

Financial Statements and Report of
Independent Certified Public Accountants

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)

June 30, 2018 and 2017

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Stockton University Foundation

We have audited the accompanying financial statements of Stockton University Foundation (the “Foundation”), a component unit of Stockton University, which comprise the statements of financial position as of June 30, 2018 and 2017, 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 University Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Philadelphia, Pennsylvania

November 26, 2018

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)
Statements of Financial Position
June 30, 2018 and 2017

ASSETS	2018	2017
Cash and cash equivalents	\$ 91,893	\$ 369,679
Contributions receivable	55,190	27,788
Due from University	188	46,770
Pledges receivable (less allowance of \$74,535 in 2018 and \$122,414 in 2017)	670,818	1,101,726
Other receivables	110,096	22,162
Investments, at fair value	38,637,419	34,307,084
Other assets	<u>680,563</u>	<u>10,463</u>
Total assets	\$ <u>40,246,167</u>	\$ <u>35,885,672</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 37,203	\$ 45,854
Due to University	<u>154,035</u>	<u>70,366</u>
Total liabilities	<u>191,238</u>	<u>116,220</u>
Net assets		
Unrestricted		
Designated by the Board for "General Scholarship Endowment" purposes	2,342,791	2,247,980
Undesignated	<u>323,499</u>	<u>224,994</u>
Total unrestricted	<u>2,666,290</u>	<u>2,472,974</u>
Temporarily restricted	16,428,283	12,953,362
Permanently restricted	<u>20,960,356</u>	<u>20,343,116</u>
Total net assets	<u>40,054,929</u>	<u>35,769,452</u>
Total liabilities and net assets	\$ <u>40,246,167</u>	\$ <u>35,885,672</u>

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

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)
Statement of Activities
Year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions, net	\$ 25,514	3,201,574	544,681	\$ 3,771,769
Special events				
Revenues	218,885	280,654	196,365	695,904
In-kind contributions (special events)	-	12,500	-	12,500
Less: costs of direct benefits to donors	-	(144,630)	-	(144,630)
Special events revenue, net	<u>218,885</u>	<u>148,524</u>	<u>196,365</u>	<u>563,774</u>
Endowment spending policy	54,302	(54,302)	-	-
In-kind contributions	529,556	-	-	529,556
Net realized and unrealized gain on investments	120,815	1,570,135	8,443	1,699,393
Investment income, net	67,565	744,067	7,752	819,384
Net assets released from restrictions				
Scholarships	772,136	(772,136)	-	-
Program expenses	1,502,942	(1,362,941)	(140,001)	-
Total revenues	<u>3,291,715</u>	<u>3,474,921</u>	<u>617,240</u>	<u>7,383,876</u>
Expenses				
Program				
Scholarships and awards	847,187	-	-	847,187
Academic support	442,826	-	-	442,826
Facilities support	577,506	-	-	577,506
Other direct support	32,570	-	-	32,570
Faculty support	89,351	-	-	89,351
Supporting				
Official representation	29,608	-	-	29,608
General and administrative	129,844	-	-	129,844
Fundraising	189,450	-	-	189,450
Promises to give loss	218,001	-	-	218,001
In-kind expense	542,056	-	-	542,056
Total expenses	<u>3,098,399</u>	<u>-</u>	<u>-</u>	<u>3,098,399</u>
Increase in net assets	193,316	3,474,921	617,240	4,285,477
Net assets, beginning of year	<u>2,472,974</u>	<u>12,953,362</u>	<u>20,343,116</u>	<u>35,769,452</u>
Net assets, end of year	<u>\$ 2,666,290</u>	<u>\$ 16,428,283</u>	<u>\$ 20,960,356</u>	<u>\$ 40,054,929</u>

The accompanying notes are an integral part of this financial statement.

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)
Statement of Activities
Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions, net	\$ 49,620	\$ 3,535,741	\$ 691,969	\$ 4,277,330
Special events				
Revenues	226,635	193,880	184,537	605,052
In-kind contributions (special events)	-	12,050	-	12,050
Less: costs of direct benefits to donors	-	(81,299)	-	(81,299)
Special events revenue, net	<u>226,635</u>	<u>124,631</u>	<u>184,537</u>	<u>535,803</u>
In-kind contributions	452,731	-	-	452,731
Net realized and unrealized gain on investments	182,553	2,394,635	16,391	2,593,579
Investment income, net	59,339	546,239	8,248	613,826
Net assets released from restrictions				
Scholarships	650,287	(650,287)	-	-
Program expenses	1,262,600	(1,262,600)	-	-
Total revenues	<u>2,883,765</u>	<u>4,688,359</u>	<u>901,145</u>	<u>8,473,269</u>
Expenses				
Program				
Scholarships and awards	722,987	-	-	722,987
Academic support	648,986	-	-	648,986
Facilities support	294,969	-	-	294,969
Other direct support	100,020	-	-	100,020
Faculty support	54,304	-	-	54,304
Supporting				
Official representation	21,318	-	-	21,318
General and administrative	110,898	-	-	110,898
Fundraising	152,031	-	-	152,031
Promises to give loss	105,000	-	-	105,000
In-kind expense	464,781	-	-	464,781
Total expenses	<u>2,675,294</u>	<u>-</u>	<u>-</u>	<u>2,675,294</u>
Increase in net assets	208,471	4,688,359	901,145	5,797,975
Net assets, beginning of year	<u>2,264,503</u>	<u>8,265,003</u>	<u>19,441,971</u>	<u>29,971,477</u>
Net assets, end of year	<u>\$ 2,472,974</u>	<u>\$ 12,953,362</u>	<u>\$ 20,343,116</u>	<u>\$ 35,769,452</u>

The accompanying notes are an integral part of this financial statement.

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)
Statements of Cash Flows
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 4,285,477	\$ 5,797,975
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Provision for doubtful accounts	218,001	105,000
Change in discount and allowance on pledge receivables	(62,746)	58,801
Contributions restricted for long-term purposes	(741,046)	(876,506)
Net realized and unrealized gain on investments	(1,699,393)	(2,593,579)
Changes in operating assets and liabilities:		
Other assets	(670,100)	4,158
Contributions receivable	(27,402)	(6,743)
Pledges receivable	275,653	(495,006)
Due from University	46,582	(46,770)
Other receivables	(87,934)	(7,320)
Accounts payable and accrued expenses	(8,651)	15,408
Due to University	83,669	11,091
Net cash provided by operating activities	<u>1,612,110</u>	<u>1,966,509</u>
Cash flows from investing activities		
Proceeds on sales of investments	11,766,592	8,280,272
Purchases of investments	<u>(14,397,534)</u>	<u>(11,045,401)</u>
Net cash used in investing activities	<u>(2,630,942)</u>	<u>(2,765,129)</u>
Cash flows from financing activities		
Contributions restricted for long-term purposes	<u>741,046</u>	<u>876,506</u>
Net cash provided by financing activities	<u>741,046</u>	<u>876,506</u>
Net (decrease) increase in cash and cash equivalents	(277,786)	77,886
Cash and cash equivalents, beginning of year	<u>369,679</u>	<u>291,793</u>
Cash and cash equivalents, end of year	<u>\$ 91,893</u>	<u>\$ 369,679</u>

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

STOCKTON UNIVERSITY FOUNDATION
(A Component Unit of Stockton University)
Notes to Financial Statements
June 30, 2018 and 2017

1. ORGANIZATION

Stockton University Foundation (the “Foundation”) was formed and incorporated within the State of New Jersey in April 1972, to receive gifts, grants and bequests from the community to support, complement and extend the programs and goals of Stockton University (the “University”). The mission of the Foundation is to act in partnership with the Board of Trustees of the University to develop resources and secure private contributions for the enhancement of educational opportunities and services at the University.

The Foundation is considered a component unit of the University for financial reporting purposes, as its purpose for operations is entirely or almost entirely for the direct benefit of the University. Accordingly, the Foundation’s financial statements are discretely presented in the University’s basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation’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 (“US GAAP”). US GAAP also requires that net assets, revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions.

Income Taxes

The Internal Revenue Service (“IRS”) has classified the Foundation as a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and a public charity under Section 509(a)(3) of the Code. The State of New Jersey Division of Taxation has determined the Foundation to be exempt from New Jersey income tax, as well as sales and use tax for purchases directly related to the purposes for which the Foundation was formed and purchased with Foundation funds.

The Foundation does not believe its financial statements include any material uncertain tax positions for which recognition or disclosure is warranted. The Foundation’s policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expense. No interest or penalties were recognized in 2018 and 2017.

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

STOCKTON UNIVERSITY FOUNDATION
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Notes to Financial Statements
June 30, 2018 and 2017

Classification of Net Assets

The Foundation's net assets and revenues, gains and losses are presented in the accompanying financial statements based on the existence or absence of donor-imposed restrictions in accordance with accounting guidance governing "Financial Statements for Not-for-Profit Organizations," as follows:

Unrestricted net assets - net assets not subject to any donor-imposed stipulations. Unrestricted net assets may also be designated for specific purposes by the Foundation's Board of Directors (Note 9).

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of the Foundation or by the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations requiring that they be maintained permanently by the Foundation. Investment income earned from these funds is included in unrestricted or temporarily restricted net assets unless otherwise directed by those respective donors.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional promises to give, which will be received after one year, are recorded after discounting to the present value of expected future cash flows at a discount rate commensurate with the risks involved. Amortization of discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any. Noncash contributions are recorded at the estimated fair value on the date of donation.

Contributions are reported as temporarily restricted revenue if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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, and include money market funds except for those included within investment accounts.

Functional Allocation of Expense

The costs of providing the program, supporting and fundraising services of the Foundation have been reported on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program, supporting and fundraising services based upon the function benefited.

STOCKTON UNIVERSITY FOUNDATION
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Notes to Financial Statements
June 30, 2018 and 2017

Use of Estimates

The preparation of financial statements in conformity with US 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.

Investments

Investments donated to, or purchased by, the Foundation are recorded at fair value using dealer or exchange quoted market prices. Interest and dividend income and net realized and unrealized gain in fair value of investments is included in the statements of activities.

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

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

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentations.

New Accounting Guidance

In August 2016, the Financial Accounting Standards Board ("FASB") issued a new standard related to the Presentation of Financial Statements of Not-for-Profit Entities. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017. The Foundation has not determined the impact of the new standard at this time.

3. CONCENTRATIONS OF CREDIT RISK

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

STOCKTON UNIVERSITY FOUNDATION
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Notes to Financial Statements
June 30, 2018 and 2017

4. PLEDGES RECEIVABLE

Pledges receivable consists of unconditional promises to give made by individuals and businesses located primarily in New Jersey. The allowance for doubtful pledges is based on management's estimates and historical collections of pledges.

Pledges receivable as of June 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 228,948	\$ 445,625
One to five years	434,824	679,756
More than five years	<u>110,455</u>	<u>142,500</u>
Total	774,227	1,267,881
Less: Discount to net present value	(28,874)	(43,741)
Less: Allowance for doubtful pledges	<u>(74,535)</u>	<u>(122,414)</u>
Pledges receivable, net	<u>\$ 670,818</u>	<u>\$ 1,101,726</u>

Pledges which are receivable in more than one year are discounted to fair value using an expected term of the promise ranging from 1.19% to 2.83%.

Conditional promises to give for both 2018 and 2017, which are not reflected in the accompanying statements of financial position, follows:

Bequests in wills	\$ 300,000
Life insurance contracts	<u>100,000</u>
Total	<u>\$ 400,000</u>

STOCKTON UNIVERSITY FOUNDATION
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Notes to Financial Statements
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5. INVESTMENTS/FAIR VALUE MEASUREMENTS

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 include 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. Also included in Level 2 are investments measured using net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the Foundation has generally considered to be within 90 days.

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 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 Foundation’s perceived risk of such investment.

STOCKTON UNIVERSITY FOUNDATION
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Notes to Financial Statements
June 30, 2018 and 2017

The following tables set forth, by level, the Foundation's investments at fair value, within the fair value hierarchy:

June 30, 2018				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 805,343	\$ -	\$ -	\$ 805,343
Limited partnership fund	685,762	-	-	685,762
Equity mutual funds:				
International	4,160,496	-	-	4,160,496
Large cap	17,075,915	-	-	17,075,915
Mid cap	1,499,618	-	-	1,499,618
Small cap	2,140,378	-	-	2,140,378
Fixed income mutual funds:				
Intermediate	7,514,645	-	-	7,514,645
High yield	1,829,610	-	-	1,829,610
Short term	1,807,631	-	-	1,807,631
International	1,118,021	-	-	1,118,021
Total	<u>\$ 38,637,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,637,419</u>

June 30, 2017				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 663,831	\$ -	\$ -	\$ 663,831
Limited partnership fund	635,351	-	-	635,351
Equity mutual funds:				
International	3,859,596	-	-	3,859,596
Large cap	13,758,852	-	-	13,758,852
Mid cap	2,017,155	-	-	2,017,155
Small cap	2,060,528	-	-	2,060,528
Fixed income mutual funds:				
Intermediate	7,358,850	-	-	7,358,850
High yield	1,859,415	-	-	1,859,415
Short term	1,250,745	-	-	1,250,745
International	842,761	-	-	842,761
Total	<u>\$ 34,307,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,307,084</u>

STOCKTON UNIVERSITY FOUNDATION
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Notes to Financial Statements
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Net realized and unrealized gain on investments for the years ended June 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Realized gain on investments	\$ 1,610,550	\$ 243,742
Net change in unrealized gains and losses on investments	<u>88,843</u>	<u>2,349,837</u>
Total	<u>\$ 1,699,393</u>	<u>\$ 2,593,579</u>

Investment fees amounted to \$147,879 and \$128,398 for 2018 and 2017, respectively. The fees are netted to net investment income in the accompanying statements of activities.

6. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, temporarily restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Scholarships and awards	\$ 5,882,562	\$ 5,300,279
Academic support	3,387,323	3,022,145
Facilities support	6,438,390	3,887,760
Faculty support	120,703	156,590
Other direct support	65,242	66,204
Official representation	72,808	72,240
Scholarships (from special events)	<u>461,255</u>	<u>448,144</u>
Total	<u>\$ 16,428,283</u>	<u>\$ 12,953,362</u>

During fiscal years 2018 and 2017, net assets were released from restrictions for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarships and awards	\$ 772,136	\$ 650,287
Academic support	442,826	648,986
Facilities support	577,506	294,969
Faculty support	89,351	54,304
Other direct support	7,121	34,553
Official representation	8,414	6,947
Fundraising (special events and scholarships)	159,723	117,841
Provision for doubtful accounts	<u>218,001</u>	<u>105,000</u>
Total	<u>\$ 2,275,078</u>	<u>\$ 1,912,887</u>

STOCKTON UNIVERSITY FOUNDATION
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Notes to Financial Statements
June 30, 2018 and 2017

7. RELATED PARTY TRANSACTIONS

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

	<u>2018</u>	<u>2017</u>
Foundation’s support to the University		
Scholarships	\$ 847,187	\$ 722,987
Academic support	442,364	648,986
Holocaust Resource Center	2,422	4,099
Manahawkin Health Science	200,000	-
Noyes Museum	122,500	-
Kramer Hall	-	50,000
Faculty support	<u>89,351</u>	<u>54,304</u>
	<u>\$ 1,703,824</u>	<u>\$ 1,480,376</u>
Foundation’s support to SASI		
Sam Azeez Museum	<u>\$ 230,257</u>	<u>\$ 240,870</u>

During fiscal years 2018 and 2017, the University provided \$529,556 and \$452,731, respectively, of in-kind finance and administration services. During both fiscal years 2018 and 2017, SASI provided support for the Foundation’s mission in the amount of \$58,000.

8. IN-KIND CONTRIBUTIONS

The value of services donated to the Foundation by unrelated parties is recognized in the period that services are provided to the Foundation. In fiscal years 2018 and 2017, the Foundation received \$12,500 and \$12,050, respectively, from in-kind services for advertising, catering and entertainment.

STOCKTON UNIVERSITY FOUNDATION
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Notes to Financial Statements
June 30, 2018 and 2017

9. ENDOWMENTS AND SIMILAR FUNDS

Endowment funds are comprised of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by US GAAP, net assets associated with endowment funds, including Board-designated funds, are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of fair value of the original gift as of the gift date to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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June 30, 2018 and 2017

The Foundation's endowment and similar funds were comprised of the following for the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment and similar funds, beginning of year	\$ 2,247,980	\$ 6,440,318	\$ 20,343,116	\$ 29,031,414
Investment return:				
Investment income	53,627	603,062	7,752	664,441
Net realized and unrealized gain	<u>119,923</u>	<u>1,311,145</u>	<u>8,443</u>	<u>1,439,511</u>
Total investment return	173,550	1,914,207	16,195	2,103,952
Contributions	-	(2,819)	544,681	541,862
Transfers to Board-designated endowments	1,500	-	-	1,500
Special events contributions	-	-	196,365	196,365
Endowment spending policy	(5,189)	(54,302)	-	(59,491)
Net assets released from Board-designated endowments	(75,050)	-	-	(75,050)
Net assets released from restrictions	<u>-</u>	<u>(770,014)</u>	<u>(140,001)</u>	<u>(910,015)</u>
Changes in net assets	<u>94,811</u>	<u>1,087,072</u>	<u>617,240</u>	<u>1,799,123</u>
Endowment and similar funds, end of year	<u>\$ 2,342,791</u>	<u>\$ 7,527,390</u>	<u>\$ 20,960,356</u>	<u>\$ 30,830,537</u>

The Foundation's endowment and similar funds had the following net asset compositions at June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 7,527,390	\$ 20,960,356	\$ 28,487,746
Board-designated endowment funds	<u>2,342,791</u>	<u>-</u>	<u>-</u>	<u>2,342,791</u>
Endowment and similar funds, end of year	<u>\$ 2,342,791</u>	<u>\$ 7,527,390</u>	<u>\$ 20,960,356</u>	<u>\$ 30,830,537</u>

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The Foundation's endowment and similar funds were comprised of the following for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment and similar funds, beginning of year	\$ 2,091,386	\$ 4,728,539	\$ 19,441,971	\$ 26,261,896
Investment return:				
Investment income	41,983	452,639	8,248	502,870
Net realized and unrealized gain	<u>184,061</u>	<u>2,016,692</u>	<u>16,391</u>	<u>2,217,144</u>
Total investment return	226,044	2,469,331	24,639	2,720,014
Contributions	-	-	691,969	691,969
Transfers to Board-designated endowments	3,250	-	-	3,250
Special events contributions	-	-	184,537	184,537
Net assets released from Board-designated endowments	(72,700)	-	-	(72,700)
Net assets released from restrictions	<u>-</u>	<u>(757,552)</u>	<u>-</u>	<u>(757,552)</u>
Changes in net assets	<u>156,594</u>	<u>1,711,779</u>	<u>901,145</u>	<u>2,769,518</u>
Endowment and similar funds, end of year	<u>\$ 2,247,980</u>	<u>\$ 6,440,318</u>	<u>\$ 20,343,116</u>	<u>\$ 29,031,414</u>

The Foundation's endowment and similar funds had the following net asset compositions at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,440,318	\$ 20,343,116	\$ 26,783,434
Board-designated endowment funds	<u>2,247,980</u>	<u>-</u>	<u>-</u>	<u>2,247,980</u>
Endowment and similar funds, end of year	<u>\$ 2,247,980</u>	<u>\$ 6,440,318</u>	<u>\$ 20,343,116</u>	<u>\$ 29,031,414</u>

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Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or state law requires the Foundation to retain as a fund of perpetual duration due to unfavorable market fluctuations. Accordingly, deficiencies of this nature that are reported in unrestricted net assets were \$-0- and \$708 as of June 30, 2018 and 2017, respectively.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of the related assets. An additional purpose of the fund is to provide a source of funds for a time when the Foundation may face a financial emergency, subject to any funds being utilized in such a manner which are consistent with the original donor restrictions. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity, as well as Board-designated funds.

Strategies Employed for Achieving Objectives

The overall financial goal of the endowment is to maintain or enhance its fair value while providing the Foundation's operating budget with a relatively predictable and growing stream of revenue targeted at approximately 4% of the endowment for the 12 trailing quarterly periods ending December 31 of the prior fiscal year. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate - as measured by the Consumer Price Index. For an endowment to maintain its inflation adjusted level of support, it must earn an investment return equal to the spending rate plus the inflation rate.

10. SUBSEQUENT EVENTS

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