

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, 2018 and 2017

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

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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 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, 2018 and 2017, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities and discretely presented component units of Stockton University as of June 30, 2018 and 2017, and the changes in its net position and, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of matter**

As discussed in Note 7 to the financial statements, in 2018 the University adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**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 4 through 19, and the required supplementary information on pages 61 through 63 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, which 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 accompanying Schedules of Expenditures of Federal Awards and State of New Jersey Awards for the year ended June 30, 2018, as required by Title 2 *U.S. Code of Federal Regulations (CFR) 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*, respectively, on pages 65 through 68, 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 29, 2019, 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 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 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.

*Grant Thornton LLP*

New York, New York  
March 29, 2019

# **STOCKTON UNIVERSITY**

## **(A Component Unit of The State of New Jersey)**

### **Management's Discussion and Analysis (Unaudited)**

#### **Years ended June 30, 2018 and 2017**

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#### **INTRODUCTION**

Stockton University (the “University” or “Stockton”) is proud to present its comparative financial statements for fiscal years 2018 and 2017, and its changes in financial position for the fiscal years then ended with fiscal year 2016 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 some 1,600 acres, the majority of which is pristine forest and wetlands in the Pinelands National Reserve. The University is also opening 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 will enable 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 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 will open a new \$178.3 million residential campus in September 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., or “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.

The new 56,000 square foot Academic Center in Atlantic City accommodates up to 1,800 students. The site houses the Master of Social Work program and the doctoral program in Organizational Leadership.

Funding sources for the Atlantic City campus include \$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

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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's Carnegie Center is a 17,335 square foot historical building which hosts graduate courses, continuing professional education programming and special events.

Stockton also owns the Stockton Seaview Hotel and Golf Club 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 examining rooms.

In January 2013, Stockton formally 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 with 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.

In April 2013, Anne Azeez Hall in Woodbine opened, allowing Stockton to offer students in Cape May County more flexibility and access.

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 experience impressive growth, with a record headcount of more than 9,600 students expected for fall 2018, compared with 9,216 students enrolled for fall 2017.

The number of full-time equivalent students is expected to increase almost four percent, from 8,868 in fall 2017 to an anticipated 9,200 in fall 2018.

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

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**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.

**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*. 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 starting with June 30,



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2013 to fiscal year end June 30, 2017, 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).

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 replaces the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. This statement also identifies 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 GASB 75 special funding situation, the University is required to record in our financial statements, as an expense and corresponding revenue, our proportionate share of the OPEB expense allocated to the State of New Jersey and include our proportionate share of the collective total OPEB liability in our respective notes to the financial statements. The total OPEB liability was measured each fiscal year end starting with June 30, 2016 to fiscal year end June 30, 2017, a one-year lag from the University's year-end reporting date.

As a result of this change 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, 2018 and 2017 financial statements for GASB 68 and its proportionate share of expense and corresponding revenue for GASB 75 in the June 30, 2018 financial statements. The note disclosures regarding the pension and OPEB benefits have changed to 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 that have not previously been required. 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 and changes in deferred outflows and inflows of resources, net pension liability. The effect of GASB 75 was the recognition of an expense and corresponding revenue of our proportionate share of the OPEB expense allocated to the State of New Jersey.

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The following reflects the impact of GASB 68 and 75 on the University's financials at June 30, 2018:

	<b>University Excluding GASB 68 and 75</b>	<b>Recognition of GASB 68</b>	<b>Recognition of GASB 75</b>	<b>University Including GASB 68 and 75</b>
Statement of net position at June 30, 2018:				
Deferred outflows of resources - related	\$ -	\$ 37,809,795	\$ -	\$ 37,809,795
Net pension liability	-	195,520,798	-	195,520,798
Deferred inflows of resources - related	-	26,503,555	-	26,503,555
Net position - unrestricted	63,185,146	(184,214,558)	-	(121,029,412)
Total net position	218,858,374	(184,214,558)	-	34,643,816
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2018:				
Operating expenses				
Instruction	\$ 55,193,144	\$ 4,890,717	\$ -	\$ 60,083,861
Research	1,859,172	-	-	1,859,172
Public service	9,349,891	232,891	-	9,582,782
Academic support	26,749,708	2,794,695	-	29,544,403
Student services	21,399,169	2,328,914	-	23,728,083
Institutional support	26,298,716	5,915,569	-	32,214,285
Operation and maintenance of plant	25,224,309	5,589,391	-	30,813,700
Student aid	10,413,832	-	-	10,413,832
Auxiliary enterprises	14,170,284	1,863,131	-	16,033,415
Independent operations	14,266,122	-	-	14,266,122
Depreciation	13,644,789	-	-	13,644,789
OPEB expense	-	-	14,840,154	14,840,154
Total operating expenses	\$ 218,569,136	\$ 23,615,308	\$ 14,840,154	\$ 257,024,598

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The following reflects the impact of GASB 68 on the University's financials at June 30, 2017:

	<b>University Excluding GASB 68</b>	<b>Recognition of GASB 68</b>	<b>University Including GASB 68</b>
Statement of net position at June 30, 2017:			
Deferred outflows of resources - pension related	\$ -	\$ 45,611,907	\$ 45,611,907
Net pension liability	-	205,993,729	205,993,729
Deferred inflows of resources - pension related	-	217,428	217,428
Net position - unrestricted	88,866,898	(160,599,250)	(71,732,352)
Total net position	195,705,564	(160,599,250)	35,106,314
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2017:			
Operating expenses			
Instruction	\$ 50,201,218	\$ 3,682,379	\$ 53,883,597
Research	1,668,790	-	1,668,790
Public service	8,911,439	175,352	9,086,791
Academic support	25,389,574	2,104,217	27,493,791
Student services	20,990,321	1,753,515	22,743,836
Institutional support	23,057,514	3,209,757	26,267,271
Operation and maintenance of plant	23,246,161	4,208,432	27,454,593
Student aid	9,513,275	-	9,513,275
Auxiliary enterprises	14,568,069	1,402,812	15,970,881
Independent operations	16,659,875	-	16,659,875
Depreciation	12,914,554	-	12,914,554
Total operating expenses	<u>\$ 207,120,790</u>	<u>\$ 16,536,464</u>	<u>\$ 223,657,254</u>

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A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2018, 2017 and 2016 is as follows (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Current assets	\$ 41,648	\$ 70,296	\$ 42,676
Capital assets	482,464	434,423	314,291
Other non-current assets	<u>71,134</u>	<u>82,346</u>	<u>84,043</u>
Total assets	<u>595,246</u>	<u>587,065</u>	<u>441,010</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on refunding debt	11,153	11,739	566
Deferred outflows related to pensions	<u>37,810</u>	<u>45,612</u>	<u>21,346</u>
Total deferred outflows of resources	<u>48,963</u>	<u>57,351</u>	<u>21,912</u>
<b>LIABILITIES</b>			
Current liabilities	44,848	56,710	42,299
Noncurrent liabilities	<u>538,103</u>	<u>552,261</u>	<u>392,061</u>
Total liabilities	<u>582,951</u>	<u>608,971</u>	<u>434,360</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on refunding debt	111	122	133
Deferred inflows related to pensions	<u>26,503</u>	<u>217</u>	<u>1,569</u>
Total deferred inflows of resources	<u>26,614</u>	<u>339</u>	<u>1,702</u>
<b>NET POSITION</b>			
Net investment in capital assets	147,230	102,031	84,597
Restricted for:			
Renewal and replacement	-	-	301
Debt service reserve	8,443	4,807	10,675
Unrestricted	<u>(121,029)</u>	<u>(71,732)</u>	<u>(68,712)</u>
Total net position	<u>\$ 34,644</u>	<u>\$ 35,106</u>	<u>\$ 26,861</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 and management of investments and utilization of debt to support the University's capital plan.

Current assets consist primarily of cash and cash equivalents, assets held by trustees under bond agreements for capital activities, investments and receivables. Noncurrent assets consist primarily of investments, assets held by bond trustees, and capital assets. Current liabilities consist primarily of accounts payable and accrued expenses,

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accrued 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.

Current assets decreased by \$28,648,224 in fiscal year 2018. This decrease is attributed to a \$12,350,358 decrease in State of New Jersey receivables and a \$10,863,330 decrease in deposits held by bond trustees. These decreases are directly related to the construction of Stockton's Atlantic City campus and the "Quad" project on the Galloway campus. Current assets were utilized during the fiscal year to fund capital asset projects. Additionally, current investments declined \$6,283,672. This decline is a function of the investment portfolio mix. More investments qualified as noncurrent in fiscal year 2018 compared to fiscal year 2017.

Noncurrent assets increased by \$36,829,195 in fiscal year 2018. This increase can be attributed to increases in investments and capital assets of \$11,086,450 and \$48,041,100, respectively, offset by a decrease in deposits held by bond trustees of \$22,323,729. The increase in noncurrent investments is a function of the market coupled with the change in portfolio mix mentioned above. The increase in capital assets coupled with the decrease in deposits held by bond trustees are directly related to the construction occurring on the Galloway and Atlantic City campuses.

Total assets increased by \$146,055,043 in fiscal year 2017. This is due to a \$122,941,700 increase in construction in progress primarily related to Stockton's Atlantic City campus and the "Quad" project on the Galloway campus, which encompasses an expansion of the Unified Science Center and an additional classroom building. The increase is also due to an additional \$27,620,652 in current assets comprised of State of New Jersey receivables for capital grants and deposits held by bond trustees related to the Higher Education Capital Improvement Fund ("HECIF") grant and the series 2016A bond refinancing.

The change in deferred outflows is attributed to GASB 68 pensions and represents the fiscal year 2018 contribution made on behalf of the University after the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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 and will be recognized as a component of pension expense in future years. The increase in deferred outflows for fiscal year 2017 is attributed to GASB 68 coupled with the loss on refunding debt.

Total liabilities decreased by \$26,019,331 in fiscal year 2018. This decrease is mainly due to the decrease in GASB 68 net pension liability of \$10,472,931, the recognition of unearned State grant revenue of \$11,195,177, and a reduction in outstanding debt of \$3,598,694. Total liabilities increased by \$174,611,098 in fiscal year 2017. This increase is due to a new capital lease obligation relating to the Atlantic City campus of \$78,980,000 and the issuance of the series 2016A bonds, which includes a \$32,619,768 bond premium. The increase in net pension liability of \$42,154,226, unearned revenue for the new HECIF issuance of \$7,055,578, and additional accrued invoices primarily related to construction of \$7,279,289 also contributed to the increase in liabilities for fiscal year 2017.

The change in deferred inflows of resources 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.

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**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.

Generally speaking, 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. In complying with GASB 75, the University recorded operating expenses for OPEB with a corresponding nonoperating OPEB revenue.

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, 2018, 2017 and 2016 is as follows (in thousands):

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	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>			
Net student revenues	\$ 110,699	\$ 105,015	\$ 102,745
Governmental grants	25,235	21,959	21,110
Independent operations	14,715	17,417	17,775
Other	<u>8,225</u>	<u>8,071</u>	<u>14,404</u>
Total operating revenues	158,874	152,462	156,034
<b>OPERATING EXPENSES</b>	<u>257,024</u>	<u>223,657</u>	<u>212,035</u>
Operating loss	(98,150)	(71,195)	(56,001)
<b>NON-OPERATING AND OTHER REVENUES</b>			
<b>(EXPENSES):</b>			
State of New Jersey appropriations	48,891	40,924	39,714
State of New Jersey OPEB	14,840	-	-
Pell grants	15,534	13,181	12,799
Investment income	4,816	6,356	729
Capital grant revenue	22,570	27,811	4,973
Gain (loss) on disposal of capital assets, net	260	(2)	3,392
Interest on capital related debt	(9,127)	(8,726)	(10,997)
Other non-operating expenses, net	<u>(96)</u>	<u>(104)</u>	<u>(180)</u>
Net non-operating and other revenues	97,688	79,440	50,430
(Decrease) increase in net position	<u>(462)</u>	<u>8,245</u>	<u>(5,571)</u>
Net position - beginning of year	<u>35,106</u>	<u>26,861</u>	<u>32,432</u>
Net position - end of year	<u>\$ 34,644</u>	<u>\$ 35,106</u>	<u>\$ 26,861</u>

**STOCKTON UNIVERSITY**  
**(A Component Unit of The State of New Jersey)**  
**Management's Discussion and Analysis (Unaudited)**  
**Years ended June 30, 2018 and 2017**

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**REVENUES**

To fund its operation, 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.

**OPERATING**

Operating revenues for the years ended June 30, 2018, 2017 and 2016 totaled \$158,873,614, \$152,461,669 and \$156,033,674, respectively. 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. For the year ended June 30, 2017, student revenues net of scholarships were \$105,015,401, governmental grants were \$21,958,611, independent operations were \$17,416,893 and other revenue totaled \$8,070,764. For the year ended June 30, 2016, student revenues net of scholarships were \$102,744,865, governmental grants were \$21,109,731, independent operations were \$17,774,803 and other revenue totaled \$14,404,275.

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 2017 to fiscal year 2018 by approximately 8.35%. Auxiliary activities include housing, which increased from fiscal year 2017 by 7.49%. Fiscal year 2016 total operating revenues included the effects of the ownership and sale of the Showboat casino. By removing the impact of Showboat from 2016, the change year over year for total operating revenues remained consistent with a slight increase by approximately 0.82% from fiscal 2016 to fiscal 2017.

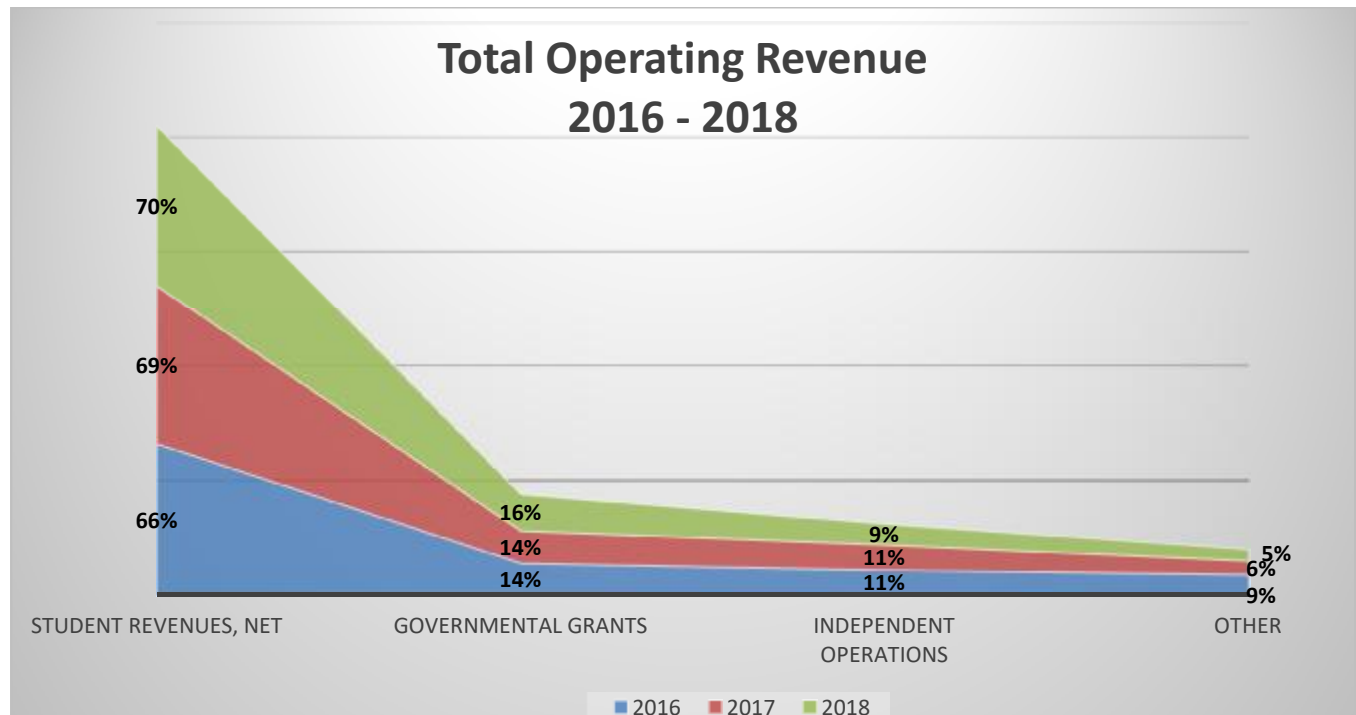
Operating revenues for 2018, 2017 and 2016 were as follows (in thousands):

	<u>2018</u>	<u>% Total</u>	<u>2017</u>	<u>% Total</u>	<u>2016</u>	<u>% Total</u>
Student revenues, net	\$ 110,699	70 %	\$ 105,015	69 %	\$ 102,745	66 %
Governmental grants	25,235	16	21,959	14	21,110	14
Independent operations	14,715	9	17,417	11	17,775	11
Other	8,225	5	8,071	6	14,404	9
Total operating revenues	<u>\$ 158,874</u>	<u>100 %</u>	<u>\$ 152,462</u>	<u>100 %</u>	<u>\$ 156,034</u>	<u>100 %</u>



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

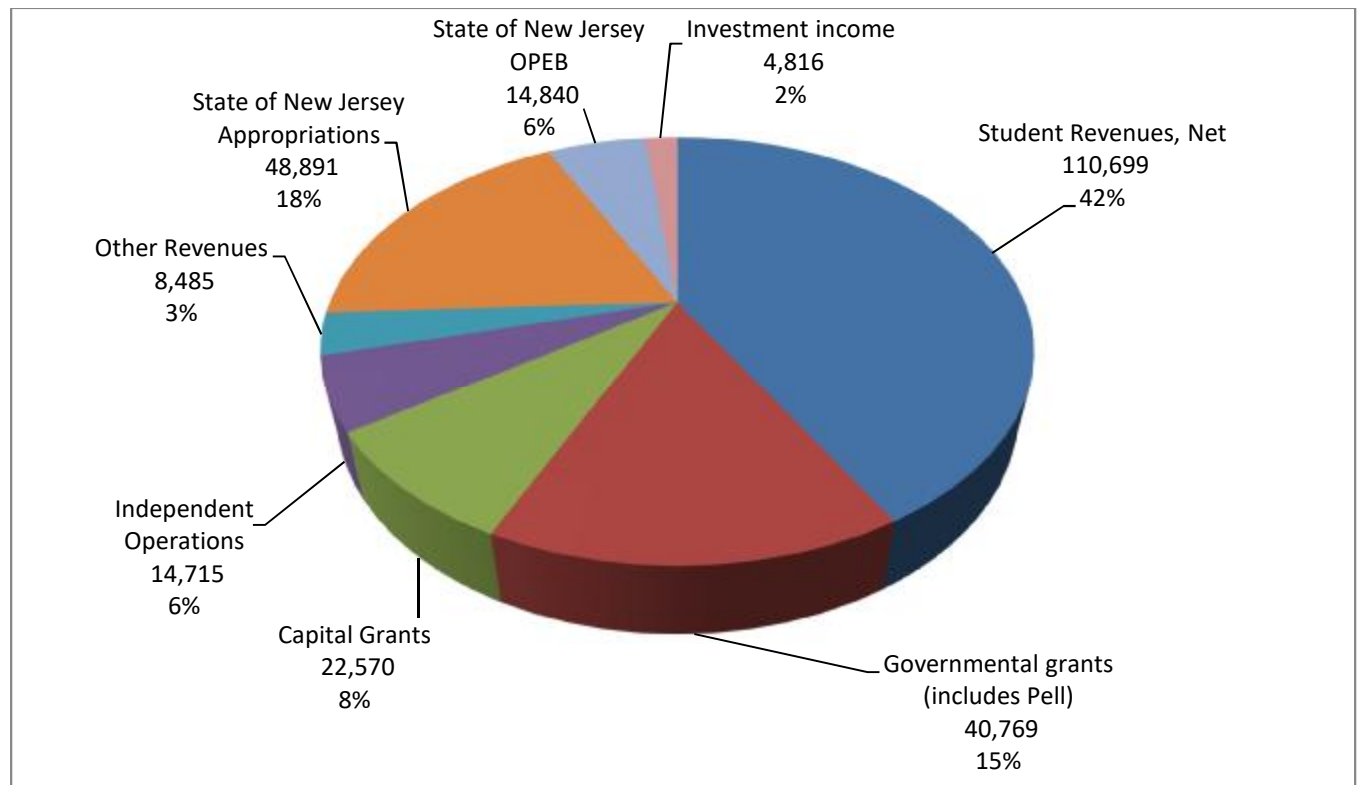


**NON-OPERATING AND OTHER REVENUES**

Net non-operating and other revenues for the years ended June 30, 2018, 2017 and 2016 totaled \$97,688,486, \$79,440,827 and \$50,430,450, respectively. The primary source of non-operating revenue was the State of New Jersey appropriation, including fringe benefits of \$48,890,683, \$40,924,492 and \$39,714,278, respectively, for the years ended June 30, 2018, 2017 and 2016. The other components of net non-operating revenues were Pell grant revenues of \$15,534,505, \$13,180,908 and \$12,799,248, investment income of \$4,816,085, \$6,356,129 and \$729,091 and interest expense on plant facilities related debt of \$(9,127,259), \$(8,726,111) and \$(10,997,289) for the years ended June 30, 2018, 2017 and 2016, respectively. Included in other revenues for the years ended June 30, 2018, 2017 and 2016 was capital grant revenue of \$22,570,172, \$27,811,412 and \$4,973,370, respectively. Also, in compliance with GASB 75, the University recorded non-operating OPEB revenue from the State of New Jersey of \$14,840,154 for the year ended June 30, 2018.

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**Years ended June 30, 2018 and 2017**

Categories of both operating, non-operating, and other revenues that support the University's core activities in 2018 are as follows (in thousands of dollars):



**OPERATING EXPENSES**

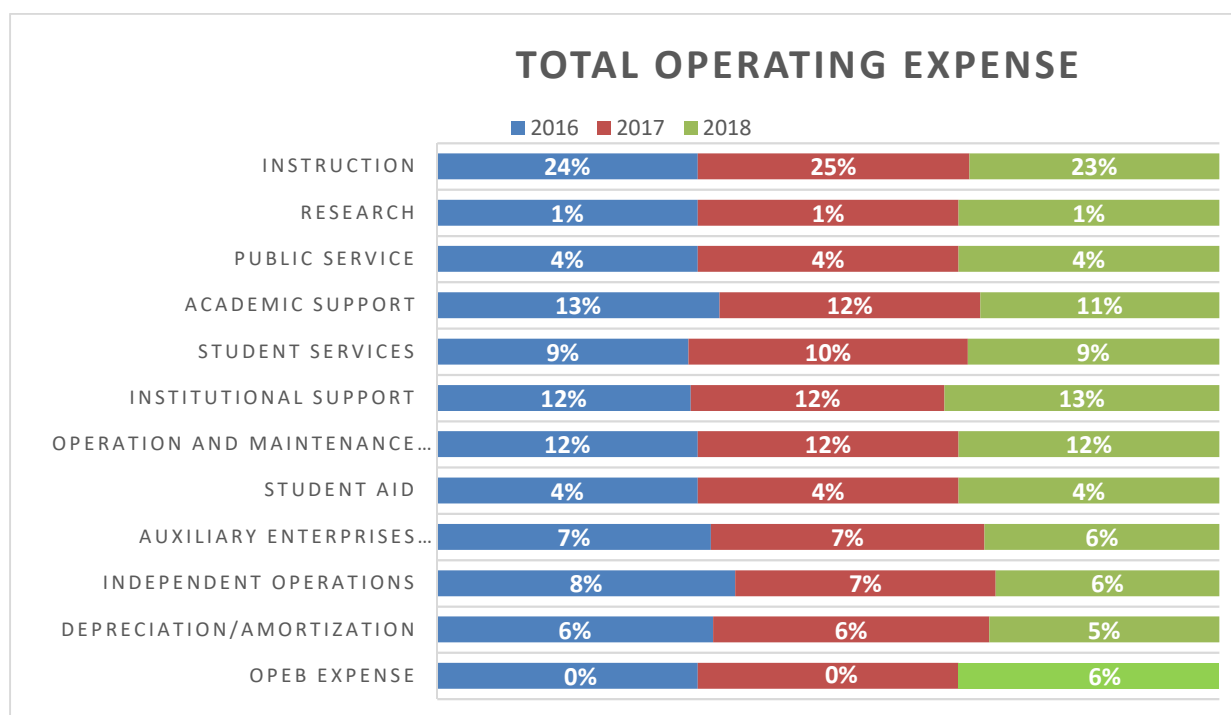
Operating expenses are defined as expenses paid by the University to acquire or produce goods and services used to carry out its mission, in return for operating revenues. For the years ended June 30, 2018, 2017 and 2016, the University incurred operating expenses totaling \$257,024,598 (\$218,569,136 excluding the effects of GASB 68 and GASB 75), \$223,657,254 (\$207,120,790 excluding the effects of GASB 68) and \$212,034,952 (\$203,313,784 excluding the effects of GASB 68), respectively. Operating revenues for these periods totaled \$158,873,614, \$152,461,669 and \$156,033,674, respectively, causing a loss from operations of \$(98,150,984) (loss of \$59,695,522 excluding the effects of GASB 68 and GASB 75), \$(71,195,585) (loss of \$54,659,121 excluding the effects of GASB 68) and \$(56,001,278) (loss of \$47,280,110 excluding the effects of GASB 68), respectively, prior to State appropriations, State OPEB revenue and other non-operating revenue.

**STOCKTON UNIVERSITY**  
**(A Component Unit of The State of New Jersey)**  
**Management's Discussion and Analysis (Unaudited)**  
**Years ended June 30, 2018 and 2017**

A summary of operating expenses for the years ended June 30, 2018, 2017 and 2016 is as follows (in thousands):

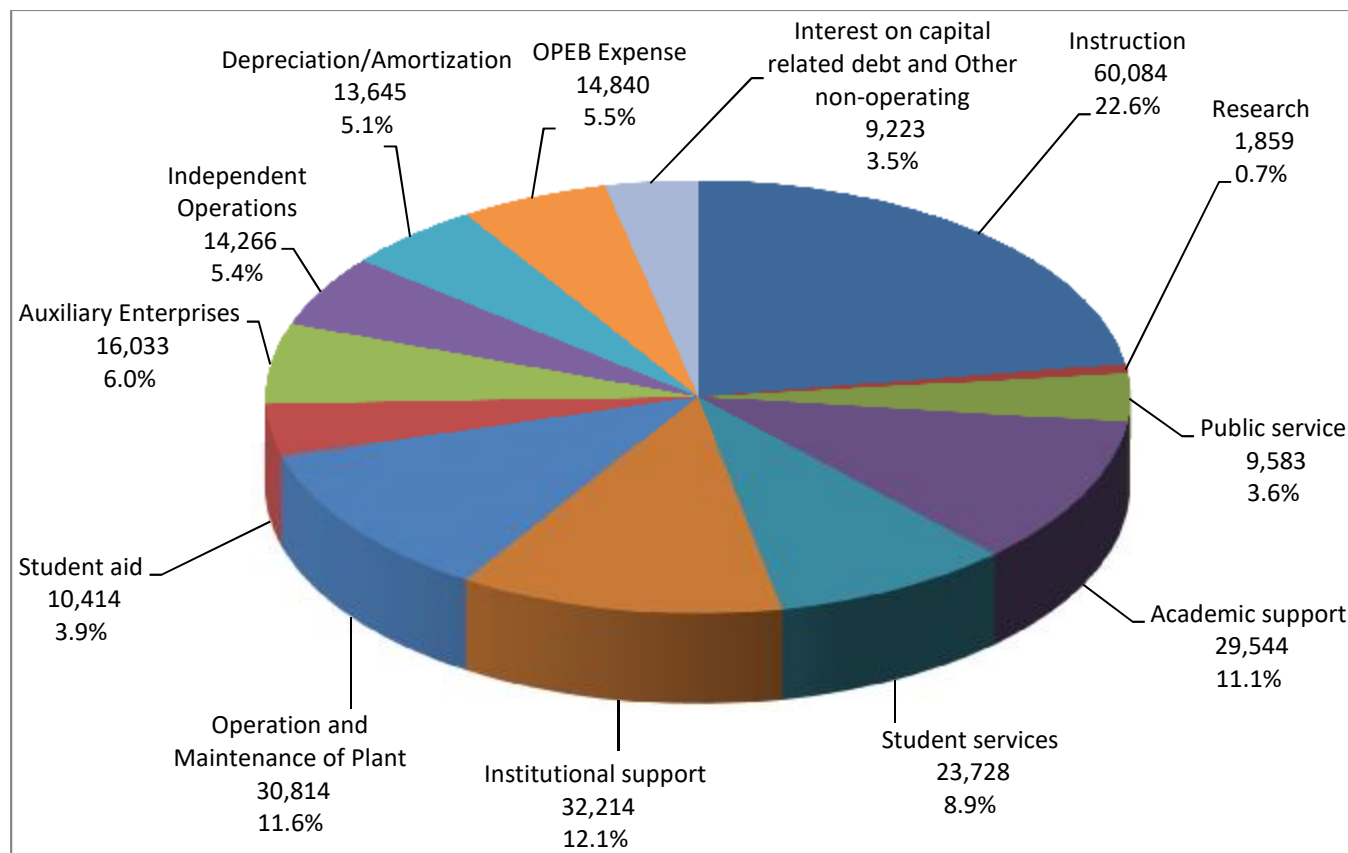
	2018	%	2017	%	2016	%
		of Total		of Total		of Total
Instruction	\$ 60,084	23 %	\$ 53,884	25 %	\$ 51,138	24 %
Research	1,859	1	1,669	1	1,380	1
Public Service	9,583	4	9,087	4	8,030	4
Academic Support	29,544	11	27,494	12	26,777	13
Student Services	23,728	9	22,744	10	19,842	9
Institutional Support	32,214	13	26,267	12	25,514	12
Operation and Maintenance of Plant	30,814	12	27,454	12	25,616	12
Student Aid	10,414	4	9,513	4	9,695	4
Auxiliary Enterprises Expenditures	16,033	6	15,971	7	14,890	7
Independent Operations	14,266	6	16,660	7	16,397	8
Depreciation/Amortization	13,645	5	12,914	6	12,756	6
OPEB Expense	14,840	6	-	0	-	0
<b>Total Operating Expenses</b>	<b>\$ 257,024</b>	<b>100 %</b>	<b>\$ 223,657</b>	<b>100 %</b>	<b>\$ 212,035</b>	<b>100 %</b>

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 \$14,840,154 for the year ended June 30, 2018. Total operating expenses represented graphically for the three years are as follows:



**STOCKTON UNIVERSITY**  
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**Management's Discussion and Analysis (Unaudited)**  
**Years ended June 30, 2018 and 2017**

Categories of both operating and non-operating expenses related to Stockton's core activities in 2018 are as follows (in thousands of dollars):



**CHANGE IN NET POSITION**

The University had a decrease in net position of \$462,498 for fiscal year 2018. This is primarily due to a \$6.4 million increase in operating revenues (of which \$5.7 million related to net student revenues) offset by the increase in GASB 68 pension expense of \$7.1 million. The University had an increase in net position of \$8,245,242 for fiscal year 2017. This is primarily due to the increase in grant revenue of \$23.7 million offset by the increase in GASB 68 pension expense of \$16.5 million. The University had a decrease in net position of \$5,570,828 for fiscal year 2016. This was primarily due to net revenue of \$3.5 million for the Island Campus (former Showboat property), which the University sold on January 15, 2016 offset by \$8.7 million GASB 68 pension expense.

**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.

**STOCKTON UNIVERSITY**  
**(A Component Unit of The State of New Jersey)**  
**Management's Discussion and Analysis (Unaudited)**  
**Years ended June 30, 2018 and 2017**

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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.

**ECONOMIC OUTLOOK**

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

Stockton is ranked #10 among Public Regional Universities in the North by *U.S. News & World Report* in its 2018 edition of "America's Best Colleges." Stockton also is rated "Best for Vets" among Northern Regional Universities by *U.S. News & World Report*. *The Military Times* ranked Stockton as 16th in the nation in its 2018 rankings of Best Colleges for Veterans. Stockton has been named as a 2018 "Best Regional College" for the Northeast as cited by *The Princeton Review*.

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 with 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 in the cost of classes and housing or commuting.

On average, Stockton receives more than 5,500 applications for approximately 1,500 available freshman seats. More than 1,600 new freshmen are expected for fall 2018. In addition, Stockton typically enrolls about 1,000 transfer students, most entering as juniors from area community colleges. Stockton is never at a loss to fill classrooms and can afford to be selective.

**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 - N119, Galloway, NJ 08205.

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

Statements of Net Position  
June 30, 2018 and 2017

	2018		2017	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,750,011	\$ 2,807,740	\$ 2,870,373	\$ 2,750,034
Receivables				
Students, less allowance of \$827,601 in 2018 and \$639,953 in 2017	414,598	-	396,955	-
Perkins Loans, less allowance of \$96,418 in 2018 and \$89,646 in 2017	336,442	-	354,083	-
Federal government	1,263,005	-	895,037	-
State of New Jersey	2,761,907	-	15,112,265	-
Due from University/component units	1,609,352	442,071	1,568,638	220,294
Other receivables	6,202,179	681,777	5,551,082	628,472
Total receivables	12,587,483	1,123,848	23,878,060	848,766
Investments	12,700,000	-	18,983,672	-
Deposits held by bond trustees	12,112,512	-	22,975,842	-
Other current assets	1,498,240	822,393	1,588,523	110,734
Total current assets	41,648,246	4,753,981	70,296,470	3,709,534
Noncurrent assets:				
Investments	65,549,959	38,637,419	54,463,509	34,307,084
Deposits held by bond trustees	1,086,961	-	23,410,690	-
Loans, Perkins, less allowance of \$541,762 in 2018 and \$510,167 in 2017	1,890,430	-	2,015,056	-
Notes receivable from component units	2,606,383	-	2,456,383	-
Other receivables	-	441,870	-	656,101
Capital assets, net	482,464,328	2,114,224	434,423,228	1,878,265
Total noncurrent assets	553,598,061	41,193,513	516,768,866	36,841,450
Total assets	\$ 595,246,307	\$ 45,947,494	\$ 587,065,336	\$ 40,550,984
<b>Deferred Outflows of Resources</b>				
Pension related	\$ 37,809,795	\$ -	\$ 45,611,907	\$ -
Loss on refunding debt	11,153,275	-	11,738,896	-
Total deferred outflows of resources	48,963,070	-	57,350,803	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	27,859,847	432,723	29,131,010	355,318
Due to University/component units	442,071	1,609,352	220,294	1,568,638
Unearned revenue	5,287,678	42,509	16,482,855	42,153
Compensated absences	3,846,245	29,956	3,642,310	26,350
Capital lease obligations	11,387	-	11,387	-
Bonds payable	4,994,157	-	4,994,157	-
Other long-term debt	2,407,442	-	2,228,150	-
Total current liabilities	44,848,827	2,114,540	56,710,163	1,992,459
Noncurrent liabilities:				
Compensated absences	946,736	-	853,814	-
U.S. Government grants refundable	2,498,131	-	2,498,131	-
Capital lease obligations, noncurrent portion	79,002,774	-	79,014,161	-
Bonds payable, noncurrent portion	228,711,454	-	230,070,611	-
Other long-term debt, noncurrent portion	31,422,687	2,606,383	33,830,129	2,456,383
Net pension liability	195,520,798	-	205,993,729	-
Total noncurrent liabilities	538,102,580	2,606,383	552,260,575	2,456,383
Total liabilities	\$ 582,951,407	\$ 4,720,923	\$ 608,970,738	\$ 4,448,842
<b>Deferred Inflows of Resources</b>				
Pension related	\$ 26,503,555	\$ -	\$ 217,428	\$ -
Gain on refunding debt	110,599	-	121,659	-
Total deferred inflows of resources	26,614,154	-	339,087	-
<b>Net Position</b>				
Net investment in capital assets	147,230,378	788,232	102,030,816	563,582
Restricted:				
Nonexpendable	-	20,960,356	-	20,343,116
Expendable:				
Scholarships	-	16,428,283	-	12,953,362
Renewal and replacement	-	-	-	-
Debt service and debt service reserves	8,442,850	-	4,807,850	-
Unrestricted	(121,029,412)	3,049,700	(71,732,352)	2,242,082
Total net position	\$ 34,643,816	\$ 41,226,571	\$ 35,106,314	\$ 36,102,142

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**  
**June 30, 2018 and 2017**

	2018		2017	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
<b>Operating Revenues</b>				
Student revenues:				
Tuition and fees	\$ 124,153,285	\$ -	\$ 114,587,563	\$ -
Auxiliary enterprises	26,147,900	-	24,325,563	-
Less scholarship allowances	(39,601,821)	-	(33,897,725)	-
Net student revenues	110,699,364	-	105,015,401	-
Federal grants and contracts	6,387,020	-	6,454,859	-
State and local grants and contracts	18,847,658	305,751	15,503,752	293,105
Nongovernmental grants and contracts	1,101,321	-	1,036,014	-
Other auxiliary enterprises revenues	115,994	13,737,624	139,421	12,772,135
Independent operations	14,714,719	-	17,416,893	-
Other operating revenues	7,007,538	390,233	6,895,329	414,487
In-kind contributions	-	629,215	-	551,478
Total operating revenues	158,873,614	15,062,823	152,461,669	14,031,205
<b>Operating Expenses</b>				
Instruction	60,083,861	-	53,883,597	-
Research	1,859,172	-	1,668,790	-
Public service	9,582,782	-	9,086,791	-
Academic support	29,544,403	-	27,493,791	-
Student services	23,728,083	-	22,743,836	-
Institutional support	32,214,285	4,423,559	26,267,271	4,477,078
Operation and maintenance of plant	30,813,700	-	27,454,593	-
Student aid	10,413,832	847,187	9,513,275	722,987
Auxiliary enterprises	16,033,415	10,405,939	15,970,881	10,001,237
Independent operations	14,266,122	-	16,659,875	-
Depreciation	13,644,789	164,968	12,914,554	118,433
OPEB expense	14,840,154	-	-	-
In-kind expense	-	629,215	-	551,478
Total operating expenses	257,024,598	16,470,868	223,657,254	15,871,213
Operating loss	(98,150,984)	(1,408,045)	(71,195,585)	(1,840,008)
<b>Non-operating Revenues (Expenses)</b>				
State of New Jersey appropriations	18,391,000	-	18,391,000	-
State of New Jersey appropriations - fringe benefits	30,499,683	-	22,533,492	-
State of New Jersey - OPEB	14,840,154	-	-	-
Pell grants	15,534,505	-	13,180,908	-
Gifts and contributions	-	3,227,088	-	3,585,361
Investment income	4,816,085	2,529,758	6,356,129	3,202,771
Gain (loss) on disposal of capital assets, net	260,124	-	(2,004)	-
Interest on capital related debt	(9,127,259)	(53,560)	(8,726,111)	(50,652)
University and Foundation support	-	121,947	-	134,931
Other non-operating expense	(95,978)	-	(103,999)	-
Total non-operating revenues (expenses), net	75,118,314	5,825,233	51,629,415	6,872,411
<b>Other Revenues</b>				
Capital grant revenue	22,570,172	-	27,811,412	-
Additions to permanent endowments	-	707,241	-	851,146
Total other revenues	22,570,172	707,241	27,811,412	851,146
Change in net position	(462,498)	5,124,429	8,245,242	5,883,549
<b>Net position at beginning of year</b>	<b>35,106,314</b>	<b>36,102,142</b>	<b>26,861,072</b>	<b>30,218,593</b>
<b>Net position at end of year</b>	<b>\$ 34,643,816</b>	<b>\$ 41,226,571</b>	<b>\$ 35,106,314</b>	<b>\$ 36,102,142</b>

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)**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Student revenues	\$ 99,744,806	\$ 112,101,184
Grants and contracts	60,888,561	37,973,181
Payments to suppliers	(72,545,647)	(60,128,300)
Payments for employee salaries and benefits	(139,351,707)	(131,453,179)
Other receipts	28,829,707	30,106,739
	<u>(22,434,280)</u>	<u>(11,400,375)</u>
Net cash flows used in operating activities		
<b>Cash Flows from Non-capital Financing Activities</b>		
Receipts from State of New Jersey appropriations	41,633,233	34,964,975
Pell grants	15,534,505	13,180,908
Receipts for other non-capital assets	-	-
Payments made for other non-operating expenses	(95,978)	(103,999)
	<u>57,071,760</u>	<u>48,041,884</u>
Net cash flows provided by non-capital financing activities		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grant proceeds	-	7,327,836
Proceeds from issuance of debt	-	28,539,348
Principal paid on capital debt	(2,183,139)	(7,477,865)
Purchases of capital assets	(56,018,420)	(50,598,890)
Proceeds from the sale of capital assets	260,124	(2,004)
Interest paid on capital debt	(10,030,666)	(9,654,335)
Change in deposits held by bond trustees	33,187,059	(25,337,288)
	<u>(34,785,042)</u>	<u>(57,203,198)</u>
Net cash flows used in capital and related financing activities		
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	67,355,153	62,958,938
Purchases of investments	(68,853,289)	(48,959,318)
Earnings from investments	1,525,336	2,090,335
	<u>27,200</u>	<u>16,089,955</u>
Net cash flows provided by investing activities		
Net decrease in cash and cash equivalents	(120,362)	(4,471,734)
Cash and cash equivalents as of beginning of year	2,870,373	7,342,107
Cash and cash equivalents as of end of year	<u>\$ 2,750,011</u>	<u>\$ 2,870,373</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (98,150,984)	\$ (71,195,585)
Adjustments to reconcile operating loss to net cash used in operating activities:		
State-paid fringe benefit expense	7,257,450	5,959,517
OPEB expense	14,840,154	-
Depreciation	13,644,789	12,914,554
Capital grant revenue	22,570,172	27,811,412
Change in assets and liabilities:		
Receivables	11,401,310	(14,525,561)
Note receivable from component units	(150,000)	(165,000)
Other assets	90,283	(100,713)
Accounts payable and accrued expenses	(6,654,443)	3,964,233
Deferred revenues	(11,195,176)	7,055,578
Compensated absences	296,857	344,726
Net pension liability	23,615,308	16,536,464
	<u>\$ (22,434,280)</u>	<u>\$ (11,400,375)</u>
Net cash used in operating activities		
Supplemental Disclosure of Non-cash Capital Financing Activity		
Change in capital asset additions in accounts payable	<u>\$ 5,491,279</u>	<u>\$ 3,422,157</u>
Assets acquired under capital lease obligations	<u>\$ -</u>	<u>\$ 79,025,548</u>

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, 2018 and 2017**

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**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

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University's financial statements. SASI contributed \$1,273,080 for both fiscal 2018 and 2017 to the University as auxiliary services revenues.

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.

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, 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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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:

<b>Asset Category</b>	<b>Useful Life</b>	<b>Capital Threshold</b>
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 as of June 30, 2016, 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.

**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

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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.

**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.

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, including Stockton Seaview Hotel and Golf Club ("Seaview") resort operations, and (3) federal, state, and local grants and contracts. Non-operating revenues and expenses include activities that have the characteristics of nonexchange 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 nonexchange 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

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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.

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.

#### **Reclassifications**

Certain prior year amounts have been reclassified in the accompanying financial statements to conform to the current year presentation.

#### **Recently Adopted Accounting Standard**

In June 2015, GASB issued 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 postemployment benefits other than pensions. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. This statement also identifies 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 requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The University has adopted this statement effective July 1, 2017. The University was not required to record activity for this Other Post Employment Benefit Obligation (“OPEB”) during the year ended June 30, 2017. For the year ended June 30, 2018, the University recognized OPEB expense of \$14,840,154. 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 \$14,840,154.

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**Pending Accounting Standards**

In November 2016, GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The University has not completed the process of evaluating the impact of adopting this statement.

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, 2018. The University has not completed the process of 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 December 15, 2019. The University has not completed the process of 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 requirements of this statement will be applied prospectively beginning January 1, 2020.

**2. CASH AND CASH EQUIVALENTS, INVESTMENTS AND DEPOSITS HELD BY BOND TRUSTEES**

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB Statement No. 3*, the University has assessed the custodial credit risk, concentration of credit risk, credit risk and interest rate risk of its cash and cash equivalents and investments.

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**Cash and Cash Equivalents**

Cash and cash equivalents consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents:		
Cash (bank accounts)	\$ 2,395,175	\$ 2,639,184
New Jersey Cash Management Fund	<u>354,836</u>	<u>231,189</u>
 Total	 <u>\$ 2,750,011</u>	 <u>\$ 2,870,373</u>

Cash balances maintained by banks amounted to \$4,823,026 and \$9,784,449 as of June 30, 2018 and 2017, respectively, of which \$250,000 are Federal Deposit Insurance Corporation insured. Bank balances in excess of insured amounts of \$4,573,026 and \$9,534,449 as of June 30, 2018 and 2017, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money market accounts	\$ 5,339,975	\$ 14,505,466
U.S. Treasury and agency obligations	348,691	372,282
Corporate bonds	1,386,484	1,412,789
U.S. government bonds	398,405	400,403
Stocks	6,352,245	5,484,984
Mutual funds	49,780,330	37,860,407
Alternative investments	<u>14,643,829</u>	<u>13,410,850</u>
 Total	 <u>\$ 78,249,959</u>	 <u>\$ 73,447,181</u>

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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.

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, 2018 and 2017, 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 five percent 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.



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The following tables present the University's credit and interest rate risk on its fixed income investments as of June 30, 2018 and 2017:

Investment Type	June 30, 2018 Investment Maturities (in Years)				
	S&P Ratings	Fair Value	Less than 1	1 to 2	Greater than 2
U.S. Treasury and agency obligations	AA to Aa	\$ 348,691	\$ -	\$ -	\$ 348,691
Corporate bonds	A to Ba	1,386,484	-	158,535	1,227,949
U.S. government bonds	AA to Aa	398,405	114,663	114,949	168,793
Total		<u>\$ 2,133,580</u>	<u>\$ 114,663</u>	<u>\$ 273,484</u>	<u>\$ 1,745,433</u>

Investment Type	June 30, 2017 Investment Maturities (in Years)				
	S&P Ratings	Fair Value	Less than 1	1 to 2	Greater than 2
U.S. Treasury and agency obligations	AA to Aa	\$ 372,282	\$ -	\$ 139,354	\$ 232,928
Corporate bonds	A to Ba	1,412,789	-	-	1,412,789
U.S. government bonds	AA to Aa	400,403	-	114,674	285,729
Total		<u>\$ 2,185,474</u>	<u>\$ -</u>	<u>\$ 254,028</u>	<u>\$ 1,931,446</u>

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.

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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 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.

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2018:

	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments by Fair Value Level</b>				
Debt Securities				
U.S. Treasury and Agency Obligations	\$ 348,691	\$ 348,691	\$ -	\$ -
U.S. Government Bonds	398,405	398,405	-	-
Debt Mutual Funds	16,476,460	16,476,460	-	-
Money Market Accounts	5,339,975	5,339,975	-	-
Domestic Corporate Bonds	1,279,857	1,279,857	-	-
Foreign Corporate Bonds	106,627	106,627	-	-
<b>Total Debt Securities</b>	<b>23,950,015</b>	<b>23,950,015</b>	<b>-</b>	<b>-</b>
Other Securities				
Balanced Mutual Funds	1,444,423	1,444,423	-	-
International Mutual Funds	430,702	430,702	-	-
Equity Mutual Funds	31,428,745	31,428,745	-	-
Domestic Stocks	2,365,694	2,365,694	-	-
Foreign Stocks	3,986,551	3,986,551	-	-
<b>Total Investments by Fair Value Level</b>	<b>63,606,130</b>	<b>63,606,130</b>	<b>-</b>	<b>-</b>
<b>Investments Measured at the NAV</b>				
Hedge Funds - Diversifying	2,978,810	-	-	2,978,810
Hedge Funds - Systematic CTA	5,523,760	-	-	5,523,760
Other Limited Partnerships	6,141,259	-	-	6,141,259
<b>Total Investments Measured at the NAV</b>	<b>14,643,829</b>	<b>-</b>	<b>-</b>	<b>14,643,829</b>
<b>Total Investments Measured at Fair Value</b>	<b>\$ 78,249,959</b>	<b>\$ 63,606,130</b>	<b>\$ -</b>	<b>\$ 14,643,829</b>

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The following table lists investments in alternative investments by major investment category as of June 30, 2018 as follows:

	<b>2018</b>		<b>Redemption</b>	
	<b>Fair</b>	<b>Unfunded</b>	<b>Frequency (If</b>	<b>Redemption</b>
	<b>Value</b>	<b>Commitments</b>	<b>Currently</b>	<b>Notice Period</b>
			<b>Eligible)</b>	
Hedge Funds - Diversifying	\$ 2,978,810	\$ -	Quarterly	60 to 65 days
Hedge Funds - Systematic CTA	5,523,760	-	Monthly	10 days
Other Limited Partnerships	6,141,259	-	N/A	
<b>Total Investments Measured at the NAV</b>	<b>\$ 14,643,829</b>	<b>\$ -</b>		

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2017:

	<b>Fair</b>			
	<b>Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments by Fair Value Level</b>				
Debt Securities				
U.S. Treasury and Agency Obligations	\$ 372,282	\$ 372,282	\$ -	\$ -
U.S. Government Bonds	400,403	400,403	-	-
Debt Mutual Funds	15,241,221	15,241,221	-	-
Money Market Accounts	14,505,466	14,505,466	-	-
Domestic Corporate Bonds	1,185,124	1,185,124	-	-
Foreign Corporate Bonds	227,665	227,665	-	-
<b>Total Debt Securities</b>	<b>31,932,161</b>	<b>31,932,161</b>	<b>-</b>	<b>-</b>
Other Securities				
Balanced Mutual Funds	2,248,907	2,248,907	-	-
International Mutual Funds	5,101,671	5,101,671	-	-
Equity Mutual Funds	15,268,608	15,268,608	-	-
Domestic Stocks	2,377,186	2,377,186	-	-
Foreign Stocks	3,107,798	3,107,798	-	-
<b>Total Investments by Fair Value Level</b>	<b>60,036,331</b>	<b>60,036,331</b>	<b>-</b>	<b>-</b>
<b>Investments Measured at the NAV</b>				
Hedge Funds - Diversifying	3,738,230	-	-	3,738,230
Hedge Funds - Systematic CTA	4,989,148	-	-	4,989,148
Other Limited Partnerships	4,683,472	-	-	4,683,472
<b>Total Investments Measured at the NAV</b>	<b>13,410,850</b>	<b>-</b>	<b>-</b>	<b>13,410,850</b>
<b>Total Investments Measured at Fair Value</b>	<b>\$ 73,447,181</b>	<b>\$ 60,036,331</b>	<b>\$ -</b>	<b>\$ 13,410,850</b>

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	2017 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds - Diversifying	\$ 3,738,230	\$ -	Quarterly	5 to 65 days
Hedge Funds - Systematic CTA	4,989,148	-	Monthly	10 days
Other Limited Partnerships	4,683,472	-	N/A	
<b>Total Investments Measured at the NAV</b>	<u><u>\$ 13,410,850</u></u>	<u><u>\$ -</u></u>		

**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, 2018 and 2017, deposits held by bond trustees included the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents - cash held by trustees	\$ 13,199,473	\$ 43,906,010
Investments - government bonds and agency obligations	<u>-</u>	<u>2,480,522</u>
Total	<u><u>\$ 13,199,473</u></u>	<u><u>\$ 46,386,532</u></u>

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.

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As of June 30, 2018 and 2017, deposits held by bond trustees were composed of funds held for the following purposes:

	<u>2018</u>	<u>2017</u>
State capital grant programs	\$ 1,086,962	\$ 23,410,690
Construction	3,669,661	18,167,992
Debt service and debt service reserves	8,442,850	4,807,850
Total	<u>\$ 13,199,473</u>	<u>\$ 46,386,532</u>

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 consisted of the following:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>June 30, 2018</u>
Nondepreciable assets:				
Land	\$ 19,394,083	\$ 366,755	\$ (24,933)	\$ 19,735,905
Construction in progress	138,205,950	59,607,009	(64,072,201)	133,740,758
Works of art	722,555	-	-	722,555
Total nondepreciable assets	<u>158,322,588</u>	<u>59,973,764</u>	<u>(64,097,134)</u>	<u>154,199,218</u>
Depreciable assets:				
Land improvements	18,233,468	2,775,692	-	21,009,160
Buildings and improvements	358,429,507	58,722,267	(211,183)	416,940,591
Infrastructure	27,728,248	-	-	27,728,248
Equipment	34,658,112	4,440,395	(349,254)	38,749,253
Total depreciable assets	<u>439,049,335</u>	<u>65,938,354</u>	<u>(560,437)</u>	<u>504,427,252</u>
Less accumulated depreciation:				
Land improvements	8,101,655	626,168	-	8,727,823
Buildings and improvements	115,983,648	9,171,101	(89,677)	125,065,072
Infrastructure	14,398,595	902,226	-	15,300,821
Equipment	24,464,797	2,945,294	(341,665)	27,068,426
Total accumulated depreciation	<u>162,948,695</u>	<u>13,644,789</u>	<u>(431,342)</u>	<u>176,162,142</u>
Depreciable assets, net	<u>276,100,640</u>	<u>52,293,565</u>	<u>(129,095)</u>	<u>328,265,110</u>
Capital assets, net	<u>\$ 434,423,228</u>	<u>\$ 112,267,329</u>	<u>\$ (64,226,229)</u>	<u>\$ 482,464,328</u>

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Capital asset activity for the year ended June 30, 2017 consisted of the following:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>June 30, 2017</u>
Nondepreciable assets:				
Land	\$ 19,369,150	\$ 24,933	\$ -	\$ 19,394,083
Construction in progress	15,264,250	131,132,934	(8,191,234)	138,205,950
Works of art	-	722,555	-	722,555
Total nondepreciable assets	<u>34,633,400</u>	<u>131,880,422</u>	<u>(8,191,234)</u>	<u>158,322,588</u>
Depreciable assets:				
Land improvements	14,711,360	3,522,108	-	18,233,468
Buildings and improvements	356,665,487	1,764,020	-	358,429,507
Infrastructure	26,127,745	1,600,503	-	27,728,248
Equipment	<u>32,367,560</u>	<u>2,484,781</u>	<u>(194,229)</u>	<u>34,658,112</u>
Total depreciable assets	429,872,152	9,371,412	(194,229)	439,049,335
Less accumulated depreciation:				
Land improvements	7,560,736	540,919	-	8,101,655
Buildings and improvements	107,464,076	8,519,572	-	115,983,648
Infrastructure	13,485,280	913,315	-	14,398,595
Equipment	<u>21,704,274</u>	<u>2,940,748</u>	<u>(180,225)</u>	<u>24,464,797</u>
Total accumulated depreciation	<u>150,214,366</u>	<u>12,914,554</u>	<u>(180,225)</u>	<u>162,948,695</u>
Depreciable assets, net	<u>279,657,786</u>	<u>(3,543,142)</u>	<u>(14,004)</u>	<u>276,100,640</u>
Capital assets, net	<u>\$ 314,291,186</u>	<u>\$ 128,337,280</u>	<u>\$ (8,205,238)</u>	<u>\$ 434,423,228</u>

The University capitalized interest expense of \$861,741 and \$900,013 to construction in progress during the years ended June 30, 2018 and 2017, respectively, in the accompanying statements of net position.

**4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

As of June 30, 2018 and 2017, accounts payable and accrued expenses consisted of the following:

	<u>2018</u>	<u>2017</u>
Accounts payable, construction	\$ 10,382,633	\$ 4,703,777
Accounts payable, other	4,763,312	13,131,381
Accrued salaries, fringe benefits and withholdings	7,458,212	5,966,362
Accrued interest on bonds payable and other long-term debt	<u>5,255,690</u>	<u>5,329,490</u>
Total	<u>\$ 27,859,847</u>	<u>\$ 29,131,010</u>

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**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 \$30,499,683 and \$22,533,492 for the years ended June 30, 2018 and 2017, respectively, and are included in both the State of New Jersey appropriations revenue and operating expenses in the accompanying financial statements.

**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](http://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 13.5% of annual covered payroll for the year ended June 30, 2018. 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, 2018 and 2017 was \$3,752,143 and \$2,640,729, respectively, which is recognized as a deferred outflow of resources in the statements of net position.

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**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.

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 is 32.3% of annual covered payroll for the year ended June 30, 2018. 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, 2018 and 2017 was \$240,773 and \$194,319, 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, 2017 (“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, 2018, are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Proportionate share of the net pension liability (\$)			
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
2014	129,367,998	6,515,401	135,883,399
Proportionate share of the net pension liability (%)			
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	34,291,537	3,518,258	37,809,795
Deferred inflows of resources	25,207,324	1,296,231	26,503,555
Net pension expense	23,289,131	326,177	23,615,308



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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, 2017 relative to the total contributions from all participating employers.

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, 2018 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 2,889,652	\$ -	\$ 2,889,652
Changes of assumptions	15,027,375	268,956	15,296,331
Net differences between projected and actual investment earnings on pension plan investments	358,976	113,759	472,735
Changes in proportionate share	11,626,198	2,572,352	14,198,550
Contributions subsequent to the measurement date	<u>4,389,336</u>	<u>563,191</u>	<u>4,952,527</u>
Total	<u>\$ 34,291,537</u>	<u>\$ 3,518,258</u>	<u>\$ 37,809,795</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ -	\$ 95,514	\$ 95,514
Changes of assumptions	26,382,834	779,880	27,162,714
Net differences between projected and actual investment earnings on pension plan investments	(1,175,510)	(40,246)	(1,215,756)
Changes in proportionate share	<u>-</u>	<u>461,083</u>	<u>461,083</u>
Total	<u>\$ 25,207,324</u>	<u>\$ 1,296,231</u>	<u>\$ 26,503,555</u>

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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, 2017 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 3,784,002	\$ -	\$ 3,784,002
Changes of assumptions	26,859,981	319,976	27,179,957
Changes in proportionate share	5,559,587	-	5,559,587
Net differences between projected and actual investment earnings on pension plan investments	3,298,553	193,230	3,491,783
Contributions subsequent to the measurement date	<u>4,994,131</u>	<u>602,447</u>	<u>5,596,578</u>
Total	<u>\$ 44,496,254</u>	<u>\$ 1,115,653</u>	<u>\$ 45,611,907</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ -	\$ 43,643	\$ 43,643
Net differences between projected and actual investment earnings on pension plan investments	(1,175,510)	(40,246)	(1,215,756)
Changes in proportionate share	<u>-</u>	<u>1,389,541</u>	<u>1,389,541</u>
Total	<u>\$ (1,175,510)</u>	<u>\$ 1,392,938</u>	<u>\$ 217,428</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the Measurement Date of \$4,389,336 for PERS and \$563,191 for PFRS will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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:

	<u>PERS</u>	<u>PFRS</u>	<u>TOTAL</u>
Years ending:			
2019	\$ 3,597,682	\$ 192,231	\$ 3,789,913
2020	4,579,263	232,478	4,811,741
2021	2,433,611	441,562	2,875,173
2022	(3,212,378)	478,123	(2,734,255)
2023	<u>(2,703,301)</u>	<u>314,442</u>	<u>(2,388,859)</u>
Contributions paid subsequent to Measurement Date	4,694,877	1,658,836	6,353,713
	<u>4,389,336</u>	<u>563,191</u>	<u>4,952,527</u>
	<u>\$ 9,084,213</u>	<u>\$ 2,222,027</u>	<u>\$ 11,306,240</u>

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*Actuarial Assumptions*

The University's net pension liability at the Measurement Date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The actuarial valuation used the following actuarial assumptions:

	<u>PERS</u>	<u>PFRS</u>
Inflation rate	2.25%	2.25%
Salary increases:		
Through 2026	1.65 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.65 - 5.15% based on age	3.10 - 9.98% based on age
Investment rate of return	7.00%	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females for PERS) with adjustments for mortality improvements from the base year of 2013 for PERS and 2014 for PFRS based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2016 valuations were based on the results of actuarial experience studies for the periods July 1, 2011 to June 30, 2014 for PERS and July 1, 2010 to June 30, 2013 for PFRS.

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**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:

Asset Class	PERS and PFRS	
	Target Allocation	Long-term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**Discount Rates**

The discount rates used to measure the total pension liabilities were 5.00% and 6.14% for PERS and PFRS at the Measurement Date and 5.39% and 6.32% at June 30, 2014, 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 3.58% 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 made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plans' fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040 for PERS and 2057 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to the projected benefit payments through 2040 for PERS and 2057 for PFRS, and the municipal bond rate was applied to the projected benefit payments after those dates in determining the total pension liabilities.

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**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 5.00% for PERS and 6.14% 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	4.00%	\$ 216,676,132	5.14%	\$ 10,849,578
Current discount rate	5.00%	186,353,409	6.14%	9,167,389
1% increase	6.00%	161,167,467	7.14%	7,788,483

**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.

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, 2018, ABP employer and employee contributions were \$4,620,023 and \$2,887,514, respectively, which were based on participating employee salaries of \$57,750,288. During the year ended June 30, 2017, ABP employer and employee contributions were \$4,423,536 and \$2,764,710, respectively, which were based on participating employee salaries of \$55,294,200. 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.

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**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, 2018, the State recorded a liability of \$252,260,777, 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, 2018, the University's share was 3.084298% and 0.897572% of the special funding situation and of the Plan, respectively.

For the year ended June 30, 2018, the University recognized OPEB expense of \$14,840,154. 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 \$14,840,154.

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*Actuarial Assumptions and Other Inputs* - The State's liability associated with the University at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017.

Inflation rate	2.50%
Discount rate	3.58%
Salary increases	
Through 2026	1.55% - 8.98%
Thereafter	2.00% - 9.98%

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.

Preretirement mortality rates were based on the RP-2014 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-2014 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-2014 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, 2016 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, 2015).

*Health Care Trend Assumptions* - For pre-Medicare preferred provider organization ("PPO") and health maintenance organization ("HMO") medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5%, decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

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**8. BONDS PAYABLE AND OTHER LONG-TERM DEBT**

Bonds payable and other long-term debt as of June 30, 2018 and 2017 consisted of the following:

	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>
Bonds payable:			
New Jersey Educational Facilities Authority Bonds:			
Series 2016 A (Refunded 2006F, 2007G, 2008A)	3.00-5.00%	\$ 202,445,000	\$ 202,445,000
Total		202,445,000	202,445,000
Unamortized premium		31,260,611	32,619,768
Total		233,705,611	235,064,768
Less current portion		(4,994,157)	(4,994,157)
Bonds payable, noncurrent portion		<u>\$ 228,711,454</u>	<u>\$ 230,070,611</u>
Other long-term debt:			
Higher Education Equipment Leasing Fund	5.00%	\$ 1,022,885	\$ 1,199,273
Higher Education Capital Improvement Fund	3.00 - 5.25%	13,781,210	14,437,310
Series 2015E (Current refunding of 2005F)	2.83%	16,233,597	17,563,507
Island Campus Redevelopment Urban Renewal Assoc.	12.00%	2,100,000	2,100,000
Dam Restoration Loan	2.00%	206,490	227,231
Total		33,344,182	35,527,321
Unamortized premium		485,947	530,958
Total		33,830,129	36,058,279
Less current portion		(2,407,442)	(2,228,150)
Other long-term debt, noncurrent portion		<u>\$ 31,422,687</u>	<u>\$ 33,830,129</u>
Capital lease obligations (see Note 12):			
Atlantic County Improvement Authority:			
Stockton University AC Campus	4.21%	\$ 78,980,000	\$ 78,980,000
Other	N/A	34,161	45,548
Total		79,014,161	79,025,548
Less current portion		(11,387)	(11,387)
Capital lease obligations, noncurrent portion		<u>\$ 79,002,774</u>	<u>\$ 79,014,161</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% Term Bonds. The Serial Bonds bear interest at rates between 3-5%, 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 are being issued to finance the current 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 of \$12,174,387. This amount 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.

The 2002A and 2004A bonds have since been partially advance refunded by the 2005A and 2006A bonds. The 2004A bonds were also partially advance refunded by the 2015C bonds. These transactions resulted in a loss on advance refunding of approximately \$77,005, which was a deferred outflow. On July 26, 2016, the Authority refunded 2005A and 2006A with 2016A bonds, which resulted in a loss on refunding of \$109,064 and is a component of deferred outflows.

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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.

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 currently refund Series 2005F Bonds originally issued October 27, 2005 including issuance costs of \$123,222, which was expenses. This transaction resulted in a gain on refunding of \$143,779. The gain is a deferred inflow and amortized as a component of interest expense over the life of the 2015E Series Bonds.

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Payments due on bonds payable and other long-term debt excluding net unamortized premiums, discounts, and deferred gains and losses totaling \$20,703,883 subsequent to June 30, 2018 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,997,432	\$ 10,772,150	\$ 16,769,582
2020	4,144,609	10,606,607	14,751,216
2021	4,317,633	10,433,303	14,750,936
2022	7,698,381	10,109,680	17,808,061
2023	9,724,146	9,681,139	19,405,285
2024-2028	54,863,826	41,330,643	96,194,469
2029-2033	57,661,363	26,544,983	84,206,346
2034-2038	65,031,792	11,488,721	76,520,513
2039-2048	<u>26,350,000</u>	<u>1,655,500</u>	<u>28,005,500</u>
Total	<u>\$ 235,789,182</u>	<u>\$ 132,622,726</u>	<u>\$ 368,411,908</u>

**Capital Lease Obligation**

For fiscal year ended 2017, the University was the guarantor 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 serially each July 1 through 2036. The \$18,905,000 Term Bonds are due July 1, 2041, the \$22,650,000 Term Bonds are due July 1, 2046 and the \$10,475,000 Term Bonds are due July 1, 2048. These bonds are being issued to finance a portion of the costs of the development and construction of the University's new Atlantic City campus.

**9. LINE OF CREDIT**

The University has available a \$36,408,425 revolving line of credit with Wells Fargo Advisors, which was approved July 8, 2016 and had no outstanding balance as of June 30, 2018 and 2017. Interest is payable monthly at a rate of 2.956% of the priority credit line outstanding, if any. The line of credit 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 \$20,346 for the year ended June 30, 2018, and there was no interest expense for the year ended June 30, 2017.

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**10. LONG-TERM LIABILITIES**

Activity in long-term liabilities for the years ended June 30, 2018 and 2017 follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Current Portion</u>
Compensated absences	\$ 4,496,124	\$ 3,939,167	\$ 3,642,310	\$ 4,792,981	\$ 3,846,245
Net pension liability	205,993,729	-	10,472,931	195,520,798	-
U.S. Government grants refundable	2,498,131	-	-	2,498,131	-
Bonds payable	235,064,768	-	1,359,157	233,705,611	4,994,157
Other long-term debt	36,058,279	-	2,228,150	33,830,129	2,407,442
Capital lease obligations	<u>79,025,548</u>	<u>-</u>	<u>11,387</u>	<u>79,014,161</u>	<u>11,387</u>
Total	<u>\$ 563,136,579</u>	<u>\$ 3,939,167</u>	<u>\$ 17,713,935</u>	<u>\$ 549,361,811</u>	<u>\$ 11,259,231</u>

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Current Portion</u>
Compensated absences	\$ 4,151,398	\$ 3,633,872	\$ 3,289,146	\$ 4,496,124	\$ 3,642,310
Net pension liability	163,839,503	42,154,226	-	205,993,729	-
U.S. Government grants refundable	2,498,131	-	-	2,498,131	-
Bonds payable	203,902,811	236,423,925	205,261,968	235,064,768	4,994,157
Other long-term debt	28,477,088	9,541,663	1,960,472	36,058,279	2,228,150
Capital lease obligations	<u>56,935</u>	<u>78,980,000</u>	<u>11,387</u>	<u>79,025,548</u>	<u>11,387</u>
Total	<u>\$ 402,925,866</u>	<u>\$ 370,733,686</u>	<u>\$ 210,522,973</u>	<u>\$ 563,136,579</u>	<u>\$ 10,876,004</u>

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**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, 2018 and 2017:

	<b>2018</b>				
	<b>Foundation</b>	<b>SASI</b>	<b>NARTP</b>	<b>Eliminations</b>	<b>Total</b>
Current assets:					
Cash and cash equivalents	\$ 91,893	\$ 2,707,923	\$ 7,924	\$ -	\$ 2,807,740
Due from University/component units	188	441,883	-	-	442,071
Other receivables	394,234	136,603	150,940	-	681,777
Other current assets	680,563	136,907	4,923	-	822,393
Noncurrent assets:					
Investments	38,637,419	-	-	-	38,637,419
Other receivables	441,870	-	-	-	441,870
Capital assets, net	-	2,102,915	11,309	-	2,114,224
Total assets	<u>\$ 40,246,167</u>	<u>\$ 5,526,231</u>	<u>\$ 175,096</u>	<u>\$ -</u>	<u>\$ 45,947,494</u>
Accounts payable and other current liabilities					
Accounts payable and other current liabilities	\$ 37,203	\$ 350,766	\$ 117,219	\$ -	\$ 505,188
Due to University/component units	154,035	1,288,097	167,220	-	1,609,352
Long-term liabilities to University	-	1,314,683	1,291,700	-	2,606,383
Total liabilities	<u>\$ 191,238</u>	<u>\$ 2,953,546</u>	<u>\$ 1,576,139</u>	<u>\$ -</u>	<u>\$ 4,720,923</u>
Net position:					
Net investment in capital assets	\$ -	\$ 788,232	\$ -	\$ -	\$ 788,232
Restricted - nonexpendable	20,960,356	-	-	-	20,960,356
Restricted - expendable	16,428,283	-	-	-	16,428,283
Unrestricted	2,666,290	1,784,453	(1,401,043)	-	3,049,700
Total net position	<u>\$ 40,054,929</u>	<u>\$ 2,572,685</u>	<u>\$ (1,401,043)</u>	<u>\$ -</u>	<u>\$ 41,226,571</u>

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	2017				
	Foundation	SASI	NARTP	Eliminations	Total
Current assets:					
Cash and cash equivalents	\$ 369,679	\$ 2,248,674	\$ 131,681	\$ -	\$ 2,750,034
Due from University/component units	46,770	173,524	-	-	220,294
Other receivables	495,575	132,874	23	-	628,472
Other current assets	10,463	95,568	4,703	-	110,734
Noncurrent assets:					
Investments	34,307,084	-	-	-	34,307,084
Other receivables	656,101	-	-	-	656,101
Capital assets, net	-	1,878,265	-	-	1,878,265
Total assets	<u>\$ 35,885,672</u>	<u>\$ 4,528,905</u>	<u>\$ 136,407</u>	<u>\$ -</u>	<u>\$ 40,550,984</u>
Accounts payable and other current liabilities					
Accounts payable and other current liabilities	\$ 45,854	\$ 360,096	\$ 17,871	\$ -	\$ 423,821
Due to University/component units	70,366	1,332,282	165,990	-	1,568,638
Long-term liabilities to University	-	1,314,683	1,141,700	-	2,456,383
Total liabilities	<u>\$ 116,220</u>	<u>\$ 3,007,061</u>	<u>\$ 1,325,561</u>	<u>\$ -</u>	<u>\$ 4,448,842</u>
Net position:					
Net investment in capital assets	\$ -	\$ 563,582	\$ -	\$ -	\$ 563,582
Restricted - nonexpendable	20,343,116	-	-	-	20,343,116
Restricted - expendable	12,953,362	-	-	-	12,953,362
Unrestricted	2,472,974	958,262	(1,189,154)	-	2,242,082
Total net position	<u>\$ 35,769,452</u>	<u>\$ 1,521,844</u>	<u>\$ (1,189,154)</u>	<u>\$ -</u>	<u>\$ 36,102,142</u>

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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, 2018 and 2017:

	<b>2018</b>				
	<b>Foundation</b>	<b>SASI</b>	<b>NARTP</b>	<b>Eliminations</b>	<b>Total</b>
Operating revenues:					
Other auxiliary enterprises	\$ -	\$ 13,737,624	\$ -	\$ -	\$ 13,737,624
Grants	-	-	305,751	-	305,751
Other	354,909	41,240	2,084	(8,000)	390,233
In-kind contributions	542,056	-	87,159	-	629,215
Total operating revenues	<u>896,965</u>	<u>13,778,864</u>	<u>394,994</u>	<u>(8,000)</u>	<u>15,062,823</u>
Operating expenses:					
Institutional support	1,709,156	2,482,936	519,724	(288,257)	4,423,559
Student aid	847,187	-	-	-	847,187
Auxiliary enterprises	-	10,405,939	-	-	10,405,939
Depreciation	-	164,968	-	-	164,968
In-kind expense	542,056	-	87,159	-	629,215
Total operating expenses	<u>3,098,399</u>	<u>13,053,843</u>	<u>606,883</u>	<u>(288,257)</u>	<u>16,470,868</u>
Operating (loss) income	<u>(2,201,434)</u>	<u>725,021</u>	<u>(211,889)</u>	<u>280,257</u>	<u>(1,408,045)</u>
Non-operating revenues (expenses):					
Investment income	2,502,582	27,176	-	-	2,529,758
Interest expense	-	(53,560)	-	-	(53,560)
University and Foundation support	-	352,204	-	(230,257)	121,947
Gifts and contributions	3,227,088	-	-	-	3,227,088
	<u>5,729,670</u>	<u>325,820</u>	<u>-</u>	<u>(230,257)</u>	<u>5,825,233</u>
Other revenues:					
Additions to permanent endowments	757,241	-	-	(50,000)	707,241
Change in net position	4,285,477	1,050,841	(211,889)	-	5,124,429
Net position - beginning of year	<u>35,769,452</u>	<u>1,521,844</u>	<u>(1,189,154)</u>	<u>-</u>	<u>36,102,142</u>
Net position - end of year	<u>\$ 40,054,929</u>	<u>\$ 2,572,685</u>	<u>\$ (1,401,043)</u>	<u>\$ -</u>	<u>\$ 41,226,571</u>

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	2017				
	Foundation	SASI	NARTP	Eliminations	Total
Operating revenues:					
Other auxiliary enterprises	\$ -	\$ 12,772,135	\$ -	\$ -	\$ 12,772,135
Grants	-	-	293,105	-	293,105
Other	339,216	58,271	25,000	(8,000)	414,487
In-kind contributions	464,781	-	86,697	-	551,478
Total operating revenues	<u>803,997</u>	<u>12,830,406</u>	<u>404,802</u>	<u>(8,000)</u>	<u>14,031,205</u>
Operating expenses:					
Institutional support	1,487,527	2,767,627	520,794	(298,870)	4,477,078
Student aid	722,987	-	-	-	722,987
Auxiliary enterprises	-	10,001,237	-	-	10,001,237
Depreciation	-	118,433	-	-	118,433
In-kind expense	464,781	-	86,697	-	551,478
Total operating expenses	<u>2,675,295</u>	<u>12,887,297</u>	<u>607,491</u>	<u>(298,870)</u>	<u>15,871,213</u>
Operating loss	<u>(1,871,298)</u>	<u>(56,891)</u>	<u>(202,689)</u>	<u>290,870</u>	<u>(1,840,008)</u>
Non-operating revenues (expenses):					
Investment income	3,182,766	20,005	-	-	3,202,771
Interest expense	-	(50,652)	-	-	(50,652)
University and Foundation support	-	375,801	-	(240,870)	134,931
Gifts and contributions	3,585,361	-	-	-	3,585,361
	<u>6,768,127</u>	<u>345,154</u>	<u>-</u>	<u>(240,870)</u>	<u>6,872,411</u>
Other revenues:					
Additions to permanent endowments	901,146	-	-	(50,000)	851,146
Change in net position	5,797,975	288,263	(202,689)	-	5,883,549
Net position - beginning of year	<u>29,971,477</u>	<u>1,233,581</u>	<u>(986,465)</u>	<u>-</u>	<u>30,218,593</u>
Net position - end of year	<u>\$ 35,769,452</u>	<u>\$ 1,521,844</u>	<u>\$ (1,189,154)</u>	<u>\$ -</u>	<u>\$ 36,102,142</u>



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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, 2018 and 2017:

	<b>2018</b>			
	<b>Foundation</b>	<b>SASI</b>	<b>NARTP</b>	<b>Total</b>
Due from the University:				
Scholarships	\$ -	\$ -	\$ -	\$ -
Services provided	-	157,618	-	157,618
Overhead charge adjustment	-	279,856	-	279,856
Miscellaneous	188	4,409	-	4,597
Total due from the University	<u>\$ 188</u>	<u>\$ 441,883</u>	<u>\$ -</u>	<u>\$ 442,071</u>
Due to the University:				
Institutional support	\$ 122,500	\$ 64,534	\$ -	\$ 187,034
Services provided	20,233	-	-	20,233
Scholarships	11,302	-	-	11,302
Seaview operations	-	1,160,622	-	1,160,622
Overhead charge	-	62,601	34,075	96,676
Interest on loan	-	-	132,604	132,604
Miscellaneous	-	340	541	881
Total due to the University	<u>\$ 154,035</u>	<u>\$ 1,288,097</u>	<u>\$ 167,220</u>	<u>\$ 1,609,352</u>
	<b>2017</b>			
	<b>Foundation</b>	<b>SASI</b>	<b>NARTP</b>	<b>Total</b>
Due from the University:				
Scholarships	\$ 670	\$ -	\$ -	\$ 670
Food service	-	96,489	-	96,489
Overhead charge adjustment	-	64,960	-	64,960
Miscellaneous	46,100	12,075	-	58,175
Total due from the University	<u>\$ 46,770</u>	<u>\$ 173,524</u>	<u>\$ -</u>	<u>\$ 220,294</u>
Due to the University:				
Institutional support	\$ -	\$ 65,070	\$ -	\$ 65,070
Services provided	24,631	3,180	-	27,811
Scholarships	43,272	-	-	43,272
Seaview operations	2,463	1,167,293	-	1,169,756
Overhead charge	-	96,680	82,470	179,150
Interest on loan	-	-	83,490	83,490
Miscellaneous	-	59	30	89
Total due to the University	<u>\$ 70,366</u>	<u>\$ 1,332,282</u>	<u>\$ 165,990</u>	<u>\$ 1,568,638</u>

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The Foundation provided support of \$1,614,473 and \$1,426,072 to the University for scholarships, academic support and facilities support for the years ended June 30, 2018 and 2017, respectively. The University provided in-kind finance and administrative services to the Foundation of \$529,556 and \$452,731 for the years ended June 30, 2018 and 2017, respectively.

The Foundation provided support to SASI for the Sam Azeez Museum of \$230,257 and \$240,870 for the years ended June 30, 2018 and 2017, respectively.

The University has issued a line of credit to SASI in the amount of \$2,000,000. As of June 30, 2018 and 2017, 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 4.24% for fiscal 2018 and 3.80% for fiscal 2017. 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 \$53,560 and \$50,652 for the years ended June 30, 2018 and 2017, respectively. SASI reimburses the University for use of space and personnel through payment of an overhead charge. For the years ended June 30, 2018 and 2017, the overhead charge was \$464,906 and \$682,162, respectively.

The University has issued a line of credit to NARTP in the amount of \$1,500,000. As of June 30, 2018 and 2017, a note receivable in the amount of \$1,291,700 and \$1,141,700, 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 4.24% for fiscal 2018 and 3.80% for fiscal 2017. 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 \$49,114 and \$40,516 for the years ended June 30, 2018 and 2017, respectively. NARTP reimburses the University for the use of space and personnel through payment of an overhead charge. For the years ended June 30, 2018 and 2017, the overhead charge was \$118,126 and \$306,743, respectively.

## **12. COMMITMENTS AND CONTINGENCIES**

### **Compensated Absences**

The University recorded a liability for compensated absences in the amount of \$4,792,981 and \$4,496,124 for the years ended June 30, 2018 and 2017, 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.

**STOCKTON UNIVERSITY**  
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**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.

**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, 2018 and 2017, 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 \$3,854,972 as of June 30, 2018. These commitments are primarily related to the completion of the Atlantic City Academic Building. It is expected that all of the funding for these projects will be allocated from unrestricted resources.

**Capital Lease Obligations**

*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.

**STOCKTON UNIVERSITY**  
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The aggregate future payments of the ACDevco capital lease are as follows for the years ending June 30:

	<u>Amount</u>
2019	\$ 3,259,456
2020	3,359,456
2021	3,459,456
2022	3,559,206
2023	3,663,456
Thereafter	<u>130,276,426</u>
Less: interest	<u>(68,597,456)</u>
Total	<u>\$ 78,980,000</u>

**Lease Commitments**

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

	<u>Amount</u>
2019	\$ 195,342
2020	187,149
2021	202,078
2022	207,131
2023	100,049

Total rent expense for the years ended June 30, 2018 and 2017 was \$133,328 and \$59,701, 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. This agreement began on May 25, 2011 and will expire on May 25, 2021.

**STOCKTON UNIVERSITY**  
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**13. SUBSEQUENT EVENTS**

The University evaluated subsequent events through March 29, 2019, the date the financial statements were available to be issued. The University is not aware of any subsequent events which would require recognition or disclosure in the financial statements, except as follows:

On July 31, 2018 the University sold the Seaview property to a third party for \$21,070,000. The property was originally purchased in 2010 to address an immediate need for student housing. The new Atlantic City campus (opening in September 2018) offers beachfront housing for 533 students and eliminates the need for student housing at Seaview. The transaction will be reflected in the University's 2019 financial statements as required by U.S. GAAP.

REQUIRED SUPPLEMENTARY INFORMATION

**STOCKTON UNIVERSITY**  
**(A Component Unit of The State of New Jersey)**  
**Required Supplementary Information**  
**Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years\* - Unaudited**  
**June 30, 2018**

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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
	%	\$			
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
	%	\$			
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**  
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**Required Supplementary Information**  
**Schedules of Proportionate Share of Employer Contributions – Last 10 Years\* - Unaudited**  
**June 30, 2018**

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Schedules of University Contributions – Last 10 Years\*

**Public Employees' Retirement System (PERS)**

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

**Police and Firemen's Retirement System (PFRS)**

	2018	2017	2016	2015
(1) Contractually required contribution	\$ 563,191	\$ 602,447	\$ 185,988	\$ 218,158
(2) Contributions in relation to the contractually determined contribution	563,191	602,447	185,988	218,158
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
(4) Covered-employee payroll	\$ 1,101,089	\$ 965,938	\$ 885,871	\$ 723,945
(5) Contributions as a percentage of covered-employee payroll	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, 2018**

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	<u>June 30, 2018</u>
University's proportion of the total OPEB Liability*	0.00%
University's proportionate share of the total OPEB liability	\$ -
State of New Jersey's proportionate share of the total OPEB liability	<u>28,104,795,207</u>
Total OPEB liability	28,104,795,207
University's covered-employee payroll	\$ 70,831,270
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%

For the State Health Benefit State Retired Employees Plan, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*.

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

SUPPLEMENTARY INFORMATION

**Stockton University**  
**(A Component Unit of The State of New Jersey)**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2018**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<b>Student Financial Assistance Cluster:</b>		
U.S. Department of Education:		
Federal Direct Loan Program	84.268	\$ 56,148,989
Federal Perkins Loan Program (including administrative costs of \$46,829)	84.038	3,458,836
Federal Supplemental Educational Opportunity Grants	84.007	258,712
Federal Work Study Program	84.033	280,852
Federal Pell Grant Program (including administrative costs of \$17,595)	84.063	15,534,505
Teacher Education Assistance for College & Higher Education Grants (Teach Grants)	84.379	<u>24,284</u>
Total Student Financial Assistance Cluster		<u>75,706,178</u>
<b>Research and Development Cluster:</b>		
U.S. Department of Commerce:		
National Oceanic & Atmospheric Administration (NOAA):		
Passed Through State of Delaware		
Research Survey and Training	11.420	7,037
Passed Through Rutgers, The State University of NJ		
Estuarine Research Reserves	11.420	12,991
WeCrab Marine Debris Project	11.463	4,271
Habitat Conservation-Derelict Crab Trap Removal in Mullica River & Great Bay Estuary of NJ	11.463	13,968
Passed through the Conserve Wildlife Foundation of New Jersey:		
Identification & Retrieval of Derelict Crab Pots to Reduce Bycatch of NOAA Trust Resources in Barnegat Bay, New Jersey	11.463	19,164
Passed through the New Jersey Audubon Society:		
Rounding the Bend: Ghost Trap Removal in Delaware Bay, Cape May Reef and New Jersey's Coastal Bay	11.463	1,482
U.S. Department of Health and Human Services:		
National Institutes of Health (NIH):		
Akt-mTOR Pathway Impact on Neural Stem Cell Fates	93.853	137,761
National Environmental Protection Agency: Office of Water		
Passed Through Barnegat Bay Partnership Ocean County College:		
National Estuary Program - Assessing the Status of Barnegat Bay Submerged Aquatic Vegetation	66.456	10,574
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	66.456	14,633
Passed Through NJ DEP: Division of Fish & Wildlife -		
Upkeep and Maintenance of On and Off Campus Deer Enclosures: 2017-2018	15.605	10,000
Wildlife Protection User Survey	15.605	202,290
Passed Through NJ DEP: Office of Coastal and Land Use -		
Establishing Protocols for New Jersey Shellfish and Submerged Aquatic Vegetation Habitat Mapping and Sampling	11.415	33,453
U.S. Department of Transportation: National Highway Traffic Safety Administration (NHTSA):		
Passed Through Institute for Water Resources		
Quantification of Flood Event Forcing and the Impact of Natural Wetland Systems; Great Bay Boulevard, Ocean County New Jersey	20.614	<u>33,850</u>
Total Research and Development Cluster		<u>501,474</u>
<b>Other Federal Assistance:</b>		
U.S. Department of Health and Human Services:		
Passed Through Atlantic County Department of Human Services,		
Educational Programs and Lectures for Older Adults	93.044	18,932
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
Chafee Foster Care Independence Program - Foster and Adoptive Family Services	93.674	<u>10,568</u>
Total U.S. Department of Health and Human Services		<u>1,434,401</u>
National Endowment for the Humanities:		
Passed Through New Jersey Council for the Humanities:		
Kea Tawana: Her World	45.129	<u>13,250</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,		
Stay Safe and Graduate	20.601	<u>16,420</u>

(Continued)

Stockton University  
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Schedule of Expenditures of Federal Awards  
Year ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<b>Other Federal Assistance (continued):</b>		
U.S. Department of Education:		
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	\$ 191,584
Passed Through NJ Commission for the Blind & Visually Impaired, Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	84.264	94,516
Stockton Coastal Collaborative Math & Science Partnership	84.366	171,632
Building Teacher Leadership	84.367	<u>174,414</u>
Total U.S. Department of Education		<u>632,146</u>
U.S. Department of Defense:		
Passed through Army Educational Outreach Program	12.560	<u>289</u>
U.S. Department of the Interior:		
Passed through The Nature Conservancy: Wetlands Restoration	15.153	48,871
Passed through The U.S. Geological Survey Reston Acquisition Branch	15.808	<u>23,010</u>
Total U.S. Department of the Interior		<u>71,881</u>
U.S. Department of Veterans Affairs:		
Post - 9/11 Veterans Educational Assistance	64.028	<u>1,931,418</u>
U.S. Department of Homeland Security:		
Passed Through The State of New Jersey Office of Emergency Management: Hazard Mitigation Grant Program	97.039	<u>7,023</u>
U.S. Corporation for National & Community Service:		
AmeriCorps National Service Education Award	94.006	<u>11,379</u>
U.S. Department of Labor:		
WIA Cluster,		
Passed Through Atlantic Cape May Workforce Investment Board:		
Work First New Jersey	17.258	335,192
Dislocated Workers - On-The-Job Training	17.260	1,699
Office of Workers' Compensation Program/Federal Employees' Compensation Act	17.225	2,172
Trade Adjustment Act	17.245	66,987
Passed Through NJ Department of Labor & Workforce Development:		
Dislocated Workers - Retail, Hospitality & Tourism Talent Network	17.278	<u>221,129</u>
Total WIA Cluster		<u>627,179</u>
U.S. Small Business Administration:		
Passed Through Rutgers, The State University of NJ New Jersey Small Business Development Centers (NJSBDC)	59.037	<u>165,620</u>
Total U.S. Small Business Administration		<u>165,620</u>
Total Other Federal Assistance		<u>4,911,006</u>
Total Expenditures of Federal Awards		<u>\$ 81,118,658</u>

The accompanying notes to the Schedules of Expenditures of Federal and State of New Jersey Awards should be read in conjunction with this schedule.

Stockton University  
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Schedule of Expenditures of State of New Jersey Awards  
Year ended June 30, 2018

<u>Grantor Department Program Title</u>	<u>Account Number</u>	<u>Program Amount</u>	<u>Grant Period</u>	<u>Current Year Expenditures</u>	<u>Total Disbursements</u>
<b>Student Financial Assistance:</b>					
N.J. Higher Education Student Assistance Authority:					
New Jersey College Loans to Assist State Students	N/A	\$ 3,717,501	07/01/17-06/30/18	\$ 3,717,501	\$ 3,717,501
Tuition Aid Grant	100-074-2405-007	12,890,255	07/01/17-06/30/18	12,890,255	12,890,255
Urban Scholars	100-074-2405-278	12,000	07/01/17-06/30/18	12,000	12,000
Governor's Urban Persistency Award	100-074-2405-329	500	07/01/17-06/30/18	500	500
New Jersey STARS II	100-074-2405-313	196,142	07/01/17-06/30/18	196,142	196,142
Survivor Tuition Benefits	100-074-2405-009	17,292	07/01/17-06/30/18	17,292	17,292
Law Enforcement Officer Memorial	100-074-2405-312	27,407	07/01/17-06/30/18	27,407	27,407
NJ BEST	100-074-2405-316	31,500	07/01/17-06/30/18	31,500	31,500
N.J. Commission on Higher Education:					
Educational Opportunity Fund Article III Summer FY2018	100-074-2401-001	351,783	06/01/17-07/31/18	350,133	351,783
Educational Opportunity Fund Article III Summer FY2019	100-074-2401-001	351,783	06/01/18-07/31/19	10,036	10,036
Educational Opportunity Fund Article III Academic Year	100-074-2401-001	462,300	07/01/17-06/30/18	462,300	462,300
Educational Opportunity Fund Graduate Grants	100-074-2401-001	21,673	07/01/17-06/30/18	21,673	21,673
Total Student Financial Assistance				17,736,739	17,738,389
<b>Other State of N.J. Assistance:</b>					
N.J. Department of Environmental Protection:					
N.J. Beach Profile 2017	100-042-4895-043	710,301	02/01/17-03/14/18	454,253	656,789
N.J. Beach Profile 2018	100-042-4895-043	679,644	03/01/18-03/01/19	184,779	184,779
N.J. Coastal Estuaries Inventory 2017	100-042-4800-176	133,161	01/01/17-06/30/19	63,385	78,520
N.J. Coastal Ecological Resilience Workshop 2018	100-042-4801-516	25,052	08/01/17-01/01/18	23,093	23,093
NJ Bear Concept	100-042-4EBA-178	8,000	01/01/18-03/31/18	8,000	8,000
N.J. Department of Transportation:					
Fisheries and Utilization Study	480-078-6300-XXX	226,122	06/01/16-10/31/18	55,973	116,605
N.J. Department of Children & Families Services,					
Child Welfare Education Institute (CWEI) - BCWEP 2018	100-016-1600-047	597,774	07/01/17-06/30/18	597,774	597,774
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	1,427,789	07/01/17-06/30/18	1,392,214	1,392,214
N.J. Department of Commerce and Economic Growth,					
Passed through Rutgers University: Small Business Development Center	100-074-2505-001	32,200	07/01/18-06/30/18	32,200	32,200
N.J. Department of Education:					
Teacher's Sheltered English Instruction Professional Development Year 2	100-034-5061-016	97,499	09/01/16-06/30/18	57,200	97,499
N.J. Department of Labor and Workforce Development,					
Retail, Hospitality & Tourism Talent Network 2017	780-062-4545-007	50,000	01/01/17-12/31/17	24,351	49,087
Atlantic County Job Development, Placement and Retention 2018	100-062-4545-322	359,999	07/01/17-06/30/18	224,461	224,460
N.J. Department of Military & Veteran's Affairs,					
An Environmental Internship Program	100-067-3620-178	139,937	10/1/17-09/30/18	92,343	92,343
N.J. Department of State Historical Commission					
Kea Tawana: Her World	100-074-2540-105	15,000	07/01/17-06/30/18	15,000	15,000
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	10/01/17-5/01/19	3,304	3,304

(Continued)

Stockton University  
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Schedule of Expenditures of State of New Jersey Awards  
Year ended June 30, 2018

<u>Grantor Department Program Title</u>	<u>Account Number</u>	<u>Program Amount</u>	<u>Grant Period</u>	<u>Current Year Expenditures</u>	<u>Total Disbursements</u>
N.J. Office of the Attorney General					
Municipal Planning for Safe Streets	100-066-1000-146	\$ 6,275	07/01/16-09/30/17	\$ 6,098	\$ 6,098
Drunk Driving Enforcement	100-078-640-YYY	6,841	06/01/17-06/30/18	3,421	6,841
N.J. Higher Education Services:					
Educational Opportunity Fund Article IV-Academic Year	100-074-2401-002	282,464	07/01/17-06/30/18	282,464	282,464
Educational Opportunity Fund Article IV-Academic Year-Atlantic City	100-074-2401-002	56,834	01/01/18-06/30/18	16,330	16,330
NJSCA General Program Support	100-074-2530-032	101,020	07/01/17-06/30/18	101,020	101,020
NJSCA General Program Support-Noyes Museum	100-074-2530-032	29,592	07/01/17-06/30/18	29,592	29,592
NJSCA 09 CSP Co Sponsored Project - State of the Arts	100-074-2530-032	200,000	07/01/17-06/30/18	200,000	200,000
48 Blocks-A Celebration of Arts & Culture	100-074-2530-164	5,000	06/01/16-12/29/17	470	5,000
48 Blocks-A Celebration of Arts & Culture	100-074-2530-164	15,000	06/01/16-12/29/17	14,757	14,757
Atlantic County Awards 2017	100-074-2505-053	4,000	01/01/17-12/20/17	4,000	4,000
Atlantic County Awards 2018	100-074-2505-053	9,700	01/01/18-12/20/18	7,450	7,450
N.J. Commission on Higher Education:					
Higher Education Equipment Leasing Fund Program	100-082-2155-036	4,800,000	01/01/14-05/02/23	95,039	4,767,929
Higher Education Capital Improvement Fund	100-082-2155-079	19,711,952	03/01/14-03/01/34	11,597,041	19,248,184
Higher Education General Obligation Fund	586-074-2400-014	34,987,950	03/01/14-12/31/XX	10,878,091	34,816,566
N.J. Higher Education Services:					
N.J. Department of State:					
State of New Jersey Appropriation	100-074-2480-001	18,391,000	07/01/17-06/30/18	18,391,000	18,391,000
Interdepartmental Accounts:					
State Fringe Benefits other than FICA	100-094-9410-134	18,622,002	07/01/17-06/30/18	18,622,002	18,622,002
FICA-State Colleges and Universities Reimbursement Program	100-094-9410-137	7,257,450	07/01/17-06/30/18	7,257,450	7,257,450
Alternate Benefits Program	100-094-9410-132	4,620,023	07/01/17-06/30/18	4,620,023	4,620,023
				<u>75,354,578</u>	<u>111,968,373</u>
Total Other State of N.J. Assistance					
				<u>\$ 93,091,317</u>	<u>\$ 129,706,762</u>

The accompanying notes to Schedules of Expenditures of Federal and State of New Jersey Awards should be read in conjunction with this schedule.

**STOCKTON UNIVERSITY**  
**(A Component Unit of The State of New Jersey)**  
**Notes to Schedules of Expenditures of Federal and State of New Jersey Awards**  
**June 30, 2018**

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**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, 2018. 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, 2018 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 fiscal 2018 financial statements.

**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, 2018, follow:

Federal Direct Student Loans	\$ <u>56,148,989</u>
New Jersey College Loans to Assist State Students	\$ <u>3,717,501</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, 2018.

**3. FEDERAL PERKINS LOANS**

The Federal Perkins Loan expenditures presented in the accompanying Schedule of Expenditures of Federal Awards of \$3,458,836 represent the total balance of loans outstanding under the Perkins Program at the beginning of fiscal 2018, current fiscal year’s new loans made from the revolving loan fund from which new loans are made utilizing receipts from repayments of loans that have entered collection status of \$217,764, and administrative costs of \$46,829. Total Federal Perkins Loans Outstanding at June 30, 2018 were \$2,872,579.

**STOCKTON UNIVERSITY**  
**(A Component Unit of The State of New Jersey)**  
**Notes to Schedules of Expenditures of Federal and State of New Jersey Awards**  
**June 30, 2018**

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**4. SUBRECIPIENT AWARDS**

The University passed through the following Federal awards to subrecipients during the year ended June 30, 2018:

<u>Federal Program</u>	<u>Subrecipient</u>	<u>CFDA Number</u>	<u>Pass-Through Expenditures</u>
<b>Research and Development Cluster:</b>			
Habitat Conservation - Derelict Crab Trap Removal in Mullica River & Great Bay Estuary of NJ	Rutgers, The State University of NJ	11.463	\$ 3,378
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	Rutgers, The State University of NJ	66.456	527
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	American Littoral Society	66.456	3,035
National Highway Traffic Safety Administration - Quantification of Flood Event Forcing and the Impact of Natural Wetland Systems	Ocean County College	20.614	<u>4,368</u>
Total Research and Development Cluster			<u>11,308</u>
<b>Other Federal Assistance:</b>			
Stockton Coastal Collaborative Math & Science Partnership	Public Health Management Corp	84.366	18,000
Work First New Jersey	Career Opportunity Development Inc	17.258	158,921
National Endowment for the Humanities - Kea Tawana: Her World	Ocean County College	20.614	<u>13,250</u>
Total Other Federal Assistance			<u>190,171</u>
			<u><b>\$ 201,479</b></u>

**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 Stockton University (the "University"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2018, 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 29, 2019.

**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") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 determination of financial statement amounts. 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.



New York, New York  
March 29, 2019

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

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 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 of New Jersey programs for the year ended June 30, 2018. The University's major federal and State of New Jersey 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 its major federal and State of New Jersey programs does not include the compliance requirements governing student loan repayments under the federal Perkins Loan Program of the federal Student Financial Assistance Cluster, because the University engaged Educational Loan Servicing LLC (d/b/a Campus Partners) to perform these compliance activities. This third-party servicer has obtained a compliance examination from another practitioner for the year ended June 30, 2018, in accordance with the U.S. Department of Education's Audit Guide - *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 statutes, regulations, and the terms and conditions of its federal and state awards applicable to the University's federal programs and State of New Jersey programs.

**Auditor's responsibility**

Our responsibility is to express an opinion on compliance for the University's major federal and State of New Jersey 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 and the Uniform Guidance and State of New Jersey

Department of Treasury Circular 2015-08 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 or State of New Jersey 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 of New Jersey program. However, our audit does not provide a legal determination of the University's compliance.

**Opinion on each major federal program and State of New Jersey 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 of New Jersey programs for the year ended June 30, 2018.

**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 of New Jersey 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 of New Jersey 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, 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 of New Jersey 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 a State of New Jersey 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 a State of New Jersey 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*

New York, New York  
March 29, 2019

**STOCKTON UNIVERSITY**  
**(A Component Unit of The State of New Jersey)**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2018**

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**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?  yes  no
- Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

***Federal and State of New Jersey Awards***

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  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?

yes  no

Identification of major programs:

<b>Program or Cluster Title</b>	<b>Federal CFDA Number or NJ State Identifying Number</b>
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**Federal:**

Student Financial Assistance Cluster	84.007, 84.033, 84.038 84.063, 84.268, 84.379
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**State of New Jersey:**

Student Financial Assistance	Various
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Dollar threshold used to distinguish between type A and Type B programs:

Federal: \$750,000  
 State: \$2,792,739

Auditee qualified as low-risk auditee?

yes  no

**STOCKTON UNIVERSITY**  
**(A Component Unit of The State of New Jersey)**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2018**

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**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, 2018**

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No matters required to be reported.