

Financial Statements and Report of
Independent Certified Public
Accountants

**Stockton University Foundation
(A Component Unit of Stockton University)**

June 30, 2022 and 2021

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GRANT THORNTON LLP

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

D +1 215 561 4200

F +1 215 561 1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Stockton University Foundation
(A Component Unit of Stockton University)

Opinion

We have audited the financial statements of Stockton University Foundation (the "Foundation"), a component unit of Stockton University, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 9, 2022

Stockton University Foundation
(A Component Unit of Stockton University)

STATEMENTS OF FINANCIAL POSITION

June 30,

| | 2022 | 2021 |
|---------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 502,065 | \$ 620,144 |
| Contributions receivable, net | 27,243 | 45,553 |
| Due from University | - | 14,475 |
| Pledges receivable, net | 5,810,416 | 5,789,980 |
| Other receivables | 53,985 | 53,119 |
| Investments | 48,453,597 | 54,230,714 |
| Other assets | 50,137 | 91,778 |
| Total assets | \$ 54,897,443 | \$ 60,845,763 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 31,872 | \$ 50,009 |
| Due to University | 96,667 | 27,533 |
| Total liabilities | 128,539 | 77,542 |
| Net assets | | |
| Without donor restrictions | | |
| Designated by the Board | 2,473,725 | 2,869,705 |
| Undesignated | 753,519 | 648,435 |
| Total without donor restrictions | 3,227,244 | 3,518,140 |
| With donor restrictions | | |
| Purpose restricted | 11,103,652 | 12,125,171 |
| Time restricted for future periods | 8,822,708 | 14,634,796 |
| | 19,926,360 | 26,759,967 |
| Endowment funds | 31,615,300 | 30,490,114 |
| Total with donor restrictions | 51,541,660 | 57,250,081 |
| TOTAL NET ASSETS | 54,768,904 | 60,768,221 |
| Total liabilities and net assets | \$ 54,897,443 | \$ 60,845,763 |

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

Stockton University Foundation
(A Component Unit of Stockton University)

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | | | Total |
|--|-------------------------------|-----------------------------------|----------------------|----------------------|----------------------|
| | | Purpose and Time Restricted | Endowment Funds | Total | |
| Revenues | | | | | |
| Contributions, net | \$ 23,234 | \$ 1,688,332 | \$ 902,626 | \$ 2,590,958 | \$ 2,614,192 |
| Special events | | | | | |
| Revenues | 142,663 | 289,190 | 230,312 | 519,502 | 662,165 |
| In-kind contributions | - | 39,500 | - | 39,500 | 39,500 |
| Less: costs of direct benefits to donors | - | (118,049) | - | (118,049) | (118,049) |
| Special events revenue, net | 142,663 | 210,641 | 230,312 | 440,953 | 583,616 |
| Endowment spending policy | 69,570 | (69,570) | - | (69,570) | - |
| In-kind contributions | 1,050,248 | - | - | - | 1,050,248 |
| Investment loss, net | (305,867) | (5,926,822) | (6,752) | (5,933,574) | (6,239,441) |
| Net assets released from restrictions | | | | | |
| Scholarships | 1,237,497 | (1,237,497) | - | (1,237,497) | - |
| Program expenses | 1,499,691 | (1,498,691) | (1,000) | (1,499,691) | - |
| Total revenues | <u>3,717,036</u> | <u>(6,833,607)</u> | <u>1,125,186</u> | <u>(5,708,421)</u> | <u>(1,991,385)</u> |
| Expenses | | | | | |
| Program | | | | | |
| Scholarships and awards | 1,284,248 | - | - | - | 1,284,248 |
| Academic support | 429,684 | - | - | - | 429,684 |
| Facilities support | 725,245 | - | - | - | 725,245 |
| Other direct support | 117,217 | - | - | - | 117,217 |
| Faculty support | 58,023 | - | - | - | 58,023 |
| Supporting | | | | | |
| Official representation | 22,840 | - | - | - | 22,840 |
| General and administrative | 109,851 | - | - | - | 109,851 |
| Fundraising | 159,076 | - | - | - | 159,076 |
| Bad debt expense | 12,000 | - | - | - | 12,000 |
| In-kind expense | 1,089,748 | - | - | - | 1,089,748 |
| Total expenses | <u>4,007,932</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,007,932</u> |
| (DECREASE) INCREASE IN NET ASSE | <u>(290,896)</u> | <u>(6,833,607)</u> | <u>1,125,186</u> | <u>(5,708,421)</u> | <u>(5,999,317)</u> |
| Net assets, beginning of year | <u>3,518,140</u> | <u>26,759,967</u> | <u>30,490,114</u> | <u>57,250,081</u> | <u>60,768,221</u> |
| Net assets, end of year | <u>\$ 3,227,244</u> | <u>\$ 19,926,360</u> | <u>\$ 31,615,300</u> | <u>\$ 51,541,660</u> | <u>\$ 54,768,904</u> |

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

Stockton University Foundation
(A Component Unit of Stockton University)

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

| | With Donor Restrictions | | | | Total |
|--|-------------------------------|-----------------------------------|--------------------|---------------|---------------|
| | Without Donor Restrictions | Purpose and Time Restricted | Endowment Funds | Total | |
| Revenues | | | | | |
| Contributions, net | \$ 8,810 | \$ 1,851,661 | \$ 719,134 | \$ 2,570,795 | \$ 2,579,605 |
| Special events | | | | | |
| Revenues | 174,493 | 245,507 | 2,000 | 247,507 | 422,000 |
| In-kind contributions | - | 8,660 | - | 8,660 | 8,660 |
| Less: costs of direct benefits to donors | - | (71,981) | - | (71,981) | (71,981) |
| Special events revenue, net | 174,493 | 182,186 | 2,000 | 184,186 | 358,679 |
| Endowment spending policy | 62,744 | (62,744) | - | (62,744) | - |
| In-kind contributions | 981,631 | - | - | - | 981,631 |
| Investment return, net | 581,742 | 8,767,199 | 39,672 | 8,806,871 | 9,388,613 |
| Net assets released from restrictions | | | | | |
| Scholarships | 1,026,485 | (1,026,485) | - | (1,026,485) | - |
| Program expenses | 837,753 | (786,003) | (51,750) | (837,753) | - |
| Total revenues | 3,673,658 | 8,925,814 | 709,056 | 9,634,870 | 13,308,528 |
| Expenses | | | | | |
| Program | | | | | |
| Scholarships and awards | 1,104,241 | - | - | - | 1,104,241 |
| Academic support | 182,752 | - | - | - | 182,752 |
| Facilities support | 393,513 | - | - | - | 393,513 |
| Other direct support | 66,521 | - | - | - | 66,521 |
| Faculty support | 103,580 | - | - | - | 103,580 |
| Supporting | | | | | |
| Official representation | 13,968 | - | - | - | 13,968 |
| General and administrative | 83,023 | - | - | - | 83,023 |
| Fundraising | 42,754 | - | - | - | 42,754 |
| Bad debt expense | 64,458 | - | - | - | 64,458 |
| In-kind expense | 990,291 | - | - | - | 990,291 |
| Total expenses | 3,045,101 | - | - | - | 3,045,101 |
| INCREASE IN NET ASSETS | 628,557 | 8,925,814 | 709,056 | 9,634,870 | 10,263,427 |
| Net assets, beginning of year | 2,889,583 | 17,834,153 | 29,781,058 | 47,615,211 | 50,504,794 |
| Net assets, end of year | \$ 3,518,140 | \$ 26,759,967 | \$ 30,490,114 | \$ 57,250,081 | \$ 60,768,221 |

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

Stockton University Foundation
(A Component Unit of Stockton University)

STATEMENTS OF CASH FLOWS

Years ended June 30,

| | 2022 | 2021 |
|---|----------------|---------------|
| Cash flows from operating activities | | |
| (Decrease) increase in net assets | \$ (5,999,317) | \$ 10,263,427 |
| Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities | | |
| Bad debt expense | 12,000 | 64,458 |
| Change in discount and allowance on pledge receivables | (81,505) | (110,158) |
| Contributions restricted for long-term purposes | (1,132,938) | (721,134) |
| Net realized and unrealized losses (gains) on investments | 7,675,072 | (8,430,588) |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | 18,310 | (19,690) |
| Due from University | 14,475 | (14,310) |
| Pledges receivable | 49,069 | 294,363 |
| Other receivables | (866) | 6,221 |
| Other assets | 41,641 | 18,201 |
| Accounts payable and accrued expenses | (18,137) | 12,744 |
| Due to University | 69,134 | (104,820) |
| Net cash provided by operating activities | 646,938 | 1,258,714 |
| Cash flows from investing activities | | |
| Proceeds from sales of investments | 18,455,194 | 14,882,926 |
| Purchases of investments | (20,353,149) | (16,738,786) |
| Net cash used in investing activities | (1,897,955) | (1,855,860) |
| Cash flows from financing activities | | |
| Proceeds from contributions restricted for long-term purposes | 1,132,938 | 721,134 |
| Net cash provided by financing activities | 1,132,938 | 721,134 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (118,079) | 123,988 |
| Cash and cash equivalents, beginning of year | 620,144 | 496,156 |
| Cash and cash equivalents, end of year | \$ 502,065 | \$ 620,144 |

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

**Stockton University Foundation
(A Component Unit of Stockton University)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - ORGANIZATION

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). US GAAP also requires that net assets, revenues, gains, expenses and losses be classified as with or without donor restrictions based on the existence or absence of donor-imposed restrictions.

Income Taxes

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

The Foundation does not believe its financial statements include any material uncertain tax positions for which recognition or disclosure is warranted. The Foundation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expense. No interest or penalties were recognized in 2022 and 2021.

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

Classification of Net Assets

The Foundation's net assets and revenues, gains and losses are presented in the accompanying financial statements based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions - net assets not subject to any donor-imposed stipulations. Net assets without donor restrictions may also be designated for specific purposes by the Foundation's Board of Directors.

With Donor Restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Foundation or by the passage of time as well as net assets subject to donor-imposed stipulations requiring that they be maintained in perpetuity by the Foundation. Investment income earned from these funds is included in net assets with donor restrictions unless otherwise directed by those respective donors.

**Stockton University Foundation
(A Component Unit of Stockton University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Contributions and Pledges

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

Contributions are reported as revenue with donor restrictions if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

Functional Allocation of Expenses

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

Use of Estimates

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

Investments

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

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

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

**Stockton University Foundation
(A Component Unit of Stockton University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Contributed Nonfinancial Assets

During the year ended June 30, 2022, the Foundation adopted Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increased the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure.

The Foundation receives contributed nonfinancial assets on an annual basis in the form of contributed services from related and unrelated parties. These nontangible contributed nonfinancial assets are recognized as income in the period they are received and recorded as part of management and general expenses upon use and based upon the nature of the nontangible contributed nonfinancial asset. Contributed financial assets did not have donor-imposed restrictions.

Contributed services, which include professional services (finance and administration) from the University and other unrelated parties, are reported as contributions at their fair value based on current rates for similar services if such services 1) create or enhance nonfinancial assets, or 2) would typically need to be purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills.

For the years ended June 30, 2022 and 2021, such contributed nonfinancial assets recognized within the statements of activities consisted of the following

| | 2022 | 2021 |
|---------------------------------|--------------|------------|
| Services from University | \$ 1,050,248 | \$ 981,631 |
| Services from unrelated parties | 39,500 | 8,660 |
| Total | \$ 1,089,748 | \$ 990,291 |

NOTE C - CONCENTRATIONS OF CREDIT RISK

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

NOTE D - PLEDGES RECEIVABLE

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

**Stockton University Foundation
(A Component Unit of Stockton University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Pledges receivable as of June 30, 2022 and 2021 were as follows:

| | 2022 | 2021 |
|--------------------------------------|--------------|--------------|
| Less than one year | \$ 629,353 | \$ 452,934 |
| One to five years | 2,014,657 | 1,750,490 |
| More than five years | 4,508,000 | 5,009,655 |
| Total | 7,152,010 | 7,213,079 |
| Less: discount to net present value | (695,992) | (779,768) |
| Less: allowance for doubtful pledges | (645,602) | (643,331) |
| Pledges receivable, net | \$ 5,810,416 | \$ 5,789,980 |

Pledges which are receivable in more than one year are discounted to fair value using an applicable fair market value rate from 0.33% to 3.22%.

Conditional promises to give as of June 30, 2022, which are not reflected in the accompanying statement of financial position, were as follows:

| | 2022 |
|--------------------------|--------------|
| Bequests in wills | \$ 2,103,000 |
| Life insurance contracts | 100,000 |
| Total | \$ 2,203,000 |

NOTE E - INVESTMENTS/FAIR VALUE MEASUREMENTS

Fair value measurements and disclosures provide the framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques require maximization of observable inputs and minimization of unobservable inputs. The levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market;
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities 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

**Stockton University Foundation
(A Component Unit of Stockton University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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.

The financial instruments' level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement and does not necessarily correspond to the Foundation's perceived risk of such investment.

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

| | June 30, 2022 | | | |
|---------------------------|---------------|---------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 2,220,648 | \$ - | \$ - | \$ 2,220,648 |
| Equity mutual funds | 27,689,569 | - | - | 27,689,569 |
| Fixed income mutual funds | 17,333,200 | - | - | 17,333,200 |
| | \$ 47,243,417 | \$ - | \$ - | 47,243,417 |
| Investments at NAV | | | | 1,210,180 |
| Total | | | | \$ 48,453,597 |
| | | | | |
| | June 30, 2021 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | \$ 1,484,789 | \$ - | \$ - | \$ 1,484,789 |
| Equity mutual funds | 30,619,811 | - | - | 30,619,811 |
| Fixed income mutual funds | 21,361,935 | - | - | 21,361,935 |
| | \$ 53,466,535 | \$ - | \$ - | 53,466,535 |
| Investments at NAV | | | | 764,179 |
| Total | | | | \$ 54,230,714 |

The investments at net asset value ("NAV") are investments in private equity funds whereby NAV is used to estimate fair value. These funds are long-term capital appreciation funds which provide investors access to the private-equity holdings of the issuer. The Foundation has no unfunded commitments or redemption restrictions related to these investments and has the ability to redeem the investments at will.

Stockton University Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Investment (loss) return, net for the years ended June 30, 2022 and 2021 is comprised of the following:

| | 2022 | 2021 |
|--|----------------|--------------|
| Dividend and interest income, net | \$ 1,435,631 | \$ 958,025 |
| Net realized gains on investments | 778,962 | 2,005,766 |
| Net change in unrealized gains and losses on investments | (8,454,034) | 6,424,822 |
| Investment (loss) return, net | \$ (6,239,441) | \$ 9,388,613 |

Investment fees included in dividend and interest income, net, amounted to \$213,028 and \$196,565 for 2022 and 2021, respectively.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, net assets with donor restrictions for purpose and time consisted of the following:

| | 2022 | 2021 |
|------------------------------|---------------|---------------|
| Scholarships and awards | \$ 7,125,241 | \$ 10,501,978 |
| Academic support | 4,910,888 | 6,184,409 |
| Facilities support | 6,814,242 | 8,789,979 |
| Faculty support | 193,487 | 282,853 |
| Other direct support | 339,980 | 371,436 |
| Official representation | 47,905 | 72,055 |
| Fundraising (special events) | 494,617 | 557,257 |
| Total | \$ 19,926,360 | \$ 26,759,967 |

During the years ended June 30, 2022 and 2021, net assets were released from restrictions for the following purposes:

| | 2022 | 2021 |
|--|--------------|--------------|
| Scholarships and awards | \$ 1,237,497 | \$ 1,026,485 |
| Program and supporting expenses: | | |
| Academic support | 427,742 | 182,504 |
| Facilities support | 725,245 | 393,513 |
| Faculty support | 58,023 | 103,580 |
| Other direct support | 79,971 | 65,226 |
| Official representation | 16,272 | 3,805 |
| General and administrative (donor cultivation) | 12,557 | - |
| Fundraising (special events) | 167,881 | 24,667 |
| Bad debt expense | 12,000 | 64,458 |
| Total | \$ 2,737,188 | \$ 1,864,238 |

**Stockton University Foundation
(A Component Unit of Stockton University)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE G - RELATED PARTY TRANSACTIONS

The Foundation is located on the campus of the University. Stockton Affiliated Services, Inc. ("SASI") was a component unit of the University and a separately incorporated 501(c)(3) that was established to manage auxiliary operations on behalf of the University and was dissolved effective June 30, 2021.

| | Years Ended June 30, | |
|--|----------------------|--------------|
| | 2022 | 2021 |
| Foundation's support to the University | | |
| Scholarships and awards | \$ 1,284,248 | \$ 1,104,241 |
| Academic support | 429,684 | 182,752 |
| Facilities support | | |
| John F. Scarpa Academic Center | - | 36,001 |
| John F. Scarpa Health Sciences Center | - | 48,683 |
| Holocaust Resource Center | 117,425 | 30 |
| Noyes Museum | 218,934 | 143,749 |
| NAMS Boat | 110,000 | - |
| Observatory | 32,990 | - |
| Sam Azeez Museum | 245,896 | - |
| | 725,245 | 228,463 |
| Faculty support | 58,023 | 103,580 |
| | \$ 2,497,200 | \$ 1,619,036 |
| Foundation's support to SASI | | |
| Facilities support | | |
| Sam Azeez Museum | \$ - | \$ 165,050 |

NOTE H - ENDOWMENTS

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Foundation's endowment was comprised of the following for the year ended June 30, 2022:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|---|-------------------------------|--------------------------------|----------------------|----------------------|
| | | Purpose and Time Restricted | Endowment Funds | |
| Endowment, beginning of year | \$ 2,869,705 | \$ 14,634,796 | \$ 30,490,114 | \$ 47,994,615 |
| Investment (loss) return: | | | | |
| Investment income | 80,787 | 1,045,869 | 18,210 | 1,144,866 |
| Net realized and unrealized losses | (425,126) | (5,732,965) | (24,962) | (6,183,053) |
| Total investment loss | (344,339) | (4,687,096) | (6,752) | (5,038,187) |
| Contributions | - | - | 902,626 | 902,626 |
| Transfers to Board- designated endowment | 600 | - | - | 600 |
| Special events contributions | - | - | 230,312 | 230,312 |
| Endowment spending policy | (5,491) | (69,570) | - | (75,061) |
| Amount designated for current operations | (46,750) | - | - | (46,750) |
| Net assets released from restrictions | - | (1,055,422) | (1,000) | (1,056,422) |
| Changes in net assets | (395,980) | (5,812,088) | 1,125,186 | (5,082,882) |
| Endowment, end of year | <u>\$ 2,473,725</u> | <u>\$ 8,822,708</u> | <u>\$ 31,615,300</u> | <u>\$ 42,911,733</u> |

Stockton University Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The Foundation's endowment had the following net asset composition at June 30, 2022:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|-------------------------------------|-------------------------------|-----------------------------------|----------------------|----------------------|
| | | Purpose and Time Restricted | Endowment Funds | |
| Donor-restricted endowment funds | \$ - | \$ 8,822,708 | \$ 31,615,300 | \$ 40,438,008 |
| Board-designated endowment funds | <u>2,473,725</u> | <u>-</u> | <u>-</u> | <u>2,473,725</u> |
| Endowment, end of year | <u>\$ 2,473,725</u> | <u>\$ 8,822,708</u> | <u>\$ 31,615,300</u> | <u>\$ 42,911,733</u> |

The Foundation's endowment was comprised of the following for the year ended June 30, 2021:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|--|-------------------------------|-----------------------------------|----------------------|----------------------|
| | | Purpose and Time Restricted | Endowment Funds | |
| Endowment, beginning of year | \$ 2,411,789 | \$ 8,566,501 | \$ 29,781,058 | \$ 40,759,348 |
| Investment return: | | | | |
| Investment income | 54,927 | 700,600 | 8,025 | 763,552 |
| Net realized and unrealized gains | <u>486,079</u> | <u>6,227,977</u> | <u>31,647</u> | <u>6,745,703</u> |
| Total investment return | 541,006 | 6,928,577 | 39,672 | 7,509,255 |
| Contributions | - | - | 719,134 | 719,134 |
| Special events contributions | - | - | 2,000 | 2,000 |
| Endowment spending policy Amount designated for current operations | <u>(5,335)</u> | <u>(62,744)</u> | <u>-</u> | <u>(68,079)</u> |
| | <u>(77,755)</u> | <u>-</u> | <u>-</u> | <u>(77,755)</u> |
| Net assets released from restrictions | <u>-</u> | <u>(797,538)</u> | <u>(51,750)</u> | <u>(849,288)</u> |
| Changes in net assets | <u>457,916</u> | <u>6,068,295</u> | <u>709,056</u> | <u>7,235,267</u> |
| Endowment, end of year | <u>\$ 2,869,705</u> | <u>\$ 14,634,796</u> | <u>\$ 30,490,114</u> | <u>\$ 47,994,615</u> |

**Stockton University Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The Foundation's endowment had the following net asset composition at June 30, 2021:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|-------------------------------------|-------------------------------|-----------------------------------|----------------------|----------------------|
| | | Purpose and Time Restricted | Endowment Funds | |
| Donor-restricted endowment funds | \$ - | \$ 14,634,796 | \$ 30,490,114 | \$ 45,124,910 |
| Board-designated endowment funds | <u>2,869,705</u> | <u>-</u> | <u>-</u> | <u>2,869,705</u> |
| Endowment, end of year | <u>\$ 2,869,705</u> | <u>\$ 14,634,796</u> | <u>\$ 30,490,114</u> | <u>\$ 47,994,615</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or state law requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the initial investment of the donor-restricted contributions. As of June 30, 2022, endowment funds with an original gift value of \$2,979,909 had accumulated deficiencies of \$103,880. Both fund deficiencies and subsequent gains above that amount are reported in net assets with donor restrictions. As of June 30, 2021, there were no endowment funds with accumulated deficiencies.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

The overall financial goal of the endowment is to maintain or enhance its fair value while providing the Foundation's operating budget with a relatively predictable and growing stream of revenue targeted at approximately 4% of the endowment for the 20 trailing quarterly periods ending December 31 of the prior fiscal year. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate - as measured by the Consumer Price Index. For an endowment to maintain its inflation adjusted level of support, it must earn an investment return equal to the spending rate plus the inflation rate.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE I - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural classification for the years ended June 30, 2022 and 2021 are shown below:

| | Program Activities | | | | | Supporting Activities | | Total Expenses |
|--|-------------------------|-------------------|--------------------|----------------------|-------------------|----------------------------------|-------------------|---------------------|
| | Scholarships and Awards | Academic Support | Facilities Support | Other Direct Support | Faculty Support | Administrative General and Other | Fundraising | |
| 2022 | | | | | | | | |
| Scholarships awarded | \$ 1,284,248 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,284,248 |
| Contracted services | - | 25,845 | 20,600 | - | - | 7,800 | 81,391 | 135,636 |
| Legal fees | - | - | - | - | - | 2,684 | - | 2,684 |
| Accounting fees | - | - | - | - | - | 33,025 | - | 33,025 |
| Consultants | - | 53,147 | 7,905 | 5,100 | 1,500 | 16,050 | 7,456 | 91,158 |
| Insurance | - | 504 | - | - | - | 1,889 | 618 | 3,011 |
| Occupancy/overhead | - | - | - | - | - | 1,050,248 | - | 1,050,248 |
| Support of University fundraising | - | 105,934 | 687,060 | 27,857 | 50,000 | - | - | 870,851 |
| Travel, conferences and meetings | - | 170,787 | - | 66,317 | 2,820 | 44,799 | - | 284,723 |
| Printing and advertising | - | 6,131 | 2,577 | 2,988 | 1,001 | 4,438 | 21,648 | 38,783 |
| Supplies and miscellaneous equipment | - | 37,967 | 6,874 | 11,161 | 2,611 | 4,310 | 16,416 | 79,339 |
| Subscriptions and memberships | - | 1,499 | 229 | - | 91 | 5,483 | 30,695 | 37,997 |
| Fees/licenses/finances | - | 21,346 | - | 565 | - | 12,213 | 852 | 34,976 |
| Other expenses | - | 6,524 | - | 3,229 | - | 51,500 | - | 61,253 |
| Total expenses | \$ 1,284,248 | \$ 429,684 | \$ 725,245 | \$ 117,217 | \$ 58,023 | \$ 1,234,439 | \$ 159,076 | \$ 4,007,932 |
| | | | | | | | | |
| | | | | | | | | |
| 2021 | | | | | | | | |
| Scholarships awarded | \$ 1,104,241 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,104,241 |
| Contracted services | - | 41,346 | 84,684 | 40,553 | - | 7,175 | 14,771 | 188,529 |
| Legal fees | - | - | - | - | - | 231 | - | 231 |
| Accounting fees | - | - | - | - | - | 33,025 | - | 33,025 |
| Consultants | - | 25,783 | - | 540 | - | 5,600 | 2,800 | 34,723 |
| Insurance | - | 1,589 | - | 1,627 | - | 1,834 | - | 5,050 |
| Utilities | - | 165 | - | - | - | - | - | 165 |
| Occupancy/overhead | - | - | - | - | - | 981,631 | - | 981,631 |
| Support of University and SASI/fundraising | - | 63,325 | 308,799 | 3,664 | 100,000 | - | - | 475,788 |
| Travel, conferences and meetings | - | 14,895 | - | 6,429 | 42 | 15,606 | - | 36,972 |
| Printing and advertising | - | 2,933 | - | 814 | - | 135 | 3,021 | 6,903 |
| Supplies and miscellaneous equipment | - | 24,277 | - | 12,794 | 3,347 | 2,032 | 8,566 | 51,016 |
| Subscriptions and memberships | - | 2,717 | 30 | - | 191 | 9,539 | 13,102 | 25,579 |
| Fees/licenses/finances | - | 230 | - | 100 | - | 21,814 | 494 | 22,638 |
| Other expenses | - | 5,492 | - | - | - | 73,118 | - | 78,610 |
| Total expenses | \$ 1,104,241 | \$ 182,752 | \$ 393,513 | \$ 66,521 | \$ 103,580 | \$ 1,151,740 | \$ 42,754 | \$ 3,045,101 |

All costs are charged directly to the appropriate functional category.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure at June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 502,065 | \$ 620,144 |
| Receivables, net | 710,581 | 566,081 |
| Other current assets | 50,137 | 91,778 |
| Investments | 48,453,597 | 54,230,714 |
| Total financial assets available within one year | 49,716,380 | 55,508,717 |
| Less: | | |
| Amounts unavailable for general expenditures within one year due to: | | |
| Restricted by donors with purpose restrictions | (11,103,652) | (12,125,171) |
| Restricted by donors in perpetuity | (31,615,300) | (30,490,114) |
| Liabilities expected to be paid within one year | (128,539) | (77,542) |
| Investments at NAV | (1,210,180) | (764,179) |
| Total amounts unavailable for general expenditures within one year | (44,057,671) | (43,457,006) |
| Amounts unavailable to management without Board approval: | | |
| Board-designated net assets | (2,473,725) | (2,869,705) |
| Total financial assets available to management for general expenditure within one year | \$ 3,184,984 | \$ 9,182,006 |

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 spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will have a material impact on its operations.

NOTE K - SUBSEQUENT EVENTS

The Foundation evaluated subsequent events through November 9, 2022, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.