

Financial Statements and Report of
Independent Certified Public
Accountants

Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)

June 30, 2021 and 2020

Contents

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of cash flows	7
Notes to the financial statements	8

GRANT THORNTON LLP

2001 Market St., Suite 700
Philadelphia, PA 19103

D +1 215 561 4200

F +1 215 561 1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Stockton Affiliated Services, Inc.

We have audited the accompanying financial statements of Stockton Affiliated Services, Inc., a component unit of Stockton University, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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. 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 entity'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 entity'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 financial position of Stockton Affiliated Services, Inc. as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

November 5, 2021

**Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)**

STATEMENTS OF FINANCIAL POSITION

June 30,

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ -	\$ 837,054
Accounts receivable	-	114,746
Due from University	-	98,221
Prepaid expenses	-	113,940
Total current assets	-	1,163,961
Property and equipment, net	-	1,853,527
Total assets	\$ -	\$ 3,017,488
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ -	\$ 307,104
Due to University	-	11,346
Deferred revenue	-	7,170
Other liabilities	-	732,344
Total current liabilities	-	1,057,964
Long-term note payable	-	1,314,683
Total liabilities	-	2,372,647
Net assets		
Without donor restrictions	-	644,841
Total net assets	-	644,841
Total liabilities and net assets	\$ -	\$ 3,017,488

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

Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2021	2020
Revenues		
Food service	\$ 3,789,222	\$ 9,117,601
Transportation and safety	1,754,414	2,514,761
Vendor service	211,354	242,076
Bookstore	231,777	291,936
Rental properties	1,430	212,518
Other income	20,196	27,357
Sale of rental properties	455,530	-
Azeez Museum	1,500	3,897
	6,465,423	12,410,146
Institutional support:		
Support for SASI functions (Azeez Museum)	46,424	313,465
Total revenues	6,511,847	12,723,611
Expenses		
Program expenses		
Food service	5,968,583	9,548,102
Transportation and safety	1,068,536	1,789,257
Rental properties	138,577	93,466
Rental properties managed for the University	-	7,447
Azeez Museum	47,946	317,362
	7,223,642	11,755,634
Institutional support		
Support of the University Mission	108,000	1,089,695
Support of Foundation fundraising	20,000	20,000
	128,000	1,109,695
Supporting expenses		
University reimbursements	81,282	97,481
General and administrative	80,492	115,442
Depreciation	162,186	203,268
Interest	27,114	48,067
	351,074	464,258
Total expenses	7,702,716	13,329,587
Change in net assets from operating activities	(1,190,869)	(605,976)
Non-operating activities		
Dividend and interest return	2,230	(67,109)
Transfer of net deficit to University upon SASI dissolution	543,798	-
CHANGE IN NET ASSETS	(644,841)	(673,085)
Net assets at beginning of year	644,841	1,317,926
Net assets at end of year	\$ -	\$ 644,841

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

Years ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (644,841)	\$ (673,085)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Transfer of net deficit to University upon SASI dissolution	(543,798)	-
Depreciation expense	162,186	203,268
Changes in assets and liabilities:		
Accounts receivable	42,958	(103,503)
Due from University	81,942	189,670
Prepaid expenses	113,589	48,478
Accounts payable and accrued expenses	(6,573)	(15,473)
Deferred revenue	12,420	(51,142)
Other liabilities	(82,463)	(105,955)
	<u>(864,580)</u>	<u>(507,742)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Transfer of cash to University upon SASI dissolution	(49,561)	-
Purchase of property and equipment	(144,200)	-
Proceeds from the sale of property and equipment	1,535,970	-
	<u>1,342,209</u>	<u>-</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Principal repayments on long-term note payable	(1,314,683)	-
	<u>(1,314,683)</u>	<u>-</u>
Net cash used in financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(837,054)</u>	<u>(507,742)</u>
Cash and cash equivalents, beginning of year	<u>837,054</u>	<u>1,344,796</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ 837,054</u></u>
Supplementary cash flow information		
Cash paid for interest	<u><u>\$ 27,114</u></u>	<u><u>\$ 48,067</u></u>
Transfer of non-cash assets to University upon SASI dissolution		
Accounts receivable	\$ (71,788)	\$ -
Due from University	\$ (4,933)	\$ -
Prepaid expenses	\$ (351)	\$ -
Equipment	\$ (299,571)	\$ -
Transfer of non-cash liabilities to University upon SASI dissolution		
Accounts payable and accrued expenses	\$ 300,531	\$ -
Deferred revenue	\$ 19,590	\$ -
Other liabilities	\$ 649,881	\$ -

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

**Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A - ORGANIZATION

Stockton Affiliated Services, Inc. ("SASI") was formed and incorporated within the State of New Jersey in July 2008 to manage services that support the goals of Stockton University (the "University"). The services provided to the University include off-campus housing rentals, transportation and safety services, dining services and the campus bookstore. SASI is a self-supporting enterprise established to increase, expand and improve service levels at the University by providing effective, efficient and innovative business solutions that help the University achieve its teaching, scholarship and public service missions while improving operating results and the financial position of the University.

On April 30, 2021, SASI's Board of Directors approved the dissolution and liquidation of SASI effective June 30, 2021, in order to consolidate its assets with the University. The transfer of net deficit to University upon SASI's dissolution was \$543,798 and is reflected within the statement of activities for the year ended June 30, 2021.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

SASI'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 ("U.S. GAAP"). This requires the reporting of total assets, liabilities and net assets in a statement of activities and statement of financial position and reporting the sources and uses of cash and cash equivalents in a statement of cash flows.

U.S. GAAP also requires that net assets and revenues, gains, expenses and losses be classified as with or without donor restrictions based on the existence or absence of donor-imposed restrictions. There are no net assets with donor restrictions as of June 30, 2021 and 2020.

Net assets without donor restrictions are those net assets not subject to externally imposed stipulations. Net assets without donor restrictions 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.

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.

Income Taxes

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

Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

SASI follows the Financial Accounting Standards Board (“FASB”) guidance that requires a tax position to be recognized or derecognized based on a “more likely than not” threshold to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position. SASI does not believe its financial statements include any material uncertain tax positions for which recognition or disclosure is warranted. No interest or penalties were recognized in 2021 or 2020.

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

Cash and Cash Equivalents

Cash and 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, Net

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>
Land improvements	10 to 25 years	\$ 10,000
Building	20 to 40 years	100,000
Equipment	3 to 15 years	5,000

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. SASI adopted the guidance during the year ended June 30, 2021 using the modified retrospective method and has determined that there is no effect on net assets in connection with the adoption of ASU 2014-09.

SASI recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration SASI expects to be entitled to in exchange for those goods or services. Auxiliary services including food service, transportation and safety, and vendor service exist to furnish goods or services to students, faculty, and staff and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. Performance obligations for food service, transportation and safety, and vendor service are delivered over the academic terms of the University. Consequently, revenues are recognized ratably as services are rendered.

Bookstore revenue and sales of rental properties are recorded when the underlying items have been sold.

Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Risk and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. As a result of COVID-19, the University moved to a virtual teaching and learning environment commencing mid-March 2020 and during the year ended June 30, 2021, the COVID-19 pandemic continued to negatively impact SASI’s financial position. Student credits for ancillary services provided by SASI in the amount of \$819,562 and \$1,785,382, respectively, are included as a reduction in food service and transportation & safety revenues in the statement of activities for the year ended June 30, 2021 and 2020. While the disruption is currently expected to be temporary, there is uncertainty around the duration.

NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30:

	2021	2020
Land	\$ -	\$ 575,875
Land improvements	-	56,498
Building	-	1,284,260
Equipment	-	1,247,764
Total property and equipment	-	3,164,397
Less: accumulated depreciation	-	(1,310,870)
Property and equipment, net	\$ -	\$ 1,853,527

Depreciation expense for the years ended June 30, 2021 and 2020 was \$162,186 and \$203,268, respectively. All property and equipment that SASI had not sold by June 30, 2021 has been transferred to the University.

NOTE D - LONG-TERM NOTE PAYABLE

SASI had a \$2,000,000 Commercial Line Note (the “Loan”) from the University. Under the terms of the Loan, SASI shall pay interest to the University on the outstanding and unpaid principal amount of the Loan at an adjustable interest rate of the 30-year U.S. Treasury Note rate plus 150 basis points. The rate as of both June 30, 2021 and 2020 was 2.85%. Repayment of the Loan is not required until September 2038. The Loan is secured by the assets of SASI. As of June 30, 2021, the outstanding loan balance was fully repaid to the University.

At June 30, 2021 and 2020, respectively, the Loan balance due to the University was \$0 and \$1,314,683, respectively. Interest expense totaled \$27,114 and \$48,067 for the years ended June 30, 2021 and 2020, respectively.

Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE E - COMMITMENTS

Compensated Absences

SASI recorded a liability for compensated absences in the amount of \$0 and \$41,039 as of June 30, 2021 and 2020, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position. The liability was calculated based upon employees' accrued vacation leave as of year-end, as well as an estimated vested amount for accrued sick leave.

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. SASI employees have all been transferred to the University, and their compensated absence balances will continue under the University.

NOTE F - CONCENTRATIONS OF CREDIT RISK

SASI maintained 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. Since SASI's net assets were transferred to the University at June 30, 2021, concentrations of credit risk is no longer applicable.

NOTE G - RELATED-PARTY TRANSACTIONS

The University owns the buildings that are utilized as office space by SASI for conducting business and employs the personnel that support its administrative, financial and operating activities. SASI reimburses the University for use of space and personnel through payment of an overhead charge. Reimbursements made to the University for the years ended June 30, 2021 and 2020 were \$81,282 and \$97,481, respectively.

SASI entered into a master management agreement with the University on February 5, 2009 to provide for management services with respect to certain auxiliary services of the University which remained in effect through June 30, 2021. These auxiliary services include transportation services, bookstore operations, beverage vending services, snack vending services and dining services. SASI will manage existing contracts for these services and negotiate new contracts upon expiration of existing agreements. This agreement includes transportation services under a contract with South Jersey Transportation Authority that expires August 31, 2022; transportation services in Atlantic City under a contract with Stout's Charter Service, Inc. that expired May 31, 2021 (renewed in July 2021 by the University upon the dissolution of SASI and now expiring on May 30, 2022); Atlantic City parking facility property management under a contract with B & B Parking, Inc. that expired August 24, 2021; dining services in Atlantic City under a subcontract with Carluccio's Food Court Express, Inc. that expires June 30, 2026; bookstore operations under a contract with Follett that expires June 30, 2029; beverage vending services under a contract with Pepsi Cola Bottling Group that expires June 30, 2024; snack vending services under a contract with K&R Vending whereby SASI exercised the second of two one-year option renewals that expired June 30, 2021 (not renewed by the University upon the dissolution of SASI, and instead, vending services were reassigned to Bevco Service, Inc. under a contract that expires on July 25, 2024); drug & alcohol testing services under a contract with National Drug Screening, Inc. that expires January 9, 2022 unless renewed for an additional term; and dining services under a contract with Chartwell's that expires June 30, 2028. Upon the dissolution of SASI on June 30, 2021, the management of these auxiliary services contracts transferred to the University.

**Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

SASI's support of the University Mission consisted of the following for the years ended June 30:

	2021	2020
Auxiliary - Bookstore	\$ -	\$ 315,438
Auxiliary - Food Services	-	708,382
Auxiliary - Vending	-	24,500
Facility support	1,000	6,375
Scholarships	105,000	33,000
Marketing	2,000	2,000
	\$ 108,000	\$ 1,089,695

Stockton University Foundation (the "Foundation") is a component unit of the University and is a separately incorporated 501(c)(3) that was established to receive gifts, grants and bequests to support the programs and goals of the University. During the years ended June 30, 2021 and 2020, the Foundation provided support for the operations of the Azeez Museum of \$46,424 and \$237,375, respectively, which is presented as part of institutional support on the statements of activities. SASI provided support to the Foundation's scholarship programs in the amount of \$20,000 for both years ended June 30, 2021 and 2020.

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

	2021	2020
Due from University:		
Food service	\$ -	\$ 1,811
Azeez support	-	86,105
Overhead adjustment	-	7,021
Miscellaneous	-	3,284
	\$ -	\$ 98,221
	2021	2020
Due to University:		
Azeez support	-	10,015
Miscellaneous	-	1,331
	\$ -	\$ 11,346

Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE H - FUNCTIONAL CLASSIFICATION OF EXPENSES

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

	Program Expenses					Supporting, Management and General Expenses	Total Expenses Year Ended June 30, 2021
	Food Service	Transportation and Safety	Rental Properties	Rental Properties Managed for the University	Azeez Museum		
Salaries and benefits	\$ -	\$ 90,820	\$ -	\$ -	\$ 9,543	\$ -	\$ 100,363
Contracted services	5,947,162	806,450	700	-	7	-	6,754,319
Legal fees	-	-	1,496	-	-	13,146	14,642
Accounting fees	-	-	-	-	-	30,400	30,400
Utilities	-	-	424	-	16,136	-	16,560
Insurance	-	50,546	-	-	794	25,311	76,651
Depreciation	-	-	-	-	-	162,186	162,186
Occupancy/overhead	-	-	-	-	-	81,282	81,282
Support of University							
Mission/Fundraising	-	-	-	-	-	128,000	128,000
Travel conferences and meetings	-	347	-	-	-	-	347
Printing and advertising	-	-	-	-	2,777	40	2,817
Supplies and non-capital equipment	19,777	-	-	-	-	-	19,777
Maintenance	-	112,467	570	-	16,985	-	130,022
Loan interest	-	-	-	-	-	27,114	27,114
Other expenses	1,644	7,906	135,387	-	1,704	11,595	158,236
Total expenses	\$ 5,968,583	\$ 1,068,536	\$ 138,577	\$ -	\$ 47,946	\$ 479,074	\$ 7,702,716

	Program Expenses					Supporting, Management and General Expenses	Total Expenses Year Ended June 30, 2020
	Food Service	Transportation and Safety	Rental Properties	Rental Properties Managed for the University	Azeez Museum		
Salaries and benefits	\$ -	\$ 355,951	\$ -	\$ -	\$ 222,200	\$ -	\$ 578,151
Contracted services	9,546,992	1,220,113	1,200	-	698	-	10,769,003
Legal fees	-	-	-	-	-	5,421	5,421
Accounting fees	-	-	-	-	-	38,992	38,992
Utilities	-	840	31,065	-	22,183	-	54,088
Insurance	-	49,453	15,739	4,147	792	52,570	122,701
Depreciation	-	-	-	-	-	203,268	203,268
Property taxes	-	-	9,819	-	-	-	9,819
Occupancy/overhead	-	-	-	3,300	-	97,481	100,781
Support of University							
Mission/Fundraising	-	-	-	-	-	1,109,695	1,109,695
Travel conferences and meetings	-	4,279	-	-	13,310	161	17,750
Printing and advertising	-	-	-	-	22,882	1,084	23,966
Supplies and non-capital equipment	-	82,202	1,634	-	11,640	3,485	98,961
Maintenance	-	69,382	30,775	-	17,377	-	117,534
Loan interest	-	-	-	-	-	48,067	48,067
Other expenses	1,110	7,037	3,234	-	6,280	13,729	31,390
Total expenses	\$ 9,548,102	\$ 1,789,257	\$ 93,466	\$ 7,447	\$ 317,362	\$ 1,573,953	\$ 13,329,587

Stockton Affiliated Services, Inc.
(A Component Unit of Stockton University)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

SASI's financial assets available within one year of the statement of financial position date for general expenditures as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ -	\$ 837,054
Accounts receivable	-	114,746
Due from University	-	98,221
Available loan balance	-	685,317
		<u>1,735,338</u>
Less: current liabilities	<u>-</u>	<u>(1,057,964)</u>
Available to management	<u>\$ -</u>	<u>\$ 677,374</u>

SASI's liquidity and resources available to management fluctuate with the build-up and settlement of the balances with the University. Since SASI's net assets were transferred to the University at June 30, 2021, liquidity and availability of resources is no longer applicable for SASI on a stand-alone basis.

NOTE J - SUBSEQUENT EVENTS

SASI evaluated subsequent events through November 5, 2021, 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.