

Financial Statements and Report of
Independent Certified Public
Accountants

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)

June 30, 2020 and 2019

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Grant Thornton LLP

Cash and cash equivalents	\$ 496,156	\$ 474,010
Contributions receivable, net	25,863	42,708
Due from University	165	2,263
Pledges receivable (less allowance of \$670,960 in 2020 and \$78,910 in 2019)	6,038,643	710,188
Other receivables	59,340	32,755
Investments	43,944,266	41,642,391
Other assets	109,979	680,824
	<u>\$ 50,674,412</u>	<u>\$ 43,585,139</u>
Accounts payable and accrued expenses	\$ 37,265	\$ 25,449
Due to University	132,353	416,707
	<u>169,618</u>	<u>442,156</u>
Without donor restrictions		
Designated by the Board	2,411,789	2,430,009
Undesignated	477,794	414,587
	<u>2,889,583</u>	<u>2,844,596</u>
With donor restrictions		
Purpose restricted	9,267,652	9,466,100
Time restricted for future periods	8,566,501	8,680,182
	<u>17,834,153</u>	<u>18,146,282</u>
Endowment funds	29,781,058	22,152,105
	<u>47,615,211</u>	<u>40,298,387</u>
	<u>50,504,794</u>	<u>43,142,983</u>
	<u>\$ 50,674,412</u>	<u>\$ 43,585,139</u>

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

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)
	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)	-
	3,302,255	(312,129)	7,628,953	7,316,824	10,619,079
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
	3,257,268	-	-	-	3,257,268
	44,987	(312,129)	7,628,953	7,316,824	7,361,811
	2,844,596	18,146,282	22,152,105	40,298,387	43,142,983
	\$ 2,889,583	\$ 17,834,153	\$ 29,781,058	\$ 47,615,211	\$ 50,504,794

Increase in net assets	\$ 7,361,811	\$ 3,088,054
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Provision for doubtful accounts	-	20,000
Change in discount and allowance on pledge receivables	1,427,368	2,480
Contributions restricted for long-term purposes	(7,616,133)	(1,199,704)
Net realized and unrealized losses (gains) on investments	91,891	(1,736,340)
Changes in operating assets and liabilities:		
Contributions receivable	16,845	12,482
Due from University	2,098	(2,075)
Pledges receivable	(140,440)	(61,850)
Other receivables	(26,585)	77,341
Other assets	570,845	(261)
Accounts payable and accrued expenses	11,816	(11,754)
Due to University	(284,354)	262,672
	<u>1,415,162</u>	<u>451,045</u>
Proceeds from sales of investments	19,834,991	9,734,674
Purchases of investments	<u>(22,228,757)</u>	<u>(11,003,306)</u>
	<u>(2,393,766)</u>	<u>(1,268,632)</u>
Proceeds from contributions restricted for long-term purposes	<u>1,000,750</u>	<u>1,199,704</u>
	<u>1,000,750</u>	<u>1,199,704</u>
Net increase in cash and cash equivalents	22,146	382,117
	<u>474,010</u>	<u>91,893</u>
	<u>\$ 496,156</u>	<u>\$ 474,010</u>

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

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Foundation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The investments reported in the statements of financial position are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in their fair value, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

The Foundation has adopted a total return investment policy. The primary investment objective is to maximize long-term return through a combination of income and capital appreciation achieved in a prudent manner.

Pending Accounting Pronouncements

In May 2014, the FASB issued a new standard related to *Revenue from Contracts with Customers*, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. The new standard, as amended, is effective for periods beginning after December 15, 2019. An entity will apply this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Investment return, net for the years ended June 30, 2020 and 2019 is comprised of the following:

	2020	2019
Dividend and interest income, net	\$ 1,074,984	\$ 1,051,808
Net realized gains on investments	136,919	1,225,747
Net change in unrealized gains and losses on investments	(228,810)	510,593
Investment return, net	\$ 983,093	\$ 2,788,148

Investment fees included in dividend and interest income, net, amounted to \$169,125 and \$156,721 for 2020 and 2019, respectively.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, net assets with donor restrictions for purpose and time consisted of the following:

	2020	2019
Scholarships and awards	\$ 6,335,681	\$ 6,553,661
Academic support	4,149,228	3,842,879
Facilities support	6,517,559	6,897,704
Faculty support	155,791	194,266
Other direct support	150,996	

STOCKTON UNIVERSITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE G - RELATED PARTY TRANSACTIONS

The Foundation is located on the campus of the University. Stockton Affiliated Services, Inc. ("SASI") is a component unit of the University and is a separately incorporated 501(c)(3) that was established to manage auxiliary operations on behalf of the University. 4 (t)3,s

	Year ended June 30,	
	2020	2019
Foundation's support to the University		
Scholarships	\$ 1,009,493	\$ 958,234
Academic support	387,726	538,021
Facilities support		
Holocaust Resource Center	139,156	293,909
Noyes Museum	196,685	122,500

**STOCKTON UNIVERSITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

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

	Without Donor Restrictions	With Donor Restrictions Purpose and Time Restrictions	Endowment Funds	Total
Endowment, beginning of year	\$ 2,430,009	\$ 8,680,182	\$ 22,152,105	\$ 33,262,296
Investment return:				
Investment income				

STOCKTON UNIVERSITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Foundation's endowment had the following net asset composition at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time Restrictions	Endowment Funds	
Donor-restricted endowment funds	\$ -	\$ 8,566,501	\$ 29,781,058	\$ 38,347,559
Board-designated endowment funds	2,411,789	-	-	2,411,789
Endowment, end of year	<u>\$ 2,411,789</u>	<u>\$ 8,566,501</u>	<u>\$ 29,781,058</u>	<u>\$ 40,759,348</u>

The Foundation's endowment was comprised of the following for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time Restrictions	Endowment Funds	
Endowment, beginning of year	\$ 2,342,791	\$ 7,527,390	\$ 20,960,356	\$ 30,830,537
Investment return:				
Investment income	64,600	742,522	4,693	811,815
Net realized and unrealized gains	102,546	1,290,004	7,352	1,399,902
Total investment return	167,146	2,032,526	12,045	2,211,717
Contributions	-	-	995,205	995,205

**STOCKTON UNIVERSITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Foundation's endowment had the following net asset composition at June 30, 2019:

With Donor Restrictions

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE J - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural classification for the years ended June 30, 2020 and 2019 are as follows:

**STOCKTON UNIVERSITY FOUNDATION
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Furthermore, the Foundation invests cash in excess of requirements in short-term investments.

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 496,156	\$ 474,010