

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, 2021 and 2020

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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, 2021 and 2020, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities and the aggregate discretely presented component units of Stockton University as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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 6 through 21, and the required supplementary information on pages 62 through 64 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 an opinion on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State of New Jersey Awards for the year ended June 30, 2021, as required by Title 2 U.S. Code of Federal Regulations 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 65 through 68, respectively, 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 April 25, 2022, 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
April 25, 2022

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Years ended June 30, 2021 and 2020

INTRODUCTION

Stockton University (the "University" or "Stockton") is proud to present its comparative financial statements for fiscal years 2021 and 2020, and its changes in financial position for the fiscal years then ended with fiscal year 2019 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. The Unified Science Center expansion was supported by \$21.5 million in funding from the Building Our Future Bond Act.

The 36,000 square-foot John F. Scarpa 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 \$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. AtlantiCare Urgent Care and Atlantic Shores Offshore Wind LLC lease two of the retail sites.

The three-story 56,000 square-foot John F. Scarpa Academic Center in Atlantic City consists of classrooms, the multipurpose Fannie Lou Hamer event room, a food court with indoor and outdoor seating, and administrative and faculty offices. The site houses the Master of Social Work 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

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Years ended June 30, 2021 and 2020

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.

In October 2020, the University held its groundbreaking ceremony for a Phase II project in Atlantic City that will consist of a new, approximately 135,000 square-foot residential building, that will provide housing for 416 students in 107 apartments, primarily in 4-bedroom single or 2-bedroom double configurations. The units will also include a kitchen, living room, and bathroom(s). Amenities throughout the building will include laundry facilities, and study and lounge areas for student gathering. The anticipated project completion date is fall 2023. Funding sources for the Phase II project include \$54.6 million in bonds from the Atlantic County Improvement Authority and a \$10.3 million loan from the Casino Reinvestment Development Authority.

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.

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 use of the facility. A Master of Science degree in Data Science and Strategic Analytics has been offered at that site since fall 2017. A Master of Arts in Counseling began classes there in fall 2019.

In April 2013, Anne Azeez Hall in Woodbine opened, allowing Stockton to offer students courses in Cape May County.

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 experienced a slight decline in enrollment as a result of COVID-19, with a headcount of 9,352 students for fall 2021, compared with 9,893 students enrolled for fall 2020.

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 16 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.

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Years ended June 30, 2021 and 2020

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).

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 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, 2020, 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

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Years ended June 30, 2021 and 2020

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, 2020, a one-year lag from the University's year-end reporting date.

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, 2021 and 2020 financial statements for GASB 68 and its proportionate share of expense and corresponding revenue for GASB 75 in the June 30, 2021 and 2020 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.

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Years ended June 30, 2021 and 2020

The following reflects the impact of GASB 68 and 75 on the University's financials at June 30, 2021:

	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, 2021:				
Deferred outflows of resources - related	\$ -	\$ 40,283,651	\$ -	\$ 40,283,651
Net pension liability	-	180,521,899	-	180,521,899
Deferred inflows of resources - related	-	45,612,302	-	45,612,302
Net position - unrestricted	<u>131,208,492</u>	<u>(185,850,550)</u>	<u>-</u>	<u>(54,642,058)</u>
 Total net position	 241,307,627	 (185,850,550)	 -	 55,457,077
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2021:				
Operating expenses				
Instruction	61,235,524	(1,244,761)	-	59,990,763
Research	1,067,878	-	-	1,067,878
Public service	6,625,142	(125,202)	-	6,499,940
Academic support	22,014,254	(2,511,315)	-	19,502,939
Student services	20,190,484	(1,261,094)	-	18,929,390
Institutional support	33,046,384	(2,735,130)	-	30,311,254
Operation and maintenance of plant	24,265,626	(3,234,017)	-	21,031,609
Student aid	19,502,694	-	-	19,502,694
Auxiliary enterprises	10,639,911	(876,418)	-	9,763,493
Depreciation	17,927,231	-	-	17,927,231
OPEB expense	-	-	4,955,592	4,955,592
 Total operating expenses	 <u>\$ 216,515,128</u>	 <u>\$ (11,987,937)</u>	 <u>\$ 4,955,592</u>	 <u>\$ 209,482,783</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2021 and 2020

The following reflects the impact of GASB 68 and 75 on the University's financials at June 30, 2020:

	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, 2020:				
Deferred outflows of resources - related	\$ -	\$ 1,149,065	\$ -	\$ 1,149,065
Net pension liability	-	174,874,057	-	174,874,057
Deferred inflows of resources - related	-	24,113,495	-	24,113,495
Net position - unrestricted	84,080,062	(197,838,487)	-	(113,758,425)
Total net position	198,440,445	(197,838,487)	-	601,958
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2020:				
Operating expenses				
Instruction	61,616,818	682,356	-	62,299,174
Research	1,217,989	-	-	1,217,989
Public service	8,808,430	31,017	-	8,839,447
Academic support	24,940,923	248,130	-	25,189,053
Student services	22,618,742	341,177	-	22,959,919
Institutional support	35,020,725	1,395,598	-	36,416,323
Operation and maintenance of plant	23,562,786	744,389	-	24,307,175
Student aid	14,687,419	-	-	14,687,419
Auxiliary enterprises	11,997,445	217,114	-	12,214,559
Depreciation	18,079,482	-	-	18,079,482
OPEB expense	-	-	1,064,835	1,064,835
Total operating expenses	\$ 222,550,759	\$ 3,659,781	\$ 1,064,835	\$ 227,275,375

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2021 and 2020

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2021, 2020 and 2019 is as follows (in thousands):

	2021	2020	2019
ASSETS			
Current assets	\$ 28,705	\$ 34,627	\$ 34,266
Capital assets	492,228	439,198	445,428
Other non-current assets	140,628	88,562	83,843
Total assets	661,561	562,387	563,537
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	40,283	1,149	14,351
Loss on refunding debt	9,528	10,057	10,586
Total deferred outflows of resources	49,811	11,206	24,937
LIABILITIES			
Current liabilities	36,702	35,749	34,464
Noncurrent liabilities	571,525	511,005	510,883
Total liabilities	608,227	546,754	545,347
DEFERRED INFLOWS OF RESOURCES			
Pension related	45,612	24,114	34,620
Capital lease	1,999	2,035	2,107
Gain on refunding debt	77	88	100
Total deferred inflows of resources	47,688	26,237	36,827
NET POSITION			
Net investment in capital assets	101,058	107,863	114,894
Restricted for:			
Debt service reserve	9,041	6,497	6,425
Unrestricted	(54,642)	(113,758)	(115,019)
Total net position	\$ 55,457	\$ 602	\$ 6,300

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, management of investments, and utilization of debt to support the University's capital plan.

Current assets consist primarily of cash and cash equivalents, deposits held by bond trustees, investments, and receivables. Noncurrent assets consist primarily of investments, deposits held by bond trustees, and capital assets. Current liabilities consist primarily of accounts payable and accrued expenses, unearned revenue, 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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Years ended June 30, 2021 and 2020

Total assets for the University increased by \$99,173,569 in fiscal year 2021. This increase is related to increases in capital assets of \$53,029,959, investments of \$47,958,949, deposits held by bond trustees of \$2,117,585, cash and cash equivalents of \$765,239, and other current assets of \$148,152 offset by net decreases in receivables of \$4,846,315. The increase in capital assets can be attributed to the Atlantic City Phase II project, while the increase in investments can be attributed to positive investment performance during the fiscal year. Total assets for the University decreased by \$1,149,464 in fiscal year 2020. This decrease is related to decreases in capital assets of \$6,230,534, deposits held by bond trustees of \$2,023,477, State of New Jersey receivables of \$750,470, and other current assets of \$821,244 offset by additional Federal grant receivables of \$3,424,136 and cash of \$2,412,147, mainly attributable to CARES Act funding awarded to the University, along with market increases in investments of \$3,654,799. 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 construction projects on the Galloway campus.

The increase in deferred outflows of \$38,605,265 is primarily attributable to changes related to GASB 68 pensions and includes the fiscal year 2021 contribution made on behalf of the University after the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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 that will be recognized as a component of pension expense in future years.

Total liabilities increased by \$61,472,304 in fiscal year 2021. This increase is primarily due to the increases in capitalized lease obligations of \$54,345,000, other long-term debt of \$7,522,857, and net pension liability of \$5,647,842 offset by a decline in bonds payable of \$3,149,157 and other current and noncurrent liabilities of \$2,894,238. The increases in capitalized lease obligations and other long-term debt are directly related to the financing of the Atlantic City Phase II project. The decline in bonds payable reflects the annual repayment of current debt obligations. Total liabilities increased by \$1,407,727 in fiscal year 2020. This is mainly due to the increase in the GASB 68 net pension liability of \$964,915 and compensated absences of \$304,496.

The increase in deferred inflows of \$21,451,411 is mainly attributable to changes related 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.

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. Amounts awarded to the University from the Federal government

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Years ended June 30, 2021 and 2020

under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) are also classified as nonoperating revenues. In accordance with GASB 75, OPEB expenses are recorded as operating expenses, while the corresponding revenue is recorded as nonoperating revenue.

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, 2021, 2020 and 2019 is as follows (in thousands):

	2021	2020	2019
OPERATING REVENUES			
Net student revenues	\$ 116,295	\$ 120,728	\$ 117,702
Governmental grants	26,620	28,736	27,818
Independent operations	-	-	1,632
Other	4,019	6,373	7,994
Total operating revenues	146,934	155,837	155,146
OPERATING EXPENSES	209,483	227,275	240,219
Operating loss	(62,549)	(71,438)	(85,073)
NON-OPERATING AND OTHER REVENUES (EXPENSES):			
State of New Jersey appropriations	54,971	49,879	49,498
State of New Jersey OPEB	4,956	1,065	10,275
Pell grants	18,133	18,226	17,024
Federal grants	29,750	7,724	-
Investment income	23,027	1,981	5,046
Capital grant revenue	264	139	261
Loss on disposal of capital assets, net	(19)	(50)	(12,261)
Interest on capital related debt	(12,895)	(12,970)	(12,984)
Other non-operating expenses, net	(783)	(254)	(130)
Net non-operating and other revenues	117,404	65,740	56,729
Increase (decrease) in net position	54,855	(5,698)	(28,344)
Net position - beginning of year	602	6,300	34,644
Net position - end of year	\$ 55,457	\$ 602	\$ 6,300

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 continues to seek additional funds from all possible sources to adequately fund operating activities.

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(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2021 and 2020

OPERATING REVENUES

Operating revenues for the years ended June 30, 2021, 2020 and 2019 totaled \$146,934,378, \$155,837,299, and \$155,145,812, respectively. For the year ended June 30, 2021, student revenues net of scholarships were \$116,295,050, governmental grants were \$26,620,099, and other revenue totaled \$4,019,229. For the year ended June 30, 2020, student revenues net of scholarships were \$120,728,495, governmental grants were \$28,735,506, and other revenue totaled \$6,373,298. 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.

Student revenues, which includes tuition and fees, are the primary source of operating revenue for the University. These tuition and fee revenues increased from fiscal year 2019 to fiscal year 2020 by approximately 7% and from fiscal year 2020 to fiscal year 2021 by approximately 2%. Auxiliary activities, related to housing, decreased from fiscal year 2019 to fiscal year 2020 by 15% and from fiscal year 2020 to fiscal year 2021 by 40%. The 2020 decrease was directly related to the University's closure of the campus in March 2020 due to the outbreak of a novel coronavirus (COVID-19). Most students returned to their homes and continued their semester with remote learning. The 2021 decrease was also related to COVID-19. Many courses continued via an online modality and students remained at home for the fall 2020 and spring 2021 semesters. The decrease in independent operations revenue since fiscal year 2019 is due to the sale of Seaview on July 31, 2018.

Operating revenues for 2021, 2020 and 2019 were as follows (in thousands):

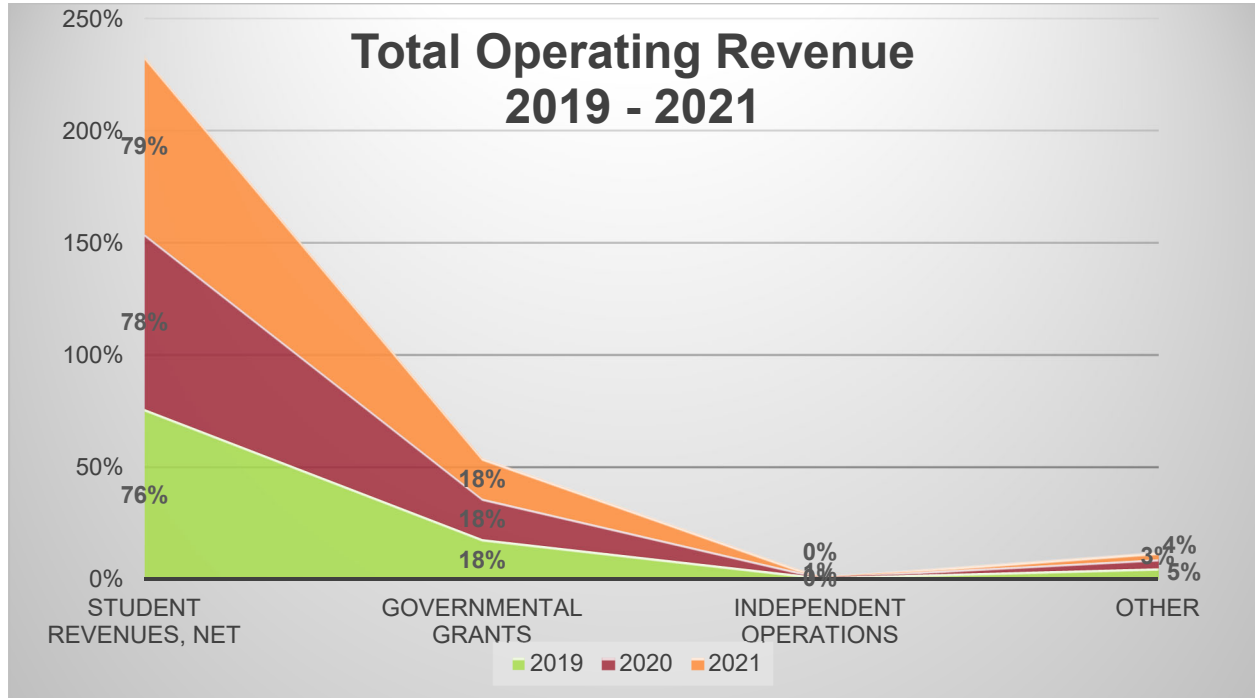
	2021	%	2020	%	2019	%
	<u>2021</u>	<u>Total</u>	<u>2020</u>	<u>Total</u>	<u>2019</u>	<u>Total</u>
Student revenues, net	\$ 116,295	79%	\$ 120,728	78%	\$ 117,702	76%
Governmental grants	26,620	18	28,736	18	27,818	18
Independent operations	-	0	-	0	1,632	1
Other	4,019	3	6,373	4	7,994	5
	<u>4,019</u>	<u>3</u>	<u>6,373</u>	<u>4</u>	<u>7,994</u>	<u>5</u>
Total operating revenues	<u>\$ 146,934</u>	<u>100%</u>	<u>\$ 155,837</u>	<u>100%</u>	<u>\$ 155,146</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, 2021 and 2020

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



NONOPERATING AND OTHER REVENUES

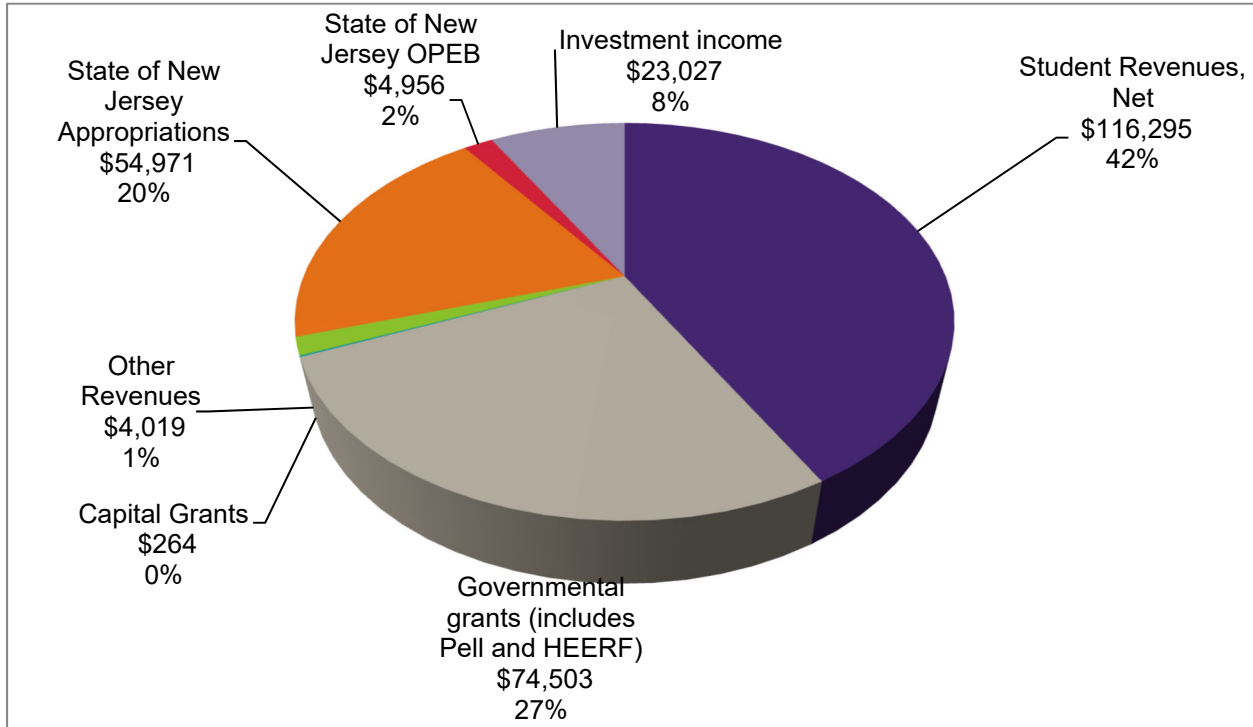
Net nonoperating and other revenues for the years ended June 30, 2021, 2020, and 2019 totaled \$112,447,932, \$65,740,430, and \$56,728,848, respectively. The primary source of nonoperating revenue was the State of New Jersey appropriation, including fringe benefits, of \$54,971,278, \$49,879,144, and \$49,498,328 respectively, for the years ended June 30, 2021, 2020, and 2019. The other components of net nonoperating revenues were Pell grant revenues of \$18,133,206, \$18,225,942, and \$17,023,586, investment income of \$23,026,894, \$1,980,844, and \$5,046,415 and interest expense on capital related debt of (\$12,894,591), (\$12,969,363), and (\$12,983,929) for the years ended June 30, 2021, 2020, and 2019, respectively. Included in other revenues for the years ended June 30, 2021, 2020, and 2019 was capital grant revenue of \$264,178, \$138,784, and \$261,320, respectively. In compliance with GASB 75, the University recorded nonoperating OPEB revenue from the State of New Jersey of \$4,955,592, \$1,064,835, and \$10,275,436 for the years ended June 30, 2021, 2020, and 2019, respectively. Also, for the years ended June 30, 2021 and 2020, the University recorded Federal CARES and CRRSAA Act funding of \$29,749,764 and \$7,723,592, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2021 and 2020

Categories of both operating, nonoperating, and other revenues that support the University's core activities in 2021 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, 2021, 2020, and 2019, the University incurred operating expenses totaling \$209,482,783 (\$216,515,128 excluding the effects of GASB 68 and GASB 75), \$227,275,375 (\$222,550,759 excluding the effects of GASB 68 and GASB 75), and \$240,218,872 (\$219,979,288 excluding the effects of GASB 68 and GASB 75), respectively. Operating revenues for these periods totaled \$146,934,378, \$155,837,299, and \$155,145,812, respectively, causing a loss from operations of (\$62,548,405) (loss of \$69,580,750 excluding the effects of GASB 68 and GASB 75), (\$71,438,076) (loss of \$66,713,460 excluding the effects of GASB 68 and GASB 75), and (\$85,073,060) (loss of \$64,833,476 excluding the effects of GASB 68 and GASB 75), respectively, prior to State appropriations, State OPEB revenue, and other nonoperating revenue.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2021 and 2020

A summary of operating expenses for the years ended June 30, 2021, 2020, and 2019 is as follows (in thousands):

	2021	% of Total	2020	% of Total	2019	% of Total
Instruction	\$ 59,991	29%	\$ 62,299	27%	\$ 61,188	25%
Research	1,068	1	1,218	1	1,589	1
Public service	6,500	3	8,839	4	9,519	4
Academic support	19,503	9	25,189	11	26,679	11
Student services	18,929	9	22,960	10	24,360	10
Institutional support	30,311	14	36,416	16	36,045	15
Operation and maintenance of plant	21,032	10	24,307	11	27,147	11
Student aid	19,503	9	14,687	6	9,931	4
Auxiliary enterprises	9,763	5	12,215	5	13,242	6
Independent operations	-	0	-	0	2,639	1
Depreciation	17,927	9	18,080	8	17,605	7
OPEB expense	4,956	2	1,065	1	10,275	5
Total operating expenses	<u>\$ 209,483</u>	<u>100%</u>	<u>\$ 227,275</u>	<u>100%</u>	<u>\$ 240,219</u>	<u>100%</u>

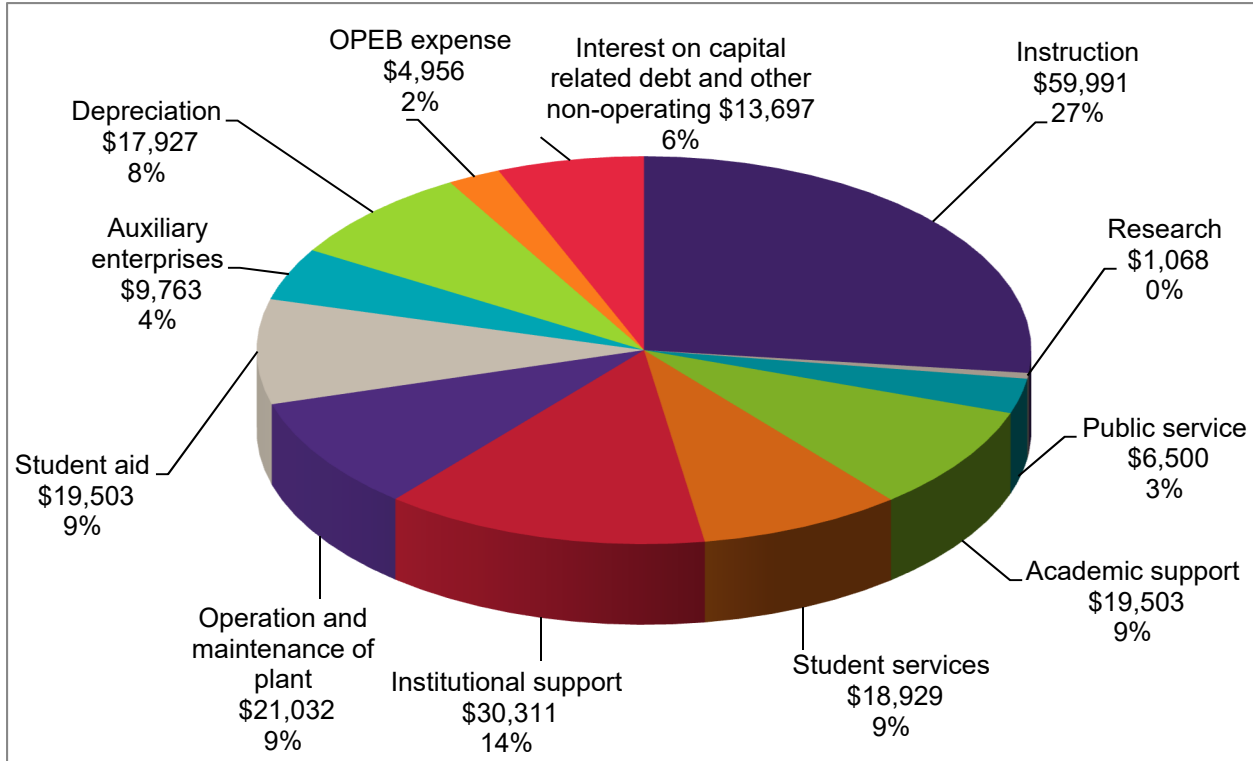
Based on the amounts reported above, expenses have remained fairly consistent for each of the categories over the past years. In complying with GASB 75, the University recorded OPEB expense of \$4,955,592, \$1,064,835 and \$10,275,436 for the years ended June 30, 2021, June 30, 2020 and June 30, 2019, respectively.

Categories of both operating and nonoperating expenses related to Stockton's core activities in 2021 are as follows (in thousands of dollars):

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2021 and 2020



CHANGE IN NET POSITION

The University had an increase in net position of \$54,855,119 in fiscal year 2021 and a decrease in net position of \$5,697,646 and \$28,344,212 for fiscal years 2020 and 2019, respectively. The changes in net position are the result of the operating revenue, operating expense, nonoperating revenue and expense, and other revenue activity that took place during the respective fiscal year.

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, 2021 and 2020

COVID-19 UPDATE

COVID-19 has continued to have widespread impacts on Stockton University and its students. When the pandemic escalated in mid-March 2020, the University quickly moved to remote learning, necessitating investments in both instructional technology and online training. The campus closed to all but essential workers, as well as just over one hundred students, including international students unable to return home and others who faced housing insecurity. By the beginning of April 2020, the institution decided to shift all summer teaching off-campus.

After the initial closures, the University implemented a 9-Phase Timeline to plan for the Academic Year 2020-21 reopening of its campuses. Stockton subsequently completed all phases of that timeline which resulted in the Fall 2020 and Spring 2021 reopening. Multiple measures were implemented to provide a safe environment for students, faculty and staff while on campus, including regular testing as well as a contact tracing system that directly notifies all known close contact individuals who may have had direct exposure to an infected individual. Stockton publishes cases on a daily basis (if any) and tracks active versus cleared cases on its website.

The impacts of the COVID-19 pandemic on the University's finances during fiscal year 2021 and 2020 exceed \$34.0 million. The University experienced lost revenue as follows: a \$6.9 million reduction in its fiscal year 2020 state appropriation, \$8.1 million in Spring 2020 and Fall 2020 housing, meal plan and fee refunds to students, \$12.2 million in lost fiscal year 2021 tuition, fee and housing revenue related to enrollment declines, and almost \$2.0 million in lost grant and other revenue. Beyond these shortfalls, the campus incurred expenses directly related to its COVID-19 response including technology outlays, Personal Protective Equipment (PPE) purchases, and expanded maintenance and cleaning services of approximately \$5.0 million.

The negative impacts of COVID-19 have been largely offset by federal and state government support. Stockton received \$5.5 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, \$11.2 million in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funding, and \$14.9 million in American Rescue Plan funding. Additionally, Stockton received \$8.8 million in Coronavirus Relief Funds and \$3.5 million in Governor's Emergency Education Relief Funds from the State of New Jersey.

In addition to federal and state support, the University attempted to offset lost revenue with operational and capital budget cuts totaling \$14.7 million and \$8.2 million during the years ended June 30, 2021 and 2020, respectively. Further, the University implemented a hiring freeze, a rigorous expenditure pre-approval process, a furlough program negotiated at the state level, and other measures to maintain a balanced budget and adequate cash flow during both fiscal years 2021 and 2020.

Though the full impact of COVID-19 and the scope of any impact on the University's operations and financial condition cannot be determined, potential adverse consequences to the University of COVID-19 may include a decline in enrollment, a decline in demand for University housing and dining, postponement or cancellation of athletic, fundraising, and cultural events, and a decrease in interest and investment income from the University's investment assets. The University will continue to closely monitor the COVID-19 pandemic and its impact on the Stockton community. Necessary steps will be taken to manage the financial impact and ensure financial sustainability of the University.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Years ended June 30, 2021 and 2020

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 ranked #34 among Public Regional Universities in the North by U.S. News & World Report in its 2022 edition of "Best Regional Universities North Rankings." Stockton was also named as a 2022 "Best Regional College" by The Princeton Review. Stockton is included on Forbes' and Money Magazine's list of "Best Value Colleges" and The Military Times ranked Stockton 13th in the Mid-Atlantic in its 2021 rankings of "Best Colleges for Veterans."

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 10,000 applications. 1,358 new freshmen were enrolled for fall 2021. In addition, Stockton typically enrolls about 1,400 transfer students annually, most entering as juniors from area community colleges. Stockton also enrolls about 500 graduate students annually.

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, New Jersey 08205.

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

STATEMENTS OF NET POSITION

As of June 30,

	2021		2020	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,388,885	\$ 878,144	\$ 7,623,646	\$ 1,607,109
Receivables				
Students, less allowance of \$1,230,242 in 2021 and \$1,228,526 in 2020	539,636	-	564,684	-
Perkins Loans, less allowance of \$138,088 in 2021 and \$127,100 in 2020	255,544	-	280,817	-
Federal government	2,051,237	-	5,042,012	-
State of New Jersey	1,184,480	-	756,431	-
Due from University/component units	311,736	14,475	386,245	98,386
Other receivables	3,135,759	551,606	3,745,137	717,446
Total receivables	7,478,392	566,081	10,775,326	815,832
Investments	11,017,199	2,054,372	8,562,989	2,191,319
Deposits held by bond trustees	575,940	-	6,568,799	-
Other current assets	1,244,134	109,345	1,095,982	224,819
Total current assets	28,704,550	3,607,942	34,626,742	4,839,079
Noncurrent assets:				
Investments	129,210,599	52,176,342	83,705,860	41,752,947
Deposits held by bond trustees	9,041,532	-	931,088	-
Perkins Loans, less allowance of \$505,006 in 2021 and \$529,215 in 2020	934,555	-	1,169,248	-
Note receivable from component units	1,441,695	-	2,756,383	-
Other receivables	-	5,337,046	-	5,523,646
Capital assets, net	492,227,837	32,732	439,197,878	1,889,364
Total noncurrent assets	632,856,218	57,546,120	527,760,457	49,165,957
Total assets	661,560,768	61,154,062	562,387,199	54,005,036
Deferred outflows of resources				
Pension related	40,283,651	-	1,149,065	-
Loss on refunding debt	9,527,779	-	10,057,100	-
Total deferred outflows of resources	<u>\$ 49,811,430</u>	<u>\$ -</u>	<u>\$ 11,206,165</u>	<u>\$ -</u>

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

Stockton University
(A Component Unit of the State of New Jersey)

STATEMENTS OF NET POSITION - CONTINUED

As of June 30,

	2021		2020	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 17,555,993	\$ 78,808	\$ 18,716,805	\$ 1,031,684
Due to University/component units	14,475	311,736	98,386	386,245
Unearned revenue	5,160,263	271,060	6,063,185	312,750
Compensated absences	4,364,058	-	4,764,132	41,039
Bonds payable	5,749,157	-	3,149,157	-
Other long-term debt	3,543,392	-	2,752,644	-
Capitalized lease obligations	315,000	-	205,000	-
Total current liabilities	36,702,338	661,604	35,749,309	1,771,718
Noncurrent liabilities:				
Compensated absences	811,500	-	804,654	-
U.S. government grants refundable	1,679,670	-	2,033,035	-
Net pension liability	180,521,899	-	174,874,057	-
Bonds payable	216,763,983	-	222,513,140	-
Other long-term debt	38,837,530	3,267,467	32,105,421	4,470,535
Capitalized lease obligations	132,910,000	-	78,675,000	-
Total noncurrent liabilities	571,524,582	3,267,467	511,005,307	4,470,535
Total liabilities	608,226,920	3,929,071	546,754,616	6,242,253
Deferred inflows of resources				
Pension related	45,612,302	-	24,113,495	-
Capital lease	1,998,480	-	2,034,816	-
Gain on refunding debt	77,419	-	88,479	-
Total deferred inflows of resources	47,688,201	-	26,236,790	-
Net position				
Net investment in capital assets	101,058,516	-	107,862,887	538,844
Restricted:				
Nonexpendable	-	30,490,114	-	29,781,058
Expendable:				
Scholarships	-	26,759,967	-	17,834,153
Debt service and debt service reserves	9,040,619	-	6,497,496	-
Unrestricted	(54,642,058)	(25,090)	(113,758,425)	(391,272)
Total net position	\$ 55,457,077	\$ 57,224,991	\$ 601,958	\$ 47,762,783

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

Years ended June 30,

	2021		2020	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Operating revenues				
Student revenues:				
Tuition and fees	\$ 144,847,488	\$ -	\$ 142,437,400	\$ -
Auxiliary enterprises	14,763,906	-	24,390,938	-
Less: scholarship allowances	(43,316,344)	-	(46,099,843)	-
Net student revenues	116,295,050	-	120,728,495	-
Federal grants and contracts	6,079,756	-	7,324,407	-
State and local grants and contracts	20,540,343	297,439	21,411,099	17,810
Nongovernmental grants and contracts	1,020,489	-	838,345	-
Other auxiliary enterprises revenues	53,186	6,443,727	158,358	12,378,892
Other operating revenues	2,945,554	374,748	5,376,595	1,016,891
In-kind contributions	-	1,060,013	-	1,151,551
Total operating revenues	146,934,378	8,175,927	155,837,299	14,565,144
Operating expenses				
Instruction	59,990,763	-	62,299,174	-
Research	1,067,878	-	1,217,989	-
Public service	6,499,940	-	8,839,447	-
Academic support	19,502,939	-	25,189,053	-
Student services	18,929,390	-	22,959,919	-
Institutional support	30,311,254	1,680,715	36,416,323	5,226,822
Operation and maintenance of plant	21,031,609	-	24,307,175	-
Student aid	19,502,694	1,104,241	14,687,419	1,009,493
Auxiliary enterprises	9,763,493	7,175,696	12,214,559	11,438,272
Depreciation	17,927,231	162,186	18,079,482	203,268
OPEB expense	4,955,592	-	1,064,835	-
In-kind expense	-	1,060,013	-	1,151,551
Total operating expenses	209,482,783	11,182,851	227,275,375	19,029,406
Operating loss	(62,548,405)	(3,006,924)	(71,438,076)	(4,464,262)
Nonoperating revenues (expenses)				
State of New Jersey appropriations	24,366,000	-	17,492,600	-
State of New Jersey appropriations - fringe benefits	30,605,278	-	32,386,544	-
State of New Jersey - OPEB	4,955,592	-	1,064,835	-
Pell grants	18,133,206	-	18,225,942	-
Federal grants	29,749,764	-	7,723,592	-
Gifts and contributions	-	1,814,047	-	802,950
Investment income	23,026,894	9,331,171	1,980,844	903,164
Loss on disposal of capital assets	(19,422)	-	(49,954)	-
Interest on capital related debt	(12,894,591)	(27,114)	(12,969,363)	(48,067)
University support	-	46,424	-	76,090
Other nonoperating (expense) revenue	(783,375)	543,798	(253,394)	-
Total nonoperating revenues, net	117,139,346	11,708,326	65,601,646	1,734,137
Other revenues				
Capital grant revenue	264,178	-	138,784	-
Additions to permanent endowments	-	760,806	-	7,628,953
Total other revenues	264,178	760,806	138,784	7,628,953
INCREASE (DECREASE) IN NET POSITION	54,855,119	9,462,208	(5,697,646)	4,898,828
Net position - beginning of year	601,958	47,762,783	6,299,604	42,863,955
Net position - end of year	<u>\$ 55,457,077</u>	<u>\$ 57,224,991</u>	<u>\$ 601,958</u>	<u>\$ 47,762,783</u>

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)

Years ended June 30,

	2021	2020
Cash flows from operating activities		
Student revenue	\$ 115,376,963	\$ 122,480,138
Grants and contracts	30,467,492	27,038,969
Payments to suppliers	(45,496,366)	(46,951,526)
Payments for employee salaries and benefits	(153,949,008)	(155,030,852)
Other receipts	11,653,742	13,080,533
Net cash flows used in operating activities	(41,947,177)	(39,382,738)
Cash flows from noncapital financing activities		
Receipts from State of New Jersey appropriations	47,577,778	42,075,206
Pell grants	18,133,206	18,225,942
Federal grants	29,749,764	7,723,592
Payments made for other nonoperating expenses	(783,375)	(253,394)
Net cash flows provided by noncapital financing activities	94,677,373	67,771,346
Cash flows from capital and related financing activities		
Proceeds from issuance of debt	10,275,000	5,935,000
Principal paid on capital debt	(4,497,632)	(4,144,609)
Purchases of capital assets	(16,579,547)	(14,296,742)
Proceeds from the sale of capital assets	(19,422)	(49,954)
Proceeds from capital lease	(36,336)	(72,672)
Interest paid on capital debt	(14,118,591)	(13,629,377)
Change in deposits held by bond trustees	(2,117,585)	2,023,477
Net cash flows used in capital and related financing activities	(27,094,113)	(24,234,877)
Cash flows from investing activities		
Proceeds from sales of investments	74,443,144	118,880,369
Purchases of investments	(101,704,084)	(122,488,021)
Earnings from investments	2,390,096	1,866,068
Net cash flows used in investing activities	(24,870,844)	(1,741,584)
NET INCREASE IN CASH AND CASH EQUIVALENTS	765,239	2,412,147
Cash and cash equivalents as of beginning of year	7,623,646	5,211,499
Cash and cash equivalents as of end of year	\$ 8,388,885	\$ 7,623,646
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (62,548,405)	\$ (71,438,076)
Adjustments to reconcile operating loss to net cash used in operating activities:		
State-paid fringe benefit expense	7,393,500	7,803,938
OPEB expense	4,955,592	1,064,835
Depreciation	17,927,231	18,079,482
Change in assets and liabilities:		
Receivables	3,470,416	(1,691,215)
Note receivable	1,314,688	(100,000)
Other assets	(148,152)	821,244
Accounts payable and accrued expenses	(938,773)	691,267
Unearned revenues - student	(902,922)	1,747,822
Unearned revenues - state capital grants	264,178	138,784
Compensated absences	(393,228)	304,496
Deferred outflow/inflow of resources related to pensions	(17,635,779)	2,694,866
Net pension liability	5,647,842	964,915
U.S. government grants refundable	(353,365)	(465,096)
Net cash used in operating activities	\$ (41,947,177)	\$ (39,382,738)
Supplemental disclosure of noncash capital financing activity		
Change in capital asset additions in accounts payable	\$ 32,643	\$ (2,347,794)

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, 2021 and 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Stockton University (the "University") 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 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 the 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 as a legally separate, tax-exempt 501(c)(3) organization. SASI's purpose was to support the mission of the University by expanding and improving the level of services provided by the University. The University 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 \$0 and \$1,048,320 for fiscal 2021 and 2020, respectively, to the University as auxiliary services revenues. On April 30, 2021, SASI's Board of Directors approved the dissolution and liquidation of SASI effective June 30, 2021, in order to consolidate its assets with the University. The transfer of net assets to the University upon dissolution was (\$543,798) and is reflected within the statement of revenues, expenses, and changes in net position as other nonoperating expense for the year ended June 30, 2021.

STOCKTON UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NARTP was established in accordance with 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.

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.

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.

STOCKTON UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 include 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 pension 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.

STOCKTON UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 appropriations from the State of New Jersey, Pell grants, Federal grants related to COVID-19 relief funding, 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, 2021 and 2020

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.

Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The outbreak of the disease has affected travel, commerce, and financial markets globally. The University has been and continues to closely monitor the COVID-19 pandemic and its impact on the University community. Though the full impact of COVID-19 and the scope of any continued impact on the University’s operations and financial condition cannot be determined, potential adverse consequences to the University of COVID-19 may include a decline in enrollment, a decline in demand for University housing and dining, postponement or cancellation of athletic, fundraising, and cultural events, and a decrease in interest and investment income from the University’s investment assets.

Pending Accounting Standard

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, as amended, are effective for financial statements for periods beginning after June 15, 2021. The University is evaluating the impact of adopting this statement.

NOTE 2 - CASH AND CASH EQUIVALENTS, INVESTMENTS AND DEPOSITS HELD BY BOND TRUSTEES

Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents:		
Cash (bank accounts)	\$ 8,307,563	\$ 5,342,433
New Jersey Cash Management Fund	81,322	2,281,213
Total	\$ 8,388,885	\$ 7,623,646

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Cash balances maintained by banks amounted to \$10,550,570 and \$6,974,419 as of June 30, 2021 and 2020, respectively, of which \$250,000 are Federal Deposit Insurance Corporation insured. Bank balances in excess of insured amounts of \$10,300,570 and \$6,724,419 as of June 30, 2021 and 2020, 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, 2021 and 2020:

	2021	2020
Money market accounts	\$ 9,513,116	\$ 6,545,207
U.S. Treasury and agency obligations	178,197	381,153
Corporate bonds	1,643,642	1,676,685
U.S. government bonds	584,237	361,372
Stocks	5,283,589	5,220,778
Mutual funds	105,741,224	65,108,388
Alternative investments	17,283,793	12,975,266
Total	\$ 140,227,798	\$ 92,268,849

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.

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, 2021 and 2020, 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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020:

Investment Type	S&P Ratings	June 30, 2021 Investment Maturities (in Years)			
		Fair Value	Less than 1	1 to 2	Greater than 2
U.S. Treasury and agency obligations	AA to Aa	\$ 178,197	\$ -	\$ -	\$ 178,197
Corporate bonds	AA to Ba	1,643,642	-	62,700	1,580,942
U.S. government bonds	AA to Aa	584,237	-	-	584,237
Total		<u>\$ 2,406,076</u>	<u>\$ -</u>	<u>\$ 62,700</u>	<u>\$ 2,343,376</u>

Investment Type	S&P Ratings	June 30, 2020 Investment Maturities (in Years)			
		Fair Value	Less than 1	1 to 2	Greater than 2
U.S. Treasury and agency obligations	AA to Aa	\$ 381,153	\$ -	\$ -	\$ 381,153
Corporate bonds	AA to Ba	1,676,685	56,099	48,993	1,571,593
U.S. government bonds	AA to Aa	361,372	-	-	361,372
Total		<u>\$ 2,419,210</u>	<u>\$ 56,099</u>	<u>\$ 48,993</u>	<u>\$ 2,314,118</u>

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;

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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; and

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.

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2021:

	Fair Value	Level 1	Level 2	NAV
Investments by fair value level				
U.S. Treasury and agency obligations	\$ 178,197	\$ 178,197	\$ -	\$ -
U.S. government bonds	584,237	584,237	-	-
Debt mutual funds	54,664,292	54,664,292	-	-
Money market accounts	9,513,116	9,513,116	-	-
Domestic corporate bonds	1,579,697	1,579,697	-	-
Foreign corporate bonds	63,945	63,945	-	-
Total debt securities	66,583,484	66,583,484	-	-
Other securities				
Equity mutual funds	51,076,932	51,076,932	-	-
Domestic stocks	2,031,761	2,031,761	-	-
Foreign stocks	3,251,828	3,251,828	-	-
Total investments, by fair value level	122,944,005	122,944,005	-	-
Investments measured at NAV				
Hedge funds – diversifying	3,119,091	-	-	3,119,091
Other limited partnerships	14,164,702	-	-	14,164,702
Total investments, measured at NAV	17,283,793	-	-	17,283,793
Total investments, measured at fair value	\$ 140,227,798	\$ 122,944,005	\$ -	\$ 17,283,793

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following table lists investments measured at NAV by major investment category as of June 30, 2021 as follows:

	2021 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds – diversifying	\$ 3,119,091	\$ -	Quarterly	60 to 65 days
Other limited partnerships	14,164,702	-	N/A	N/A
Total investments, measured at NAV	<u>\$ 17,283,793</u>	<u>\$ -</u>		

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2020:

	Fair Value	Level 1	Level 2	NAV
Investments by fair value level				
U.S. Treasury and agency obligations	\$ 381,153	\$ 381,153	\$ -	\$ -
U.S. government bonds	361,372	361,372	-	-
Debt mutual funds	25,791,619	25,791,619	-	-
Money market accounts	6,545,207	6,545,207	-	-
Domestic corporate bonds	1,611,585	1,611,585	-	-
Foreign corporate bonds	65,100	65,100	-	-
Total debt securities	34,756,036	34,756,036	-	-
Other securities				
International mutual funds	85,999	85,999	-	-
Equity mutual funds	39,230,770	39,230,770	-	-
Domestic stocks	2,010,234	2,010,234	-	-
Foreign stocks	3,210,544	3,210,544	-	-
Total investments, by fair value level	<u>79,293,583</u>	<u>79,293,583</u>	<u>-</u>	<u>-</u>
Investments measured at NAV				
Hedge funds – diversifying	2,794,375	-	-	2,794,375
Hedge funds - systematic CTA	2,623,587	-	-	2,623,587
Other limited partnerships	7,557,304	-	-	7,557,304
Total investments, measured at NAV	<u>12,975,266</u>	<u>-</u>	<u>-</u>	<u>12,975,266</u>
Total investments, measured at fair value	<u>\$ 92,268,849</u>	<u>\$ 79,293,583</u>	<u>\$ -</u>	<u>\$ 12,975,266</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following table lists investments measured at NAV by major investment category as of June 30, 2020 as follows:

	2020 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds – diversifying	\$ 2,794,375	\$ -	Quarterly	60 to 65 days
Hedge funds - systematic CTA	2,623,587	-	Monthly	10 days
Other limited partnerships	7,557,304	-	N/A	N/A
Total investments, measured at NAV	\$ 12,975,266	\$ -		

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, 2021 and 2020, deposits held by bond trustees included the following:

	2021	2020
Cash and cash equivalents - cash held by trustees	\$ 9,617,472	\$ 7,499,887

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, 2021 and 2020, deposits held by bond trustees were composed of funds held for the following purposes:

	2021	2020
State capital grant programs	\$ 4,389	\$ 431,089
Construction	571,551	571,333
Debt service and debt service reserves	9,041,532	6,497,465
Total	\$ 9,617,472	\$ 7,499,887

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 consisted of the following:

	July 1, 2020	Additions	Retirements and Adjustments	June 30, 2021
Nondepreciable assets:				
Land	\$ 13,809,347	\$ -	\$ (220,229)	\$ 13,589,118
Construction in progress	6,876,334	69,776,728	(4,372,972)	72,280,090
Works of art	722,555	-	-	722,555
	<u>21,408,236</u>	<u>69,776,728</u>	<u>(4,593,201)</u>	<u>86,591,763</u>
Depreciable assets:				
Land improvements	20,234,134	-	-	20,234,134
Buildings and improvements	449,706,411	4,357,860	(319,518)	453,744,753
Leasehold improvements	81,544,149	-	-	81,544,149
Infrastructure	28,663,930	-	-	28,663,930
Equipment	42,064,544	2,814,055	(439,294)	44,439,305
	<u>622,213,168</u>	<u>7,171,915</u>	<u>(758,812)</u>	<u>628,626,271</u>
Less accumulated depreciation:				
Land improvements	9,494,664	643,375	-	10,138,039
Buildings and improvements	143,792,748	11,410,797	(13,658)	155,189,887
Leasehold improvements	5,209,765	2,718,138	-	7,927,903
Infrastructure	16,339,899	521,899	-	16,861,798
Equipment	29,586,450	3,725,414	(439,294)	32,872,570
	<u>204,423,526</u>	<u>19,019,623</u>	<u>(452,952)</u>	<u>222,990,197</u>
Depreciable assets, net	<u>417,789,642</u>	<u>(11,847,708)</u>	<u>(305,860)</u>	<u>405,636,074</u>
Capital assets, net	<u>\$ 439,197,878</u>	<u>\$ 57,929,020</u>	<u>\$ (4,899,061)</u>	<u>\$ 492,227,837</u>

Additions to accumulated depreciation for the year ended June 30, 2021 include 2021 University depreciation expense of \$17,927,231 and SASI accumulated depreciation of \$1,092,392 transferred to the University upon SASI's dissolution as of June 30, 2021.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Capital asset activity for the year ended June 30, 2020 consisted of the following:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>June 30, 2020</u>
Nondepreciable assets:				
Land	\$ 13,106,742	\$ 702,605	\$ -	\$ 13,809,347
Construction in progress	8,115,157	4,713,649	(5,952,472)	6,876,334
Works of art	722,555	-	-	722,555
	<hr/>	<hr/>	<hr/>	<hr/>
Total nondepreciable assets	21,944,454	5,416,254	(5,952,472)	21,408,236
Depreciable assets:				
Land improvements	20,234,134	-	-	20,234,134
Buildings and improvements	439,757,670	9,948,741	-	449,706,411
Leasehold improvements	81,544,149	-	-	81,544,149
Infrastructure	27,665,906	998,024	-	28,663,930
Equipment	40,903,605	1,488,405	(327,466)	42,064,544
	<hr/>	<hr/>	<hr/>	<hr/>
Total depreciable assets	610,105,464	12,435,170	(327,466)	622,213,168
Less accumulated depreciation:				
Land improvements	8,851,288	643,376	-	9,494,664
Buildings and improvements	132,543,981	11,248,767	-	143,792,748
Leasehold improvements	2,491,627	2,718,138	-	5,209,765
Infrastructure	15,814,587	525,312	-	16,339,899
Equipment	26,920,023	2,943,889	(277,462)	29,586,450
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	186,621,506	18,079,482	(277,462)	204,423,526
Depreciable assets, net	<hr/>	<hr/>	<hr/>	<hr/>
	423,483,958	(5,644,312)	(50,004)	417,789,642
Capital assets, net	<u>\$ 445,428,412</u>	<u>\$ (228,058)</u>	<u>\$ (6,002,476)</u>	<u>\$ 439,197,878</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2021 and 2020, accounts payable and accrued expenses consisted of the following:

	2021	2020
Accounts payable, construction	\$ 1,107,265	\$ 1,074,622
Accounts payable, other	4,050,937	5,599,435
Accrued salaries, fringe benefits and withholdings	7,106,075	6,412,439
Accrued interest on bonds payable and other long-term debt	5,291,716	5,630,309
Total	\$ 17,555,993	\$ 18,716,805

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 \$30,605,278 and \$32,386,544 for the years ended June 30, 2021 and 2020, 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.

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June 30, 2021 and 2020

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 21.7% and 16.5% of annual covered payroll for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 was \$5,653,290 and \$5,706,569, respectively, which is recognized as a deferred outflow of resources in the statements of net position.

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 59.3% and 53.4% of annual covered payroll for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 was \$531,798 and \$563,993, 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, 2021 and 2020

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, 2020 ("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, 2021, are as follows:

	PERS	PFRS	Total
Proportionate share of the net pension liability (\$)			
2020	\$ 171,147,251	\$ 9,374,648	\$ 180,521,899
2019	164,700,547	10,173,510	174,874,057
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 (%)			
2020	0.770%	0.218%	
2019	0.716%	0.242%	
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%	
Deferred outflows of resources	\$ 36,987,593	\$ 3,296,058	\$ 40,283,651
Deferred inflows of resources	\$ 43,293,519	\$ 2,318,783	\$ 45,612,302
Net pension expense	(\$ 12,520,247)	\$ 532,310	(\$ 11,987,937)

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, 2020 relative to the total contributions from all participating employers.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 are as follows:

	PERS	PFRS	Total
Deferred outflows of resources:			
Differences between expected and actual experience	\$ 4,499,424	\$ -	\$ 4,499,424
Changes of assumptions	2,855,335	6,856	2,862,191
Net differences between projected and actual investment earnings on pension plan investments	1,942,228	227,169	2,169,397
Changes in proportionate share	18,402,470	1,849,116	20,251,586
Contributions subsequent to the measurement date	9,288,136	1,212,917	10,501,053
Total	\$ 36,987,593	\$ 3,296,058	\$ 40,283,651
Deferred inflows of resources:			
Differences between expected and actual experience	\$ 922,201	\$ 163,416	\$ 1,085,617
Changes of assumptions	38,534,083	1,112,987	39,647,070
Changes in proportionate share	3,837,235	1,042,380	4,879,615
Total	\$ 43,293,519	\$ 2,318,783	\$ 45,612,302

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2020 are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Deferred outflows of resources:			
Differences between expected and actual experience	\$ (1,203,036)	\$ -	\$ (1,203,036)
Changes of assumptions	(8,728,833)	(336,420)	(9,065,253)
Net differences between projected and actual investment earnings on pension plan investments	(1,077,450)	(1,123)	(1,078,573)
Changes in proportionate share	3,154,366	1,605,120	4,759,486
Contributions subsequent to the measurement date	6,907,920	828,521	7,736,441
Total	<u>\$ (947,033)</u>	<u>\$ 2,096,098</u>	<u>\$ 1,149,065</u>
Deferred inflows of resources:			
Differences between expected and actual experience	\$ 882,873	\$ 161,302	\$ 1,044,175
Changes of assumptions	19,799,663	1,014,919	20,814,582
Net differences between projected and actual investment earnings on pension plan investments	(193,927)	-	(193,927)
Changes in proportionate share	3,837,235	(1,388,570)	2,448,665
Total	<u>\$ 24,325,844</u>	<u>\$ (212,349)</u>	<u>\$ 24,113,495</u>

The deferred outflows of resources related to pensions resulting from contributions subsequent to the Measurement Date of \$9,288,136 for PERS and \$1,212,917 for PFRS will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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:

	<u>PERS</u>	<u>PFRS</u>	<u>TOTAL</u>
Years ending:			
2022	\$ (5,584,135)	\$ 143,433	\$ (5,440,702)
2023	(6,796,256)	74,748	(6,721,508)
2024	(3,417,103)	(149,037)	(3,566,140)
2025	224,587	(115,399)	109,188
2026	(21,155)	(189,387)	(210,542)
Contributions paid subsequent to measurement date	<u>9,288,136</u>	<u>1,212,917</u>	<u>10,501,053</u>
	<u>\$ (6,305,926)</u>	<u>\$ 977,275</u>	<u>\$ (5,328,651)</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Actuarial Assumptions

The University's net pension liability at the Measurement Date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The actuarial valuation used the following actuarial assumptions:

	PERS	PFRS
Inflation rate		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases:		
Through 2026	2.00 - 6.00% based on years of service	3.25 - 15.25% based on years of service
Thereafter	3.00 - 7.00% based on years of service	3.25 - 15.25% based on years of service
Investment rate of return	7.00%	7.00%

For PERS, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

For PFRS, pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For healthy annuitants, post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries, the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 for PERS and July 1, 2013 to June 30, 2018 for PFRS.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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:

<u>Asset Class</u>	<u>PERS and PFRS</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

Discount Rates

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020 for both 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 and the non-employer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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 7.00% for PERS and 7.00% 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:

	<u>PERS</u>		<u>PFRS</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
1% decrease	6.00%	\$ 195,249,838	6.00%	\$ 10,900,788
Current discount rate	7.00%	171,147,251	7.00%	9,374,648
1% increase	8.00%	150,757,591	8.00%	8,107,343

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June 30, 2021 and 2020

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.

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, 2021, ABP employer and employee contributions were \$4,946,159 and \$3,091,349, respectively, which were based on participating employee salaries of \$61,826,988. During the year ended June 30, 2020, ABP employer and employee contributions were \$4,903,897 and \$3,064,936, respectively, which were based on participating employee salaries of \$61,298,713. 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

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June 30, 2021 and 2020

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, 2021 and 2020 the State recorded a liability of \$282,719,809 and \$178,379,517, 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, 2021 and 2020, the University's share was 3.535329% and 3.247732% of the special funding situation, respectively, and 0.999127% and 0.979791% of the Plan, respectively.

For the year ended June 30, 2021 and 2020, the University recognized OPEB expense of \$4,955,592 and \$1,064,835, 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 \$4,955,592 and \$1,064,835, respectively.

Actuarial Assumptions and Other Inputs - the State's liability associated with the University at June 30, 2021 and 2020 was determined by an actuarial valuation as of June 30, 2019 and 2018, which was rolled forward to the measurement dates of June 30, 2020 and 2019, respectively.

Inflation rate	2.50%
Discount rate	2.21% - June 30, 2020 3.50% - June 30, 2019
Salary increases through 2026	1.55% - 15.25%

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.

June 30, 2020 Measurement Period

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS/JRS), and "Safety" (SPRS/PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "Safety" (PFRS/SPRS), "Teachers" (TPAF/ABP), and "General" (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

Certain actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit pension plans, including PERS (July 1, 2014 through June 30, 2018), ABP (using the experience of the Teacher's Pension and Annuity Fund – July 1 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018).

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June 30, 2021 and 2020

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.5% long-term trend rate after seven years.

June 30, 2019 Measurement Period

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS/JRS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "Safety" (PFRS/SPRS), "Teachers" (TPAF/ABP), and "General" (PERS/JRS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2014 through June 30, 2018), ABP (using the experience of the Teacher's Pension and Annuity Fund – July 1, 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018).

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

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June 30, 2021 and 2020

NOTE 8 - BONDS PAYABLE AND OTHER LONG-TERM DEBT

Bonds payable and other long-term debt as of June 30, 2021 and 2020 consisted of the following:

	Interest Rate	2021	2020
Bonds payable:			
New Jersey Educational Facilities Authority bonds Series 2016A	3.00 - 5.00%	\$ 195,330,000	\$ 197,120,000
Unamortized premium		27,183,140	28,542,297
Total		222,513,140	225,662,297
Less: current portion		(5,749,157)	(3,149,157)
Bonds payable, noncurrent portion		\$ 216,763,983	\$ 222,513,140
Other long-term debt:			
Higher education equipment leasing fund	5.00%	\$ 439,266	\$ 643,282
Higher education capital improvement fund Series 2015E	3.00 - 5.25%	11,330,125	12,172,623
Series 2020A	2.83%	11,988,392	13,447,491
Island Campus Redevelopment Urban Renewal Assoc.	2.14%	5,755,000	5,935,000
Casino Reinvestment Development Authority Loan	12.00%	2,100,000	2,100,000
Dam restoration loan	3.00%	10,275,500	-
	2.00%	141,725	163,744
Total		42,030,008	34,462,140
Unamortized premium		350,914	395,925
Total		42,380,922	34,858,065
Less: current portion		(3,543,392)	(2,752,644)
Other long-term debt, noncurrent portion		\$ 38,837,530	\$ 32,105,421
Capital lease obligations (see Note 12):			
Atlantic County Improvement Authority: Stockton University AC Campus (Phase 1)	4.21%	\$ 78,675,000	\$ 78,880,000
Atlantic County Improvement Authority: Stockton University AC Campus (Phase 2)	4.00 - 5.00%	54,550,000	-
Total		133,225,000	78,880,000
Less: current portion		(315,000)	(205,000)
Capital lease obligations, noncurrent portion		\$ 132,910,000	\$ 78,675,000

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Bonds Payable

The University issued 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 were issued to finance the 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.

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

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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 refund Series 2005F Bonds originally issued October 27, 2005 including issuance costs of \$123,222. 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.

On February 12, 2020, the University issued \$5,935,000 of Tax-Exempt Series 2020A Revenue Refunding Bonds issued through the Authority. The 2020A issuance was issued as a direct loan with a fixed interest rate of 2.14% and a final maturity of February 1, 2035. The transaction structure is a direct placement with T.D. Bank, N.A. Proceeds from this transaction financed the University's acquisition of a 42-room residence facility located approximately 2 miles from the University's main campus in Galloway Township.

The University is the guarantor and obligor of a \$10,275,500 loan by and between the Casino Reinvestment Development Authority and Atlantic City University Housing Associates LLC, whose sole and managing member is the Atlantic City Development Corporation (ACDevco). The loan agreement is dated May 13, 2021. Repayment begins July 1, 2028 bearing an interest rate of 3.00%. Payments are due semiannually each July 1 and January 1 through 2053. The loan was issued to finance a portion of the costs of the development and construction of an approximately 135,000 square foot building that will provide additional student housing for students of the University as part of the expansion of the University's campus in Atlantic City.

Payments due on bonds payable and other long-term debt excluding net unamortized premiums, discounts, and deferred gains and losses totaling \$18,083,694 subsequent to June 30, 2021 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 7,888,381	\$ 10,232,844	\$ 18,121,225
2023	9,914,146	9,800,180	19,714,326
2024	9,127,881	9,371,286	18,499,167
2025	10,480,706	8,893,003	19,373,709
2026	10,897,847	8,394,537	19,292,384
2027-2031	59,814,202	33,955,498	93,769,700
2032-2036	70,822,920	18,936,771	89,759,691
2037-2041	46,637,325	5,708,871	52,346,196
2042-2054	11,776,600	1,256,343	13,032,943
Total	<u>\$ 237,360,008</u>	<u>\$ 106,549,333</u>	<u>\$ 343,909,341</u>

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June 30, 2021 and 2020

Capital Lease Obligations

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 4.00% Term Bonds, and \$10,475,000 5.00% Term Bonds. The Serial Bonds bear interest at rates between 2.125-5.00%, with the average being 4.40%. They are due annually 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 Atlantic City campus.

In September 2018, the University utilized \$2,180,246 of the bond funds towards the Atlantic City Academic project which is recorded 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 was \$1,998,480 and \$2,034,816 at June 30, 2021 and 2020, respectively.

The University is the guarantor, and obligor under a capital lease agreement, for the Atlantic County Improvement Authority's issuance on May 4, 2021, General Obligation Lease Revenue Series 2021A Bonds consisting of \$23,225,000 Serial Bonds, \$13,830,000 4.00% Term Bonds, and \$17,495,000 4.00% Term Bonds. The Serial Bonds bear interest at rates between 4.00-5.00%, with the average being 4.66%. They are due annually each July 1 through 2041. The Term Bonds fully mature July 1, 2047 and July 1, 2053, respectively. These bonds were issued to finance the costs of the development and construction of an approximately 135,000 square foot building that will provide additional student housing for students of the University as part of the expansion of the University's campus in Atlantic City.

NOTE 9 - LINE OF CREDIT

The University has available a \$74,187,049 revolving priority credit line with Wells Fargo Advisors which has no expiration and had no outstanding balance as of June 30, 2021 and 2020. Interest is payable monthly at a rate of 1.206% 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 \$14,244 and \$63,978 for the years ended June 30, 2021 and 2020, respectively.

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NOTE 10 - LONG-TERM LIABILITIES

Activity in long-term liabilities for the years ended June 30, 2021 and 2020 follows:

	July 1, 2020	Additions	Current Reductions	June 30, 2021	Current Portion
Compensated absences	\$ 5,568,786	\$ 4,370,904	\$ (4,764,132)	\$ 5,175,558	\$ 4,364,058
Net pension liability	174,874,057	13,976,139	(8,328,297)	180,521,899	-
U.S. government grants refundable	2,033,035	-	(353,365)	1,679,670	-
Bonds payable	225,662,297	-	(3,149,157)	222,513,140	5,749,157
Other long-term debt	34,858,065	10,275,500	(2,752,643)	42,380,922	3,543,392
Capital lease obligations	78,880,000	54,550,000	(205,000)	133,225,000	315,000
Total	<u>\$ 521,876,240</u>	<u>\$ 83,172,543</u>	<u>\$ (19,552,594)</u>	<u>\$ 585,496,189</u>	<u>\$ 13,971,607</u>
	July 1, 2019	Additions	Current Reductions	June 30, 2020	Current Portion
Compensated absences	\$ 5,264,290	\$ 4,558,626	\$ (4,254,130)	\$ 5,568,786	\$ 4,764,132
Net pension liability	173,909,142	964,915	-	174,874,057	-
U.S. government grants refundable	2,498,131	-	(465,096)	2,033,035	-
Bonds payable	228,711,454	-	(3,049,157)	225,662,297	3,149,157
Other long-term debt	31,422,685	5,935,000	(2,499,620)	34,858,065	2,752,644
Capital lease obligations	78,980,000	-	(100,000)	78,880,000	205,000
Total	<u>\$ 520,785,70</u>	<u>\$ 11,458,541</u>	<u>\$ (10,368,003)</u>	<u>\$ 521,876,240</u>	<u>\$ 10,870,933</u>

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June 30, 2021 and 2020

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, 2021 and 2020:

	2021				Total
	Foundation	SASI	NARTP	Eliminations	
Current assets:					
Cash and cash equivalents	\$ 620,144	\$ -	\$ 258,000	\$ -	\$ 878,144
Due from University/component units	14,475	-	-	-	14,475
Other receivables	551,606	-	-	-	551,606
Investments	2,054,372	-	-	-	2,054,372
Other current assets	91,778	-	17,567	-	109,345
Noncurrent assets:					
Investments	52,176,342	-	-	-	52,176,342
Other receivables	5,337,046	-	-	-	5,337,046
Capital assets, net	-	-	32,732	-	32,732
Total assets	\$ 60,845,763	\$ -	\$ 308,299	\$ -	\$ 61,154,062
Accounts payable and other current liabilities	\$ 50,009	\$ -	\$ 299,859	\$ -	\$ 349,868
Due to University/component units	27,533	-	284,203	-	311,736
Long-term liabilities to University	-	-	3,267,467	-	3,267,467
Total liabilities	\$ 77,542	\$ -	\$ 3,851,529	\$ -	\$ 3,929,071
Net position:					
Restricted - nonexpendable	\$ 30,490,114	\$ -	\$ -	\$ -	\$ 30,490,114
Restricted - expendable	26,759,967	-	-	-	26,759,967
Unrestricted	3,518,140	-	(3,543,230)	-	(25,090)
Total net position	\$ 60,768,221	\$ -	\$ (3,543,230)	\$ -	\$ 57,224,991

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June 30, 2021 and 2020

	2020				Total
	Foundation	SASI	NARTP	Eliminations	
Current assets:					
Cash and cash equivalents	\$ 496,156	\$ 837,054	\$ 273,899	\$ -	\$ 1,607,109
Due from University/component units	165	98,221	-	-	98,386
Investments	2,191,319	-	-	-	2,191,319
Other receivables	600,200	114,746	2,500	-	717,446
Other current assets	109,979	113,940	900	-	224,819
Noncurrent assets:					
Investments	41,752,947	-	-	-	41,752,947
Other receivables	5,523,646	-	-	-	5,523,646
Capital assets, net	-	1,853,527	35,837	-	1,889,364
Total assets	\$ 50,674,412	\$ 3,017,488	\$ 313,136	\$ -	\$ 54,005,036
Accounts payable and other current liabilities					
Due to University/component units	\$ 37,265	\$ 1,046,618	\$ 301,590	\$ -	\$ 1,385,473
Long-term liabilities to University	132,353	11,346	242,546	-	386,245
	-	1,314,683	3,155,852	-	4,470,535
Total liabilities	\$ 169,618	\$ 2,372,647	\$ 3,699,988	\$ -	\$ 6,242,253
Net position:					
Net investment in capital assets	\$ -	\$ 538,844	\$ -	\$ -	\$ 538,844
Restricted - nonexpendable	29,781,058	-	-	-	29,781,058
Restricted - expendable	17,834,153	-	-	-	17,834,153
Unrestricted	2,889,583	105,997	(3,386,852)	-	(391,272)
Total net position	\$ 50,504,794	\$ 644,841	\$ (3,386,852)	\$ -	\$ 47,762,783

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020:

	2021				
	Foundation	SASI	NARTP	Eliminations	Total
Operating revenues:					
Grants	\$ -	\$ -	\$ 297,439	\$ -	\$ 297,439
Other auxiliary enterprises	-	6,443,727	-	-	6,443,727
Other	348,019	21,696	5,033	-	374,748
In-kind contributions	990,291	-	69,722	-	1,060,013
Total operating revenues	1,338,310	6,465,423	372,194	-	8,175,927
Operating expenses:					
Institutional support	950,569	337,720	458,850	(66,424)	1,680,715
Student aid	1,104,241	-	-	-	1,104,241
Auxiliary enterprises	-	7,175,696	-	-	7,175,696
Depreciation	-	162,186	-	-	162,186
In-kind expense	990,291	-	69,722	-	1,060,013
Total operating expenses	3,045,101	7,675,602	528,572	(66,424)	11,182,851
Operating (loss) income	(1,706,791)	(1,210,179)	(156,378)	66,424	(3,006,924)
Non-operating revenues (expenses):					
Gifts and contributions	1,860,471	-	-	(46,424)	1,814,047
Investment income	9,348,941	2,230	-	(20,000)	9,331,171
Interest expense	-	(27,114)	-	-	(27,114)
University and Foundation support	-	46,424	-	-	46,424
Transfer of net deficit to the University upon dissolution	-	543,798	-	-	543,798
	11,209,412	565,338	-	(66,424)	11,708,326
Other revenues:					
Additions to permanent endowments	760,806	-	-	-	760,806
Change in net position	10,263,427	(644,841)	(156,378)	-	9,462,208
Net position - beginning of year	50,504,794	644,841	(3,386,852)	-	47,762,783
Net position - end of year	\$ 60,768,221	\$ -	\$ (3,543,230)	\$ -	\$ 57,224,991

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	2020				
	Foundation	SASI	NARTP	Eliminations	Total
Operating revenues:					
Grants	\$ -	\$ -	\$ 17,810	\$ -	\$ 17,810
Other auxiliary enterprises	-	12,378,892	-	-	12,378,892
Other	178,848	31,254	806,789	-	1,016,891
In-kind contributions	1,018,055	-	133,496	-	1,151,551
Total operating revenues	1,196,903	12,410,146	958,095	-	14,565,144
Operating expenses:					
Institutional support	1,229,720	1,639,980	2,614,497	(257,375)	5,226,822
Student aid	1,009,493	-	-	-	1,009,493
Auxiliary enterprises	-	11,438,272	-	-	11,438,272
Depreciation	-	203,268	-	-	203,268
In-kind expense	1,018,055	-	133,496	-	1,151,551
Total operating expenses	3,257,268	13,281,520	2,747,993	(257,375)	19,029,406
Operating (loss) income	(2,060,365)	(871,374)	(1,789,898)	257,375	(4,464,262)
Non-operating revenues (expenses):					
Gifts and contributions	822,950	-	-	(20,000)	802,950
Investment income	970,273	(67,109)	-	-	903,164
Interest expense	-	(48,067)	-	-	(48,067)
University and Foundation support	-	313,465	-	(237,375)	76,090
	1,793,223	198,289	-	(257,375)	1,734,137
Other revenues:					
Additions to permanent endowments	7,628,953	-	-	-	7,628,953
Change in net position	7,361,811	(673,085)	(1,789,898)	-	4,898,828
Net position - beginning of year	43,142,983	1,317,926	(1,596,954)	-	42,863,955
Net position - end of year	\$ 50,504,794	\$ 644,841	\$ (3,386,852)	\$ -	\$ 47,762,783

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020:

	2021			
	Foundation	SASI	NARTP	Total
Due from the University:				
Miscellaneous	\$ 14,475	\$ -	\$ -	\$ 14,475
Total due from the University	<u>\$ 14,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,475</u>
Due to the University:				
Institutional support	\$ 14,754	\$ -	\$ -	\$ 14,754
Services provided	12,779	-	-	12,779
Interest on loan	-	-	284,203	284,203
Total due to the University	<u>\$ 27,533</u>	<u>\$ -</u>	<u>\$ 284,203</u>	<u>\$ 311,736</u>
	2020			
	Foundation	SASI	NARTP	Total
Due from the University:				
Food service	\$ -	\$ 1,811	\$ -	\$ 1,811
Services provided	-	3,284	-	3,284
Overhead charge adjustment	-	7,021	-	7,021
Miscellaneous	165	86,105	-	86,270
Total due from the University	<u>\$ 165</u>	<u>\$ 98,221</u>	<u>\$ -</u>	<u>\$ 98,386</u>
Due to the University:				
Institutional support	\$ 51,072	\$ -	\$ -	\$ 51,072
Services provided	12,352	-	-	12,352
Scholarships	68,929	-	-	68,929
Interest on loan	-	-	242,544	242,544
Miscellaneous	-	11,346	2	11,348
Total due to the University	<u>\$ 132,353</u>	<u>\$ 11,346</u>	<u>\$ 242,546</u>	<u>\$ 386,245</u>

The Foundation provided support of \$1,619,036 and \$1,744,751 to the University for scholarships, academic, faculty, and facilities support for the years ended June 30, 2021 and 2020, respectively. The University provided in-kind finance and administrative services to the Foundation of \$981,631 and \$1,015,499 for the years ended June 30, 2021 and 2020, respectively.

The Foundation provided support to SASI for the Sam Azeez Museum of \$165,050 and \$237,375 for the years ended June 30, 2021 and 2020, respectively.

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The University issued a line of credit to SASI in the amount of \$2,000,000 which was repaid by SASI during the year ended June 30, 2021 upon its dissolution. As of June 30, 2021 and 2020, a note receivable in the amount of \$0 and \$1,314,683 was reflected in the financial statements of the University relating to this line of credit. The University charged interest on the outstanding principal balance from the date advanced until the full amount of principal was paid at a fixed rate equal to 2.85% for the years ended June 30, 2021 and 2020, respectively. Interest expense on the line of credit totaled \$27,114 and \$48,067 for the years ended June 30, 2021 and 2020, respectively. SASI reimbursed the University for use of space and personnel through payment of an overhead charge. For the years ended June 30, 2021 and 2020, the overhead charge was \$81,282 and \$97,481, respectively.

The University issued a line of credit to NARTP in the amount of \$1,500,000. During the year ended June 30, 2020, NARTP's \$100,000 University advance due to the University as of June 30, 2019, was added to the outstanding loan balance from the University. As of both June 30, 2021 and 2020, a note receivable in the amount of \$1,441,700 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 2.85% for the years ended June 30, 2021 and 2020, respectively. 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 \$41,659 and \$51,727 for the years ended June 30, 2021 and 2020, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Compensated Absences

The University recorded a liability for compensated absences in the amount of \$5,175,558 and \$5,568,786 for the years ended June 30, 2021 and 2020, respectively. The liability is calculated based upon employees' accrued vacation leave as of yearend, 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.

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, 2021 and 2020, 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.

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June 30, 2021 and 2020

Construction Contracts

The University has outstanding construction commitments in the amount of \$1,275,846 as of June 30, 2021. 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 Obligations

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. Leasehold improvements capitalized under this agreement totaled \$81,080,000 with the related accumulated depreciation of \$7,882,778 and \$5,180,111 at June 30, 2021 and 2020, respectively.

On May 4, 2021, the ACIA issued \$54,550,000 of its Revenue Notes, Series 2021A. The proceeds of the notes were loaned by ACIA to Atlantic City University Housing Associates LLC (the “Landlord”), whose sole and managing member is ACDevco, pursuant to a Loan Agreement dated May 1, 2021 to finance the costs of the development and construction of an approximately 135,000 square foot building that will provide additional student housing for students of the University as part of the expansion of the University’s campus in Atlantic City. The Landlord is leasing the Property to the University pursuant to the Master Lease Agreement dated May 13, 2021. At the end of the term, title to the property will be transferred to the University upon payment of outstanding amounts due on the ACIA’s notes. Leasehold improvements capitalized under this agreement totaled \$64,825,500.

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

	Amount
2022	\$ 5,019,040
2023	5,968,456
2024	6,061,706
2025	6,729,831
2026	6,889,150
Thereafter	209,006,988
Less: interest	(106,450,171)
Total	\$ 133,225,000

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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>
2022	\$ 207,131
2023	<u>100,049</u>
Total	<u>\$ 307,180</u>

Total rent expense for the years ended June 30, 2021 and 2020 was \$208,078 and \$450,719, respectively.

Power Purchase Agreements

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, 2026.

The University entered into various agreements with Marina Energy LLC related to solar energy conversion services. The University agreed to purchase all of the solar energy produced for a 10-year period at the rate of \$0.09 per kWh with an increase of 2% per year after the first year. The latest agreement expires on October 21, 2029.

NOTE 13 - SUBSEQUENT EVENTS

The University evaluated subsequent events through April 25, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

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

June 30, 2021

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
	%	\$			
2021 (2020)	0.770%	\$ 171,147,251	\$ 36,120,696	473.82%	21.39%
2020 (2019)	0.716%	164,700,547	37,652,697	437.42%	22.03%
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
	%	\$			
2021 (2020)	0.218%	\$ 9,374,648	\$ 1,237,912	757.30%	24.81%
2020 (2019)	0.242%	10,173,510	1,430,366	711.25%	26.06%
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
(A Component Unit of the State of New Jersey)

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Employer Contributions - Last 10 Years* - Unaudited

June 30, 2021

Public Employees' Retirement System (PERS)

	2021	2020	2019	2018	2017	2016	2015
(1) Contractually required contribution	\$ 9,288,136	\$ 6,907,920	\$ 5,637,853	\$ 4,389,336	\$ 4,994,131	\$ 2,184,725	\$ 1,022,366
(2) Contributions in relation to the contractually determined contribution	\$ 9,288,136	\$ 6,907,920	\$ 5,637,853	\$ 4,389,336	\$ 4,994,131	\$ 2,184,725	\$ 1,022,366
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered-employee payroll	\$36,120,696	\$37,652,697	\$35,096,517	\$31,211,750	\$30,386,266	\$30,400,613	\$29,636,603
(5) Contributions as a percentage of covered-employee payroll	25.71%	18.35%	16.06%	14.06%	16.44%	7.19%	3.45%

Police and Firemen's Retirement System (PFRS)

	2021	2020	2019	2018	2017	2016	2015
(1) Contractually required contribution	\$ 1,212,917	\$ 828,521	\$ 780,005	\$ 563,191	\$ 602,447	\$ 185,988	\$ 218,158
(2) Contributions in relation to the contractually determined contribution	\$ 1,212,917	\$ 828,521	\$ 780,005	\$ 563,191	\$ 602,447	\$ 185,988	\$ 218,158
(3) Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(4) Covered employee payroll	\$ 1,237,912	\$ 1,430,366	\$ 1,244,287	\$ 1,101,089	\$ 965,938	\$ 885,871	\$ 723,945
(5) Contributions as a percentage of covered-employee payroll	97.98%	57.92%	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
(A Component Unit of the State of New Jersey)

REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Proportionate Share of Other Postemployment Benefits Liability -
Last 10 Years* - Unaudited

June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the total OPEB liability	0.00%	0.00%	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	<u>28,296,690,169</u>	<u>18,205,874,446</u>	<u>23,601,362,208</u>	<u>28,104,795,207</u>
Total OPEB liability	<u>\$ 28,296,690,169</u>	<u>\$ 18,205,874,446</u>	<u>\$ 23,601,362,208</u>	<u>\$ 28,104,795,207</u>
University's covered-employee payroll	\$ 90,767,840	\$ 89,890,453	\$ 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%	0.00%	0.00%

**These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

Stockton University
(A Component Unit of The State of New Jersey)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Assistance Listing Number	Federal Expenditures
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 536,977
Federal Work Study Program (FWS)	84.033	286,121
Federal Perkins Loan Program (FPL) - Federal Capital Contributions	84.038	1,839,954
Federal Pell Grant Program (PELL), including administrative costs of \$19,210	84.063	18,133,206
Federal Direct Student Loans (Direct Loan)	84.268	54,001,093
Teacher Education Assistance for College & Higher Education Grants (TEACH Grants)	84.379	10,844
Total Student Financial Assistance Cluster		<u>74,808,195</u>
Research and Development Cluster:		
U.S. Department of Agriculture:		
Acer Access Development Program	10.174	152,041
U.S. Department of Commerce:		
National Oceanic & Atmospheric Administration (NOAA):		
Coastal Zone Management Estuarine Research Reserves	11.420	13,506
Marine Debris Program	11.999	54,392
Passed Through Dewberry Engineers, Inc.:		
Coastal Zone Management Estuarine Research Reserves (Dewberry Brigantine Channel)	11.420	25,305
Passed through the New Jersey Sea Grant Consortium:		
Sea Grant Support (Impacts on Oyster Aquaculture)	11.417	29,625
U.S. Fish and Wildlife Service:		
Passed Through McMillen Jacobs:		
Fisheries and Aquatic Resources Management (Swan Cove Pool Restoration Project)	15.244	12,814
Passed Through NJ DEP Division of Fish & Wildlife:		
Wildlife Restoration and Basic Hunter Education (Ecological Forestry and the Lenape Farms Unit)	15.611	56,478
Wildlife Restoration and Basic Hunter Education (Cape May Wetlands WMA Habitat Restoration Monitoring & Evaluation)	15.611	66,000
Wildlife Restoration and Basic Hunter Education (Upkeep and Maintenance of Deer Enclosures)	15.611	12,501
Passed Through Edwin B. Forsythe National Wildlife Refuge:		
Adaptive Science (Barnegat Bay Islands Decision Support Tool Development)	15.670	15,747
U.S. Department of the Interior:		
Passed through the U.S. Geological Survey:		
National Cooperative Geologic Mapping (Geologic Mapping and Petrophysical Characterization of Mount Powell Branch, Western Montana)	15.810	1,295
U.S. Department of Health and Human Services:		
National Science Foundation:		
Passed through East Carolina University: Social, Behavioral, and Economic Sciences	47.075	1,000
National Institutes of Health (NIH):		
Extramural Research Programs in the Neurosciences and Neurological Disorders (Akt-mTOR Pathway Impact on Neural Stem Cell Fates)	93.853	24,527
National Environmental Protection Agency: Office of Water		
Passed Through Barnegat Bay Partnership Ocean County College:		
National Estuary Program (Submerged Aquatic Vegetation Monitoring)	66.456	5,961
National Estuary Program (Submerged Aquatic Vegetation Mesocosm)	66.456	2,484
National Estuary Program (Barnegat Bay Oyster Reef Restoration: Providing Water Quality and Habitat Improvement)	66.456	12,596
Total Research and Development Cluster		<u>486,272</u>
Other Federal Assistance:		
U.S. Department of Homeland Security:		
Passed Through NJ Department of Environmental Protection:		
Hazard Mitigation Grant	97.039	115,574
National Endowment for the Humanities:		
Passed Through NJ Council for the Humanities:		
Promotion of the Humanities Federal/State Partnership (Rose Marie McCoy: It's Gonna Work)	45.129	9,950
Promotion of the Humanities Federal/State Partnership (ALLIANCE, a documentary film)	45.129	20,000
Passed Through California State University:		
Promotion of the Humanities Research (Catharine Marie Sedgwick Online Letters (CMSOL))	45.161	3,096
Total National Endowment for the Humanities		<u>33,046</u>

See notes to Schedules of Expenditures of Federal and State of New Jersey Awards.

Stockton University
(A Component Unit of The State of New Jersey)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2021

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Assistance Listing Number	Federal Expenditures
Other Federal Assistance (continued):		
U.S. Department of Health and Human Services:		
Passed Through Atlantic County Department of Human Services:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (Educational Programs and Lectures)	93.044	\$ 23,235
Passed Through Partners of America:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (Student Exchange Internship Program)	93.044	1,248
Passed Through Cape Assist:		
Substance Abuse and Mental Health Services Projects of Regional and National Significance (Strategic Prevention Framework Project)	93.243	32,202
Passed Through Health Resources & Services Administration:		
Nurse Corps Scholarship	93.303	53,616
Passed Through The Family Resource Network:		
Developmental Disabilities Basic Support and Advocacy Grants (Get FIT @ Stockton)	93.630	19,934
Passed Through NJ Department of Children and Families:		
Foster Care Title IV-E (Child Welfare Education Institute (CWEI) - MCWEP Program)	93.658	979,655
Children's Justice Grants to States (NJTFCAN Conference)	93.643	10,254
Chafee Foster Care Independence Program (Foster and Adoptive Family Services)	93.674	18,760
Medical Assistance Program (REIT Conference)	93.778	122,811
Passed Through Rowan University:		
PPHF Geriatric Education Centers (Geriatrics Workforce Enhancement Program COVID)	93.969	3,000
Total U.S. Department of Health and Human Services		<u>1,264,715</u>
U.S. Department of the Treasury:		
Passed Through NJ Department of Education:		
COVID-19 Coronavirus Relief Fund	21.019	8,829,763
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:		
Alcohol Impaired Driving Countermeasures Incentive Grants I (Stay Safe and Graduate)	20.601	16,807
U.S. Department of Education:		
Rehabilitation Services Vocational Rehabilitation Grants to States		
Passed Through NJ Commission for the Blind & Visually Impaired:	84.126	379,207
Rehabilitation Training Continuing Education (State Vocational Rehabilitation Unit In-Service Training)		
Improving Teacher Quality State Grants (Building Teacher Leadership)	84.264	13,771
G.O.A.L.S. GEAR UP Program	84.367	6,850
	84.344	188,025
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	1,933,971
COVID-19 Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E	6,774,092
COVID-19 HEERF Institutional Portion	84.425F	12,244,270
COVID-19 HEERF Strengthening Institutions Program (SIP)	84.425M	666,972
Total Education Stabilization Fund		<u>21,619,305</u>
Total U.S. Department of Education		<u>22,207,158</u>
U.S. Department of Defense:		
Passed through NJ Department of Military & Veteran's Affairs:		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	439,633
U.S. Department of Veterans Affairs:		
Post - 9/11 Veterans Educational Assistance		
Vocational Rehabilitation for Disabled Veterans	64.028	1,737,197
	64.116	192,766
U.S. Corporation for National & Community Service:		
AmeriCorps National Service Education Award	94.006	15,924
U.S. Department of Labor:		
WIOA Cluster		
Passed Through Atlantic Cape May Workforce Investment Board:		
WIA/WIOA Adult Program (Work First New Jersey)	17.258	3,411
WIA/WIOA Youth Activities (Year Round out of School)	17.259	150,847
Trade Adjustment Assistance Workers	17.245	26,914
Total WIOA Cluster		<u>181,172</u>
U.S. Small Business Administration:		
Passed Through Rutgers, The State University of NJ:		
Small Business Development Center (New Jersey Small Business Development Centers (NJSBDC))	59.037	172,860
Total Other Federal Assistance		<u>35,206,615</u>
Total Expenditures of Federal Awards		<u>\$ 110,501,082</u>

See notes to Schedules of Expenditures of Federal and State of New Jersey Awards.

Stockton University
(A Component Unit of the State of New Jersey)

SCHEDULE OF EXPENDITURES OF STATE OF NEW JERSEY AWARDS

June 30, 2021

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	\$ 2,449,683	07/01/20-06/30/21	\$ 2,449,683	\$ 2,449,683
Tuition Aid Grant	100-074-2405-007	15,672,721	07/01/20-06/30/21	15,672,721	15,672,721
Urban Scholars	100-074-2405-278	3,500	07/01/20-06/30/21	3,500	3,500
New Jersey STARS II	100-074-2405-313	219,648	07/01/20-06/30/21	219,648	219,648
Survivor Tuition Benefits	100-074-2405-009	12,244	07/01/20-06/30/21	12,244	12,244
NJ BEST	100-074-2405-316	30,750	07/01/20-06/30/21	30,750	30,750
Law Enforcement Memorial	100-074-2405-312	26,740	07/01/20-06/30/21	26,740	26,740
N.J. Commission on Higher Education:					
Educational Opportunity Fund Article III Summer FY2020 - Atlantic City	100-074-2401-001	147,911	06/01/20-08/31/20	139,857	140,351
Educational Opportunity Fund Article III Summer FY2020 - Galloway	100-074-2401-001	377,872	06/01/20-08/31/20	207,374	208,180
Educational Opportunity Fund Article III Summer FY2021 - Atlantic City	100-074-2401-001	148,318	06/01/21-08/31/21	46,485	46,485
Educational Opportunity Fund Article III Summer FY2021 - Galloway	100-074-2401-001	370,351	06/01/21-08/31/21	100,372	1,003,712
Educational Opportunity Fund Article III Academic Year - Atlantic City	100-074-2401-001	197,900	07/01/20-06/30/21	197,900	197,900
Educational Opportunity Fund Article III Academic Year - Galloway	100-074-2401-001	465,200	07/01/20-06/30/21	465,200	465,200
Educational Opportunity Fund Graduate Grants	100-074-2401-001	23,750	07/01/20-06/30/21	23,750	23,750
				<u>1,180,938</u>	<u>2,085,578</u>
Total Student Financial Assistance				<u>\$ 19,596,224</u>	<u>\$ 20,500,864</u>
Other State of N.J. Assistance:					
N.J. Department of Environmental Protection:					
N.J. Beach Profile 2020	100-042-4895-043	767,452	03/01/20-03/01/21	413,617	707,356
N.J. Beach Profile 2021	100-042-4895-043	828,002	03/01/20-03/01/21	227,213	227,213
SAV Habitat Suitability Modeling & Restoration	100-042-4850-099	225,000	03/01/20-02/28/23	41,800	41,800
Barneгат Bay Oyster Reefs	100-042-4850-099	300,000	03/01/20-02/28/23	70,311	70,311
N.J. Department of Environmental Protection: N.J. Bureau of Shellfisheries					
Nantuxent Creek Downe Township Dredging Study & Permit Activities	100-042-4885-082	24,694	03/01/19-09/30/20	10,122	24,694
N.J. Department of Transportation:					
Dredged Material Management System Part I	480-078-6300-CTB	77,531	04/28/21-04/28/22	19,226	19,226
Turbidity, SAV, and Benthic Organism Monitoring at Boot Island & Sunflower Island	480-078-6300-CTB	110,335	12/16/20-12/16/23	28,733	28,733

See notes to Schedule of Expenditures of Federal and State of New Jersey Awards.

Stockton University
(A Component Unit of the State of New Jersey)

SCHEDULE OF EXPENDITURES OF STATE OF NEW JERSEY AWARDS - CONTINUED

June 30, 2021

Grantor Department Program Title	Account Number	Program Amount	Grant Period	Current Year Expenditures	Total Disbursements
Other State of N.J. Assistance (continued):					
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	\$ 860,000	07/01/20-06/30/21	\$ 747,026	\$ 747,026
Recovery Housing Support College Campuses	100-054-7560-044	275,000	01/01/20-09/30/20	41,359	41,359
N.J. Department of Commerce and Economic Growth:					
Passed through Rutgers University: Small Business Development Center	100-074-2505-001	49,433	07/01/20-06/30/21	49,433	49,433
N.J. Department of Workforce Development Partnership:					
Retail Management Training	100-780-4545-002	22,256	09/26/19-09/25/20	4,320	4,320
N.J. Historical Commission:					
General Operating Support	100-074-2540-105	15,998	07/01/20-06/30/21	12,043	12,043
Publishing Support for South Jersey Title	100-074-2540-105	14,245	08/01/20-06/30/21	3,410	3,410
N.J. Higher Education Services:					
Educational Opportunity Fund Article IV-Academic Year	100-074-2401-002	236,862	07/01/20-06/30/21	184,273	184,273
Educational Opportunity Fund Article IV-Academic Year-Atlantic City	100-074-2401-002	117,331	07/01/20-06/30/21	117,331	117,331
Educational Opportunity Fund Article IV-Summer 2020-Atlantic City	100-074-2401-002	10,234	06/01/20-08/31/20	10,234	10,234
Educational Opportunity Fund Article IV-Summer 2020-Galloway	100-074-2401-002	17,234	06/01/20-08/31/20	17,234	17,234
Educational Opportunity Fund Article IV-5th Qtr-Atlantic City	100-074-2401-002	37,784	07/01/20-09/30/20	33,308	33,308
Educational Opportunity Fund Article IV-5th Qtr-Galloway	100-074-2401-002	76,278	07/01/20-09/30/20	27,947	27,947
Educational Opportunity Fund Article IV-Summer 2021-Galloway	100-074-2401-001	25,011	06/01/21-08/31/21	416	416
NJSCA 09 CSP Co Sponsored Project - State of the Arts	100-074-2530-032	250,000	07/01/20-06/30/21	250,000	250,000
NJSCA General Program Support - Noyes Museum	100-074-2530-032	26,632	10/01/20-06/30/21	26,632	26,632
NJSCA 48 Blocks-A Celebration of Arts & Culture	100-074-2530-032	10,289	02/13/20-06/30/20	10,289	10,289
College Bound Atlantic City 2020	100-074-2400-012	183,012	08/23/20-06/30/21	156,144	156,147
N.J. Commission on Higher Education:					
Higher Education Capital Improvement Fund	100-082-2155-079	2,230,552	03/01/14-03/01/34	264,178	2,227,612
N.J. Higher Education Administration:					
Grants-In-Aid Appropriations to Senior Public Colleges and Universities	100-074-2480-001	24,366,000	07/01/20-06/30/21	24,366,000	24,366,000
Fringe Benefits Other Than FICA For Senior Public Colleges and Universities	100-094-9410-134	18,265,619	07/01/20-06/30/21	18,265,619	18,265,619
FICA (Social Security Tax) For Senior Public Colleges and Universities	100-094-9410-137	7,393,500	07/01/20-06/30/21	7,393,500	7,393,500
Employer Contributions - Alternate Benefit Program	100-082-2155-017	4,946,159	07/01/20-06/30/21	4,946,159	4,946,159
Total Other State of N.J. Assistance				<u>57,737,877</u>	<u>60,009,625</u>
Total Expenditures of State of New Jersey Awards				<u>\$ 77,334,101</u>	<u>\$ 80,510,489</u>

See notes to Schedule of Expenditures of Federal and State of New Jersey Awards.

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, 2021

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, 2021. 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, 2021 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 June 30, 2021 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, 2021 were as follows:

Federal Direct Student Loans	<u>\$ 54,001,093</u>
New Jersey College Loans to Assist State Students	<u>\$ 2,449,683</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, 2021.

NOTE 3 - FEDERAL PERKINS LOANS

The Federal Perkins Loan expenditures presented in the accompanying Schedule of Expenditures of Federal Awards of \$1,839,954 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, 2021

NOTE 4 - SUBRECIPIENT AWARDS

The University passed through the following Federal awards to subrecipients during the year ended June 30, 2021:

Federal Program	Subrecipient	Assistance Listing Number	Pass-Through Expenditures
Coastal Zone Management Estuarine Research Reserves (Dewberry Brigantine Channel)	Barnegat Bay Partnership	11.420	\$ 13,463
Wildlife Restoration and Basic Hunter Education (Cape May Wetlands WMA Habitat Restoration Monitoring & Evaluation)	The Wetlands Institute, Inc.	15.611	60,000
Wildlife Restoration and Basic Hunter Education (Ecological Forestry and the Lenape Farms Unit)	Advanced Forestry Solutions LLC	15.611	3,600
Promotion of the Humanities Federal/State Partnership (Rose Marie McCoy: It's Gonna Work)	Phenios Creighton Koellhoffer Media	45.129	9,950
Promotion of the Humanities Federal/State Partnership (ALLIANCE, a documentary film)	Donnelly, Susan H.	45.129	<u>20,000</u>
			<u>\$ 107,013</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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 25, 2022.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 financial statements. 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
April 25, 2022

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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”) 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 programs for the year ended June 30, 2021. The University’s major federal and state 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 program does not include the compliance requirements governing student loan repayments under the federal Perkins Loan Program of the federal Student Financial Aid 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, 2021 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 and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to the University’s federal and state programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of the University’s major federal and state 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 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 and state 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 program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on each major federal and state 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 programs for the year ended June 30, 2021.

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 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 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 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 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 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
April 25, 2022

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2021

Identification of major programs:

<u>Program or Cluster Title</u>	<u>Federal Assistance Listing Number or NJ State Identifying Number</u>
Federal:	
Student Financial Assistance Cluster	84.007, 84.033, 84.038 84.063, 84.268, 84.379
Coronavirus Relief Fund	21.019
Education Stabilization Fund	84.425
State of New Jersey:	
Student Financial Assistance Cluster	various grant numbers
Dollar threshold used to distinguish between Type A and Type B programs:	Federal: \$3,000,000 State: \$2,320,023
Auditee qualified as a low-risk auditee for both Federal and State of New Jersey awards?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

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, 2021

No matters required to be reported.