue, and to cover specific expenses related to pandemic mitigation and/or continuity of operations.

As part of the approved State budget for fiscal year 2021, the University will receive \$24.4 million in State appropriations funding.

STOCKTON UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

On October 14, 2020, Stockton University held its groundbreaking ceremony for Phase 2 of the University's Atlantic City campus. The new 135,000 square-foot residence hall will feature apartment-style living with a total of 416 beds. The anticipated completion date is fall 2023.

REQUIRED SUPPLEMENTARY INFORMATION

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Proportionate Share of Net Pension Liability - Last 10 Years* - Unaudited

June 30, 2020

Public Employees' Retirement System (PERS)

Reporting Fiscal Year (Measurement Date, June 30,)	Stockton's Proportion of the Net Pension Liability		Stockton's Covered Employee Payroll	Stockton's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	%	\$			
2020 (2019)	0.716%	\$ 164,700,547	\$ 37,652,697	437.42%	22.03%
2019 (2018)	0.694%	164,511,244	35,096,517	468.74%	22.11%
2018 (2017)	0.727%	186,353,409	31,211,750	597.06%	21.18%
2017 (2016)	0.679%	199,651,829	30,386,266	657.05%	19.02%
2016 (2015)	0.662%	157,129,973	30,400,613	516.86%	24.96%
2015 (2014)	0.643%	129,367,998	29,636,603	436.51%	30.06%

Police and Firemen's Retirement System (PFRS)

Reporting Fiscal Year (Measurement Date, June 30,)	Stockton's Proportion of the Net Pension Liability		Stockton's Covered Employee Payroll	Stockton's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
	%	\$			
2020 (2019)	0.242%	\$ 10,173,510	\$ 1,430,366	711.25%	26.06%
2019 (2018)	0.412%	17,849,912	1,244,287	1,434.55%	25.84%
2018 (2017)	0.209%	9,167,389	1,101,089	832.57%	25.99%
2017 (2016)	0.135%	6,341,900	965,938	656.55%	24.70%
2016 (2015)	0.156%	6,709,530	885,871	757.39%	29.07%
2015 (2014)	0.183%	6,515,401	723,945	899.99%	34.70%

**These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Employer Contributions - Last 10 Years* - Unaudited

June 30, 2020

Public Employees' Retirement System (PERS)

	2020	2019	2018	2017	2016	2015
(1) Contractually required contribution	\$ 6,907,920	\$ 5,637,853	\$ 4,389,336	\$ 4,994,131	\$ 2,184,725	\$ 1,022,366
(2) Contributions in relation to the contractually determined contribution	\$ 6,907,920	\$ 5,637,853	\$ 4,389,336	\$ 4,994,131	\$ 2,184,725	\$ 1,022,366
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered-employee payroll	\$ 37,652,697	\$ 35,096,517	\$ 31,211,750	\$ 30,386,266	\$ 30,400,613	\$ 29,636,603
(5) Contributions as a percentage of covered-employee payroll	18.35%	16.06%	14.06%	16.44%	7.19%	3.45%

Police and Firemen's Retirement System (PFRS)

	2020	2019	2018	2017	2016	2015
(1) Contractually required contribution	\$ 828,521	\$ 780,005	\$ 563,191	\$ 602,447	\$ 185,988	\$ 218,158
(2) Contributions in relation to the contractually determined contribution	\$ 828,521	\$ 780,005	\$ 563,191	\$ 602,447	\$ 185,988	\$ 218,158
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered-employee payroll	\$ 1,430,366	\$ 1,244,287	\$ 1,101,089	\$ 965,938	\$ 885,871	\$ 723,945
(5) Contributions as a percentage of covered-employee payroll	57.92%	62.69%	51.15%	62.37%	20.99%	30.13%

**These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

STOCKTON UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Proportionate Share of Other Postemployment Benefits Liability - Last 10 Years* -
Unaudited

June 30,

	2020	2019	2018
University's proportion of the total OPEB liability	0.00%	0.00%	0.00%
University's proportionate share of the total OPEB liability	\$ -	\$ -	\$ -
State of New Jersey's proportionate share of the total OPEB liability	<u>18,205,874,446</u>	<u>23,601,362,208</u>	<u>28,104,795,207</u>
Total OPEB liability	\$ 18,205,874,446	\$ 23,601,362,208	\$ 28,104,795,207
University's covered-employee payroll	\$ 89,890,453	\$ 86,832,800	\$ 70,831,270
University's proportionate share of the collective total OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

**These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

Stockton University
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Assistance Listings Number	Federal Expenditures
Student Financial Assistance Cluster		
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 417,064
Federal Work Study Program (FWS)	84.033	362,326
Federal Perkins Loan Program (FPL) - Federal Capital Contributions	84.038	2,113,147
Federal Pell Grant Program (PELL), including administrative costs of \$19,210	84.063	18,225,942
Federal Direct Student Loans (Direct Loan)	84.268	58,936,852
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)	84.379	20,826
Total Student Financial Assistance Cluster		<u>80,076,157</u>
Research and Development Cluster:		
U.S. Department of Agriculture:		
Acer Access Development Program	10.174	45,868
U.S. Department of Commerce:		
National Oceanic & Atmospheric Administration (NOAA):		
Coastal Zone Management Estuarine Research Reserves	11.420	14,030
Marine Debris Program	11.999	87,351
Passed Through Dewberry Engineers, Inc.:		
Coastal Zone Management Estuarine Research Reserves (Dewberry Brigantine Channel)	11.420	3,641
Passed through the Conserve Wildlife Foundation of New Jersey:		
Habitat Conservation	11.463	3,600
Passed through the New Jersey Sea Grant Consortium:		
Sea Grant Support	11.417	6,678
U.S. Department of Health and Human Services:		
National Institutes of Health (NIH):		
Extramural Research Programs in the Neurosciences and Neurological Disorders (Akt-mTOR Pathway Impact on Neural Stem Cell Fates)	93.853	39,084
National Environmental Protection Agency: Office of Water		
Passed Through Barnegat Bay Partnership Ocean County College:		
National Estuary Program (Submerged Aquatic Vegetation Monitoring)	66.456	7,440
National Estuary Program (Barnegat Bay Oyster Reef Restoration: Providing Water Quality and Habitat Improvement)	66.456	19,950
National Aeronautics and Space Administration (NASA):		
Passed Through New Jersey Space Grant Consortium:		
Education (Student Spaceflight Experiment Program)	43.008	4,000
U.S. Department of the Interior:		
Passed through the U.S. Geological Survey Reston Acquisition Branch:		
Assistance to State Water Resources Research Institutes	15.805	1,619
U.S. Department of Defense:		
Passed through Army Educational Outreach Program:		
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560	885
U.S. Fish and Wildlife Service:		
Passed Through NJ DEP Division of Fish & Wildlife:		
Wildlife Restoration and Basic Hunter Education (Ecological Forestry and the Lenape Farms Unit)	15.611	30,328
Wildlife Restoration and Basic Hunter Education (Cape May Wetlands WMA Habitat Restoration Monitoring & Evaluation)	15.611	66,000
Wildlife Restoration and Basic Hunter Education (Upkeep and Maintenance of Deer Exclousures)	15.611	6,055
Passed Through McMillen Jacobs:		
Fisheries and Aquatic Resources Management (Eswan Cove Pool Restoration Project)	15.244	50,027
Total Research and Development Cluster		<u>386,556</u>
Other Federal Assistance:		
Federal Emergency Management Agency:		
Passed Through NJ Office of Emergency Management:		
Emergency Management Performance Grants (Public Assistance and/or Hazard Mitigation)	97.042	178,388
National Endowment for the Humanities:		
Passed Through NJ Council for the Humanities:		
Promotion of the Humanities_Federal/State Partnership (Mid-Atlantic Tours: PHILADANCO!)	45.129	5,500
Passed Through California State University:		
Promotion of the Humanities_Research (Catharine Marie Sedgwick Online Letters (CMSOL))	45.161	8,915
Total National Endowment for the Humanities		<u>14,415</u>
National Endowment for the Arts:		
Passed Through Mid-Atlantic Arts Foundation:		
Promotion of the Arts_Partnership Agreements (Mid-Atlantic Tours: PHILADANCO!)	45.025	4,800

See notes to Schedules of Expenditures of Federal and State of New Jersey Awards.

Stockton University
(A Component Unit of The State of New Jersey)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2020

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Assistance Listings Number	Federal Expenditures
Other Federal Assistance (continued)		
U.S. Department of Health and Human Services:		
Passed Through Atlantic County Department of Human Services:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (Educational Programs and Lectures)	93.044	\$ 23,650
Passed Through Partners of America:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (Student Exchange Internship Program)	93.044	33,752
Passed Through NJ Department of Children and Families:		
Foster Care Title IV-E (Child Welfare Education Institute (CWEI) - BCWEP Program)	93.658	143,009
Foster Care Title IV-E (Child Welfare Education Institute (CWEI) - MCWEP Program)	93.658	1,261,892
Children's Justice Grants to States (NJTFCAN Conference)	93.643	74,572
Chafee Foster Care Independence Program (Foster and Adoptive Family Services)	93.674	20,150
Total U.S. Department of Health and Human Services		<u>1,557,025</u>
U.S. Department of Transportation: National Highway Traffic Safety Administration (NHTSA):		
Passed Through NJ Department of Law and Public Safety Division of Highway Traffic Safety:		
Alcohol Impaired Driving Countermeasures Incentive Grants I (Stay Safe and Graduate)	20.601	13,286
U.S. Department of Education:		
Rehabilitation Services_Vocational Rehabilitation Grants to States		
Passed Through NJ Commission for the Blind & Visually Impaired:	84.126	390,816
Rehabilitation Training_Continuing Education (State Vocational Rehabilitation Unit In-Service Training)	84.264	38,115
Improving Teacher Quality State Grants (Building Teacher Leadership)	84.367	6,850
G.O.A.L.S. GEAR UP Program	84.334	54,084
COVID-19 Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E	3,267,146
COVID-19 HEERF Institutional Portion	84.425F	3,267,146
COVID-19 HEERF Strengthening Institutions Program (SIP)	84.425M	489,995
Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act		<u>7,024,287</u>
Total U.S. Department of Education		<u>7,514,152</u>
U.S. Department of Defense:		
Passed through NJ Department of Military & Veteran's Affairs:		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	382,169
U.S. Department of Veterans Affairs:		
Post - 9/11 Veterans Educational Assistance	64.028	2,013,421
Vocational Rehabilitation for Disabled Veterans	64.116	206,611
U.S. Corporation for National & Community Service:		
AmeriCorps National Service Education Award	94.006	14,137
U.S. Department of Labor:		
WIOA Cluster		
Passed Through Atlantic Cape May Workforce Investment Board:		
WIA/WIOA Adult Program (Work First New Jersey)	17.258	429,525
WIA/WIOA Adult Program (Job Development New Jersey)	17.258	366,706
WIA/WIOA Youth Activities (Year Round out of School)	17.259	255,796
Trade Adjustment Assistance_Workers	17.245	14,740
Passed Through Burlington County Workforce Investment Board:		
WIA/WIOA Youth Activities (Year Round out of School)	17.259	19,610
Passed Through Salem County Workforce Investment Board:		
WIA/WIOA Youth Activities (Year Round out of School)	17.259	12,102
Total WIOA Cluster		<u>1,098,479</u>
U.S. Small Business Administration:		
Passed Through Rutgers, The State University of NJ:		
Small Business Development Center (New Jersey Small Business Development Centers (NJSBDC))	59.037	165,037
Total Other Federal Assistance		<u>13,161,920</u>
Total Expenditures of Federal Awards		<u>\$ 93,624,633</u>

See notes to Schedules of Expenditures of Federal and State of New Jersey Awards.

Stockton University
(A Component Unit of the State of New Jersey)

SCHEDULE OF EXPENDITURES OF STATE OF NEW JERSEY AWARDS

June 30, 2020

Grantor Department Program Title	Account Number	Program Amount	Grant Period	Current Year Expenditures	Total Disbursements
Student Financial Assistance:					
N.J. Higher Education Student Assistance Authority:					
New Jersey College Loans to Assist State Students	N/A	\$ 3,680,872	07/01/19-06/30/20	\$ 3,680,872	\$ 3,680,872
Tuition Aid Grant	100-074-2405-007	15,651,693	07/01/19-06/30/20	15,651,693	15,651,693
Urban Scholars	100-074-2405-278	6,000	07/01/19-06/30/20	6,000	6,000
New Jersey STARS II	100-074-2405-313	216,254	07/01/19-06/30/20	216,254	216,254
Survivor Tuition Benefits	100-074-2405-009	13,160	07/01/19-06/30/20	13,160	13,160
NJ BEST	100-074-2405-316	25,250	07/01/19-06/30/20	25,250	25,250
N.J. Commission on Higher Education:					
Educational Opportunity Fund Article III Summer FY2020-Atlantic City	100-074-2401-001	150,000	06/01/19-08/31/19	125,088	150,000
Educational Opportunity Fund Article III Summer FY2020-Galloway	100-074-2401-001	386,961	06/01/19-08/31/19	367,657	383,687
Educational Opportunity Fund Article III Summer FY2021-Atlantic City	100-074-2401-001	147,911	06/01/20-08/31/20	494	494
Educational Opportunity Fund Article III Summer FY2021-Galloway	100-074-2401-001	377,872	06/01/20-08/31/20	806	806
Educational Opportunity Fund Article III Academic Year-Atlantic City	100-074-2401-001	144,775	07/01/19-06/30/20	144,775	144,775
Educational Opportunity Fund Article III Academic Year-Galloway	100-074-2401-001	536,450	07/01/19-06/30/20	536,450	536,450
Educational Opportunity Fund Graduate Grants	100-074-2401-001	50,025	07/01/19-06/30/20	50,025	50,025
Total Student Financial Assistance				20,818,524	20,859,466
Other State of N.J. Assistance:					
N.J. Department of Environmental Protection:					
N.J. Beach Profile 2019	100-042-4895-043	751,022	03/01/19-03/01/20	393,610	707,710
N.J. Beach Profile 2020	100-042-4895-043	767,452	03/01/20-03/01/21	293,739	293,739
Conserve Wildlife Matching Grant	100-042-4890-110	3,500	02/01/19-01/31/20	2,741	3,500
NJGWS provides reconnaissance-level data of off-shore sand burrows	100-042-4895-043	45,560	08/08/19-12/08/19	45,560	45,560
N.J. Department of Environmental Protection: N.J. Bureau of Shellfisheries					
Nantuxent Creek Downe Township Dredging Study & Permit Activities	100-042-4885-082	24,694	03/01/19-09/30/20	14,572	14,572
N.J. Department of Transportation:					
Dredged Material Management System Part II	480-078-6300-CTB	31,794	03/01/19-05/15/20	14,868	23,399
N.J. Department of Children & Families Services:					
Child Welfare Education Institute (CWEI) - BCWEP 2020	100-016-1600-047	597,774	07/01/19-06/30/20	583,160	583,160
Child Welfare Education Institute (CWEI) - MCWEP 2020	100-016-1600-047	115,000	07/01/19-06/30/20	115,000	115,000

See notes to Schedule of Expenditures of Federal and State of New Jersey Awards.

Stockton University
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SCHEDULE OF EXPENDITURES OF STATE OF NEW JERSEY AWARDS - CONTINUED

June 30, 2020

Grantor Department Program Title	Account Number	Program Amount	Grant Period	Current Year Expenditures	Total Disbursements
Other State of N.J. Assistance (continued):					
N.J. Department of Human Services: Division of Youth and Family Services:					
Passed Through Rutgers University: NJ Child Welfare Training Consortium	100-016-1600-047	\$ 1,000,000	07/01/19-06/30/20	\$ 909,652	\$ 909,652
Recovery Housing support College Campuses	100-054-7560-044	242,040	01/01/20-09/30/20	810	810
N.J. Department of Commerce and Economic Growth:					
Passed through Rutgers University: Small Business Development Center	100-074-2505-001	16,100	07/01/19-06/30/20	16,100	16,100
N.J. Department of Health: Division of Mental Health and Addiction Services					
Passed through John Brooks Recovery Center: Project Kickstart- MAT at Atlantic County Jail	100-054-7700-165	10,000	07/01/19-06/30/20	9,569	9,569
N.J. Department of Treasury:					
Passed through City of Atlantic City: Innovation Planning Challenge Grant	100-022-8020-090	100,000	07/01/18-06/30/20	34,983	77,583
Passed through Casino Reinvestment Development Authority: 2019 Summer Youth	100-042-4885-082	128,370	08/01/19-08/31/19	74,629	74,629
N.J. Higher Education Services:					
Educational Opportunity Fund Article IV-Academic Year	100-074-2401-002	302,817	07/01/19-06/30/20	302,817	302,817
Educational Opportunity Fund Article IV-Academic Year-Atlantic City	100-074-2401-002	150,000	07/01/19-06/30/20	135,776	135,776
NJSCA General Program Support	100-074-2530-032	101,020	07/01/19-06/30/20	92,630	92,630
NJSCA General Program Support-Noyes Museum	100-074-2530-032	26,633	07/01/19-06/30/20	26,633	26,633
NJSCA 09 CSP Co Sponsored Project - State of the Arts	100-074-2530-032	200,000	07/01/19-06/30/20	200,000	200,000
NJSCA 48 Blocks-A Celebration of Arts & Culture	100-074-2530-032	15,000	06/01/19-12/31/19	14,850	15,000
Atlantic County Awards 2019	100-074-2505-053	3,750	01/01/19-12/20/19	3,250	3,750
College Bound Atlantic City 2020	100-074-2400-012	183,012	08/23/19-06/30/20	159,321	159,321
College Bound Spring 19 Activity	100-074-2400-012	15,000	09/26/18-07/05/19	7,520	15,000
College Bound Spring 20 Activity	100-074-2400-012	5,411	02/17/20-05/05/20	4,982	4,982
N.J. Commission on Higher Education:					
Higher Education Capital Improvement Fund	100-082-2155-079	2,230,552	03/01/14-03/01/34	138,784	1,963,434
N.J. Higher Education Administration:					
Grants-In-Aid Appropriations to Senior Public Colleges and Universities	100-074-2480-001	17,492,622	07/01/19-06/30/20	17,492,622	17,492,622
Fringe Benefits Other Than FICA For Senior Public Colleges and Universities	100-094-9410-134	19,678,709	07/01/19-06/30/20	19,678,709	19,678,709
FICA (Social Security Tax) For Senior Public Colleges and Universities	100-094-9410-137	7,803,938	07/01/19-06/30/20	7,803,938	7,803,938
Employer Contributions - Alternate Benefit Program	100-082-2155-017	4,903,897	07/01/19-06/30/20	4,903,897	4,903,897
Total Other State of N.J. Assistance				<u>53,474,722</u>	<u>55,673,492</u>
Total Expenditures of State of New Jersey Awards				<u>\$ 74,293,246</u>	<u>\$ 76,532,958</u>

See notes to Schedule of Expenditures of Federal and State of New Jersey Awards.

STOCKTON UNIVERSITY
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**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE OF NEW JERSEY AWARDS**

June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards has been prepared in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). The accompanying Schedule of Expenditures of State of New Jersey Awards has been prepared in accordance with the requirements of the State of New Jersey Department of Treasury Circular 2015-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The purpose of these schedules is to present the respective expenditures of Federal and State programs, under the accrual basis of accounting, of Stockton University (the "University") for the year ended June 30, 2020. For purposes of the respective schedules, Federal and State of New Jersey awards include any assistance provided by a Federal or State agency directly or indirectly in the form of grants, contracts, cooperative agreements, direct appropriations, loan and loan guarantees, and other noncash assistance. Because the schedules present only a selected portion of the activities of the University, they are not intended to, and do not, present either the net position of the University at June 30, 2020 or its changes in net position and cash flows for the year then ended. Accordingly, some amounts presented in the respective schedules may differ from amounts presented in, or used in the preparation of, the University's June 30, 2020 financial statements.

NOTE 2 - DIRECT LOAN PROGRAM AND NEW JERSEY COLLEGE LOANS TO ASSIST STATE STUDENTS

Loans made by the University to eligible students under the State of New Jersey College Loans to Assist State Students Program and the Federal Direct Loan Program during the year ended June 30, 2020 were as follows:

Federal Direct Student Loans	<u>\$ 58,936,852</u>
New Jersey College Loans to Assist State Students	<u>\$ 3,680,872</u>

The University is responsible only for the performance of certain administrative duties with respect to the Direct Loan Program and the New Jersey College Loans to Assist State Students Program and has no responsibility to collect these loans. Accordingly, these loans are not included in the University's financial statements. It is not practicable to determine the balance of loans outstanding to students of the University under these programs as of June 30, 2020.

NOTE 3 - FEDERAL PERKINS LOANS

The Federal Perkins Loan expenditures presented in the accompanying Schedule of Expenditures of Federal Awards of \$2,113,147 represent the total balance of loans outstanding under the Perkins Program. No new loans were made from the loan fund as the program has been discontinued by the Federal Government.

STOCKTON UNIVERSITY
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**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE OF NEW JERSEY AWARDS - CONTINUED**

June 30, 2020

NOTE 4 - SUBRECIPIENT AWARDS

The University passed through the following Federal awards to subrecipients during the year ended June 30, 2020:

<u>Federal Program</u>	<u>Subrecipient</u>	<u>Assistance Listings Number</u>	<u>Pass-Through Expenditures</u>
Youth Activities - Year-Round out of School	JEVS Human Services	17.259	\$ 139,547
Work First New Jersey	Career Opportunity Development, Inc.	17.258	125,390
Job Development New Jersey	Career Opportunity Development, Inc.	17.258	71,597
Cape May Wetlands WMA Habitat Restoration Monitoring & Evaluation	The Wetlands Institute, Inc.	15.611	60,000
National Endowment for the Humanities: Kea Tawana: Her World	Phenios Creighton Koellhoffer Media	45.129	<u>5,500</u>
			<u>\$ 402,034</u>

NOTE 5 - INDIRECT COSTS

The University utilizes a negotiated indirect cost rate and has not elected to use the 10% de minimis cost rate, as provided by §200.414 Indirect Cost (F&A) of the Uniform Guidance.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT
AUDITING STANDARDS***

Board of Trustees
Stockton University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Stockton University (the "University"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated March 12, 2021.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Philadelphia, Pennsylvania
March 12, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE OF NEW JERSEY PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF NEW JERSEY DEPARTMENT OF TREASURY CIRCULAR 2015-08

Board of Trustees
Stockton University

Report on compliance for each major federal and State of New Jersey program

We have audited the compliance of Stockton University (the “University”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* and the State of New Jersey Department of Treasury Circular 2015-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020. The University’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Our audit of, and opinion on, the University’s compliance for each major federal and state program does not include the compliance requirements governing student loan repayments under the federal Perkins Loan Program of the federal Student Financial Aid Cluster, because the University engaged Heartland ECSI to perform these compliance activities. This third-party servicer has obtained a compliance examination from another practitioner for the year ended June 30, 2020 in accordance with the U.S. Department of Education’s, *Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs*.

Management’s responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to the University’s federal and state programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of the University’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and State of New Jersey Department of Treasury Circular 2015-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those

standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on each major federal and state program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report on internal control over compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal and state program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Department of Treasury Circular 2015-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

As described in our Report on Compliance for Each Major Federal and State of New Jersey Program above, this Report on Internal Control Over Compliance does not include the results of the other auditors' testing of internal control over compliance that is reported on separately by those auditors.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of New Jersey Department of Treasury Circular 2015-08. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Philadelphia, Pennsylvania
March 12, 2021

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
• Noncompliance material to the financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal and State of New Jersey Awards

Internal control over major programs:		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or State of New Jersey Department of Treasury Circular 2015-08?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2020

Identification of major programs:

<u>Program or Cluster Title</u>	<u>Federal Assistance Listings Number or NJ State Identifying Number</u>
Federal:	
Student Financial Assistance Cluster	84.007, 84.033, 84.038 84.063, 84.268, 84.379
Foster Care Title IV-E	93.658
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425
State of New Jersey:	
Student Financial Assistance Cluster	various grant numbers
Grants-In-Aid Appropriations to Senior Public Colleges and Universities	100-074-2480-001
Fringe Benefits Other Than FICA For Senior Public Colleges and Universities	100-094-9410-134
FICA (Social Security Tax) For Senior Public Colleges and Universities	100-094-9410-137
Employer Contributions - Alternate Benefit Program	100-082-2155-017
Dollar threshold used to distinguish between type A and Type B programs:	Federal: \$ 750,000 State: \$2,821,897
Auditee qualified as a low-risk auditee for both Federal and State of New Jersey awards?	<u> X </u> yes <u> </u> no

Section II - Financial Statement Findings

No matters required to be reported.

Section III - Federal and State of New Jersey Award Findings and Questioned Costs

No matters required to be reported.

STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

SUMMARY OF PRIOR YEAR FINDINGS

Year ended June 30, 2020

No matters required to be reported.