

Financial Statements and Report of
Independent Certified Public Accountants

STOCKTON AFFILIATED SERVICES, INC.
(A Component Unit of Stockton University)

June 30, 2018 and 2017

STOCKTON AFFILIATED SERVICES, INC.
(A Component Unit of Stockton University)

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 12

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 financial position of Stockton Affiliated Services, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Grant Thornton LLP", is written over a solid black rectangular redaction box.

Philadelphia, Pennsylvania

November 26, 2018

STOCKTON AFFILIATED SERVICES, INC.
(A Component Unit of Stockton University)
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 2,707,923	\$ 2,248,674
Accounts receivable, net	136,603	132,874
Due from University	441,883	173,524
Prepaid expenses	<u>136,907</u>	<u>95,568</u>
Total current assets	3,423,316	2,650,640
Property and equipment, net	<u>2,102,915</u>	<u>1,878,265</u>
Total assets	<u><u>\$ 5,526,231</u></u>	<u><u>\$ 4,528,905</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 272,939	\$ 264,222
Due to University	1,288,097	1,332,282
Deferred revenue	42,509	35,258
Other liabilities	<u>35,318</u>	<u>60,616</u>
Total current liabilities	1,638,863	1,692,378
Long-term notes payable	<u>1,314,683</u>	<u>1,314,683</u>
Total liabilities	2,953,546	3,007,061
Net assets:		
Unrestricted	<u>2,572,685</u>	<u>1,521,844</u>
Total liabilities and net assets	<u><u>\$ 5,526,231</u></u>	<u><u>\$ 4,528,905</u></u>

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

STOCKTON AFFILIATED SERVICES, INC.
(A Component Unit of Stockton University)
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

	2018	2017
Revenues:		
Food service	\$ 10,834,723	\$ 10,127,044
Transportation and safety	2,083,725	1,827,215
Vendor service	164,074	164,982
Bookstore	421,306	419,775
Rental properties	233,796	233,119
Other income	35,470	43,181
Azeez Museum	5,770	15,090
	<u>13,778,864</u>	<u>12,830,406</u>
Institutional support		
Support for SASI functions (Azeez Museum)	352,204	375,801
	<u>14,131,068</u>	<u>13,206,207</u>
Expenses:		
Program expenses:		
Food service	9,475,432	9,231,294
Transportation and safety	829,212	683,111
Rental properties	101,295	83,226
Rental properties managed for the University	-	3,606
Azeez Museum	357,975	390,891
	<u>10,763,914</u>	<u>10,392,128</u>
Institutional support:		
Support of the University Mission	1,480,947	1,470,573
Support of Foundation fundraising	58,000	58,000
	<u>1,538,947</u>	<u>1,528,573</u>
Supporting expenses:		
College reimbursements	464,906	682,162
General and administrative	121,108	166,000
Depreciation	164,968	118,433
Interest	53,560	50,652
	<u>804,542</u>	<u>1,017,247</u>
Total expenses	<u>13,107,403</u>	<u>12,937,948</u>
Change in net assets from operating activities	1,023,665	268,259
Non-operating activities:		
Dividend and interest income	27,176	20,005
Change in net assets	1,050,841	288,264
Net assets at beginning of year	<u>1,521,844</u>	<u>1,233,580</u>
Net assets at end of year	<u>\$ 2,572,685</u>	<u>\$ 1,521,844</u>

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

STOCKTON AFFILIATED SERVICES, INC.
(A Component Unit of Stockton University)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 1,050,841	\$ 288,264
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	164,968	118,433
Gain on disposal of property and equipment, net	(1,830)	-
(Increase) decrease in assets:		
Accounts receivable	(3,729)	(4,217)
Prepaid expenses	(41,339)	10,687
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	8,717	(386,899)
Due to/from University	(312,544)	572,454
Deferred revenues	7,251	28,918
Other liabilities	(25,298)	(21,785)
Net cash provided by operating activities	847,037	605,855
Cash flows from investing activities:		
Purchase of property and equipment	(387,788)	-
Net cash used in investing activities	(387,788)	-
Net increase in cash	459,249	605,855
Cash and cash equivalents, beginning of year	2,248,674	1,642,819
Cash and cash equivalents, end of year		

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Notes to Financial Statements

June 30, 2018 and 2017

SASI 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.

Net Assets

SASI classifies its resources into one net asset category: unrestricted net assets.

Unrestricted Net Assets - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

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.

Property and Equipment

Property and equipment are carried at historical cost if purchased or constructed, less accumulated depreciation. SASI provides for depreciation of its property and equipment by the use of the straight-line method over the estimated useful lives of its assets. The estimated useful lives used in computing the depreciation provisions and the capitalization thresholds are as follows:

<u>Asset Category</u>	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Buildings	40 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

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

3. PENDING ACCOUNTING GUIDANCE

In August 2016, the FASB issued a new standard related to the *Presentation of Financial Statements of Not-for-Profit Entities*. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit sp

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Payments for unused 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 SASI prior to retirement are not entitled to payments for accumulated sick leave balances.

7. CONCENTRATIONS OF CREDIT RISK

SASI maintains its cash in bank deposits, which at times may exceed federally insured limits. SASI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

8.

STOCKTON AFFILIATED SERVICES, INC.
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Notes to Financial Statements

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The following balances as of June 30, 2018 and 2017, are expected to be settled during the normal course of operations:

	<u>2018</u>	<u>2017</u>
Due from the University:		
Food service	\$ -	\$ 96,489
Summer transportation and safety	76,220	64,960
Repair reimbursement	81,398	-
Oveeye7-24.60289.38e17		3,180
Return of excess Azeez Support	64,534	-
Seaview operations	<u>1,160,622</u>	<u>1,167,293</u>
Overhead charge	62,601	96,680
Miscellaneous	340	59
Total due to University	\$ 1,288,097	\$ 1,332,282
	<u>_____</u>	<u>_____</u>
	<u>_____</u>	<u>_____</u>

9. SUBSEQUENT EVENTS

SASI evaluated subsequent events through November 26, 2018, the date the financial statements were available to be issued. SASI is not aware of any subsequent events that would require recognition or disclosure in the financial statements.