

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, 2019 and 2018

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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 the aggregate 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, 2019 and 2018, 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 opinions on these financial statements based on our audit. We conducted our audit 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities and discretely presented component units of Stockton University as of June 30, 2019 and 2018, and the changes in net position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 17, and the required supplementary information on pages 55 through 57 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 who 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 opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Expenditures of Federal Awards and State of New Jersey Awards for the year ended June 30, 2019, 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 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 59 through 62, 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 December 20, 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 solely 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 the University's 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.



Philadelphia, Pennsylvania
December 20, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Years ended June 30, 2019 and 2018

INTRODUCTION

Stockton University (the "University" or "Stockton") is proud to present its comparative financial statements for fiscal years 2019 and 2018, and its changes in financial position for the fiscal years then ended with fiscal year 2017 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 more than 1,600 acres, the majority of which is pristine forest and wetlands in the Pinelands National Reserve. The University opened 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 enabled 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 opened a new \$178.3 million residential campus in August 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. (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 3-story 56,000 square-foot Academic Center in Atlantic City consists of classrooms a multipurpose event room, food court with indoor and outdoor seating, and administrative and faculty offices. The site houses the Master of Social Work program, the Master in Education – Certificate of Eligibility program, and the doctoral program in Organizational Leadership as well as undergraduate courses in multiple majors with an emphasis on Business, Hospitality and Tourism.

Funding sources for the Atlantic City campus included \$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 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

Also in Atlantic City, the University owns the Carnegie Center, a 17,335 square-foot historical building which has hosted courses, continuing professional education programming and special events.

Stockton also owned the Stockton Seaview Hotel and Golf Club ("Seaview") resort 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 examination rooms.

In January 2013, Stockton 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. A new Masters in Counseling began classes there in fall 2019.

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 9,934 students for fall 2019, compared with 9,621 students enrolled for fall 2018.

The number of full-time equivalent students increased about 4% from 9,191 in fall 2018 to 9,572 in fall 2019.

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

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).

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

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* ("GASB 71"). 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 with the latest measurement as of June 30, 2018, 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 replaced the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. It established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. This statement also identified 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 the GASB 75 special funding situation, the University is required to record in its financial statements, as an expense and corresponding revenue, its proportionate share of the OPEB expense allocated to the State of New Jersey and include its proportionate share of the collective total OPEB liability in its respective notes to the financial statements. The total OPEB liability is measured each fiscal year end with the latest measurement as of June 30, 2018, a one-year lag from the University's year-end reporting date.

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Years ended June 30, 2019 and 2018

As a result of the requirements 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, 2019 and 2018 financial statements for GASB 68 and its proportionate share of expense and corresponding revenue for GASB 75 in the June 30, 2019 and 2018 financial statements. The note disclosures regarding the pension and OPEB benefits 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. 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, changes in deferred outflows and inflows of resources, and net pension liability. The effect of GASB 75 was the recognition of an expense and corresponding revenue of the University's proportionate share of the OPEB expense allocated to the State of New Jersey.

The following reflects the impact of GASB 68 and 75 on the University's financials at June 30, 2019:

	Excluding GASB 68 and 75	Recognition of GASB 68	Recognition of GASB 75	Including GASB 68 and 75
Statement of net position at June 30, 2019:				
Deferred outflows of resources - related	\$ -	\$ 14,350,470	\$ -	\$ 14,350,470
Net pension liability	-	173,909,142	-	173,909,142
Deferred inflows of resources - related	-	34,620,034	-	34,620,034
Net position - unrestricted	79,159,571	(194,178,706)	-	(115,019,135)
Total net position	200,478,310	(194,178,706)	-	6,299,604
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2019:				
Operating expenses				
Instruction	\$ 59,107,288	\$ 2,080,307	\$ -	\$ 61,187,595
Research	1,588,907	-	-	1,588,907
Public service	9,423,437	96,026	-	9,519,463
Academic support	25,781,848	897,265	-	26,679,113
Student services	23,335,895	1,024,023	-	24,359,918
Institutional support	33,187,108	2,857,454	-	36,044,562
Operation and maintenance of plant	24,842,473	2,304,627	-	27,147,100
Student aid	9,930,458	-	-	9,930,458
Auxiliary enterprises	12,538,053	704,446	-	13,242,499
Independent operations	2,638,603	-	-	2,638,603
Depreciation	17,605,218	-	-	17,605,218
OPEB expense	-	-	10,275,436	10,275,436
Total operating expenses	\$219,979,288	\$ 9,964,148	\$ 10,275,436	\$ 240,218,872

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

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

	Excluding GASB 68 and 75	Recognition of GASB 68	Recognition of GASB 75	Including GASB 68 and 75
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	<u>\$218,569,136</u>	<u>\$ 23,615,308</u>	<u>\$ 14,840,154</u>	<u>\$257,024,598</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2019, 2018 and 2017 is as follows (in thousands):

	2019	2018	2017
ASSETS			
Current assets	\$ 34,266	\$ 41,648	\$ 70,296
Capital assets	445,428	482,464	434,423
Other non-current assets	83,843	71,134	82,346
Total assets	<u>563,537</u>	<u>595,246</u>	<u>587,065</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	14,351	37,810	45,612
Loss on refunding debt	10,586	11,153	11,739
Total deferred outflows of resources	<u>24,937</u>	<u>48,963</u>	<u>57,351</u>
LIABILITIES			
Current liabilities	34,464	44,848	56,710
Noncurrent liabilities	510,883	538,103	552,261
Total liabilities	<u>545,347</u>	<u>582,951</u>	<u>608,971</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	34,620	26,503	217
Capital lease	2,107	-	-
Gain on refunding debt	100	111	122
Total deferred inflows of resources	<u>36,827</u>	<u>26,614</u>	<u>339</u>
NET POSITION			
Net investment in capital assets	114,894	147,230	102,031
Restricted for:			
Debt service reserve	6,425	8,443	4,807
Unrestricted	<u>(115,019)</u>	<u>(121,029)</u>	<u>(71,732)</u>
Total net position	<u>\$ 6,300</u>	<u>\$ 34,644</u>	<u>\$ 35,106</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, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

Total assets for the University decreased by \$31,709,644 in fiscal year 2019. This decrease is primarily due to the decrease in capital assets, net of \$37,035,916 and the decrease in deposits held by bond trustees of \$3,676,109. These decreases were offset by an increase in investments of \$10,364,091. The sale of the Seaview property impacted both capital assets and investments as the net book value was written off and the sale proceeds were invested. Investments were also positively impacted by the market. Deposits held by bond trustees were utilized during the fiscal year to fund constructions projects on the Galloway campus. Total assets increased by \$8,180,971 in fiscal year 2018. This increase can be mainly attributed to increases in investments and capital assets of \$4,802,778 and \$48,041,100, respectively, offset by a decrease in deposits held by bond trustees of \$33,187,059 and State of New Jersey receivables of \$12,350,358. The increase in investments is a function of the market coupled with the change in portfolio mix. 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.

The change in deferred outflows is attributed to GASB 68 pensions and represents the fiscal year 2019 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, 2020. 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.

Total liabilities decreased by \$37,604,518 in fiscal year 2019. This is mainly a result of the decline in GASB 68 net pension liability of \$21,611,656, a reduction in bonds payable and other long-term debt of \$7,435,762, and a decrease in accounts payable of \$8,084,148 related to the completion of major capital projects in the early months of fiscal year 2019. 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.

The change in deferred inflows of resources is related to the University's utilization of \$2,180,146 of the bond funds from the Atlantic County Improvement Authority's Series 2016A Bonds towards the Atlantic City Academic project. This deferred inflow will be amortized and recognized as a component of interest expense over the lease term. The increase in deferred inflows is also 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.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

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, 2019, 2018 and 2017 is as follows (in thousands):

	2019	2018	2017
OPERATING REVENUES			
Net student revenues	\$ 117,702	\$ 110,699	\$ 105,015
Governmental grants	27,818	25,235	21,959
Independent operations	1,632	14,715	17,417
Other	7,994	8,225	8,071
Total operating revenues	155,146	158,874	152,462
OPERATING EXPENSES	240,219	257,024	223,657
Operating loss	(85,073)	(98,150)	(71,195)
NON-OPERATING AND OTHER REVENUES (EXPENSES):			
State of New Jersey appropriations	49,498	48,891	40,924
State of New Jersey OPEB	10,275	14,840	-
Pell grants	17,024	15,534	13,181
Investment income	5,046	4,816	6,356
Capital grant revenue	261	22,570	27,811
(Loss) gain on disposal of capital assets, net	(12,261)	260	(2)
Interest on capital related debt	(12,984)	(9,127)	(8,726)
Other non-operating expenses, net	(130)	(96)	(104)
Net non-operating and other revenues	56,729	97,688	79,440
(Decrease) increase in net position	(28,344)	(462)	8,245
Net position - beginning of year	34,644	35,106	26,861
Net position - end of year	\$ 6,300	\$ 34,644	\$ 35,106

REVENUES

To fund its operations, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

OPERATING

Operating revenues for the years ended June 30, 2019, 2018 and 2017 totaled \$155,145,812, \$158,873,614, and \$152,461,669, respectively. For the year ended June 30, 2019, student revenues net of scholarships were \$117,701,746, governmental grants were \$27,817,674, independent operations were \$1,632,056, and other revenue totaled \$7,994,336. 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.

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 2018 to fiscal year 2019 by approximately 7.47%. Auxiliary activities include housing, which increased from fiscal year 2018 by 9.75%. The decrease in independent operations revenue for fiscal year 2019 is due to the sale of Seaview on July 31, 2018.

Operating revenues for 2019, 2018 and 2017 were as follows (in thousands):

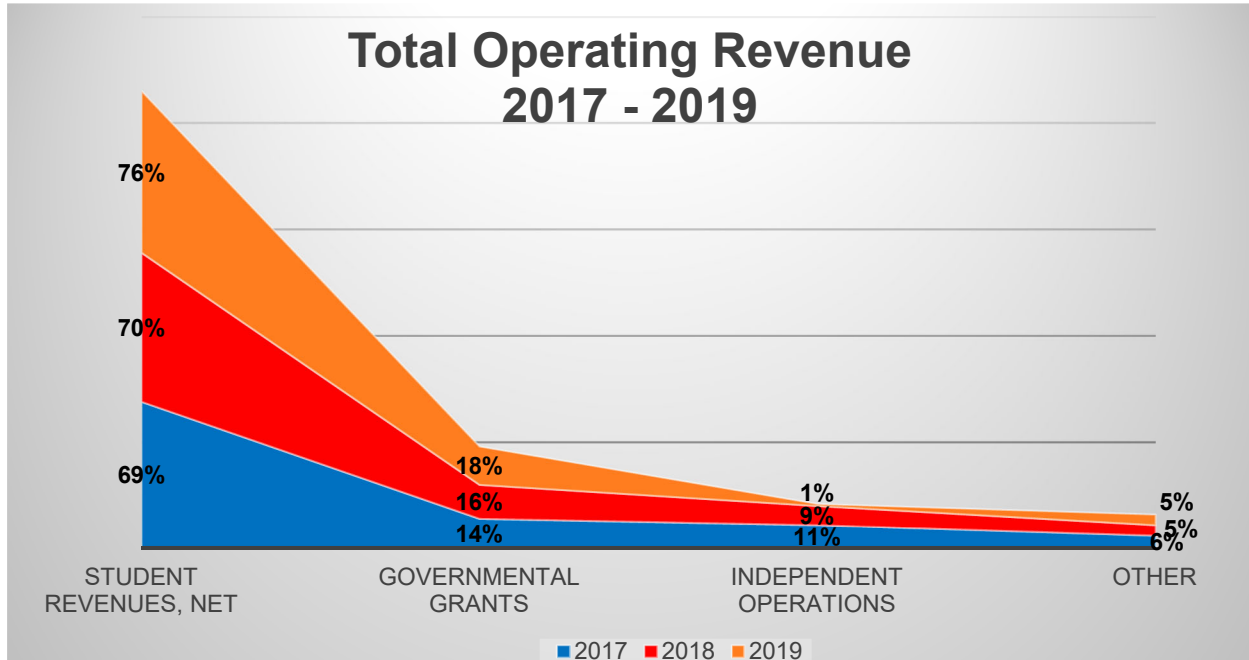
	<u>2019</u>	<u>% Total</u>	<u>2018</u>	<u>% Total</u>	<u>2017</u>	<u>Total</u>
Student revenues, net	\$ 117,702	76%	\$ 110,699	70%	\$ 105,015	69%
Governmental grants	27,818	18	25,235	16	21,959	14
Independent operations	1,632	1	14,715	9	17,417	11
Other	7,994	5	8,225	5	8,071	6
Total operating revenues	<u>\$ 155,146</u>	<u>100%</u>	<u>\$ 158,874</u>	<u>100%</u>	<u>\$ 152,462</u>	<u>100%</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

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



NON-OPERATING AND OTHER REVENUES

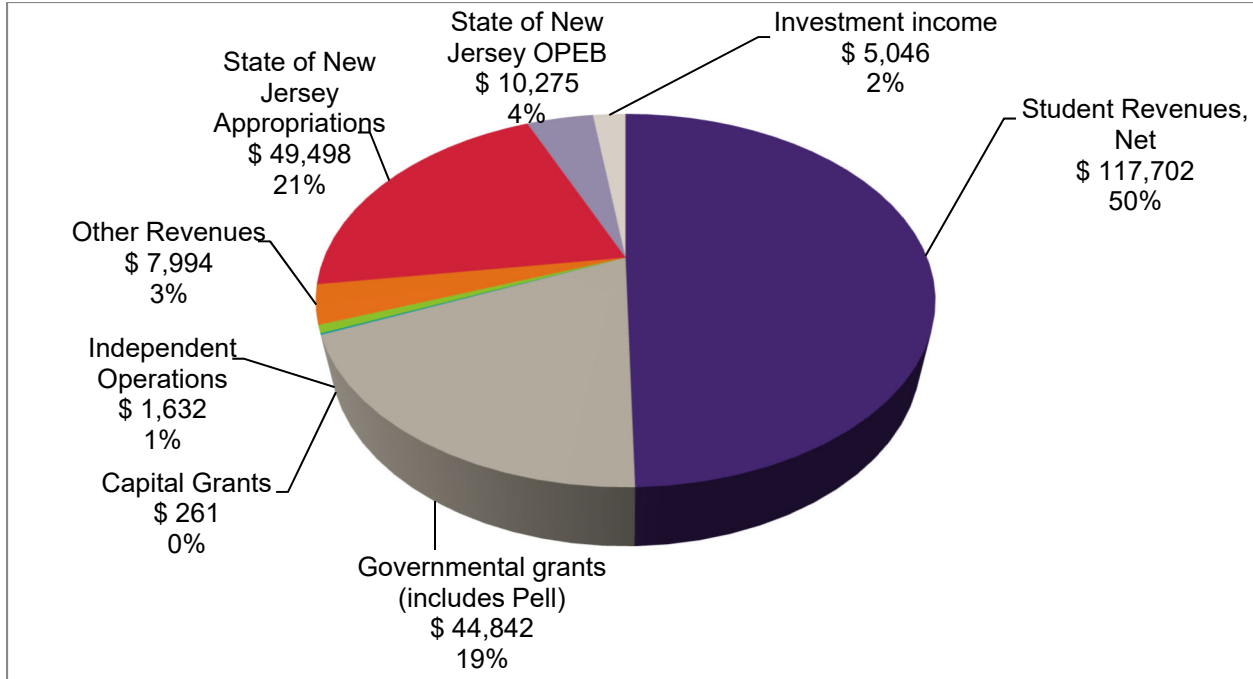
Net non-operating and other revenues for the years ended June 30, 2019, 2018 and 2017 totaled \$56,728,848, \$97,688,486, and \$79,440,827, respectively. The primary source of non-operating revenue was the State of New Jersey appropriation, including fringe benefits, of \$49,498,328, \$48,890,683, and \$40,924,492, respectively, for the years ended June 30, 2019, 2018 and 2017. The other components of net non-operating revenues were Pell grant revenues of \$17,023,586, \$15,534,505, and \$13,180,908, investment income of \$5,046,415, \$4,816,085, and \$6,356,129 and interest expense on plant facilities related debt of (\$12,983,929), (\$9,127,259), and (\$8,726,111) for the years ended June 30, 2019, 2018 and 2017, respectively. Included in other revenues for the years ended June 30, 2019, 2018 and 2017 was capital grant revenue of \$261,320, \$22,570,172, and \$27,811,412, respectively. Also, in compliance with GASB 75, the University recorded non-operating OPEB revenue from the State of New Jersey of \$10,275,436 and \$14,840,154 for the years ended June 30, 2019 and 2018, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

Categories of both operating, non-operating, and other revenues that support the University's core activities in 2019 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, 2019, 2018 and 2017, the University incurred operating expenses totaling \$240,218,872 (\$219,979,288 excluding the effects of GASB 68 and GASB 75), \$257,024,598 (\$218,569,136 excluding the effects of GASB 68 and GASB 75), and \$223,657,254 (\$207,120,790 excluding the effects of GASB 68), respectively. Operating revenues for these periods totaled \$155,145,812, \$158,873,614, and \$152,461,669, respectively, causing a loss from operations of (\$85,073,060) (loss of \$64,833,476 excluding the effects of GASB 68 and GASB 75), (\$98,150,984) (loss of \$59,695,522 excluding the effects of GASB 68 and GASB 75), and (\$71,195,585) (loss of \$54,659,121 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)

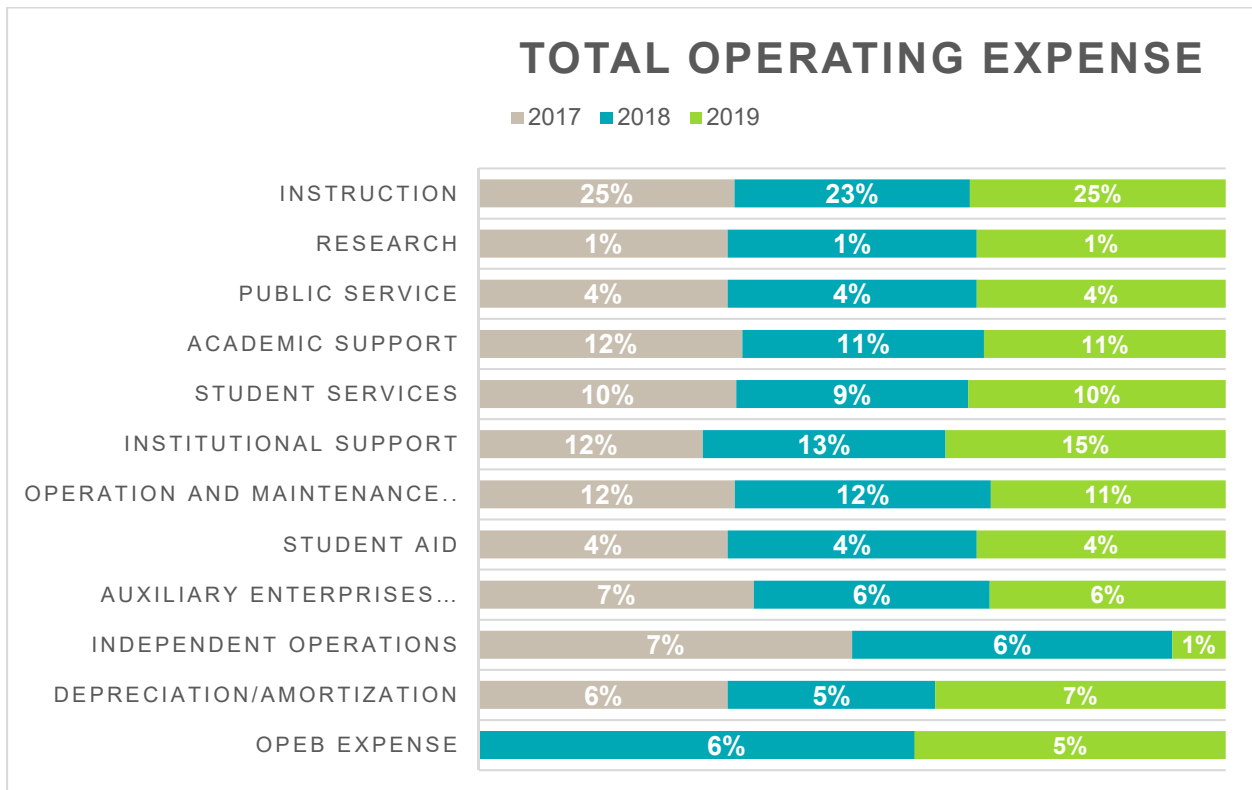
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

A summary of operating expenses for the years ended June 30, 2019, 2018 and 2017 is as follows (in thousands):

	2019	% of Total	2018	% of Total	2017	% of Total
Instruction	\$ 61,188	25%	\$ 60,084	23%	\$ 53,884	25%
Research	1,589	1	1,859	1	1,669	1
Public service	9,519	4	9,583	4	9,087	4
Academic support	26,679	11	29,544	11	27,494	12
Student services	24,360	10	23,728	9	22,744	10
Institutional support	36,045	15	32,214	13	26,267	12
Operation and maintenance of plant	27,147	11	30,814	12	27,454	12
Student aid	9,931	4	10,414	4	9,513	4
Auxiliary enterprises expenditures	13,242	6	16,033	6	15,971	7
Independent operations	2,639	1	14,266	6	16,660	7
Depreciation	17,605	7	13,645	5	12,914	6
OPEB expense	10,275	5	14,840	6	-	0
Total operating expenses	\$ 240,219	100%	\$ 257,024	100%	\$ 223,657	100%

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 \$10,275,436 and \$14,840,154 for the years ended June 30, 2019 and June 30, 2018, respectively. Total operating expenses represented graphically for the three years are as follows:

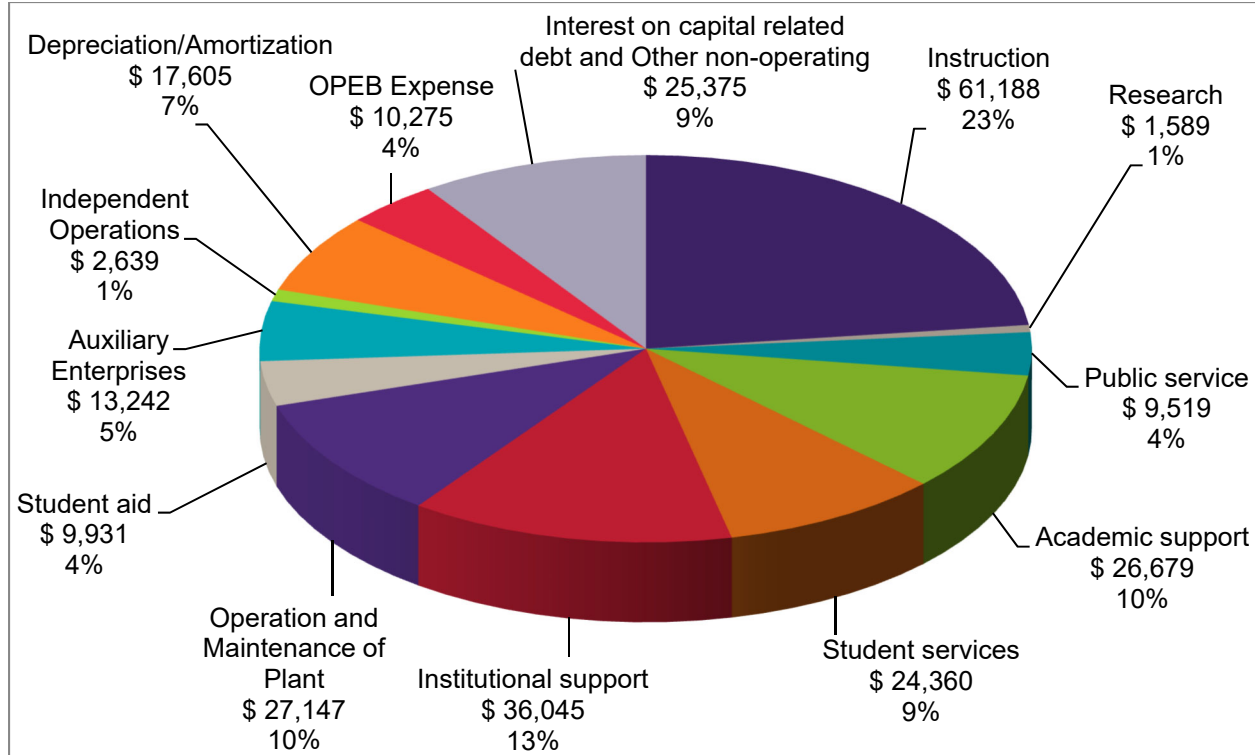


STOCKTON UNIVERSITY
(A Component Unit of The State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

Categories of both operating and non-operating expenses related to Stockton's core activities in 2019 are as follows (in thousands of dollars):



CHANGE IN NET POSITION

The University had a decrease in net position of \$28,344,212 for fiscal year 2019. This is primarily due to the loss on the sale of Seaview of \$12.2 million, the decrease in capital grant revenue of \$22.3 million, and the increase in interest expense on capital related debt of \$3.9 million offset by the decrease in GASB 68 pension expense of \$13.7 million. The University had a decrease in net position of \$462,498 for fiscal year 2018. This was 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 was 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.

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.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2019 and 2018

ECONOMIC OUTLOOK

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

Stockton is ranked #7 among Public Regional Universities in the North by U.S. News & World Report in its 2020 edition of "America's Best Colleges." Stockton also is included in the U.S. News & World Report listing of "Best for Veterans," "Best Value Schools," "Best Undergraduate Teaching School" and "A+ School for B Students." The Military Times ranked Stockton 24th in the nation in its 2019 rankings of Best Colleges for Veterans. Stockton has been named as a 2019 "Best Regional College" in 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 to 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 on the cost of classes and housing or commuting.

On average, Stockton receives more than 6,000 applications for approximately 1,500 available freshman seats. More than 1,500 new freshmen are enrolled for fall 2019. 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 - N126, Galloway, NJ 08205.

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

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

	2019		2018	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,211,499	\$ 1,867,264	\$ 2,750,011	\$ 2,807,740
Receivables				
Students, less allowance of \$1,130,501 in 2019 and \$827,601 in 2018	551,958	-	414,598	-
Perkins Loans, less allowance of \$117,494 in 2019 and \$96,418 in 2018	294,515	-	336,442	-
Federal government	1,617,876	-	1,263,005	-
State of New Jersey	1,506,901	-	2,761,907	-
Due from University/component units	903,558	470,125	1,609,352	442,071
Other receivables	3,832,086	491,220	6,202,179	681,777
Total receivables	8,706,894	961,345	12,587,483	1,123,848
Investments	10,517,708	2,163,000	12,700,000	2,301,169
Deposits held by bond trustees	7,912,455	-	12,112,512	-
Other current assets	1,917,226	843,617	1,498,240	822,393
Total current assets	34,265,782	5,835,226	41,648,246	7,055,150
Noncurrent assets:				
Investments	78,096,342	39,479,391	65,549,959	36,336,250
Deposits held by bond trustees	1,610,909	-	1,086,961	-
Perkins Loans, less allowance of \$589,969 in 2019 and \$541,762 in 2018	1,478,835	-	1,890,430	-
Notes receivable from component units	2,656,383	-	2,606,383	-
Other receivables	-	451,823	-	441,870
Capital assets, net	445,428,412	2,095,737	482,464,328	2,114,224
Total noncurrent assets	529,270,881	42,026,951	553,598,061	38,892,344
Total assets	\$ 563,536,663	\$ 47,862,177	\$ 595,246,307	\$ 45,947,494
Deferred Outflows of Resources				
Pension related	\$ 14,350,470	\$ -	\$ 37,809,795	\$ -
Loss on refunding debt	10,586,421	-	11,153,275	-
Total deferred outflows of resources	24,936,891	-	48,963,070	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	19,775,699	1,363,232	27,859,847	432,723
Due to University/component units	470,125	903,557	442,071	1,609,352
Unearned revenue	4,315,363	58,312	5,287,678	42,509
Compensated absences	4,254,130	37,432	3,846,245	29,956
Bonds payable	3,049,157	-	4,994,157	-
Other long-term debt	2,499,620	-	2,407,442	-
Capital lease obligations	100,000	-	11,387	-
Total current liabilities	34,464,094	2,362,533	44,848,827	2,114,540
Noncurrent liabilities:				
Compensated absences	1,010,160	-	946,736	-
U.S. Government grants refundable	2,498,131	-	2,498,131	-
Bonds payable, noncurrent portion	225,662,297	-	228,711,454	-
Other long-term debt, noncurrent portion	28,923,065	2,635,689	31,422,687	2,606,383
Capital lease obligations, noncurrent portion	78,880,000	-	79,002,774	-
Net pension liability	173,909,142	-	195,520,798	-
Total noncurrent liabilities	510,882,795	2,635,689	538,102,580	2,606,383
Total liabilities	\$ 545,346,889	\$ 4,998,222	\$ 582,951,407	\$ 4,720,923
Deferred Inflows of Resources				
Pension related	\$ 34,620,034	\$ -	\$ 26,503,555	\$ -
Capital lease	2,107,488	-	-	-
Gain on refunding debt	99,539	-	110,599	-
Total deferred inflows of resources	36,827,061	-	26,614,154	-
Net Position				
Net investment in capital assets	114,893,589	742,112	147,230,378	788,232
Restricted:				
Nonexpendable	-	22,152,105	-	20,960,356
Expendable:				
Scholarships	-	18,146,282	-	16,428,283
Debt service and debt service reserves	6,425,150	-	8,442,850	-
Unrestricted	(115,019,135)	1,823,456	(121,029,412)	3,049,700
Total net position	\$ 6,299,604	\$ 42,863,955	\$ 34,643,816	\$ 41,226,571

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, 2019 and 2018

	2019		2018	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Operating Revenues				
Student revenues:				
Tuition and fees	\$ 133,429,702	\$ -	\$ 124,153,285	\$ -
Auxiliary enterprises	28,696,031	-	26,147,900	-
Less scholarship allowances	(44,423,987)	-	(39,601,821)	-
Net student revenues	117,701,746	-	110,699,364	-
Federal grants and contracts	6,476,695	-	6,387,020	-
State and local grants and contracts	21,340,979	289,833	18,847,658	305,751
Nongovernmental grants and contracts	1,113,795	-	1,101,321	-
Other auxiliary enterprises revenues	110,211	14,437,427	115,994	13,737,624
Independent operations	1,632,056	-	14,714,719	-
Other operating revenues	6,770,330	419,524	7,007,538	390,233
In-kind contributions	-	610,204	-	629,215
Total operating revenues	155,145,812	15,756,988	158,873,614	15,062,823
Operating Expenses				
Instruction	61,187,595	-	60,083,861	-
Research	1,588,907	-	1,859,172	-
Public service	9,519,463	-	9,582,782	-
Academic support	26,679,113	-	29,544,403	-
Student services	24,359,918	-	23,728,083	-
Institutional support	36,044,562	4,700,824	32,214,285	4,423,559
Operation and maintenance of plant	27,147,100	-	30,813,700	-
Student aid	9,930,458	958,234	10,413,832	847,187
Auxiliary enterprises	13,242,499	13,014,217	16,033,415	10,405,939
Independent operations	2,638,603	-	14,266,122	-
Depreciation	17,605,218	209,120	13,644,789	164,968
OPEB expense	10,275,436	-	14,840,154	-
In-kind expense	-	610,204	-	629,215
Total operating expenses	240,218,872	19,492,599	257,024,598	16,470,868
Operating loss	(85,073,060)	(3,735,611)	(98,150,984)	(1,408,045)
Non-operating Revenues (Expenses)				
State of New Jersey appropriations	18,391,000	-	18,391,000	-
State of New Jersey appropriations - fringe benefits	31,107,328	-	30,499,683	-
State of New Jersey - OPEB	10,275,436	-	14,840,154	-
Pell grants	17,023,586	-	15,534,505	-
Gifts and contributions	-	1,336,095	-	3,227,088
Investment income	5,046,415	2,802,100	4,816,085	2,529,758
(Loss) gain on disposal of capital assets, net	(12,261,826)	-	260,124	-
Interest on capital related debt	(12,983,929)	(57,670)	(9,127,259)	(53,560)
University and Foundation support	-	80,721	-	121,947
Other non-operating expense	(130,482)	-	(95,978)	-
Total non-operating revenues (expenses), net	56,467,528	4,161,246	75,118,314	5,825,233
Other Revenues				
Capital grant revenue	261,320	-	22,570,172	-
Additions to permanent endowments	-	1,211,749	-	707,241
Total other revenues	261,320	1,211,749	22,570,172	707,241
Change in net position	(28,344,212)	1,637,384	(462,498)	5,124,429
Net position at beginning of year	34,643,816	41,226,571	35,106,314	36,102,142
Net position at end of year	\$ 6,299,604	\$ 42,863,955	\$ 34,643,816	\$ 41,226,571

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, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Student revenues	\$ 117,155,804	\$ 99,744,806
Grants and contracts	30,092,924	60,888,561
Payments to suppliers	(35,916,896)	(72,545,647)
Payments for employee salaries and benefits	(164,486,938)	(139,351,707)
Other receipts	16,006,976	28,829,707
Net cash flows used in operating activities	(37,148,130)	(22,434,280)
Cash Flows from Non-capital Financing Activities		
Receipts from State of New Jersey appropriations	41,843,738	41,633,233
Pell grants	17,023,586	15,534,505
Payments made for other non-operating expenses	(130,482)	(95,978)
Net cash flows provided by non-capital financing activities	58,736,842	57,071,760
Cash Flows from Capital and Related Financing Activities		
Principal paid on capital debt	(5,997,433)	(2,183,139)
Purchases of capital assets	12,436,320	(56,018,420)
Proceeds from the sale of capital assets	(12,261,826)	260,124
Proceeds from capital lease	2,107,488	-
Interest paid on capital debt	(13,683,579)	(10,030,666)
Change in deposits held by bond trustees	3,676,109	33,187,059
Net cash flows used in capital and related financing activities	(13,722,921)	(34,785,042)
Cash Flows from Investing Activities		
Proceeds from sales of investments	154,963,362	67,355,153
Purchases of investments	(162,284,757)	(68,853,289)
Earnings from investments	1,917,092	1,525,336
Net cash flows (used in) provided by investing activities	(5,404,303)	27,200
Net increase (decrease) in cash and cash equivalents	2,461,488	(120,362)
Cash and cash equivalents as of beginning of year	2,750,011	2,870,373
Cash and cash equivalents as of end of year	\$ 5,211,499	\$ 2,750,011
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (85,073,060)	\$ (98,150,984)
Adjustments to reconcile operating loss to net cash used in operating activities:		
State-paid fringe benefit expense	7,654,590	7,257,450
OPEB expense	10,275,436	14,840,154
Depreciation	17,605,218	13,644,789
Capital grant revenue	261,320	22,570,172
Change in assets and liabilities:		
Receivables	4,378,812	11,401,310
Note receivable from component units	(50,000)	(150,000)
Other assets	(418,986)	90,283
Accounts payable and accrued expenses	(1,244,602)	(6,654,443)
Deferred revenues	(972,315)	(11,195,176)
Compensated absences	471,309	296,857
Net pension liability	9,964,148	23,615,308
Net cash used in operating activities	\$ (37,148,130)	\$ (22,434,280)
Supplemental Disclosure of Non-cash Capital Financing Activity		
Change in capital asset additions in accounts payable	\$ (6,772,639)	\$ 5,491,279

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, 2019 and 2018

NOTE 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 University's financial statements. SASI contributed \$1,273,080 for both fiscal 2019 and 2018 to the University as auxiliary services revenues.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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. Because of its relationship with the University, NARTP is considered a component unit of the University and is discretely presented in the University's financial statements. The auditor's opinion on the stand-alone audited financial statements of NARTP for the year ended June 30, 2019 includes an emphasis of matter paragraph relating to the uncertainty of NARTP's ability to continue as a going concern due to NARTP's recurring losses from operations, its net deficit position of \$1,596,954 at June 30, 2019, and its dependency on the continuation of in-kind contributions from certain government agencies to remain operational. NARTP has updated its financial forecasts to reduce expenses below anticipated revenues. NARTP is also actively seeking additional revenue and support that are expected to be available within the next year.

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, other post-retirement benefits, 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.

STOCKTON UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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:

<u>Asset Category</u>	<u>Useful Life</u>	<u>Capital Threshold</u>
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, 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. Deferred inflows also includes an amount recorded as a result of the University utilizing a portion of the Atlantic County Improvement Authority's Series 2016A Bonds towards the Atlantic City Academic project.

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 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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; and
- 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, and (3) federal, state, and local grants and contracts. Non-operating revenues and expenses include activities that have the characteristics of non-exchange 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 non-exchange 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 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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.

Recently Adopted Accounting Standard

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 implemented the accounting and reporting requirement of Statement No. 83 for its fiscal year ended June 30, 2019, and there was no impact from the adoption of this statement.

Pending Accounting Standards

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 is 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 is 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 University is evaluating the impact of adopting this statement.

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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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents:		
Cash (bank accounts)	\$ 5,012,193	\$ 2,395,175
New Jersey Cash Management Fund	199,306	354,836
	<u>\$ 5,211,499</u>	<u>\$ 2,750,011</u>
Total		

Cash balances maintained by banks amounted to \$6,996,913 and \$4,823,026 as of June 30, 2019 and 2018, respectively, of which \$250,000 are Federal Deposit Insurance Corporation insured. Bank balances in excess of insured amounts of \$6,746,913 and \$4,573,026 as of June 30, 2019 and 2018, 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, 2019 and 2018:

	2019	2018
Money market accounts	\$ 6,926,196	\$ 5,339,975
U.S. Treasury and agency obligations	364,588	348,691
Corporate bonds	1,621,293	1,386,484
U.S. government bonds	231,913	398,405
Stocks	6,040,545	6,352,245
Mutual funds	60,882,327	49,780,330
Alternative investments	12,547,188	14,643,829
	<u>\$ 88,614,050</u>	<u>\$ 78,249,959</u>
Total		

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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, 2019 and 2018, 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 5% 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.

The following tables present the University's credit and interest rate risk on its fixed-income investments as of June 30, 2019 and 2018:

Investment Type	June 30, 2019 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	\$ 364,588	\$ -	\$ -	\$ 364,588
Corporate bonds	AA to Ba	1,621,293	55,995	116,110	1,449,188
U.S. government bonds	AA to Aa	231,913	56,834	116,378	58,701
Total		<u>\$ 2,217,794</u>	<u>\$ 112,829</u>	<u>\$ 232,488</u>	<u>\$ 1,872,477</u>

Investment Type	June 30, 2019 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>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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.
- 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 net asset value ("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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury and Agency Obligations	\$ 364,588	\$ 364,588	\$ -	\$ -
U.S. Government Bonds	231,913	231,913	-	-
Debt Mutual Funds	24,000,871	24,000,871	-	-
Money Market Accounts	6,926,196	6,926,196	-	-
Domestic Corporate Bonds	1,561,593	1,561,593	-	-
Foreign Corporate Bonds	59,700	59,700	-	-
Total Debt Securities	33,144,861	33,144,861	-	-
Other Securities				
International Mutual Funds	401,193	401,193	-	-
Equity Mutual Funds	36,480,263	36,480,263	-	-
Domestic Stocks	1,844,305	1,844,305	-	-
Foreign Stocks	4,196,240	4,196,240	-	-
Total Investments, by Fair Value Level	76,066,862	76,066,862	-	-
Investments Measured at NAV				
Hedge Funds - Diversifying	3,064,956	-	-	3,064,956
Hedge Funds - Systematic CTA	4,104,768	-	-	4,104,768
Other Limited Partnerships	5,377,464	-	-	5,377,464
Total Investments, Measured at NAV	12,547,188	-	-	12,547,188
Total Investments, Measured at Fair Value	\$ 88,614,050	\$ 76,066,862	\$ -	\$ 12,547,188

The following table lists investments in alternative investments by major investment category as of June 30, 2019 as follows:

	2019 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds - Diversifying	\$ 3,064,956	\$ -	Quarterly	60 to 65 days
Hedge Funds - Systematic CTA	4,104,768	-	Monthly	10 days
Other Limited Partnerships	5,377,464	-	N/A	N/A
Total Investments, Measured at NAV	\$ 12,547,188	\$ -		

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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

	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
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	-	-
Total Debt Securities	<u>23,950,015</u>	<u>23,950,015</u>	-	-
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	-	-
Total Investments, by Fair Value Level	<u>63,606,130</u>	<u>63,606,130</u>	-	-
Investments, Measured at NAV				
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
Total Investments, Measured at NAV	<u>14,643,829</u>	-	-	<u>14,643,829</u>
Total Investments, Measured at Fair Value	<u>\$ 78,249,959</u>	<u>\$ 63,606,130</u>	<u>\$ -</u>	<u>\$ 14,643,829</u>

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

	2018 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
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	N/A
Total Investments, Measured at NAV	<u>\$ 14,643,829</u>	<u>\$ -</u>		

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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, 2019 and 2018, deposits held by bond trustees included the following:

	2019	2018
Cash and cash equivalents - cash held by trustees	\$ 9,523,364	\$ 13,199,473

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.

As of June 30, 2019 and 2018, deposits held by bond trustees were composed of funds held for the following purposes:

	2019	2018
State capital grant programs	\$ 662,265	\$ 1,086,962
Construction	2,435,949	3,669,661
Debt service and debt service reserves	6,425,150	8,442,850
Total	\$ 9,523,364	\$ 13,199,473

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 consisted of the following:

	July 1, 2018	Additions	Retirements and Adjustments	June 30, 2019
Nondepreciable assets:				
Land	\$ 19,735,905	\$ 3,771,430	\$ (10,400,593)	\$ 13,106,742
Construction in progress	133,740,758	11,957,998	(137,583,599)	8,115,157
Works of art	722,555	-	-	722,555
Total nondepreciable assets	154,199,218	15,729,428	(147,984,192)	21,944,454
Depreciable assets:				
Land improvements	21,009,160	1,234,502	(2,009,528)	20,234,134
Buildings and improvements	416,940,591	44,058,315	(21,241,236)	439,757,670
Leasehold improvements	-	81,544,149	-	81,544,149
Infrastructure	27,728,248	-	(62,342)	27,665,906
Equipment	38,749,253	5,521,486	(3,367,134)	40,903,605
Total depreciable assets	504,427,252	132,358,452	(26,680,240)	610,105,464
Less accumulated depreciation:				
Land improvements	8,727,823	642,800	(519,335)	8,851,288
Buildings and improvements	125,065,072	11,081,621	(3,602,712)	132,543,981
Leasehold improvements	-	2,491,627	-	2,491,627
Infrastructure	15,300,821	522,078	(8,312)	15,814,587
Equipment	27,068,426	2,867,092	(3,015,495)	26,920,023
Total accumulated depreciation	176,162,142	17,605,218	(7,145,854)	186,621,506
Depreciable assets, net	328,265,110	114,753,234	(19,534,386)	423,483,958
Capital assets, net	<u>\$ 482,464,328</u>	<u>\$ 130,482,662</u>	<u>\$ (167,518,578)</u>	<u>\$ 445,428,412</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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

	July 1, 2017	Additions	Retirements and Adjustments	June 30, 2018
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	158,322,588	59,973,764	(64,097,134)	154,199,218
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	439,049,335	65,938,354	(560,437)	504,427,252
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	162,948,695	13,644,789	(431,342)	176,162,142
Depreciable assets, net	276,100,640	52,293,565	(129,095)	328,265,110
Capital assets, net	<u>\$ 434,423,228</u>	<u>\$ 112,267,329</u>	<u>\$ (64,226,229)</u>	<u>\$ 482,464,328</u>

The University capitalized interest expense of \$116,887 and \$861,741 in construction-in-progress during the years ended June 30, 2019 and 2018, respectively.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2019 and 2018, accounts payable and accrued expenses consisted of the following:

	2019	2018
Accounts payable, construction	\$ 3,422,416	\$ 10,382,633
Accounts payable, other	4,465,091	4,763,312
Accrued salaries, fringe benefits and withholdings	6,483,777	7,458,212
Accrued interest on bonds payable and other long-term debt	5,404,415	5,255,690
Total	<u>\$ 19,775,699</u>	<u>\$ 27,859,847</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 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 \$31,107,328 and \$30,499,683 for the years ended June 30, 2019 and 2018, respectively, and are included in both the State of New Jersey appropriations revenue and operating expenses in the accompanying financial statements.

NOTE 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.

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 15.6% and 13.5% of annual covered payroll for the years ended June 30, 2019 and 2018, respectively. 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, 2019 and 2018 was \$4,308,870 and \$3,752,143, respectively, which is recognized as a deferred outflow of resources in the statements of net position.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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 was 43.2% and 32.3% of annual covered payroll for the years ended June 30, 2019 and 2018, respectively. 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, 2019 and 2018 was \$307,566 and \$240,773, 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, 2018 ("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, 2019, are as follows:

	PERS	PFRS	Total
Proportionate share of the net pension liability (\$)			
2018	\$ 164,511,244	\$ 17,849,912	\$ 182,361,156
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 (%)			
2018	0.694%	0.412%	
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	11,813,214	2,537,256	14,350,470
Deferred inflows of resources	34,173,772	446,262	34,620,034
Net pension expense	9,602,606	361,542	9,964,148

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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, 2018 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, 2019 are as follows:

	PERS	PFRS	Total
Deferred outflows of resources:			
Differences between expected and actual experience	\$ 564,761	\$ -	\$ 564,761
Changes of assumptions	1,555,070	(51,622)	1,503,448
Net differences between projected and actual investment earnings on pension plan investments	(655,283)	41,887	(613,396)
Changes in proportionate share	4,710,813	1,766,986	6,477,799
Contributions subsequent to the measurement date	5,637,853	780,005	6,417,858
Total	\$ 11,813,214	\$ 2,537,256	\$ 14,350,470
Deferred inflows of resources:			
Differences between expected and actual experience	\$ 1,372,382	\$ 82,140	\$ 1,454,522
Changes of assumptions	27,221,614	938,186	28,159,800
Net differences between projected and actual investment earnings on pension plan investments	(1,175,509)	(40,246)	(1,215,755)
Changes in proportionate share	6,755,285	(533,818)	6,221,467
Total	\$ 34,173,772	\$ 446,262	\$ 34,620,034

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:

	PERS	PFRS	Total
Deferred outflows of resources:			
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	4,389,336	563,191	4,952,527
Total	\$ 34,291,537	\$ 3,518,258	\$ 37,809,795
Deferred inflows of resources:			
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	-	461,083	461,083
Total	\$ 25,207,324	\$ 1,296,231	\$ 26,503,555

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The deferred outflows of resources related to pensions resulting from contributions subsequent to the Measurement Date of \$5,637,853 for PERS and \$780,005 for PFRS will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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:

	PERS	PFRS	TOTAL
Years ending:			
2020	\$ (1,763,030)	\$ 197,018	\$ (1,566,012)
2021	(3,908,682)	406,102	(3,502,580)
2022	(9,554,671)	442,663	(9,112,008)
2023	(9,045,594)	278,984	(8,766,610)
2024	(3,726,434)	(13,778)	(3,740,212)
	<u>(27,998,411)</u>	<u>1,310,989</u>	<u>(26,687,422)</u>
Contributions paid subsequent to Measurement Date	<u>5,637,853</u>	<u>780,005</u>	<u>6,417,858</u>
	<u>\$ (22,360,558)</u>	<u>\$ 2,090,994</u>	<u>\$ (20,269,564)</u>

Actuarial Assumptions

The University's net pension liability at the Measurement Date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The actuarial valuation used the following actuarial assumptions:

	PERS	PFRS
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%

For PERS, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disability Mortality Table (set back three years for males and set forward one year for females).

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For PFRS, preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 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.

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%

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Discount Rates

The discount rates used to measure the total pension liabilities were 5.66% and 6.51% for PERS and PFRS at the Measurement Date and 5.39% and 6.32% at June 30, 2017, 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 3.87% 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.

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 5.66% for PERS and 6.51% 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:

	PFRS		PERS	
	Rate	Amount	Rate	Amount
1% decrease	4.66%	\$190,250,476	5.51%	\$20,987,542
Current discount rate	5.66%	164,511,244	6.51%	17,849,912
1% increase	6.66%	142,948,384	7.51%	15,266,007

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.

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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, 2019, ABP employer and employee contributions were \$4,850,353 and \$3,031,471, respectively, which were based on participating employee salaries of \$60,629,413. 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. 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.

NOTE 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, 2019 and 2018, the State recorded a liability of \$224,108,076 and \$252,260,777, respectively, 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, 2019 and 2018, the University's share was 3.135728% and 3.084298% of the special funding situation, respectively, and 0.949556% and 0.897572% of the Plan, respectively.

For the year ended June 30, 2019 and 2018, the University recognized OPEB expense of \$10,275,436 and \$14,840,154, respectively. 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 \$10,275,436 and \$14,840,154, respectively.

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Actuarial Assumptions and Other Inputs - The State's liability associated with the University at June 30, 2019 and 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement dates of June 30, 2018 and 2017, respectively.

Inflation rate	2.50%
Discount rate	3.87% - June 30, 2018 3.58% - June 30, 2017
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-2006 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-2006 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-2006 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, 2017 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, 2013).

Health Care Trend Assumptions - For pre-Medicare preferred provider organization ("PPO") and health maintenance organization ("HMO") medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight 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 8.0%, decreasing to a 5.0% long-term trend rate after seven 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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June 30, 2019 and 2018

NOTE 8 - BONDS PAYABLE AND OTHER LONG-TERM DEBT

Bonds payable and other long-term debt as of June 30, 2019 and 2018 consisted of the following:

	<u>Interest Rate</u>	<u>2019</u>	<u>2018</u>
Bonds payable:			
New Jersey Educational Facilities Authority Bonds:			
Series 2016 A (Refunded 2006F, 2007G, 2008A)	3.00 - 5.00%	\$ 198,810,000	\$ 202,445,000
Unamortized premium		<u>29,901,454</u>	<u>31,260,611</u>
Total		228,711,454	233,705,611
Less current portion		<u>(3,049,157)</u>	<u>(4,994,157)</u>
Bonds payable, noncurrent portion		<u>\$ 225,662,297</u>	<u>\$ 228,711,454</u>
Other long-term debt:			
Higher Education Equipment Leasing Fund	5.00%	\$ 837,689	\$ 1,022,885
Higher Education Capital Improvement Fund	3.00 - 5.25%	12,992,430	13,781,210
Series 2015E (Current refunding of 2005F)	2.83%	14,866,301	16,233,597
Island Campus Redevelopment Urban Renewal Assoc.	12.00%	2,100,000	2,100,000
Dam Restoration Loan	2.00%	185,329	206,490
Total		<u>30,981,749</u>	<u>33,344,182</u>
Unamortized premium		440,936	485,947
Total		<u>31,422,685</u>	<u>33,830,129</u>
Less current portion		<u>(2,499,620)</u>	<u>(2,407,442)</u>
Other long-term debt, noncurrent portion		<u>\$ 28,923,065</u>	<u>\$ 31,422,687</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
Total		<u>78,980,000</u>	<u>79,014,161</u>
Less current portion		<u>(100,000)</u>	<u>(11,387)</u>
Capital lease obligations, noncurrent portion		<u>\$ 78,880,000</u>	<u>\$ 79,002,774</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 5.00% Term Bonds. The Serial Bonds bear interest at rates between 3.00%-5.00%, 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 which 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.

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.

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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 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 which is a deferred inflow and amortized as a component of interest expense over the life of the 2015E Series Bonds.

Payments due on bonds payable and other long-term debt excluding net unamortized premiums, discounts, and deferred gains and losses totaling \$19,855,509 subsequent to June 30, 2019 are as follows:

Years Ending June 30,	Principal	Interest	Total
2020	\$ 4,144,610	\$ 10,606,606	\$ 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	8,932,881	9,256,155	18,189,036
2025-2029	56,721,101	38,525,913	95,247,014
2030-2034	60,090,524	23,538,086	83,628,610
2035-2039	61,867,473	8,858,943	70,726,416
2040-2048	16,295,000	840,750	17,135,750
Total	<u>\$ 229,791,749</u>	<u>\$ 121,850,575</u>	<u>\$ 351,642,324</u>

Capital Lease Obligation

The University is the guarantor, and obligor under a capital lease agreement, 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 Term Bonds fully mature July 1, 2048. These bonds were issued to finance a portion of the costs of the development and construction of the University's new Atlantic City campus.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

In September 2018, the University utilized \$2,180,246 of the bond funds towards the Atlantic City Academic project which is treated as a deferred inflow of financial resources. This deferred inflow is amortized and recognized as a component of interest expense over the lease term. The balance of the deferred inflow – capital lease at June 30, 2019 is \$2,107,488.

NOTE 9 - LINE OF CREDIT

The University has available a \$43,174,065 revolving priority credit line with Wells Fargo Advisors which has no expiration, and had no outstanding balance as of June 30, 2019 and 2018. Interest is payable monthly at a rate of 3.456% of the priority credit line outstanding, if any. The credit line 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 \$37,851 and \$20,346 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 - LONG-TERM LIABILITIES

Activity in long-term liabilities for the years ended June 30, 2019 and 2018 follows:

	July 1, 2018	Additions	Current Reductions	June 30, 2019	Current Portion
Compensated absences	\$ 4,792,981	\$ 4,317,555	\$ 3,846,246	\$ 5,264,290	\$ 4,254,130
Net pension liability	195,520,798	-	21,611,656	173,909,142	-
U.S. Government grants refundable	2,498,131	-	-	2,498,131	-
Bonds payable	233,705,611	-	4,994,157	228,711,454	3,049,157
Other long-term debt	33,830,129	-	2,407,444	31,422,685	2,499,620
Capital lease obligations	79,014,161	-	34,161	78,980,000	100,000
Total	<u>\$ 549,361,811</u>	<u>\$ 4,317,555</u>	<u>\$ 32,893,664</u>	<u>\$ 520,785,702</u>	<u>\$ 9,902,907</u>
	July 1, 2017	Additions	Current Reductions	June 30, 2018	Current Portion
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	79,025,548	-	11,387	79,014,161	11,387
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>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 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, 2019 and 2018:

	2019				Total
	Foundation	SASI	NARTP	Eliminations	
Current assets:					
Cash and cash equivalents	\$ 474,010	\$ 1,344,796	\$ 48,458	\$ -	\$ 1,867,264
Due from University/component units	2,263	467,862	-	-	470,125
Investments	2,163,000	-	-	-	2,163,000
Other receivables	333,828	11,243	146,149	-	491,220
Other current assets	680,824	162,418	375	-	843,617
Noncurrent assets:					
Investments	39,479,391	-	-	-	39,479,391
Other receivables	451,823	-	-	-	451,823
Capital assets, net	-	2,056,795	38,942	-	2,095,737
Total assets	<u>\$43,585,139</u>	<u>\$ 4,043,114</u>	<u>\$ 233,924</u>	<u>\$ -</u>	<u>\$47,862,177</u>
Accounts payable and other current liabilities	\$ 25,449	\$ 1,219,188	\$ 214,339	\$ -	\$ 1,458,976
Due to University/component units	416,707	191,317	295,533	-	903,557
Long-term liabilities to University	-	1,314,683	1,321,006	-	2,635,689
Total liabilities	<u>\$ 442,156</u>	<u>\$ 2,725,188</u>	<u>\$ 1,830,878</u>	<u>\$ -</u>	<u>\$ 4,998,222</u>
Net position:					
Net investment in capital assets	\$ -	\$ 742,112	\$ -	\$ -	\$ 742,112
Restricted - nonexpendable	22,152,105	-	-	-	22,152,105
Restricted - expendable	18,146,282	-	-	-	18,146,282
Unrestricted	2,844,596	575,814	(1,596,954)	-	1,823,456
Total net position	<u>\$43,142,983</u>	<u>\$ 1,317,926</u>	<u>\$ (1,596,954)</u>	<u>\$ -</u>	<u>\$42,863,955</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

	2018				Total
	Foundation	SASI	NARTP	Eliminations	
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
Investments	2,301,169	-	-	-	2,301,169
Other receivables	394,234	136,603	150,940	-	681,777
Other current assets	680,563	136,907	4,923	-	822,393
Noncurrent assets:					
Investments	36,336,250	-	-	-	36,336,250
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	\$ 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>

STOCKTON UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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, 2019 and 2018:

	2019				
	Foundation	SASI	NARTP	Eliminations	Total
Operating revenues:					
Grants	\$ -	\$ -	\$ 289,833	\$ -	\$ 289,833
Other auxiliary enterprises	-	14,437,427	-	-	14,437,427
Other	316,753	64,899	45,872	(8,000)	419,524
In-kind contributions	563,846	-	46,358	-	610,204
Total operating revenues	<u>880,599</u>	<u>14,502,326</u>	<u>382,063</u>	<u>(8,000)</u>	<u>15,756,988</u>
Operating expenses:					
Institutional support	1,606,412	2,817,154	531,616	(254,358)	4,700,824
Student aid	958,234	-	-	-	958,234
Auxiliary enterprises	-	13,014,217	-	-	13,014,217
Depreciation	-	209,120	-	-	209,120
In-kind expense	563,846	-	46,358	-	610,204
Total operating expenses	<u>3,128,492</u>	<u>16,040,491</u>	<u>577,974</u>	<u>(254,358)</u>	<u>19,492,599</u>
Operating (loss) income	<u>(2,247,893)</u>	<u>(1,538,165)</u>	<u>(195,911)</u>	<u>246,358</u>	<u>(3,735,611)</u>
Non-operating revenues (expenses):					
Gifts and contributions	1,348,095	-	-	(12,000)	1,336,095
Investment income	2,776,103	25,997	-	-	2,802,100
Interest expense	-	(57,670)	-	-	(57,670)
University and Foundation support	-	315,079	-	(234,358)	80,721
	<u>4,124,198</u>	<u>283,406</u>	<u>-</u>	<u>(246,358)</u>	<u>4,161,246</u>
Other revenues:					
Additions to permanent endowments	<u>1,211,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,211,749</u>
Change in net position	3,088,054	(1,254,759)	(195,911)	-	1,637,384
Net position - beginning of year	<u>40,054,929</u>	<u>2,572,685</u>	<u>(1,401,043)</u>	<u>-</u>	<u>41,226,571</u>
Net position - end of year	<u>\$ 43,142,983</u>	<u>\$ 1,317,926</u>	<u>\$ (1,596,954)</u>	<u>\$ -</u>	<u>\$ 42,863,955</u>

STOCKTON UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

	2018				
	Foundation	SASI	NARTP	Eliminations	Total
Operating revenues:					
Grants	\$ -	\$ -	\$ 305,751	\$ -	\$ 305,751
Other auxiliary enterprises	-	13,737,624	-	-	13,737,624
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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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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, 2019 and 2018:

	2019			
	Foundation	SASI	NARTP	Total
Due from the University:				
Scholarships	\$ 1,425	\$ -	\$ -	\$ 1,425
Food service	-	1,336	-	1,336
Services provided	-	160	-	160
Overhead charge adjustment	-	381,555	-	381,555
Miscellaneous	838	84,811	-	85,649
Total due from the University	\$ 2,263	\$ 467,862	\$ -	\$ 470,125
Due to the University:				
Institutional support	\$ 326,171	\$ 159,135	\$ 100,000	\$ 585,306
Services provided	17,700	-	-	17,700
Scholarships	72,836	-	-	72,836
Overhead charge	-	21,151	2,743	23,894
Interest on loan	-	-	190,817	190,817
Miscellaneous	-	11,031	1,973	13,004
Total due to the University	\$ 416,707	\$ 191,317	\$ 295,533	\$ 903,557
	2018			
	Foundation	SASI	NARTP	Total
Due from the University:				
Services provided	\$ -	\$ 157,618	\$ -	\$ 157,618
Overhead charge adjustment	-	279,856	-	279,856
Miscellaneous	188	4,409	-	4,597
Total due from the University	\$ 188	\$ 441,883	\$ -	\$ 442,071
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	\$ 154,035	\$ 1,288,097	\$ 167,220	\$ 1,609,352

The Foundation provided support of \$1,955,937 and \$1,704,286 to the University for scholarships, academic, faculty, and facilities support for the years ended June 30, 2019 and 2018, respectively. The University provided in-kind finance and administrative services to the Foundation of \$558,846 and \$529,556 for the years ended June 30, 2019 and 2018, respectively.

The Foundation provided support to SASI for the Sam Azeez Museum of \$234,358 and \$230,257 for the years ended June 30, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

The University has issued a line of credit to SASI in the amount of \$2,000,000. As of June 30, 2019 and 2018, 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 4.31% for fiscal 2019 and 4.24% for fiscal 2018. 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 \$57,670 and \$53,560 for the years ended June 30, 2019 and 2018, respectively. SASI reimburses the University for use of space and personnel through payment of an overhead charge. For the years ended June 30, 2019 and 2018, the overhead charge was \$104,502 and \$464,906, respectively.

The University has issued a line of credit to NARTP in the amount of \$1,500,000. As of June 30, 2019 and 2018, a note receivable in the amount of \$1,341,700 and \$1,291,700, 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 4.31% for fiscal 2019 and 4.24% for fiscal 2018. 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. Per the agreement, interest payments on the outstanding principal balance shall be deferred until the earlier of one year following the issuance of a certificate of occupancy for the first building for tenant occupancy in NARTP or April 10, 2024. Interest expense on the line of credit totaled \$58,213 and \$49,114 for the years ended June 30, 2019 and 2018, respectively. NARTP reimburses the University for the use of space and personnel through payment of an overhead charge. For the years ended June 30, 2019 and 2018, the overhead charge was \$49,625 and \$118,126, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Compensated Absences

The University recorded a liability for compensated absences in the amount of \$5,264,290 and \$4,792,981 for the years ended June 30, 2019 and 2018, 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.

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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, 2019 and 2018, 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 \$1,092,127 as of June 30, 2019. These commitments are primarily related to projects on the Galloway campus. It is expected that all of the funding for these projects will be allocated from unrestricted resources.

Capital Lease Obligation

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.

The aggregate future payments on the ACDevco capital lease are as follows for the years ending June 30:

	Amount
2020	\$ 3,359,456
2021	3,459,456
2022	3,559,206
2023	3,663,456
2024	3,756,706
Thereafter	126,519,720
	144,318,000
Less: interest	(65,338,000)
Total	\$ 78,980,000

Leasehold improvements capitalized under this agreement total \$81,080,000 at June 30, 2019 with the related accumulated depreciation totaling \$2,477,444.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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>
2020	\$ 187,149
2021	202,078
2022	207,131
2023	<u>100,049</u>
Total	<u>\$ 696,407</u>

Total rent expense for the years ended June 30, 2019 and 2018 was \$198,341 and \$133,328, 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, expiring on May 25, 2021.

NOTE 13 - SUBSEQUENT EVENTS

The University evaluated subsequent events through December 20, 2019, the date the financial statements were available to be issued.

On February 20, 2019, the Board of Trustees approved and authorized the purchase of 421 Chris Gaupp Drive in Galloway, New Jersey, which the University purchased on December 19, 2019 for \$6,475,000 to support long-term demand for student housing.

REQUIRED SUPPLEMENTARY INFORMATION

STOCKTON UNIVERSITY
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REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Proportionate Share of Net Pension Liability - Last 10 Years* - Unaudited

June 30, 2019

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
	%	\$			
2019 (2018)	0.694%	\$ 164,511,244	\$ 35,096,517	468.74%	22.11%
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
	%	\$			
2019 (2018)	0.412%	\$ 17,849,912	\$ 1,244,287	1,434.55%	25.84%
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, 2019

Schedules of University Contributions – Last 10 Years*

Public Employees' Retirement System (PERS)

	2019	2018	2017	2016	2015
(1) Contractually required contribution	\$ 5,637,853	\$ 4,389,336	\$ 4,994,131	\$ 2,184,725	\$ 1,022,366
(2) Contributions in relation to the contractually determined contribution	\$ 5,637,853	\$ 4,389,336	\$ 4,994,131	\$ 2,184,725	\$ 1,022,366
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered-employee payroll	\$ 35,096,517	\$ 31,211,750	\$ 30,386,266	\$ 30,400,613	\$ 29,636,603
(5) Contributions as a percentage of covered-employee payroll	16.06%	14.06%	16.44%	7.19%	3.45%

Police and Firemen's Retirement System (PFRS)

	2019	2018	2017	2016	2015
(1) Contractually required contribution	\$ 780,005	\$ 563,191	\$ 602,447	\$ 185,988	\$ 218,158
(2) Contributions in relation to the contractually determined contribution	\$ 780,005	\$ 563,191	\$ 602,447	\$ 185,988	\$ 218,158
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered-employee payroll	\$ 1,244,287	\$ 1,101,089	\$ 965,938	\$ 885,871	\$ 723,945
(5) Contributions as a percentage of covered-employee payroll	62.69%	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, 2019

	June 30, 2019	June 30, 2018
University's proportion of the total OPEB liability	0.00%	0.00%
University's proportionate share of the total OPEB liability	\$ -	\$ -
State of New Jersey's proportionate share of the total OPEB liability	23,601,362,208	28,104,795,207
 Total OPEB liability	 \$ 23,601,362,208	 \$ 28,104,795,207
 University's covered-employee payroll	 \$ 86,832,800	 \$ 70,831,270
University's proportionate share of the Collective Total OPEB liability as a percentage of covered-employee payroll	0.00%	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, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Direct Loan Program	84.268	\$ 56,185,160
Federal Perkins Loan Program	84.038	
Outstanding loans at July 1, 2018		2,872,579
New loans issued during the year ended June 30, 2019		-
Administrative cost allowance		-
Federal Supplemental Educational Opportunity Grants	84.007	407,824
Federal Work Study Program	84.033	313,977
Federal Pell Grant Program (including administrative costs of \$18,505)	84.063	17,023,586
Teacher Education Assistance for College & Higher Education Grants (Teach Grants)	84.379	30,954
Total Student Financial Assistance Cluster		<u>76,834,080</u>
Research and Development Cluster:		
U.S. Department of Commerce:		
National Oceanic & Atmospheric Administration (NOAA):		
Estuarine Research Reserves	11.420	12,611
Marine Debris Removal	11.999	66,961
Passed Through the State of Delaware, Department of Natural Resources and Environmental Control		
Side Scan	11.420	7,216
Habitat Conservation-Derelict Crab Trap Removal in Mullica River & Great Bay Estuary of NJ	11.463	4,224
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	13,349
Passed Through the New Jersey Sea Grant Consortium:		
Sea Grant	11.417	56,054
U.S. Department of Health and Human Services:		
National Institutes of Health (NIH):		
Akt-mTOR Pathway Impact on Neural Stem Cell Fates	93.853	50,258
National Environmental Protection Agency: Office of Water		
Passed Through Barnegat Bay Partnership Ocean County College:		
National Estuary Program - Submerged Aquatic Vegetation Monitoring	66.456	7,556
National Estuary Program - Barnegat Bay Oyster Reefs: Monitoring	66.456	6,862
National Estuary Program - Barnegat Bay Oyster Reef Restoration: Providing Water Quality and Habitat Improvement	66.456	26,061
Passed Through NJ DEP: Division of Fish & Wildlife -		
Upkeep and Maintenance of On and Off Campus Deer Exclousures: 2017-2018	15.605	10,000
Wildlife Protection User Survey	15.605	5,876
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	20,246
National Aeronautics and Space Administration (NASA):		
Passed Through New Jersey Space Grant Consortium		
Student Spaceflight Experiment Program	43.008	4,000
U.S. Department of the Interior:		
Passed Through The U.S. Geological Survey Reston Acquisition Branch:State Water Research Institute	15.805	17,253
U.S. Department of Defense:		
Passed Through Army Educational Outreach Program	12.560	1,825
Total Research and Development Cluster		<u>310,352</u>
WIOA Cluster:		
U.S. Department of Labor:		
Passed Through Atlantic Cape May Workforce Investment Board:		
Work First New Jersey	17.258	567,178
Youth Activities - Year Round out of School	17.259	203,764
Passed Through NJ Department of Labor & Workforce Development:		
Dislocated Workers - Retail, Hospitality & Tourism Talent Network	17.278	245,628
Passed Through Burlington County Workforce Investment Board:		
Youth Activities - Year Round out of School	17.259	25,070
Passed Through Salem County Workforce Investment Board:		
Youth Activities - Year Round out of School	17.259	13,026
Total WIOA Cluster		<u>1,054,666</u>
Other Federal Assistance:		
National Aeronautics and Space Administration:		
Passed Through Rutgers University:		
Tech Trek Camp	43.001	3,913
National Endowment for the Humanities:		
Passed Through New Jersey Council for the Humanities:		
Kea Tawana: Her World	45.129	6,750

(Continued)

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
(A Component Unit of The State of New Jersey)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Other Federal Assistance (continued):		
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	\$ 11,233
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	8,091
Total U.S. Department of Health and Human Services		<u>1,424,225</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	14,642
Distracted Driving Crackdown	20.616	5,500
Total U.S. Department of Transportation		<u>20,142</u>
U.S. Department of Education:		
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	247,157
Passed Through NJ Commission for the Blind & Visually Impaired, Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	84.264	78,158
Stockton Coastal Collaborative Math & Science Partnership	84.366	30,597
Building Teacher Leadership	84.367	2,600
Total U.S. Department of Education		<u>358,512</u>
U.S. Department of Defense:		
Passed Through NJ Department of Military & Veteran's Affairs	12.401	<u>267,478</u>
U.S. Department of Veterans Affairs:		
Post - 9/11 Veterans Educational Assistance	64.028	<u>1,795,768</u>
U.S. Corporation for National & Community Service		
AmeriCorps National Service Education Award	94.006	<u>7,314</u>
U.S. Department of Labor:		
Passed Through Atlantic Cape May Workforce Investment Board: Trade Adjustment Act	17.245	<u>53,639</u>
U.S. Small Business Administration:		
Passed Through Rutgers, The State University of NJ New Jersey Small Business Development Centers (NJSBDC)	59.037	<u>150,946</u>
Total Other Federal Assistance		<u>4,088,687</u>
Total Expenditures of Federal Awards		<u>\$ 82,287,785</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
(A Component Unit of The State of New Jersey)

SCHEDULE OF EXPENDITURES OF STATE OF NEW JERSEY AWARDS

Year ended June 30, 2019

Grantor Department Program Title	Account Number	Program Amount	Grant Period	Current Year Expenditures	Total Disbursements
Student Financial Assistance:					
N.J. Higher Education Student Assistance Authority:					
New Jersey College Loans to Assist State Students	N/A	\$ 3,636,360	07/01/18-06/30/19	\$ 3,636,360	\$ 3,636,360
Tuition Aid Grant	100-074-2405-007	15,089,626	07/01/18-06/30/19	15,089,626	15,089,626
Urban Scholars	100-074-2405-278	9,500	07/01/18-06/30/19	9,500	9,500
Governor's Urban Persistency Award	100-074-2405-329	2,000	07/01/18-06/30/19	2,000	2,000
New Jersey STARS II	100-074-2405-313	198,080	07/01/18-06/30/19	198,080	198,080
Survivor Tuition Benefits	100-074-2405-009	11,420	07/01/18-06/30/19	11,420	11,420
Law Enforcement Officer Memorial	100-074-2405-312	32,116	07/01/18-06/30/19	32,116	32,116
NJ BEST	100-074-2405-316	31,500	07/01/18-06/30/19	31,500	31,500
N.J. Commission on Higher Education:					
Educational Opportunity Fund Article III Summer FY2019-Atlantic City	100-074-2401-001	75,000	06/01/18-07/31/19	75,000	75,000
Educational Opportunity Fund Article III Summer FY2019-Galloway	100-074-2401-001	351,783	06/01/18-07/31/19	341,747	351,783
Educational Opportunity Fund Article III Summer FY2020-Atlantic City	100-074-2401-001	150,000	06/01/19-07/31/20	24,912	24,912
Educational Opportunity Fund Article III Summer FY2020-Galloway	100-074-2401-001	386,961	06/01/19-07/31/20	16,030	16,030
Educational Opportunity Fund Article III Academic Year-Atlantic City	100-074-2401-001	73,125	07/01/18-06/30/19	73,125	73,125
Educational Opportunity Fund Article III Academic Year-Galloway	100-074-2401-001	503,125	07/01/18-06/30/19	503,125	503,125
Educational Opportunity Fund Graduate Grants	100-074-2401-001	37,200	07/01/18-06/30/19	37,200	37,200
Total Student Financial Assistance				<u>20,081,741</u>	<u>20,091,777</u>
Other State of N.J. Assistance:					
N.J. Department of Environmental Protection:					
N.J. Beach Profile 2018	100-042-4895-043	766,155	03/01/18-03/01/19	541,699	726,478
N.J. Beach Profile 2019	100-042-4895-043	707,710	03/01/19-03/01/20	314,100	314,100
N.J. Coastal Estuaries Inventory 2017	100-042-4800-176	133,161	01/01/17-06/30/19	54,279	132,800
Conserve Wildlife Matching Grant	100-042-4890-110	3,500	06/01/16-10/31/18	759	759
N.J. Department of Transportation:					
Dredged Material Management System	480-078-6300-CTB	286,993	03/06/08-03/06/20	24,833	206,837
Dredged Material Management System Part II	480-078-6300-CTB	31,794	03/01/19-09/30/19	8,531	8,531
Fisheries and Utilization Study	480-078-6300-XXX	226,122	06/01/16-10/31/18	33,897	150,502
N.J. Department of Children & Families Services:					
Child Welfare Education Institute (CWEI) - BCWEP 2019	100-016-1600-047	526,372	07/01/18-06/30/19	500,015	500,015
Child Welfare Education Institute (CWEI) - MCWEP 2019	100-016-1600-047	151,402	07/01/18-06/30/19	151,402	151,402
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	1,193,000	07/01/18-06/30/19	1,192,217	1,192,217
N.J. Department of Commerce and Economic Growth,					
Passed Through Rutgers University: Small Business Development Center	100-074-2505-001	32,200	07/01/18-06/30/19	32,200	32,200
N.J. Department of Labor and Workforce Development,					
Atlantic County Job Development, Placement and Retention 2018	100-062-4545-322	543,186	07/01/18-06/30/19	228,072	228,072
N.J. Department of Military & Veteran's Affairs,					
An Environmental Internship Program	100-067-3620-178	139,937	10/01/17-09/30/18	44,363	136,706
N.J. Department of Health: Division of Mental Health and Addiction Services					
Passed Through John Brooks Recovery Center: Mental Health & Addiction	100-054-7700-165	10,000	10/01/17-05/01/19	6,335	9,526
Passed Through John Brooks Recovery Center: Project Kickstart- MAT at Atlantic County Jail	100-054-7700-165	10,000	07/01/18-06/30/19	9,390	9,390
N.J. Department of State Historical Commission					
African American Cultural Heritage Short Course	100-074-2540-105	10,000	07/01/18-06/30/19	10,000	10,000

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)

SCHEDULE OF EXPENDITURES OF STATE OF NEW JERSEY AWARDS - CONTINUED

Year ended June 30, 2019

Grantor Department Program Title	Account Number	Program Amount	Grant Period	Current Year Expenditures	Total Disbursements
N.J. Department of Treasury					
Passed Through City of Atlantic City: Innovation Planning Challenge Grant	100-022-8020-090	\$ 100,000	07/01/18-06/30/19	\$ 42,600	\$ 42,600
N.J. Higher Education Services:					
Educational Opportunity Fund Article IV-Academic Year	100-074-2401-002	282,464	07/01/18-06/30/19	282,464	282,464
Educational Opportunity Fund Article IV-Academic Year-Atlantic City	100-074-2401-002	75,000	07/01/18-06/30/19	75,000	75,000
NJSCA General Program Support	100-074-2530-032	101,020	07/01/18-06/30/19	101,020	101,020
NJSCA General Program Support-Noyes Museum	100-074-2530-032	29,592	07/01/18-06/30/19	29,592	29,592
NJSCA 09 CSP Co Sponsored Project - State of the Arts	100-074-2530-032	200,000	07/01/18-06/30/19	200,000	200,000
NJSCA 48 Blocks-A Celebration of Arts & Culture	100-074-2530-032	15,000	06/01/18-05/30/19	243	15,000
NJSCA 48 Blocks-A Celebration of Arts & Culture-AC	100-074-2530-032	15,000	06/01/19-12/31/19	150	150
Atlantic County Awards 2018	100-074-2505-053	4,000	01/01/18-12/20/18	2,250	4,000
Atlantic County Awards 2019	100-074-2505-053	5,500	01/01/19-12/20/19	2,250	2,250
College Bound Atlantic City	100-074-2400-012	144,016	09/26/18-06/30/19	123,659	123,659
College Bound Spring 19 Activity	100-074-2400-012	15,000	09/26/18-07/05/19	7,480	7,480
N.J. Commission on Higher Education:					
Higher Education Equipment Leasing Fund Program	100-082-2155-036	5,696,250	01/01/14-05/02/23	32,071	5,696,250
Higher Education Capital Improvement Fund	100-082-2155-079	21,769,400	03/01/14-03/01/34	57,866	21,363,499
Higher Education General Obligation Fund	586-074-2400-014	34,987,950	03/01/14-06/30/19	171,384	34,987,950
N.J. Higher Education Services:					
N.J. Department of State:					
State of New Jersey Appropriation	100-074-2480-001	18,391,000	07/01/18-06/30/19	18,391,000	18,391,000
Interdepartmental Accounts:					
State Fringe Benefits other than FICA	100-094-9410-134	18,602,385	07/01/18-06/30/19	18,602,385	18,602,385
FICA-State Colleges and Universities Reimbursement Program	100-094-9410-137	7,654,590	07/01/18-06/30/19	7,654,590	7,654,590
Alternate Benefits Program	100-094-9410-132	4,850,353	07/01/18-06/30/19	4,850,353	4,850,353
Total Other State of NJ Assistance				<u>53,778,449</u>	<u>116,238,777</u>
Total Expenditures of State of New Jersey Awards				<u>\$ 73,860,190</u>	<u>\$ 136,330,554</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, 2019

NOTE 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, 2019. 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, 2019 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 2019 financial statements.

NOTE 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, 2019 were as follows:

Federal Direct Student Loans	\$ <u>56,185,160</u>
New Jersey College Loans to Assist State Students	\$ <u>3,636,360</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, 2019.

NOTE 3 - FEDERAL PERKINS LOANS

The Federal Perkins Loan expenditures presented in the accompanying Schedule of Expenditures of Federal Awards of \$2,487,706 represent the total balance of loans outstanding under the Perkins Program. No new loans were made from the loan fund as the program has been discontinued by the Federal Government.

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

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE OF NEW JERSEY AWARDS - CONTINUED**

June 30, 2019

NOTE 4 - SUBRECIPIENT AWARDS

The University passed through the following Federal awards to subrecipients during the year ended June 30, 2019:

Federal Program	Subrecipient	CFDA Number	Pass-Through Expenditures
Youth Activities - Year Round out of School	JEVS Human Services	17.259	\$ 129,319
Work First New Jersey	Career Opportunity Development, Inc.	17.258	138,141
National Endowment for the Humanities: Kea Tawana: Her World	Phenios Creighton Koellhoffer Media	45.129	<u>6,750</u>
			<u>\$ 274,210</u>

NOTE 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 the business-type activities and the aggregate discretely presented component units of Stockton University (the "University"), a component unit of the State of New Jersey, and the related notes to the financial statements, and have issued our report thereon dated December 20, 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.



Philadelphia, Pennsylvania
December 20, 2019

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

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”), a component unit of the State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* and the 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, 2019. 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 each major federal and State of New Jersey program 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 Heartland ECSI to perform these compliance activities. This third-party servicer has obtained a compliance examination from another practitioner for the year ended June 30, 2019 in accordance with the U.S. Department of Education’s, *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 of New Jersey awards applicable to the University’s federal and State of New Jersey programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of 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, 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 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, 2019.

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 above, 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 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 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

Philadelphia, Pennsylvania
December 20, 2019

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

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:

Program or Cluster Title Federal CFDA Number or NJ State Identifying Number

Federal:

Student Financial Assistance Cluster	84.007, 84.033, 84.038 84.063, 84.268, 84.379
Post – 9/11 Veterans Educational Assistance	64.028
WIOA Cluster	17.258, 17.259, 17.278

State of New Jersey:

Student Financial Assistance	Various
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?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2019

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, 2019

No matters required to be reported.