

Financial Statements and Report of  
Independent Certified Public  
Accountants

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

June 30, 2020 and 2019

**Contents**

Page

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

---

**GRANT THORNTON LLP**

2001 Market St., Suite 700  
Philadelphia, PA 19103-7065

**D** +1 215 561 4200

**F** +1 215 561 1066

**S** [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthornton-us)

[twitter.com/grantthorntonus](https://twitter.com/grantthorntonus)

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Stockton Affiliated Services, Inc.

We have audited the accompanying financial statements of Stockton Affiliated Services, Inc., a component of Stockton University which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stockton Affiliated Services, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
November 25, 2020

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

<b>ASSETS</b>	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 837,054	\$ 1,344,796
Accounts receivable, net	114,746	11,243
Due from University	98,221	467,862
Prepaid expenses	<u>113,940</u>	<u>162,418</u>
Total current assets	1,163,961	1,986,319
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>1,853,527</u>	<u>2,056,795</u>
Total assets	<u><u>\$ 3,017,488</u></u>	<u><u>\$ 4,043,114</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 307,104	\$ 322,577
Due to University	11,346	191,317
Deferred revenue	7,170	58,312
Other liabilities	<u>732,344</u>	<u>838,299</u>
Total current liabilities	1,057,964	1,410,505
Long-term note payable	<u>1,314,683</u>	<u>1,314,683</u>
Total liabilities	2,372,647	2,725,188
<b>NET ASSETS</b>		
Without donor restrictions	<u>644,841</u>	<u>1,317,926</u>
Total net assets	<u>644,841</u>	<u>1,317,926</u>
Total liabilities and net assets	<u><u>\$ 3,017,488</u></u>	<u><u>\$ 4,043,114</u></u>

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

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

**STATEMENTS OF ACTIVITIES**

Years ended June 30,

	2020	2019
<b>Revenues:</b>		
Food service	\$ 9,117,601	\$ 11,127,869
Transportation and safety	2,514,761	2,574,573
Vendor service	242,076	177,065
Bookstore	291,936	316,782
Rental properties	212,518	241,138
Other income	27,357	50,226
Azeez Museum	3,897	14,673
	12,410,146	14,502,326
Institutional support:		
Support for SASI functions (Azeez Museum)	313,465	315,079
	12,723,611	14,817,405
<b>Expenses:</b>		
Program expenses:		
Food service	9,548,102	10,853,754
Transportation and safety	1,789,257	2,037,499
Rental properties	93,466	115,217
Rental properties managed for the University	7,447	7,747
Azeez Museum	317,362	329,751
	11,755,634	13,343,968
Institutional support:		
Support of the University Mission	1,089,695	2,145,580
Support of Foundation fundraising	20,000	20,000
	1,109,695	2,165,580
Supporting expenses:		
College reimbursements	97,481	104,502
General and administrative	115,442	217,321
Depreciation	203,268	209,120
Interest	48,067	57,670
	464,258	588,613
Total expenses	13,329,587	16,098,161
Change in net assets from operating activities	(605,976)	(1,280,756)
<b>Non-operating activities:</b>		
Dividend and interest return	(67,109)	25,997
Change in net assets	(673,085)	(1,254,759)
<b>Net assets at beginning of year</b>	1,317,926	2,572,685
<b>Net assets at end of year</b>	\$ 644,841	\$ 1,317,926

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

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

**STATEMENTS OF CASH FLOWS**

**Years ended June 30,**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (673,085)	\$ (1,254,759)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	203,268	209,120
Changes in assets and liabilities:		
Accounts receivable	(103,503)	125,360
Due to/from University	189,670	(1,122,759)
Prepaid expenses	48,478	(25,511)
Accounts payable and accrued expenses	(15,473)	49,638
Deferred revenue	(51,142)	15,803
Other liabilities	(105,955)	802,981
Net cash used in operating activities	(507,742)	(1,200,127)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	(163,000)
Net cash used in investing activities	-	(163,000)
Net decrease in cash and cash equivalents	(507,742)	(1,363,127)
<b>Cash and cash equivalents, beginning of year</b>	1,344,796	2,707,923
<b>Cash and cash equivalents, end of year</b>	\$ 837,054	\$ 1,344,796
<b>Supplementary cash flow information</b>		
Cash paid for interest	\$ 48,067	\$ 57,670

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE A - ORGANIZATION**

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

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

SASI's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). This requires the reporting of total assets, liabilities and net assets in a statement of activities and statement of financial position and reporting the sources and uses of cash and cash equivalents in a statement of cash flows.

U.S. GAAP also requires that net assets and revenues, gains, expenses and losses be classified as with or without donor restrictions based on the existence or absence of donor-imposed restrictions. There are no net assets with donor restrictions as of June 30, 2020 and 2019.

Net assets without donor restrictions are those net assets not subject to externally imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of management or the board of directors or may otherwise be limited by contractual agreements with outside parties.

***Use of Estimates***

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

***Income Taxes***

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

SASI follows the Financial Accounting Standards Board ("FASB") guidance that requires a tax position to be recognized or derecognized based on a "more likely than not" threshold to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position. SASI does not believe its financial statements include any material uncertain tax positions for which recognition or disclosure is warranted. No interest or penalties were recognized in 2020 or 2019.

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



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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

***Cash and Cash Equivalents***

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in three months or less.

***Property and Equipment, Net***

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

<u>Asset category</u>	<u>Useful life</u>	<u>Capitalization threshold</u>
Land improvements	10 to 25 years	\$ 10,000
Building	20 to 40 years	100,000
Equipment	3 to 15 years	5,000

***Pending Accounting Pronouncements***

In May 2014, the FASB issued a new standard related to *Revenue from Contracts with Customers*, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. An entity will apply this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening statement of financial position at the date of initial application. In June 2020, the FASB issued ASU 2020-05, which included a deferral by one year of the effective date of the new revenue standard, to the year ending June 30, 2021 for SASI. SASI is evaluating the impact of the new standard at this time.

In February 2016, the FASB issued a new standard related to *Leases*, which requires that most leased assets be recognized on the statement of financial position as assets and liabilities for the rights and obligations created by these leases. An entity is required to apply the amendments of this new standard under the modified retrospective transition approach. This approach includes a number of optional practical expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current U.S. GAAP, unless the lease is modified. However, lessees are required to recognize on the statement of financial position leased assets and liabilities for operating leases at each reporting date. In June 2020, the FASB issued ASU 2020-05, which included a deferral by one year of the effective date of the new lease standard, to the year ending June 30, 2022. SASI is evaluating the impact of this new standard at this time.

***Risk and Uncertainties***

In March 2020, the World Health Organization declared the outbreak of a novel corona-virus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result of COVID-19, the University moved to a virtual teaching and learning environment commencing mid-March 2020. Student credits for ancillary services provided by SASI of approximately \$1,800,000, were given to students and are included as a reduction in food service and transportation & safety revenues in the statement of activities for the year ended June 30, 2020. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore, while SASI expects this matter to negatively impact its financial position for 2021, the related financial impact cannot be reasonably estimated at this time.

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE C - PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 575,875	\$ 575,875
Land improvements	56,498	56,498
Building	1,284,260	1,284,260
Equipment	1,247,764	1,247,764
Total property and equipment	3,164,397	3,164,397
Less accumulated depreciation	(1,310,870)	(1,107,602)
Property and equipment, net	\$ 1,853,527	\$ 2,056,795

Depreciation expense for the years ended June 30, 2020 and 2019 was \$203,268 and \$209,120, respectively.

**NOTE D - LONG-TERM NOTE PAYABLE**

SASI has a \$2,000,000 Commercial Line Note (the "Loan") from the University. Under the terms of the Loan, SASI shall pay interest to the University on the outstanding and unpaid principal amount of the Loan at an adjustable interest rate of the 30-year U.S. Treasury Note rate plus 150 basis points. The rates as of June 30, 2020 and 2019 were 2.85% and 4.31%, respectively. Repayment of the Loan is not required until September 2038. The Loan is secured by the assets of SASI.

At both June 30, 2020 and 2019, the Loan balance due to the University was \$1,314,683. Interest expense totaled \$48,067 and \$57,670 for the years ended June 30, 2020 and 2019, respectively.

**NOTE E - COMMITMENTS**

***Compensated Absences***

SASI recorded a liability for compensated absences in the amount of \$41,039 and \$37,432 as of June 30, 2020 and 2019, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position. 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 unused sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from SASI prior to retirement are not entitled to payments for accumulated sick leave balances.

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

**NOTE F - CONCENTRATIONS OF CREDIT RISK**

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

**NOTE G - RELATED PARTY TRANSACTIONS**

The University owns the buildings that are utilized as office space by SASI for conducting business and employs the personnel that support its administrative, financial and operating activities. SASI reimburses the University for use of space and personnel through payment of an overhead charge. Reimbursements made to the University for the years ended June 30, 2020 and 2019 were \$97,482 and \$104,502, respectively.

SASI entered into a master management agreement with the University to provide for management services with respect to certain auxiliary services of the University with a term that commenced on February 5, 2009 and remains in effect until terminated by either party. These auxiliary services include transportation services, bookstore operations, beverage vending services, snack vending services and dining services. SASI will manage existing contracts for these services and negotiate new contracts upon expiration of existing agreements. This agreement includes transportation services under a contract with South Jersey Transportation Authority that expires August 31, 2022; transportation services in Atlantic City under a contract with Stout's Charter Service, Inc. that expires May 31, 2021; Atlantic City parking facility property management under a contract with B & B Parking, Inc. that expires August 24, 2021; dining services in Atlantic City under a subcontract with Carluccio's Food Court Express, Inc. that expires June 30, 2026; bookstore operations under a contract with Follett that expires June 30, 2029; beverage vending services under a contract with Pepsi Cola Bottling Group that expires June 30, 2024; snack vending services under a contract with K&R Vending whereby SASI exercised the second of two one-year option renewals that expires June 30, 2021; drug & alcohol testing services under a contract with National Drug Screening, Inc. that expires January 9, 2022 unless renewed for an additional term; and dining services under a contract with Chartwell's that expires June 30, 2028.

SASI's support of the University Mission consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Auxiliary - Bookstore	\$ 315,438	\$ 360,500
Auxiliary - Food Services	708,382	809,580
Auxiliary - Vending	24,500	103,000
Facility support	6,375	837,500
Scholarships	33,000	33,000
Marketing	2,000	2,000
Total support of the University Mission	\$ 1,089,695	\$ 2,145,580

Stockton University Foundation (the "Foundation") is a component unit of the University and is a separately incorporated 501(c)(3) that was established to receive gifts, grants and bequests to support the programs and goals of the University. During the years ended June 30, 2020 and 2019, the Foundation provided support for the operations of the Sam Azeez Museum of \$237,375 and \$234,359, respectively, which is presented as part of institutional support on the statements of activities. SASI provided support to the Foundation's scholarship programs in the amount of \$20,000 for both years ended June 30, 2020 and 2019.

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

The following balances as of June 30, 2020 and 2019 are expected to be settled during the normal course of operations:

	2020	2019
Due from University:		
Food service	\$ 1,811	\$ 1,336
Azeez support	86,105	80,720
Summer transportation and safety	-	160
Overhead adjustment	7,021	381,555
Miscellaneous	3,284	4,091
Total due from University	\$ 98,221	\$ 467,862
	2020	2019
Due to University:		
Institutional support	\$ -	\$ 159,135
Azeez Support	10,015	-
Overhead charge	-	21,151
Miscellaneous	1,331	11,031
Total due to University	\$ 11,346	\$ 191,317

**NOTE H - FUNCTIONAL CLASSIFICATION OF EXPENSES**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2020 and 2019**

	Program expenses					Supporting, management and general expenses	Total expenses year ended June 30, 2019
	Food service	Transportation and safety	Rental properties	Rental properties managed for the University	Azeez Museum		
Salaries and benefits	\$ -	\$ 431,084	\$ -	\$ -	\$ 194,677	\$ -	\$ 625,761
Contracted services	10,852,790	1,307,416	3,035	-	956	-	12,164,197
Legal fees	-	-	-	-	-	90,126	90,126
Accounting fees	-	-	-	-	-	30,950	30,950
Utilities	-	805	27,736	-	22,589	-	51,130
Insurance	-	62,696	15,061	4,147	828	56,086	138,818
Depreciation	-	-	-	-	-	209,120	209,120
Property taxes	-	-	9,851	-	-	-	9,851
Occupancy/overhead	-	-	-	3,600	-	104,502	108,102
Support of University							
Mission/Fundraising	-	-	-	-	-	2,165,580	2,165,580
Travel conferences and meetings	-	5,124	-	-	13,954	137	19,215
Printing and advertising	-	1,279	-	-	21,395	1,013	23,687
Supplies and non-capital equipment	-	94,397	6,880	-	34,617	3,102	138,996
Maintenance	-	97,797	49,799	-	32,471	100	180,167
Loan interest	-	-	-	-	-	57,670	57,670
Other expenses	964	36,901	2,855	-	8,264	35,807	84,791
<b>Total expenses</b>	<b>\$ 10,853,754</b>	<b>\$ 2,037,499</b>	<b>\$ 115,217</b>	<b>\$ 7,747</b>	<b>\$ 329,751</b>	<b>\$ 2,754,193</b>	<b>\$ 16,098,161</b>

**NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES**

SASI's financial assets available within one year of the statement of financial position date for general expenditures as of June 30, 2020 and 2019 are as follows:

	2020	2019
Cash and cash equivalents	\$ 837,054	\$ 1,344,796
Accounts receivable, net	114,746	11,243
Due from University	98,221	467,862
Available loan balance	685,317	685,317
	<u>1,735,338</u>	<u>2,509,218</u>
Less: Current liabilities	(1,057,964)	(1,410,505)
Available to management	<u>\$ 677,374</u>	<u>\$ 1,098,713</u>

SASI's liquidity and resources available to management fluctuate with the build-up and settlement of the balances with the University.

**NOTE J - SUBSEQUENT EVENTS**

SASI evaluated subsequent events through November 25, 2020, the date the financial statements were available to be issued. SASI is not aware of any subsequent events that would require recognition or disclosure in the financial statements.