Financial Statements and Report of Independent Certified Public Accountants

STOCKTON UNIVERSITY FOUNDATION(A Component Unit of Stockton University)

June 30, 2019 and 2018

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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, 2019 and 2018, 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 Amef #Our responsibility is to express an optiatementsheae-dihancial 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 esignaraciality to a content of the second statements of the statement of the second s

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

ASSETS	2019	2018
Cash and cash equivalents	\$ 474,010	\$ 91,893
Contributions receivable, net	42,708	55,190
Due from University	2,263	188
Pledges receivable (less allowance of \$78,910 in 2019 and \$74,535 in 2018)	710,188	670,818
Other receivables	32,755	110,096

		out Donor		Program estrictions	dowment Funds	Total		Total
Revenues								
Contributions, net	\$	18,300	\$	1,329,795	\$ 995,205	\$ 2,325,000	\$	2,343,300
Special events								
Revenues		174,288		259,640	204,499	464,139		638,427
In-kind contributions		-		5,000	-	5,000		5,000
Less: costs of direct benefits to donors		-		(117,175)	-	(117,175)		(117,175)
Special events revenue, net		174,288		147,465	204,499	351,964		526,252
Endowment spending policy		57,915		(57,915)	-	(57,915)		-
In-kind contributions		558,846		-	-	-		558,846
Investment return, net		1		-	L			
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	 out Donor	Program estrictions	 dowment Funds	Total	Total
Revenues					
Contributions, net	\$ 25,514	\$ 3,201,574	\$ 544,681	\$ 3,746,255	\$ 3,771,769
Special events					
Revenues	218,885	280,654	196,365	477,019	695,904
In-kind contributions	-	12,500	-	12,500	12,500
Less: costs of direct benefits to donors	-	(144,630)	-	(144,630)	(144,630)
Special events revenue, net	218,885	148,524	196,365	344,889	563,774
Endowment spending policy	54,302	(54,302)	-	(54,302)	-
In-kind contributions	529,556	-	-	-	529,556
Investment return, net	188,380	2,314,202	16,195	2,330,397	2

STATEMENTS OF CASH FLOWS

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 3,088,054	\$ 4,285,477
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities		
Provision for doubtful accounts	20,000	218,001
Change in discount and allowance on pledge receivables	2,480	(62,746)
Contributions restricted for long-term purposes	(1,199,704)	(741,046)
Net realized and unrealized gain on investments	(1,736,340)	(1,699,393)
Changes in operating assets and liabilities:		
Contributions receivable	12,482	(27,402)
Due from University	(2,075)	46,582
Pledges receivable	(61,850)	275,653
Other receivables	77,341	(87,934)
Other assets	(261)	(670,100)
Accounts payable and accrued expenses	(11,754)	(8,651)
Due to University	 262,672	 83,669
Net cash provided by operating activities	 451,045	 1,612,110
Cash flows from investing activities		
Proceeds on sales of investments	9,734,674	11,766,592
Purchases of investments	 (11,003,306)	 (14,397,534)
Net cash used in investing activities	 (1,268,632)	 (2,630,942)
Cash flows from financing activities		
Contributions restricted for long-term purposes	 1,199,704	 741,046
Net cash provided by financing activities	 1,199,704	 741,046
Net increase (decrease) in cash and cash equivalents	382,117	(277,786)
Cash and cash equivalents, beginning of year	 91,893	 369,679
Cash and cash equivalents, end of year	\$ 474,010	\$ 91,893

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE C - 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.

NOTE D - PLEDGES RECEIVABLE

Pledges receivable consists of unconditional promises to give. The allowance for doubtful pledges is based on management's estimates and historical collections of pledges.

Pledges receivable as of June 30, 2019 and 2018 were as follows:

	2019		2018
Less than one year One to five years More than five years	\$ 258,365 533,307 24,405	\$	228,948 434,824 110,455
Total	816,077		774,227
Less: Discount to net present value Less: Allowance for doubtful pledges	(26,979 (78,910)		(28,874) (74,535)
Pledges receivable, net	\$ 710,188	\$	670,818

Pledges which are receivable in more than one year are discounted to fair value using an applicable fair market value rate from 1.19% to 3.05%.

Conditional promises to give for both 2019 and 2018, which are not reflected in the accompanying statements of financial position, were as follows:

	 2019	 2018	
Bequests in wills Life insurance contracts	\$ 800,000 100,000	\$ 300,000 100,000	
Total	\$ 900,000	\$ 400,000	

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE E - INVESTMENTS/FAIR VALUE MEASUREMENTS

Fair value measurements and disclosures provide the framework for measuring fair value. Fair value is

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE E - INVESTMENTS/FAIR VALUE MEASUREMENTS - Continued

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

	June 30, 2019						
	Level 1	Level 2	Level 3	Total			
Money market funds Limited partnership fund Real estate market funds Equity mutual funds Fixed income mutual funds	\$ 910,494 714,205 765,693 25,051,554 14,129,308	\$ - - - -	\$ - - - -	\$ 910,494 714,205 765,693 25,051,554 14,129,308			
Tixed medite mutdariumds	\$ 41,571,254	\$ -	\$ -	41,571,254			
Investment at net asset value				71,137			
Total				\$ 41,642,391			
		June 3	30, 2018				
	Level 1	Level 2	Level 3	Total			
Money market funds Limited partnership fund Equity mutual funds Fixed income mutual funds	\$ 805,343 685,762 24,876,407 12,269,907	\$ - - - -	\$ - - - -	\$ 805,343 685,762 24,876,407 12,269,907			
Total	\$ 38,637,419	\$ -	\$ -	\$ 38,637,419			

Net realized and unrealized gain on investments for the years ended June 30, 2019 and 2018 were as follows:

	 2019	 2018
Dividend and interest income, net Realized gains on investments Net change in unrealized gains and losses on investments	\$ 1,051,808 1,225,747 510,593	\$ 819,384 1,610,550 88,843
Total	\$ 2,788,148	\$ 2,518,777

Investment fees amounted to \$156,721 and \$147,879 for 2019 and 2018, respectively.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018, net assets with donor restrictions consisted of the following:

		2019	 2018
Scholarships and awards Academic support	•	6,553,661 3.842.879	\$ 5,882,562 3,387,323
Facilities support		6,897,704	6,438,390
Faculty support Other direct support		194,266 92,496	120,703 65,242
Official representation Fundraising (special events)		74,127 491,149	 72,808 461,255
Total	\$ 1	8,146,282	\$ 16,428,283

During the years ended June 30, 2019 and 2018, net assets were released from restrictions for the following purposes:

	 2019	 2018		
Scholarships and awards Academic support Facilities support Faculty support Other direct support	\$ 882,834 538,021 674,105 43,273 3,706	\$ 772,136 442,826 577,506 89,351 7,121		
Official representation Fundraising (special events and scholarships) Provision for doubtful accounts	 3,705 135,525 20,000	 8,414 159,723 218,001		
Total	\$ 2,301,169	\$ 2,275,078		

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE I - ENDOWMENTS - Continued

In accordance with UPMIFA, the Foundation considers the followi

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE I - ENDOWMENTS - Continued

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

		_				
	Without Donor Restrictions	Program Restrictions	Endowment Funds	Total		
Donor-restricted endowment funds Board-designated endowment funds	\$ - 2,430,009	\$ 8,680,182	\$22,152,105	\$30,832,287 2,430,009		
Endowment, end of year	\$ 2,430,009	\$ 8,680,182	\$22,152,105	\$33,262,296		

The Foundation's endowment was comprised of the following for the year ended June 30, 2018:

		-			
	Without Donor Restrictions	Program Restrictions	Endowment Funds	Total	
Endowment, 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	119,923	1,311,145	8,443	1,439,511	
3					
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		(770,014)	(140,001)	(910,015)	
Changes in net assets	94,811	1,087,072	617,240	1,799,123	
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Endowment, end of year	\$ 2,.d `	n		98,4	

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE J - FUNCTIONAL CLASSIFICATION OF EXPENSES

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

	Program Activities							Supporting Activities							
		cholarships nd awards		cademic support	_	Facilities support		Other direct support	aculty support		anagement and general	Fui	ndraising		Total expenses
Scholarships awarded	\$	958,234	\$	_	\$	_	\$	_	\$ -	\$	_	\$	-	\$	958,234
Contracted services	·	, -	·	58,413		487		-	-		3,896		73,917		136,713
Legal fees		-				8,514		-	-		-				8,514
Accounting fees		-		-		-		-	-		30,500		-		30,500
Consultants		-		45,190		300		5,350	-		1,435		25,550		77,825
Insurance		-		-		13,768		-	-		1,751		266		15,785
Utilities		-		402		569		-	-		-		-		971
Occupancy/overhead		-		-		-		-	-		558,846		-		558,846
Support of University and															
SASI/fundraising		-		-		646,622		-	14,263		-		-		660,885
Travel, conferences and															
meetings		-		223,532		3,740		39,628	27,127		38,701		6,809		339,537
Printing and advertising		-		7,223		-		-	-		5,177		4,515		16,915
Supplies and miscellaneous															
equipment		-		169,832		105		7,422	1,797		9,967		13,386		202,509
Subscriptions and															
memberships		-		1,472		-		-	86		14,660		7,489		23,707

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

The Foundation maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2019	2018
Cash and cash equivalents Receivables, net Other current assets Investments	\$ 474,010 336,091 680,824 41,642,391	\$ 91,893 394,422 680,563 38,637,419
Total financial assets available within one year	43,133,316	39,804,297
Less: Amounts unavailable for general expenditures within one year due to: Restricted by donors with purpose restrictions Restricted by donors in perpetuity Liabilities expected to be paid within one year	(9,466,100) (22,152,105) (442,156)	(8,900,893) (20,960,356) (191,238)
Total amounts unavailable for general expenditures within one year	(32,060,361)	(30,052,487)
Amounts unavailable to management without Board approval: Board-designated net assets	(2,430,009)	(2,342,791)
Total financial assets available to management for general expenditure within one year	\$ 8,642,946	\$ 7,409,019

NOTE L - SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through December 20, 2019, 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.