

Financial Statements and Report of
Independent Certified Public
Accountants

Stockton University Foundation
(A Component Unit of Stockton University)

June 30, 2021 and 2020

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Financial Statements

Opinion

In our opinion, the financial statements referred to above present fairly, in all material

Stockton University Foundation
(A Component Unit of Stockton University)

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 620,144	\$ 496,156
Contributions receivable, net	45,553	25,863
Due from University	14,475	165
Pledges receivable, net	5,789,980	6,038,643
Other receivables	53,119	59,340
Investments	54,230,714	43,944,266
Other assets	<u>91,778</u>	<u>109,979</u>
Total assets	<u>\$ 60,845,763</u>	<u>\$ 50,674,412</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 50,009	\$ 37,265
Due to University	<u>27,533</u>	<u>132,353</u>
Total liabilities	77,542	169,618
 Net assets		
Without donor restrictions		
Designated by the Board	2,869,705	2,411,789
Undesignated	<u>648,435</u>	<u>477,794</u>
Total without donor restrictions	3,518,140	2,889,583
With donor restrictions		
Purpose restricted	12,125,171	9,267,652
Time restricted for future periods	<u>14,634,796</u>	<u>8,566,501</u>
	26,759,967	17,834,153
Endowment funds	<u>30,490,114</u>	<u>29,781,058</u>
Total with donor restrictions	<u>57,250,081</u>	<u>47,615,211</u>
Total net assets	<u>60,768,221</u>	<u>50,504,794</u>
Total liabilities and net assets	<u>\$ 60,845,763</u>	<u>\$ 50,674,412</u>

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

	Without Donor Restrictions	Purpose and Time Restricted	Endowment Funds	Total	Total
Revenues					
Contributions, net	\$ 42,843	\$ 780,107	\$ 7,351,857	\$ 8,131,964	\$ 8,174,807
Special events					
Revenues	151,621	95,840	264,276	360,116	511,737
Less: costs of direct benefits to donors	-	(68,613)	-	(68,613)	(68,613)
Special events revenue, net	151,621	27,227	264,276	291,503	443,124
Endowment spending policy	50,005	(50,005)	-	(50,005)	-
In-kind contributions	1,015,499	2,556	-	2,556	1,018,055
Investment return, net	44,578	925,695	12,820	938,515	983,093
Net assets released from restrictions					
Scholarships	937,238	(937,238)	-	(937,238)	-
Program expenses	1,060,471	(1,060,471)	-	(1,060,471)	-
Total revenues	3,302,255	(312,129)	7,628,953	7,316,824	10,619,079
Expenses					
Program					
Scholarships and awards	1,009,493	-	-	-	1,009,493
Academic support	387,726	-	-	-	387,726
Facilities support	573,216	-	-	-	573,216
Other direct support	60,308	-	-	-	60,308
Faculty support	11,691	-	-	-	11,691
Supporting					
Official representation	32,767	-	-	-	32,767
General and administrative	90,896	-	-	-	90,896
Fundraising	71,133	-	-	-	71,133
Bad debt expense	1,983	-	-	-	1,983
In-kind expense	1,018,055	-	-	-	1,018,055
Total expenses	3,257,268	-	-	-	3,257,268
Increase (decrease) in net assets	44,987	(312,129)	7,628,953	7,316,824	7,361,811
Net assets, beginning of year	2,844,596	18,146,282	22,152,105	40,298,387	43,142,983
Net assets, end of year	\$ 2,889,583	\$ 17,834,153			

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STATEMENTS OF CASH FLOWS

Years ended June 30,

	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 10,263,427	\$ 7,361,811
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Provision for doubtful accounts	51,750	-
Change in discount and allowance on pledge receivables	(110,158)	1,427,368
Contributions restricted for long-term purposes	(721,134)	(7,616,133)
Net realized and unrealized (gains) losses on investments	(8,430,588)	91,891
Changes in operating assets and liabilities:		
Contributions receivable	(19,690)	16,845
Due from University	(14,310)	2,098
Pledges receivable	307,071	(140,440)
Other receivables	6,221	(26,585)
Other assets	18,201	570,845
Accounts payable and accrued expenses	12,744	11,816
Due to University	(104,820)	(284,354)
	1,258,714	1,415,162
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from sales of investments	14,882,926	19,834,991
Purchases of investments	(16,738,786)	(22,228,757)
	(1,855,860)	(2,393,766)
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from contributions restricted for long-term purposes	721,134	1,000,750
	721,134	1,000,750
Net cash provided by financing activities		
Net increase in cash and cash equivalents	123,988	22,146
Cash and cash equivalents, beginning of year	496,156	474,010
Cash and cash equivalents, end of year	\$ 620,144	\$ 496,156

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - ORGANIZATION

Stockton University Foundation (the "Foundation") is incorporated within the State of New Jersey to receive gifts, grants and bequests from the community to support, complement and extend the programs and goals of Stockton University (the "University"). The mission of the Foundation is to act in partnership with the Board of Trustees of the University to develop resources and secure private contributions for the enhancement of educational opportunities and services at the University.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). US GAAP also requires that net assets, revenues, gains, expenses and losses be classified as with or without donor restrictions based on the existence or absence of donor-imposed restrictions.

Income Taxes

The Internal Revenue Service ("IRS") has classified the Foundation as a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and a public charity under Section 509(a)(3) of the Code. The State of New Jersey Division of Taxation has determined the Foundation to be exempt from New Jersey income tax, as well as sales and use tax for purchases directly related to the purposes for which the Foundation was formed and purchased with Foundation funds.

The Foundation does not believe its financial statements include any material uncertain tax positions for which recognition or disclosure is warranted. The Foundation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expense. No interest or penalties were recognized in 2021 and 2020.

The Foundation is exempt from federal income taxation; nevertheless, it may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code.

Classification of Net Assets

The Foundation's net assets and revenues, gains and losses are presented in the accompanying financial statements based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions - net assets not subject to any donor-imposed stipulations. Net assets without donor restrictions may also be designated for specific purposes by the Foundation's Board of Directors.

With donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Foundation or by the passage of time as well as net assets subject to donor-imposed stipulations requiring that they be maintained in perpetuity by the Foundation. Investment income earned from these funds is included in net assets with donor restrictions unless otherwise directed by those respective donors.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Contributions and Pledges

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional promises to give, which will be received after one year, are recorded after discounting to the present value of expected future cash flows at a discount rate commensurate with the risks involved. Non-cash contributions are recorded at the estimated fair value on the date of donation.

Contributions are reported as revenue with donor restrictions if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 and include money market funds except for those included within investment accounts.

Functional Allocation of Expenses

The costs of providing the program, supporting and fundraising services of the Foundation have been reported on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program, supporting and fundraising services based upon the function benefited.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments donated to, or purchased by, the Foundati

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE E - INVESTMENTS/FAIR VALUE MEASUREMENTS

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; and
- 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.

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 Foundation's perceived risk of such investment.

The following tables set forth, by level, the Foundation's investments at fair value, within the fair value hierarchy:

June 30, 2021			
Level 1	Level 2	Level 3	Total

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 690,991	\$ -	\$ -	\$ 690,991
Equity mutual funds	25,900,717	-	-	25,900,717
Fixed income mutual funds	17,014,800	-	-	17,014,800
	<u>\$ 43,606,508</u>	<u>\$ -</u>	<u>\$ -</u>	43,606,508
Investments at NAV				<u>337,758</u>
Total				<u>\$ 43,944,266</u>

The investments at net asset value (“NAV”) are investments in private equity funds whereby NAV is used to estimate fair value. These funds are long-term capital appreciation funds which provide investors access to the private-equity holdings of the issuer. The Foundation has no unfunded commitments or redemption restrictions related to these investments and has the ability to redeem the investments at will.

Investment return, net for the years ended June 30,

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

During the years ended June 30, 2021 and 2020, net assets were released from restrictions for the following purposes:

	<u>2021</u>	<u>2020</u>
Scholarships and awards	\$ 1,026,485	\$ 937,238
Pro		

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The Foundation's endowment was comprised of the following for the year ended June 30, 2021:

	With Donor Restrictions			Total
	Without Donor Restrictions	Purpose and Time Restricted	Endowment Funds	
Endowment, beginning of year	\$ 2,411,789	\$ 8,566,501	\$ 29,781,058	\$ 40,759,348
Investment return:				
Investment income	54,927	700,600	8,025	763,552
Net realized and unrealized gains	486,079	6,227,977	31,647	6,745,703
Total investment return	541,006	6,928,577	39,672	7,509,255
Contributions	-	-	719,134	719,134
Special events contributions	-	-	2,000	2,000
Endowment spending policy	(5,335)	(62,744)	-	(68,079)
Amount designated for current operations	(77,755)	-	-	(77,755)
Net assets released from restrictions	-			

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The Foundation's endowment was comprised of the following for the year ended June 30, 2020:

	With Donor Restrictions		Endowment Funds	Total
	Without Donor Restrictions	Purpose and Time Restricted		
Endowment, beginning of year	\$ 2,430,009	\$ 8,680,182	\$ 22,152,105	\$ 33,262,296
Investment return:				
Investment income	63,220	762,179	12,984	838,383
Net realized and unrealized losses	(4,245)	(40,838)	(164)	(45,247)
Total investment return	58,975	721,341	12,820	793,136
Contributions	-	-	7,351,857	7,351,857
Transfers to Board-designated endowments	250	-	-	250
Special events contributions	-	-	264,276	264,276
Endowment spending policy	(5,190)	(50,005)	-	(55,195)

**Stockton University Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or state law requires the Foundation to retain as a fund of perpetual duration due to unfavorable market fluctuations. Accordingly, deficiencies of this nature that are reported in net assets with donor restrictions were \$0 and \$35,730 as of June 30, 2021 and 2020, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of the related assets. An additional purpose of the fund is to provide a source of funds for a time when the Foundation may face a financial emergency, subject to any funds being utilized in such a manner which are consistent with the original donor restrictions. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity, as well as Board-designated funds.

Strategies Employed for Achieving Objectives

The overall financial goal of the endowment is to maintain or enhance its fair value while providing the Foundation's operating budget with a relatively predictable and growing stream of revenue targeted at approximately 4% of the endowment for the 20 trailing quarterly periods ending December 31 of the prior fiscal year. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate - as measured by the Consumer Price Index. For an endowment to maintain its inflation adjusted level of support, it must earn an investment return equal to the spending rate plus the inflation rate.

NOTE J - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural classification for the years ended June 30, 2021 and 2020 are shown below:

	Program Activities					Supporting Activities		Total Expenses
	Scholarships and Awards	Academic Support	Facilities Support	Other Direct Support	Faculty Support	Administrative General and Other	Fundraising	
2021								
Scholarships awarded	\$ 1,104,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,104,241
Contracted services	-	41,346	84,684	40,553	-	7,175	14,771	188,529
Legal fees	-	-	-	-	-	231	-	231
Accounting fees	-	-	-	-	-	33,025	-	33,025
Consultants	-	25,783	-	540	-	5,600	2,800	34,723
Insurance	-	1,589	-	1,627	-	1,834	-	5,050
Utilities	-	165	-	-	-	-	-	165
Occupancy/overhead	-	-	-	-	-	981,631	-	981,631
Support of University and SASI/f710032 B7 0 TnoD rain	-	63,325	308,799	3,664	100,000	-	-	475,788
Travel, conferences and meetings	-	14,895	-	6,429	42	15,606	-	36,972
Printing and advertising	-	2,933	-	814	-	135	3,021	6,903
Supplies and miscellaneous equipment	-	24,277	-	12,794	3,347	2,032	8,566	51,016
Subscriptions and memberships	-	2,717	30	-	191	9,539	13,102	25,579
Fees/Inses/fi 230	-	100	-	21,814	494	22,638	-	78,610
Other expenses	-	5,492	-	-	-	73,118	-	78,610
Total exns	\$ 1,104,241	\$ 182,752	\$ 393,513	\$ 66,521	\$103,580	\$ 1,151,740	\$ 42,754	\$ 3,045,101

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	Program Activities					Supporting Activities		Total Expenses
	Scholarships and Awards	Academic Support	Facilities Support	Other Direct Support	Faculty Support	Administrative General and Other	Fundraising	
<u>2020</u>								
Scholarships awarded	\$ 1,009,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,009,493
Contracted services	-	13,100	545	-	-	-	-	

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will have a material impact on its operations.

NOTE L - SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through November 5, 2021, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.