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, 2017 and 2016

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

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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 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, 2017 and 2016, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and State of New Jersey Department of Treasury Circular 2015-08. 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities and discretely presented component units of Stockton University as of June 30, 2017 and 2016, and the changes in its net position and, where applicable, its cash flows for the years then ended in conformity 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 3 through 16, and the Schedules of Proportionate Share of the Net Pension Liability – Last 10 Years on pages 58 and 59 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, which 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 opinions on the financial statements that collectively comprise the University's financial statements. The accompanying Schedules of Expenditures of Federal Awards and State of New Jersey Awards for the year ended June 30, 2017, as required by *Title 2 U.S. Code of Federal Regulations (CFR) 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 61 through 64, 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 financial statements or to the 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* and State of New Jersey Department of Treasury Circular 2015-08, we have also issued our report, dated October 30, 2017, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and State of New Jersey Department of Treasury Circular 2015-08 in considering the University's internal control over financial reporting and compliance.

Grant Thornton LLP

Philadelphia, Pennsylvania

October 30, 2017

INTRODUCTION

Stockton University (the "University" or "Stockton"), which was formerly known as The Richard Stockton College of New Jersey, is proud to present its comparative financial statements for fiscal years 2017 and 2016, and its changes in financial position for the fiscal years then ended with fiscal year 2015 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 is located in Galloway Township, New Jersey. Stockton's Galloway holdings include a main campus of some 1,600 acres, the majority of which is pristine forest and wetlands. The University also owns the historic Stockton Seaview Hotel and Golf Club located on nearly 300 acres in Galloway, a premier vacation and golfing destination that also provides residences for over 300 students.

The University owns an 8-acre Marine and Environmental Field Station along the Nacote Creek in nearby Port Republic City, along with over 100 acres of wooded property in Hamilton Township and an additional 200 acres in Galloway.

The University is expanding, with two new academic buildings and a distinctive Quad entrance being built on the main Galloway campus, and a residential campus being developed as part of a public-private partnership in Atlantic City.

The Unified Science Center 2 in Galloway will provide an additional 58,210 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 of Stockton's Unified Science Center will enable the continued growth of the School of Natural Sciences and Mathematics, which currently graduates 22% of the math and science majors at New Jersey's senior public colleges and universities. The Unified Science Center 2 is supported by $21.5 million in funding from the Building Our Future Bond Act approved by voters in 2012.

The 37,720-square-foot Health Sciences Center in Galloway will house a sustainability lab, health science simulation space, exercise science space and offices. The $18.0 million facility will receive $13.5 million in funding from the bond issue.

The first classes in both facilities are expected to be held in Spring 2018.

In Atlantic City, a new residential campus with housing for almost 535 students overlooking the beach and boardwalk is being developed in partnership with the Atlantic City Development Corp., or "ACDevco". The campus includes a parking garage topped by new offices for South Jersey Gas, with 879 parking spaces for use by the University, South Jersey Gas and the public. An academic building will accommodate up to 1,800 students.

The University plans to open the Atlantic City campus in Fall 2018 with about 1,000 students, with room for future growth.

Funding sources for the Atlantic City campus include $48.0 million in bonds from the Atlantic County Improvement Authority from proceeds of almost $70 million in tax credits issued by the N.J. Economic Development Authority, $22 million from a Capital Improvement Fund ("CIF") grant awarded in July 2016 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 $79.0 million in Atlantic County Improvement Authority bonds secured by lease payments from the University.

Also in Atlantic City, the University's Carnegie Center is a 17,335-square-foot historical building which hosts undergraduate and graduate courses, continuing professional education programming, and special events.

Three instructional sites have been added to 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 will also expand in 2018.

In January 2013, Stockton formally 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 with use of the facility. A new Master of Science degree in Data Science and Strategic Analytics is offered at that site starting in Fall 2017.

In April 2013, Anne Azeez Hall in Woodbine opened, allowing Stockton to offer students in Cape May County more flexibility and access.

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 continues to experience impressive growth, with a record headcount of 9,216 students enrolled for Fall 2017, compared with 8,728 students in Fall 2016.

The number of full-time equivalent students has increased almost six percent, from 8,388 in Fall 2016 to 8,869 in Fall 2017.

The University offers undergraduate degrees in Bachelor of Arts, Bachelor of Science and Bachelor of Science in Nursing, as well as 12 Master's level programs and two doctoral programs in Physical Therapy 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.

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-of-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 institution's 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 68, *Accounting and Financial Reporting for Pensions*, and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement 68. 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. Changes in accounting for pensions are designed to improve transparency regarding pension obligations and require the recognition of pension expense using a systematic method, designed to match the cost of pension benefits with service periods for eligible employees. 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 starting with June 30, 2013 to fiscal year end June 30, 2016, a one-year lag from the University's year-end reporting date (note: GASB Statement 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).

As a result of this change in reporting, 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, 2017 and 2016 financial statements presented. The note disclosures regarding the pension benefit have changed to include a discussion of both the net pension liability and pension expense. Finally, as part of required supplemental information, the University has included certain schedules of data that have not previously been required. These accounting changes do not impact the University's funding requirements for the pension plans.

The effect of GASB 68 was the recognition of net pension expense and increases in deferred outflows of resources, net pension liability and deferred inflows of resources. The following reflects the impact of GASB 68 on the University's financials at June 30, 2017:

	University Excluding GASB 68	Adoption of GASB 68	University Including GASB 68
Statement of net position at June 30, 2017:			
Deferred outflows of resources - pension related	$ -	$ 45,611,907	$ 45,611,907
Net pension liability	-	205,993,729	205,993,729
Deferred inflows of resources - pension related	-	217,428	217,428
Net position - unrestricted	88,866,898	(160,599,250)	(71,732,352)
Total net position	195,705,564	(160,599,250)	35,106,314
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2017:			
Operating expenses			
Instruction	$ 65,896,431	$ 3,682,379	$ 69,578,810
Research	1,700,079	-	1,700,079
Public service	8,053,043	175,352	8,228,395
Academic support	9,122,429	2,104,217	11,226,646
Student services	20,699,332	1,753,515	22,452,847
Institutional support	26,852,782	3,209,757	30,062,539
Operation and maintenance of plant	21,711,316	4,208,432	25,919,748
Student aid	8,942,880	-	8,942,880
Auxiliary enterprises	14,568,069	1,402,812	15,970,881
Independent operations	16,659,875	-	16,659,875
Depreciation	12,914,554	-	12,914,554
Total operating expenses	$ 207,120,790	$ 16,536,464	$ 223,657,254

The following reflects the impact of GASB 68 on the University's financials at June 30, 2016:

	University Excluding GASB 68	Adoption of GASB 68	University Including GASB 68
Statement of net position at June 30, 2016:			
Deferred outflows of resources - pension related	$ -	$ 21,345,740	$ 21,345,740
Net pension liability	-	163,839,503	163,839,503
Deferred inflows of resources - pension related	-	1,569,023	1,569,023
Net position - unrestricted	75,350,533	(144,062,786)	(68,712,253)
Total net position	170,923,858	(144,062,786)	26,861,072
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2016:			
Operating expenses			
Instruction	$ 64,397,098	$ 1,926,766	$ 66,323,864
Research	1,411,754	-	1,411,754
Public service	6,789,856	91,751	6,881,607
Academic support	8,492,174	1,101,009	9,593,183
Student services	19,302,905	917,509	20,220,414
Institutional support	28,521,017	1,748,111	30,269,128
Operation and maintenance of plant	22,111,917	2,202,016	24,313,933
Student aid	8,977,397	-	8,977,397
Auxiliary enterprises	14,156,379	734,006	14,890,385
Independent operations	16,396,906	-	16,396,906
Depreciation	12,756,381	-	12,756,381
Total operating expenses	$203,313,784	$ 8,721,168	$212,034,952

A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2017, 2016 and 2015 is as follows (in thousands):

	2017	2016	2015
ASSETS			
Current assets	$ 70,296	$ 42,676	$ 40,718
Other current assets	-	-	19,621
Capital assets	434,423	314,291	313,695
Other non-current assets	82,346	84,043	73,847
Total assets	587,065	441,010	447,881
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding debt	11,739	566	606
Deferred outflows related to pensions	45,612	21,346	6,375
Total deferred outflows of resources	57,351	21,912	6,981
LIABILITIES			
Current liabilities	56,710	42,299	44,789
Noncurrent liabilities	552,261	392,061	371,664
Total liabilities	608,971	434,360	416,453
DEFERRED INFLOWS OF RESOURCES			
Gain on refunding debt	122	133	144
Deferred inflows related to pensions	217	1,569	5,833
Total deferred inflows of resources	339	1,702	5,977
NET POSITION			
Net investment in capital assets	102,031	84,597	78,977
Restricted for:			
Renewal and replacement	-	301	301
Debt service reserve	4,807	10,675	5,647
Unrestricted	(71,732)	(68,712)	(52,493)
Total net position	$ 35,106	$ 26,861	$ 32,432

The University's statements of net position reflect a prudent utilization of financial resources and management of investments, the utilization of debt, and development of the capital plan.

Current assets consist primarily of cash and cash equivalents, assets held by trustees under bond agreements for capital activities, investments and receivables. Noncurrent assets consist primarily of investments, assets held by trustees, and capital assets. Current liabilities consist primarily of accounts payable and accrued expenses, accrued 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.

Other current assets for fiscal year 2017 was comparative to prior year. Other current assets decreased in fiscal year 2016 due to the sale of the former Showboat Casino. The University, in fiscal year 2015, had purchased the former Showboat Casino, a 1.73 million-square-foot property, for $18 million with plans to develop a residential campus in Atlantic City. Use restrictions placed on the Showboat property through previous transactions prevented the University's efforts. Consequently, the University sold this property on January 15, 2016.

Total assets increased by $146,055,043 in fiscal 2017. This is primarily due to a $120 million increase in construction in progress for Stockton's Atlantic City campus and on the Galloway campus "Quad" project, which encompasses a new Science building and additional classroom building. The increase is also due to $27.6 million of current assets which is comprised of additional deposits held by bond trustees for the award of Higher Education Capital Improvement Fund ("HECIF") grant funds and series 2016A bond refinancing and capital State grant receivables. Total assets decreased by $6,870,473 in fiscal 2016. The decrease was primarily due to a $2.6 million decrease in deposits held by bond trustees.

The increase in deferred outflows is attributed to GASB 68 pensions and represents the fiscal year 2017 contribution made on behalf of the University after the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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 and will be recognized as a component of pension expense in future years. The increase in deferred outflows for fiscal year 2017 is also attributed to the loss on refunding debt.

Total liabilities increased by $174,611,098 in fiscal year 2017. This increase is due to a new capital lease obligation relating to the Atlantic City campus of $79.0 million and the issuance of the series 2016A bonds, which includes a $32.6 million bond premium. The increase in net pension liability of $42.2 million, unearned revenue for the new HECIF issuance of $10.0 million and additional accrued invoices due to construction of $7.0 million also contributed to the increase in liabilities for the year. Total liabilities increased by $17,907,250 in fiscal 2016. This net increase was primarily due to a combination of an increase in net pension liability of $28.0 million with a reduction in outstanding debt made by principal payments of $6.3 million and the recognition of unearned State grant revenue of $3.2 million.

The decrease in deferred inflows of resources is attributable to GASB 68 pensions. These deferred inflows are related to 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 expenses 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.

Generally speaking, 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.

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, 2017, 2016 and 2015 is as follows (in thousands):

	2017	2016	2015
OPERATING REVENUES			
Net student revenues	$ 105,015	$ 102,745	$ 100,574
Governmental grants	21,959	21,110	20,556
Independent operations	17,417	17,775	18,657
Other	8,071	14,404	6,853
Total operating revenues	152,462	156,034	146,640
OPERATING EXPENSES	223,657	212,035	205,819
Operating loss	(71,195)	(56,001)	(59,179)
NON-OPERATING AND OTHER REVENUES (EXPENSES):			
State of New Jersey appropriations	40,924	39,714	41,812
Pell grants	13,181	12,799	12,128
Investment income	6,356	729	713
Capital grant revenue	27,811	4,973	4,084
(Loss) gain on disposal of capital assets, net	(2)	3,392	-
Interest on capital related debt	(8,726)	(10,997)	(11,625)
Other non-operating expenses, net	(104)	(180)	(182)
Net non-operating and other revenues	79,440	50,430	46,930
Increase (decrease) in net position	8,245	(5,571)	(12,249)
Net position - beginning of year, as previously reported	26,861	32,432	173,194
Cumulative effect of change in accounting principle	-	-	(128,513)
Net position - beginning of year as restated	26,861	32,432	44,681
Net position - end of year	$ 35,106	$ 26,861	$ 32,432

REVENUES

To fund its operation, 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 is continuing to seek additional funds from all possible sources to adequately fund operating activities.

OPERATING

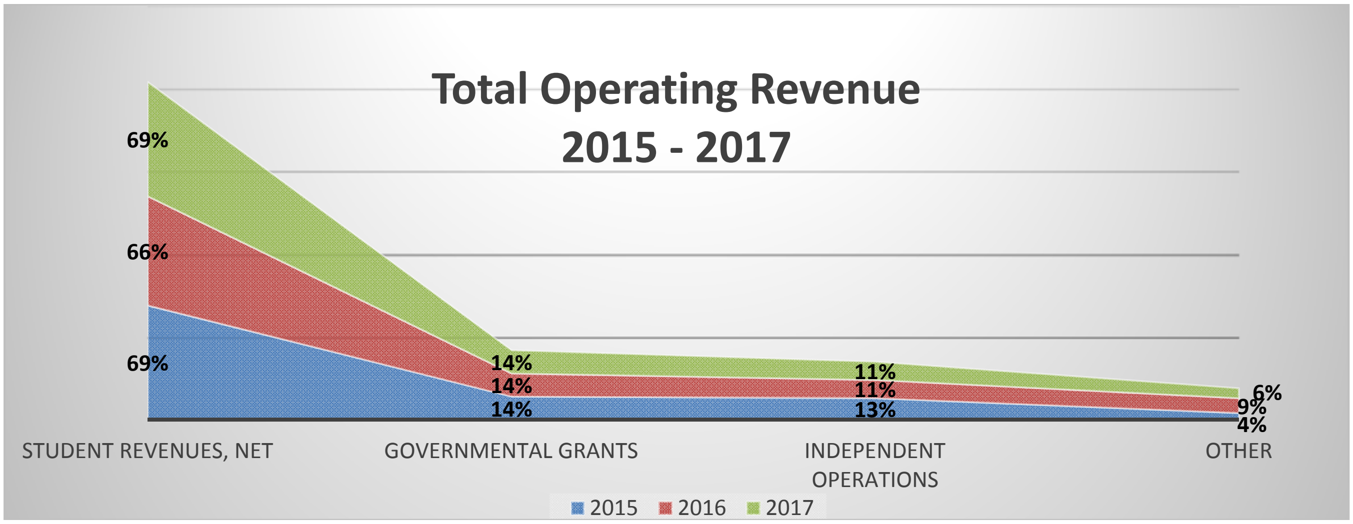
Operating revenues for the years ended June 30, 2017, 2016 and 2015 totaled $152,461,669, $156,033,674 and $146,640,303, respectively. For the year ended June 30, 2017, student revenues net of scholarships were $105,015,401, governmental grants were $21,958,611, independent operations were $17,416,893 and other revenue totaled $8,070,764. For the year ended June 30, 2016, student revenues net of scholarships were $102,744,865, governmental grants were $21,109,731, independent operations were $17,774,803 and other revenue totaled $14,404,275.

Student revenues, which includes tuition and fees, are the primary source of operating revenue for the University. These tuition and fee revenues have increased from fiscal year 2016 to fiscal year 2017 by approximately 2.63%. Auxiliary activities include housing, which basically stayed consistent from the prior year. Fiscal year 2016 total operating revenues included the effects of the ownership and sale of the Showboat casino. By removing the impact of Showboat from 2016, the change year over year for total operating revenues remained consistent with a slight increase by approximately 0.82% from fiscal 2016 to fiscal 2017. Total operating revenues increased by approximately 3.2% from fiscal 2015 to fiscal 2016 when eliminating the effects of Showboat in fiscal year 2016.

Operating revenues for 2017, 2016 and 2015 were as follows (in thousands):

	2017	% Total	2016	% Total	2015	% Total
Student revenues, net	$ 105,015	69 %	$ 102,745	66 %	$ 100,574	69 %
Governmental grants	21,959	14	21,110	14	20,556	14
Independent operations	17,417	11	17,775	11	18,657	13
Other	8,071	6	14,404	9	6,853	4
Total operating revenues	$ 152,462	100 %	$ 156,034	100 %	$ 146,640	100 %

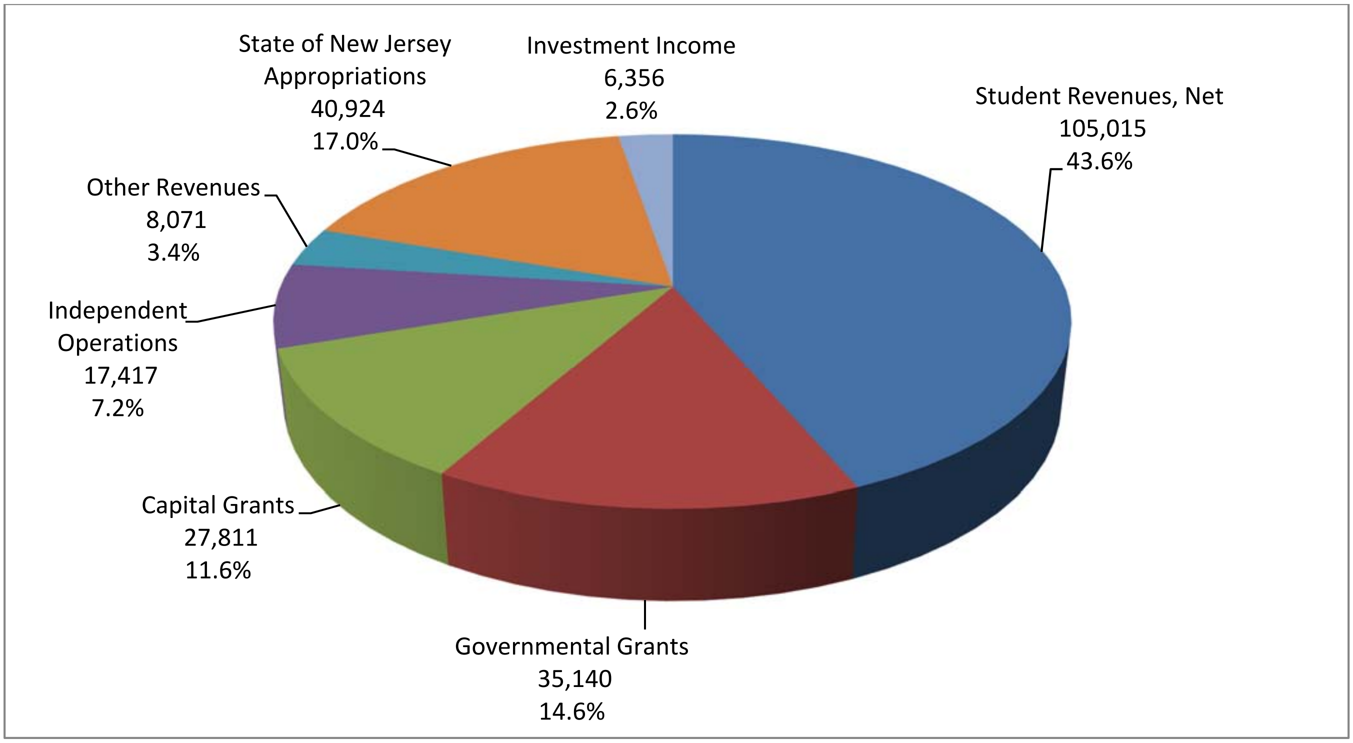
Total operating revenue represented graphically for the three years are as follows:



NON-OPERATING AND OTHER REVENUES

Net non-operating and other revenues for the years ended June 30, 2017, 2016 and 2015 totaled $79,440,827, $50,430,450 and $46,929,634, respectively. The primary source of non-operating revenue was the State of New Jersey appropriation, including fringe benefits of $40,924,492, $39,714,278 and $41,812,067, respectively, for the years ended June 30, 2017, 2016 and 2015. The other components of net non-operating revenues were Pell grant revenues of $13,180,908, $12,799,248 and $12,128,023, investment income of $6,356,129, $729,091 and $712,378 and interest expense on plant facilities related debt of $(8,726,111), $(10,997,289) and $(11,625,024) for the years ended June 30, 2017, 2016 and 2015, respectively. Included in other revenues for the years ended June 30, 2017, 2016 and 2015 was capital grant revenue of $27,811,412, $4,973,370 and $4,084,271, respectively.

Categories of both operating, non-operating, and other revenues that support the University's core activities in 2017 are as follows (in thousands of dollars):



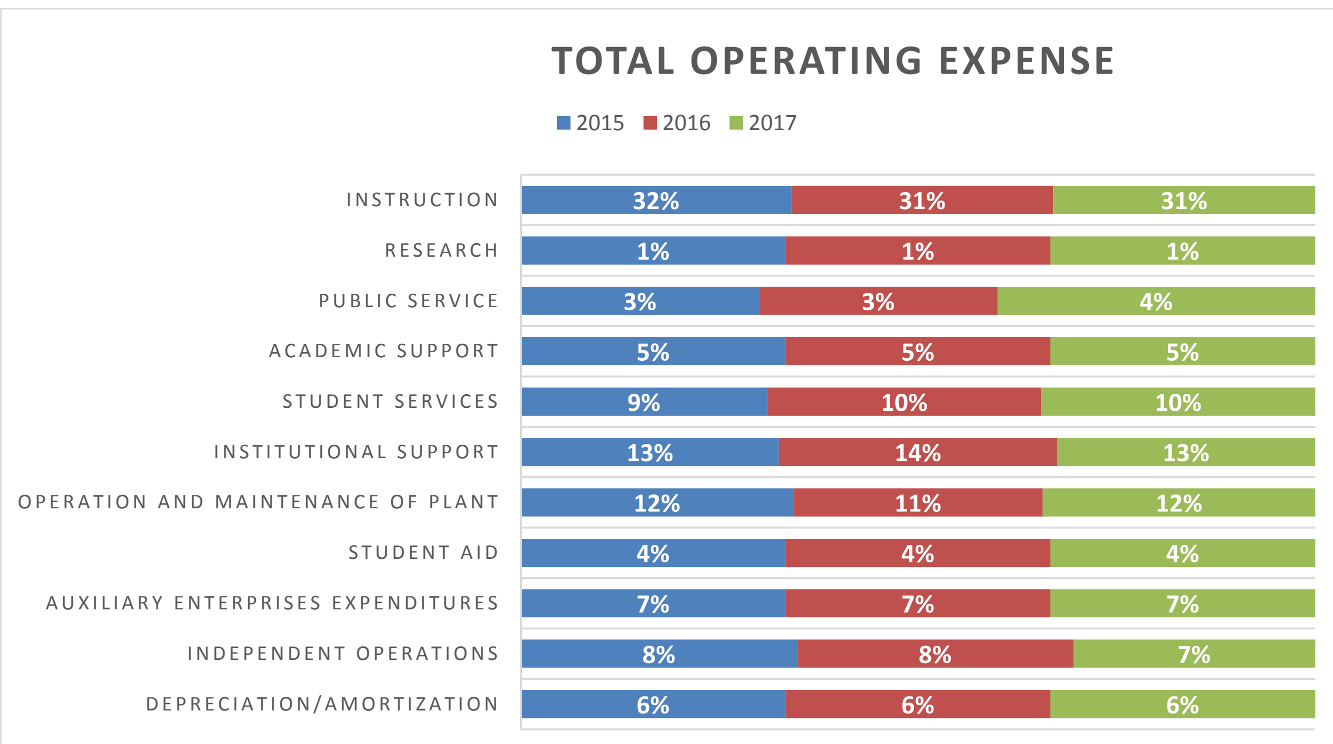
OPERATING EXPENSES

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, 2017, 2016 and 2015, the University incurred operating expenses totaling $223,657,254 ($207,120,790 excluding the affects of GASB 68), $212,034,952 ($203,313,784 excluding the affects of GASB 68), and $205,819,312 ($198,990,479 excluding GASB 68), respectively. Operating revenues for these periods totaled $152,461,669, $156,033,674 and $146,640,303, respectively, causing a loss from operations of $(71,195,585) (loss of $(54,659,121) excluding the affects of GASB 68), $(56,001,278) (loss of $(47,280,110) excluding the affects of GASB 68), and $(59,179,009) (loss of $(52,350,176) excluding the affects of GASB 68), respectively, prior to State appropriations and other non-operating revenue.

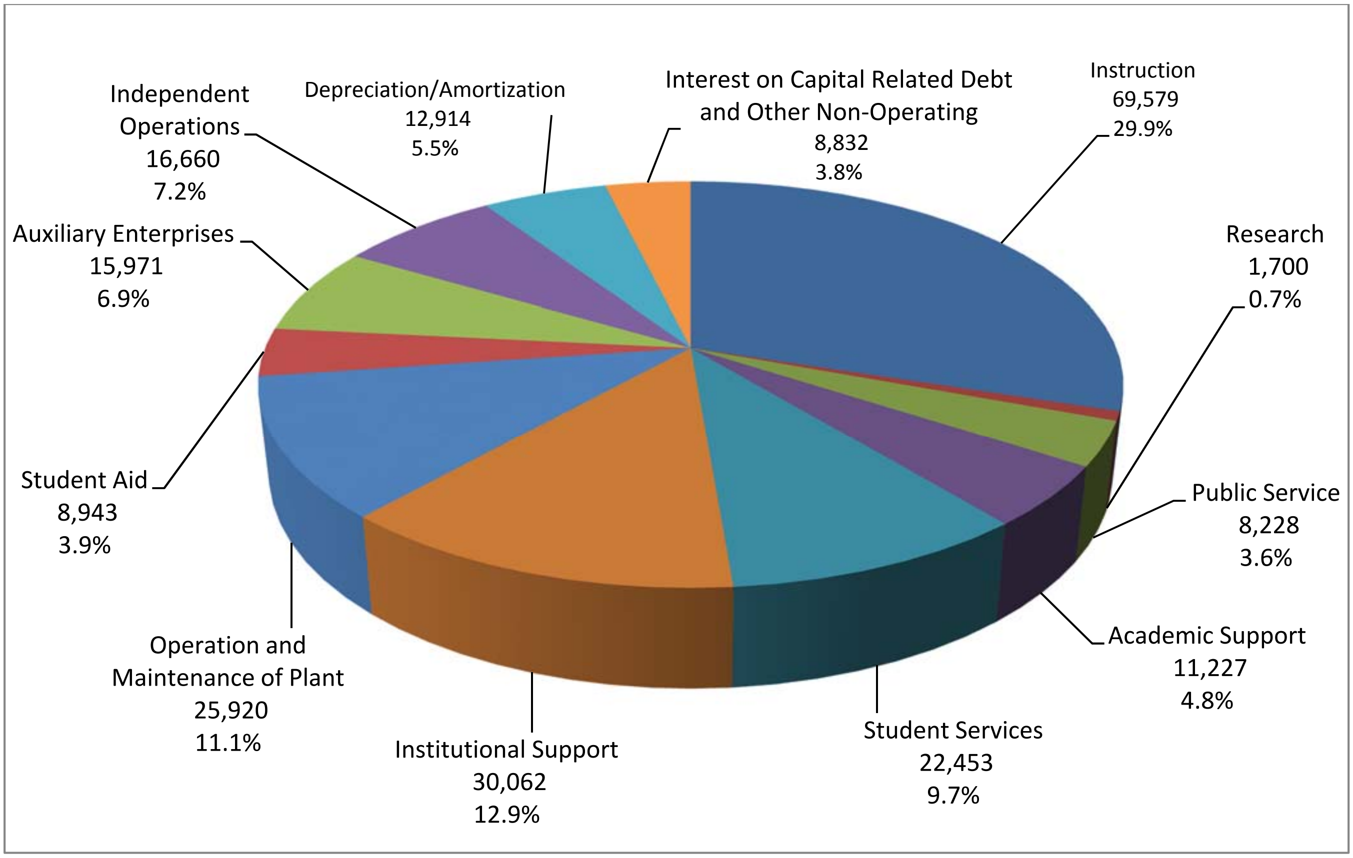
A summary of operating expenses for the years ended June 30, 2017, 2016 and 2015 is as follows (in thousands):

	2017	% of Total	2016	% of Total	2015	% of Total
Instruction	$ 69,579	31 %	$ 66,324	31 %	$ 65,343	32 %
Research	1,700	1	1,412	1	1,282	1
Public Service	8,228	4	6,882	3	6,599	3
Academic Support	11,227	5	9,593	5	10,065	5
Student Services	22,453	10	20,221	10	19,275	9
Institutional Support	30,062	13	30,269	14	26,851	13
Operation and Maintenance of Plant	25,920	12	24,314	11	23,657	12
Student Aid	8,943	4	8,977	4	7,912	4
Auxiliary Enterprises Expenditures	15,971	7	14,890	7	14,843	7
Independent Operations	16,660	7	16,397	8	17,146	8
Depreciation/Amortization	12,914	6	12,756	6	12,846	6
Total Operating Expenses	$ 223,657	100 %	$ 212,035	100 %	$ 205,819	100 %

As the full-time equivalent and student headcount numbers increase, so do expenses University wide. Based on the amounts reported above, expenses have remained fairly consistent for each of the categories over the past years. Total operating expenses represented graphically for the three years are as follows:



Categories of both operating and non-operating expenses related to Stockton's core activities in 2017 are as follows (in thousands of dollars):



CHANGE IN NET POSITION

The University had an increase in net position of $8,245,242 for fiscal year 2017. This is primarily due to the increase in grant revenue of $28 million offset by the increase in GASB 68 pension expense of $16.5 million. The University had a decrease in net position of $5,570,828 for fiscal year 2016. This was primarily due to net revenue of $3.5 million for the Island Campus (former Showboat property), which the University sold on January 15, 2016, and $8.7 million GASB 68 pension expense. The University had a $12,249,375 decrease in net position for fiscal year 2015 primarily due to $5 million additional operational expenses incurred for the Island Campus (former Showboat property), which the University acquired in December 2014, and $6.8 million due to the affects of GASB 68.

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, as well as the newly completed science building.

ECONOMIC OUTLOOK

The populations of Atlantic and Ocean counties provide the majority of our student body, but the University's reputation for providing quality, value and distinction attracts applicants from throughout New Jersey and elsewhere.

Stockton is ranked at #10 among public Regional Universities of the North by *U.S. News & World Report* in its 2018 edition of "America's Best Colleges." Stockton also is rated as "Best for Vets" among Northern Regional Universities by *U.S. News & World Report*. *The Military Times* ranked Stockton as 16th in the nation in its rankings of Best Colleges for Veterans. Stockton has been named one of the "2017 Best Colleges: Region by Region" for the Northeast and cited on its list of "Green Colleges" by *The Princeton Review*.

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 with 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 in the cost of classes and housing or commuting.

Over the past three years, the average number of freshman applicants was 5,466 for approximately 1,100 available seats. In Fall 2017, 1,569 new freshmen are enrolled. For these and many more reasons, Stockton is never at a loss to fill our classrooms; we can afford to be very selective.

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 - N119, Galloway, NJ 08205.

Stockton University
(A Component Unit of The State of New Jersey)
Statements of Net Position
June 30, 2017 and 2016

	2017		2016	
	Stockton University	Discretely Presented Component Units	Stockton University	Discretely Presented Component Units
Assets				
Current assets:				
Cash and cash equivalents	$ 2,870,373	$ 2,750,034	$ 7,342,107	$ 2,068,641
Receivables				
Students, less allowance of $639,953 in 2017 and $557,597 in 2016	396,955	-	357,555	-
Perkins Loans, less allowance of $89,646 in 2017 and $90,613 in 2016	354,083	-	317,673	-
Federal government	895,037	-	1,142,488	-
State of New Jersey	15,112,265	-	2,031,958	-
Due from University/component units	1,568,638	220,294	930,279	154,776
Other receivables	5,551,082	628,472	4,641,750	544,933
Total receivables	23,878,060	848,766	9,421,703	699,709
Investments	18,983,672	-	13,449,074	-
Deposits held by bond trustees	22,975,842	-	10,975,124	-
Other current assets	1,588,523	110,734	1,487,810	125,524
Total current assets	70,296,470	3,709,534	42,675,818	2,893,874
Noncurrent assets:				
Investments	54,463,509	34,307,084	69,696,134	28,948,376
Deposits held by bond trustees	23,410,690	-	10,074,121	-
Loans, Perkins, less allowance of $510,167 in 2017 and $565,249 in 2016	2,015,056	-	1,981,651	-
Notes receivable from component units	2,456,383	-	2,291,383	-
Other receivables	-	656,101	-	411,186
Capital assets, net	434,423,228	1,878,265	314,291,186	1,996,698
Total noncurrent assets	516,768,866	36,841,450	398,334,475	31,356,260
Total assets	$ 587,065,336	$ 40,550,984	$ 441,010,293	$ 34,250,134
Deferred Outflows of Resources				
Pension related	$ 45,611,907	$ -	$ 21,345,740	$ -
Loss on refunding debt	11,738,896	-	566,421	-
Total deferred outflows of resources	57,350,803	-	21,912,161	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	$ 29,131,010	$ 355,318	$ 21,851,721	$ 782,635
Due to University/component units	220,294	1,568,638	154,776	930,279
Unearned revenue	16,482,855	42,153	9,427,277	6,340
Compensated absences	3,642,310	26,350	3,289,146	20,904
Capital lease obligations	11,387	-	12,336	-
Bonds payable	4,994,157	-	5,601,102	-
Other long-term debt	2,228,150	-	1,962,252	-
Total current liabilities	56,710,163	1,992,459	42,298,610	1,740,158
Noncurrent liabilities:				
Compensated absences	853,814	-	862,252	-
U.S. Government grants refundable	2,498,131	-	2,498,131	-
Capital lease obligations, noncurrent portion	79,014,161	-	44,599	-
Bonds payable, noncurrent portion	230,070,611	-	198,301,709	-
Other long-term debt, noncurrent portion	33,830,129	2,456,383	26,514,836	2,291,383
Net pension liability	205,993,729	-	163,839,503	-
Total noncurrent liabilities	552,260,575	2,456,383	392,061,030	2,291,383
Total liabilities	$ 608,970,738	$ 4,448,842	$ 434,359,640	$ 4,031,541
Deferred Inflows of Resources				
Pension related	$ 217,428	$ -	$ 1,569,023	$ -
Gain on refunding debt	121,659	-	132,719	-
Total deferred inflows of resources	339,087	-	1,701,742	-
Net Position				
Net investment in capital assets	$ 102,030,816	$ 563,582	$ 84,597,863	$ 682,015
Restricted:				
Nonexpendable	-	20,343,116	-	19,441,971
Expendable:				
Scholarships	-	12,953,362	-	8,265,003
Renewal and replacement	-	-	300,568	-
Debt service and debt service reserves	4,807,850	-	10,674,894	-
Unrestricted	(71,732,352)	2,242,082	(68,712,253)	1,829,604
Total net position	$ 35,106,314	$ 36,102,142	$ 26,861,072	$ 30,218,593

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
June 30, 2017 and 2016

	2017		2016	
	Stockton University	**Discretely Presented Component Units**	**Stockton University**	**Discretely Presented Component Units**
Operating Revenues				
Student revenues:				
Tuition and fees	$ 114,587,563	$ -	$ 111,655,232	$ -
Auxiliary enterprises	24,325,563	-	24,636,971	-
Less scholarship allowances	(33,897,725)	-	(33,547,338)	-
Net student revenues	105,015,401	-	102,744,865	-
Federal grants and contracts	6,454,859	-	5,138,727	-
State and local grants and contracts	15,503,752	293,105	15,971,004	-
Nongovernmental grants and contracts	1,036,014	-	1,072,505	-
Other auxiliary enterprises revenues	139,421	12,772,135	125,580	12,666,670
Independent operations	17,416,893	-	17,774,803	-
Other operating revenues	6,895,329	414,487	13,206,190	360,267
In-kind contributions	-	551,478	-	496,134
Total operating revenues	152,461,669	14,031,205	156,033,674	13,523,071
Operating Expenses				
Instruction	69,578,810	-	66,323,864	-
Research	1,700,079	-	1,411,754	-
Public service	8,228,395	-	6,881,607	-
Academic support	11,226,646	-	9,593,183	-
Student services	22,452,847	-	20,220,414	-
Institutional support	30,062,539	4,477,078	30,269,128	5,015,506
Operation and maintenance of plant	25,919,748	-	24,313,933	-
Student aid	8,942,880	722,987	8,977,397	663,814
Auxiliary enterprises	15,970,881	10,001,237	14,890,385	10,269,426
Independent operations	16,659,875	-	16,396,906	-
Depreciation	12,914,554	118,433	12,756,381	150,443
In-kind expense	-	551,478	-	496,134
Total operating expenses	223,657,254	15,871,213	212,034,952	16,595,323
Operating loss	(71,195,585)	(1,840,008)	(56,001,278)	(3,072,252)
Non-operating Revenues (Expenses)				
State of New Jersey appropriations	18,391,000	-	18,391,000	-
State of New Jersey appropriations - fringe benefits	22,533,492	-	21,323,278	-
Pell grants	13,180,908	-	12,799,248	-
Gifts and contributions	-	3,585,361	-	840,597
Investment income	6,356,129	3,202,771	729,091	222,577
(Loss) gain on disposal of capital assets, net	(2,004)	-	3,391,941	-
Interest on capital related debt	(8,726,111)	(50,652)	(10,997,289)	(57,202)
University and Foundation support	-	134,931	-	190,307
Other non-operating expense	(103,999)	-	(180,189)	-
Total non-operating revenues (expenses), net	51,629,415	6,872,411	45,457,080	1,196,279
Other Revenues				
Capital grant revenue	27,811,412	-	4,973,370	-
Additions to permanent endowments	-	851,146	-	1,319,112
Total other revenues	27,811,412	851,146	4,973,370	1,319,112
Change in net position	8,245,242	5,883,549	(5,570,828)	(556,861)
Net position at beginning of year	26,861,072	30,218,593	32,431,900	30,775,454
Net position at end of year	$ 35,106,314	$ 36,102,142	$ 26,861,072	$ 30,218,593

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)
June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Student revenues	$ 112,101,184	$ 99,857,399
Grants and contracts	37,973,181	29,013,728
Payments to suppliers	(60,128,300)	(64,716,869)
Payments for employee salaries and benefits	(131,453,179)	(127,234,604)
Other receipts	30,106,739	36,263,161
Net cash flows used in operating activities	(11,400,375)	(26,817,185)
Cash Flows from Non-capital Financing Activities		
Receipts from State of New Jersey appropriations	34,964,975	33,953,410
Pell grants	13,180,908	12,799,248
Receipts for other non-capital assets	-	19,620,988
Payments made for other non-operating expenses	(103,999)	(180,189)
Net cash flows provided by non-capital financing activities	48,041,884	66,193,457
Cash Flows from Capital and Related Financing Activities		
Capital grant proceeds	7,327,836	-
Proceeds from issuance of debt	28,539,348	-
Principal paid on capital debt	(7,477,865)	(6,314,608)
Purchases of capital assets	(50,598,890)	(13,724,580)
Proceeds from the sale of capital assets	(2,004)	3,389,329
Interest paid on capital debt	(9,654,335)	(10,909,328)
Change in deposits held by bond trustees	(25,337,288)	2,560,844
Net cash flows used in capital and related financing activities	(57,203,198)	(24,998,343)
Cash Flows from Investing Activities		
Proceeds from sales of investments	62,958,938	73,156,898
Purchases of investments	(48,959,318)	(88,596,099)
Earnings from investments	2,090,335	580,760
Net cash flows provided by (used in) investing activities	16,089,955	(14,858,441)
Net decrease in cash and cash equivalents	(4,471,734)	(480,512)
Cash and cash equivalents as of beginning of year	7,342,107	7,822,619
Cash and cash equivalents as of end of year	$ 2,870,373	$ 7,342,107
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (71,195,585)	$ (56,001,278)
Adjustments to reconcile operating loss to net cash used in operating activities:		
State-paid fringe benefit expense	5,959,517	5,760,868
Depreciation	12,914,554	12,756,381
Capital grant revenue	27,811,412	-
Change in assets and liabilities:		
Receivables	(14,525,561)	864,682
Note receivable from component units	(165,000)	(478,700)
Other assets	(100,713)	5,624
Accounts payable and accrued expenses	3,964,233	(112,262)
Deferred revenues	7,055,578	1,742,805
Compensated absences	344,726	(76,473)
Net pension liability	16,536,464	8,721,168
Net cash used in operating activities	$ (11,400,375)	$ (26,817,185)
Supplemental Disclosure of Non-cash Capital Financing Activity		
Capital asset additions in accounts payable	$ 4,703,776	$ 1,281,619
Capital lease obligation	$ 79,025,548	$ 56,935

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Stockton University (the "University"), which was formerly known as The Richard Stockton College of New Jersey, 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 Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an Amendment of GASB 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 Stockton Aviation Research and Technology Park ("SARTP") 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. SASI is a legally separate, tax-exempt 501(c)(3) organization. SASI's purpose is to support the mission of the University by expanding and improving the level of services provided by the University. The University has 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 $1,273,080 for both fiscal 2017 and 2016 to the University as auxiliary services revenues.

SARTP was established in accordance with New Jersey's Public College Auxiliary Organization Act (N.J.S.A. 18A:64-26, et seq.) in September 2013. SARTP is a legally separate, tax-exempt 501(c)(3) organization. SARTP's purpose is to conduct research and development and to promote concept and product development using emerging technologies in a laboratory and operational environment. SARTP 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.

Separately issued financial statements are available for the Foundation, SASI and SARTP 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, 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.

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:

Asset Category	Useful Life	Capital Threshold
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 as of June 30, 2017, 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.

Net Pension Liability

The University is required to report its proportionate share of the pension plan activity for the plans in which it participates. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, and additions and deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported to the University by those pension plans.

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.

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, including Stockton Seaview Hotel and Golf Club ("Seaview") resort operations, and (3) federal, state, and local grants and contracts. Non-operating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as operating and capital appropriations from the State of New Jersey, Pell grants, investment income and other activity that does not meet the definition of an operating activity. Other revenues arise from nonexchange 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.

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.

Reclassifications

Certain prior year amounts have been reclassified in the accompanying financial statements to conform to the current year presentation.

Recently Adopted Accounting Standard

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* ("GASB 80"). The primary objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units.* The University implemented the accounting and reporting requirement of Statement No. 80 for its fiscal year ended June 30, 2017, and there was no impact from the adoption of GASB No. 80.

Pending Accounting Standards

In June 2015, GASB issued 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 postemployment benefits other than pensions. This statement replaces the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for OPEB. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. This statement also identifies 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 requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The University has not completed the process of evaluating the impact of adopting this statement.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. The University has not completed the process of evaluating the impact of adopting this statement.

In March 2016, GASB issued GASB Statement No. 82, *Pension Issues—an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73*, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for financial statements for periods beginning on or after June 15, 2017. The University has not completed the process of evaluating the impact of adopting this statement.

In November 2016, GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The University has not completed the process of evaluating the impact of adopting this statement.

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities.* The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The University has not completed the process of evaluating the impact of adopting this statement.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017.* The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The University has not completed the process of evaluating the impact of adopting this statement.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The requirements of this statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The University has not completed the process of evaluating the impact of adopting this statement.

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 are effective for financial statements for periods beginning after December 15, 2019. The University has not completed the process of evaluating the impact of adopting this statement.

2. CASH AND CASH EQUIVALENTS, INVESTMENTS AND DEPOSITS HELD BY BOND TRUSTEES

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, the University has assessed the custodial credit risk, concentration of credit risk, credit risk and interest rate risk of its cash and cash equivalents and investments.

Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Cash and cash equivalents:		
Cash (bank accounts)	$ 2,639,184	$ 6,638,570
New Jersey Cash Management Fund	231,189	703,537
Total	$ 2,870,373	$ 7,342,107

Cash balances maintained by banks amounted to $9,784,449 and $9,187,292 as of June 30, 2017 and 2016, respectively, of which $250,000 are Federal Deposit Insurance Corporation insured. Bank balances in excess of insured amounts of $9,534,449 and $8,937,292 as of June 30, 2017 and 2016, 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, and 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, 2017 and 2016:

	2017	**2016**
Money market accounts	$ 14,505,466	$ 6,640,478
U.S. Treasury and agency obligations	372,282	491,141
Corporate bonds	1,412,789	1,713,409
U.S. government bonds	400,403	416,793
Stocks	5,484,984	7,800,127
Mutual funds	37,860,407	53,734,379
Alternative investments	13,410,850	12,348,881
Total	$ 73,447,181	$ 83,145,208

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, 2017 and 2016, 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 five percent or more of its total investments. The 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, 2017 and 2016:

	June 30, 2017 Investment Maturities (in Years)				
Investment Type	**S&P Ratings**	**Fair Value**	**Less than 1**	**1 to 2**	**Greater than 2**
U.S. Treasury and agency obligations	AA to Aa	$ 372,282	$ -	$ 139,354	$ 232,928
Corporate bonds	A to Ba	1,412,789	-	-	1,412,789
U.S. government bonds	AA to Aa	400,403	-	114,674	285,729
Total		$ 2,185,474	$ -	$ 254,028	$ 1,931,446

	June 30, 2016 Investment Maturities (in Years)				
Investment Type	**S&P Ratings**	**Fair Value**	**Less than 1**	**1 to 2**	**Greater than 2**
U.S. Treasury and agency obligations	AA to Aa	$ 491,141	$ -	$ -	$ 491,141
Corporate bonds	A to Ba	1,713,409	53,990	168,555	1,490,864
U.S. government bonds	AA to Aa	416,793	-	135,608	281,185
Total		$ 2,621,343	$ 53,990	$ 304,163	$ 2,263,190

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

Level 3 - Securities that have little to no pricing observability. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that cannot be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

The financial instruments' level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement and does not necessarily correspond to the 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, 2017:

	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury and Agency Obligations	$ 372,282	$ 372,282	$ -	$ -
U.S. Government Bonds	400,403	400,403	-	-
Debt Mutual Funds	15,241,221	15,241,221	-	-
Money Market Accounts	14,505,466	14,505,466	-	-
Domestic Corporate Bonds	1,185,124	1,185,124	-	-
Foreign Corporate Bonds	227,665	227,665	-	-
Total Debt Securities	31,932,161	31,932,161	-	-
Other Securities				
Balanced Mutual Funds	2,248,907	2,248,907	-	-
International Mutual Funds	5,101,671	5,101,671	-	-
Equity Mutual Funds	15,268,608	15,268,608	-	-
Domestic Stocks	2,377,186	2,377,186	-	-
Foreign Stocks	3,107,798	3,107,798	-	-
Total Investments by Fair Value Level	60,036,331	60,036,331	-	-
Investments Measured at the NAV				
Hedge Funds - Diversifying	3,738,230	-	-	3,738,230
Hedge Funds - Systematic CTA	4,989,148	-	-	4,989,148
Other Limited Partnerships	4,683,472	-	-	4,683,472
Total Investments Measured at the NAV	13,410,850	-	-	13,410,850
Total Investments Measured at Fair Value	$ 73,447,181	$ 60,036,331	$ -	$ 13,410,850

The following table lists investments in alternative investments by major investment category as of June 30, 2017 as follows:

	2017 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds - Diversifying	$ 3,738,230	$ -	Quarterly	5 to 65 days
Hedge Funds - Systematic CTA	4,989,148	-	Monthly	10 days
Other Limited Partnerships	4,683,472	-	N/A	
Total Investments Measured at the NAV	$ 13,410,850	$ -		

The following table sets forth, by level, the University's investments at fair value within the fair value hierarchy as of June 30, 2016:

	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury and Agency Obligations	$ 491,141	$ 491,141	$ -	$ -
U.S. Government Bonds	416,793	416,793	-	-
Debt Mutual Funds	20,612,037	20,612,037	-	-
Money Market Accounts	6,640,478	6,640,478	-	-
Domestic Corporate Bonds	1,438,208	1,438,208	-	-
Foreign Corporate Bonds	275,201	275,201	-	-
Total Debt Securities	29,873,858	29,873,858	-	-
Other Securities				
Balanced Mutual Funds	28,697,322	28,697,322	-	-
International Mutual Funds	363,865	363,865	-	-
Equity Mutual Funds	4,061,155	4,061,155	-	-
Domestic Stocks	4,053,624	4,053,624	-	-
Foreign Stocks	3,746,503	3,746,503	-	-
Total Investments by Fair Value Level	70,796,327	70,796,327	-	-
Investments Measured at the NAV				
Hedge Funds - Diversifying	8,639,942	-	-	8,639,942
Hedge Funds - Systematic CTA	2,271,356	-	-	2,271,356
Other Limited Partnerships	1,437,583	-	-	1,437,583
Total Investments Measured at the NAV	12,348,881	-	-	12,348,881
Total Investments Measured at Fair Value	$ 83,145,208	$ 70,796,327	$ -	$ 12,348,881

The following table lists investments in alternative investments by major investment category as of June 30, 2016 as follows:

	2016 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds - Diversifying	$ 8,639,942	$ -	Monthly & Quarterly	5 to 65 days
Hedge Funds - Systematic CTA	2,271,356	-	Monthly	10 days
Other Limited Partnerships	1,437,583	-	N/A	
Total Investments Measured at the NAV	$ 12,348,881	$ -		

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, 2017 and 2016, deposits held by bond trustees included the following:

	2017	2016
Cash and cash equivalents - cash held by trustees	$ 43,906,010	$ 20,969,253
Investments - government bonds and agency obligations	2,480,522	79,992
Total	$ 46,386,532	$ 21,049,245

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, 2017 and 2016, deposits held by bond trustees were composed of funds held for the following purposes:

	2017	2016
State capital grant programs	$ 23,410,690	$ 10,074,121
Construction	18,167,992	-
Renewal and replacement	-	300,569
Debt service and debt service reserves	4,807,850	10,674,555
Total	$ 46,386,532	$ 21,049,245

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 consisted of the following:

	July 1, 2016	Additions	Retirements and Adjustments	June 30, 2017
Nondepreciable assets:				
Land	$ 19,369,150	$ 24,933	$ -	$ 19,394,083
Construction in progress	15,264,250	131,132,934	(8,191,234)	138,205,950
Works of art	-	722,555	-	722,555
Total nondepreciable assets	34,633,400	131,880,422	(8,191,234)	158,322,588
Depreciable assets:				
Land improvements	14,711,360	3,522,108	-	18,233,468
Buildings and improvements	356,665,487	1,764,020	-	358,429,507
Infrastructure	26,127,745	1,600,503	-	27,728,248
Equipment	32,367,560	2,484,781	(194,229)	34,658,112
Total depreciable assets	429,872,152	9,371,412	(194,229)	439,049,335
Less accumulated depreciation:				
Land improvements	7,560,736	540,919	-	8,101,655
Buildings and improvements	107,464,076	8,519,572	-	115,983,648
Infrastructure	13,485,280	913,315	-	14,398,595
Equipment	21,704,274	2,940,748	(180,225)	24,464,797
Total accumulated depreciation	150,214,366	12,914,554	(180,225)	162,948,695
Depreciable assets, net	279,657,786	(3,543,142)	(14,004)	276,100,640
Capital assets, net	$ 314,291,186	$ 128,337,280	$ (8,205,238)	$ 434,423,228

The University capitalized interest expense of $900,013 in construction in progress during the year ended June 30, 2017 in the accompanying statement of net position.

Capital asset activity for the year ended June 30, 2016 consisted of the following:

	July 1, 2015	Additions	Retirements and Adjustments	June 30, 2016
Nondepreciable assets:				
Land	$ 19,225,547	$ 143,603	$ -	$ 19,369,150
Construction in progress	7,867,757	12,149,280	(4,752,787)	15,264,250
Total nondepreciable assets	27,093,304	12,292,883	(4,752,787)	34,633,400
Depreciable assets:				
Land improvements	13,665,542	1,045,818	-	14,711,360
Buildings and improvements	353,659,237	3,006,250	-	356,665,487
Infrastructure	26,127,745	-	-	26,127,745
Library books	1,570,789	-	(1,570,789)	-
Equipment	30,838,306	1,780,551	(251,297)	32,367,560
Total depreciable assets	425,861,619	5,832,619	(1,822,086)	429,872,152
Less accumulated depreciation:				
Land improvements	7,155,701	405,035	-	7,560,736
Buildings and improvements	98,986,388	8,477,688	-	107,464,076
Infrastructure	12,588,637	896,643	-	13,485,280
Library books	1,482,238	88,551	(1,570,789)	-
Equipment	19,046,720	2,888,464	(230,910)	21,704,274
Total accumulated depreciation	139,259,684	12,756,381	(1,801,699)	150,214,366
Depreciable assets, net	286,601,935	(6,923,762)	(20,387)	279,657,786
Capital assets, net	$ 313,695,239	$ 5,369,121	$ (4,773,174)	$ 314,291,186

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2017 and 2016, accounts payable and accrued expenses consisted of the following:

	2017	2016
Accounts payable, construction	$ 4,703,777	$ 1,281,619
Accounts payable, other	13,131,381	8,240,576
Accrued salaries, fringe benefits and withholdings	5,966,362	6,901,518
Accrued interest on bonds payable and other long-term debt	5,329,490	5,428,008
Total	$ 29,131,010	$ 21,851,721

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 $22,533,492 and $21,323,278 for the years ended June 30, 2017 and 2016, respectively, and are included in both the State of New Jersey appropriations revenue and operating expenses in the accompanying financial statements.

The State of New Jersey is also required to fund postretirement medical benefits for those University employees who retire with 25 years of credited service or retire on disability regardless of years of service. These expenses are not included in the University's financial statements.

The University is not required to record a liability for Other Post Employment Benefits ("OPEB"), because this is an obligation of the State of New Jersey. This expense and related liability for OPEB is recorded in the financial statements of the State of New Jersey.

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.

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 7.2% of base salary. Employer contributions are based on an actuarially determined rate, which was 11.9% of annual covered payroll for the year ended June 30, 2017. 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, 2017 and 2016 was $2,640,729 and $2,431,228, 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% of base salary. Employer contributions are based on an actuarially determined rate, which is 22.8% of annual covered payroll for the year ended June 30, 2017. 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, 2017 and 2016 was $194,319 and $152,092, respectively, which is recognized as a deferred outflow of resources in the statements of net position.

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, 2016 ("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, 2017, are as follows:

	PERS	PFRS	Total
Proportionate share of the net pension liability ($)			
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 (%)			
2016	0.679%	0.135%	
2015	0.662%	0.156%	
2014	0.643%	0.183%	
2013	0.630%	0.245%	
Deferred outflows of resources	44,496,254	1,115,653	45,611,907
Deferred inflows of resources	(1,175,510)	1,392,938	217,428
Net pension expense (income)	17,535,141	(998,677)	16,536,464

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, 2016 relative to the total contributions from all participating employers.

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, 2017 are as follows:

	PERS	PFRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 3,784,002	$ -	$ 3,784,002
Changes of assumptions	26,859,981	319,976	27,179,957
Changes in proportionate share	5,559,587	-	5,559,587
Net differences between projected and actual investment earnings on pension plan investments	3,298,553	193,230	3,491,783
Contributions subsequent to the measurement date	4,994,131	602,447	5,596,578
Total	$ 44,496,254	$ 1,115,653	$ 45,611,907
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ 43,643	$ 43,643
Net differences between projected and actual investment earnings on pension plan investments	(1,175,510)	(40,246)	(1,215,756)
Changes in proportionate share	-	1,389,541	1,389,541
Total	$ (1,175,510)	$ 1,392,938	$ 217,428

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, 2016 are as follows:

	PERS	PFRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 2,196,173	$ -	$ 2,196,173
Changes of assumptions	11,453,398	662,473	12,115,871
Changes in proportionate share	4,644,886	-	4,644,886
Net differences between projected and actual investment earnings on pension plan investments	-	18,097	18,097
Contributions subsequent to the measurement date	2,184,725	185,988	2,370,713
Total	$ 20,479,182	$ 866,558	$ 21,345,740
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ 50,870	$ 50,870
Net differences between projected and actual investment earnings on pension plan investments	(205,867)	(40,246)	(246,113)
Changes in proportionate share	-	1,764,266	1,764,266
Total	$ (205,867)	$ 1,774,890	$ 1,569,023

The deferred outflows of resources related to pensions resulting from contributions subsequent to the Measurement Date of $4,994,131 for PERS and $602,447 for PFRS will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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:

	PERS	PFRS	TOTAL
Years ending:			
2018	$ 9,534,036	$ (450,853)	$ 9,083,183
2019	9,534,036	(450,851)	9,083,185
2020	10,515,618	25,894	10,541,512
2021	8,369,967	21,180	8,391,147
2022	2,723,976	(25,102)	2,698,874
	40,677,633	(879,732)	39,797,901
Contributions paid subsequent to Measurement Date	4,994,131	602,447	5,596,578
	$ 45,671,764	$ (277,285)	$ 45,394,479

Actuarial Assumptions

The University's net pension liability at the Measurement Date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The actuarial valuation used the following actuarial assumptions:

	PERS	PFRS
Inflation rate	3.08%	3.08%
Salary increases:		
Through 2026	1.65 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.65 - 5.15% based on age	3.10 - 9.98% based on age
Investment rate of return	7.65%	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females for PERS) with adjustments for mortality improvements from the base year of 2013 for PERS and 2014 for PFRS based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2015 valuations were based on the results of actuarial experience studies for the periods July 1, 2011 to June 30, 2014 for PERS and July 1, 2010 to June 30, 2013 for PFRS.

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:

	PERS and PFRS	
Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Cash	5.00%	0.87%
U.S. treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High yield bonds	2.00%	4.56%
Inflation-indexed bonds	1.50%	3.44%
Broad U.S. equities	26.00%	8.53%
Developed foreign equities	13.25%	6.83%
Emerging market equities	6.50%	9.95%
Private equity	9.00%	12.40%
Hedge funds/absolute return	12.50%	4.68%
Real estate (property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rates

The discount rates used to measure the total pension liabilities were 3.98% and 5.55% for PERS and PFRS at the Measurement Date and 5.39% and 6.32% at June 30, 2014, respectively. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% at the Measurement Date 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 for 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 will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plans' fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 for PERS and 2050 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to the projected benefit payments through 2034 for PERS and 2050 for PFRS, and the municipal bond rate was applied to the projected benefit payments after those dates in determining the total pension liabilities.

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 3.98% for PERS and 5.55% 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:

	PERS		PFRS	
	Rate	**Amount**	**Rate**	**Amount**
1% decrease	2.98%	$ 233,835,484	4.55%	$ 7,555,665
Current discount rate	3.98%	199,651,829	5.55%	6,341,900
1% increase	4.98%	171,500,754	6.55%	5,355,187

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 six 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 $141,000. During the year ended June 30, 2017, ABP employer and employee contributions were $4,423,536 and $2,764,710, respectively, which were based on participating employee salaries of $55,294,200. During the year ended June 30, 2016, ABP employer and employee contributions were $4,119,569 and $2,574,731, respectively, which were based on participating employee salaries of $51,494,618. 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.

7. BONDS PAYABLE AND OTHER LONG-TERM DEBT

Bonds payable and other long-term debt as of June 30, 2017 and 2016 consisted of the following:

	Interest Rate	2017	2016
Bonds payable:			
New Jersey Educational Facilities			
Authority Bonds:			
Series 2016 A (Refunded 2006F, 2007G, 2008A)	3.00-5.00%	$ 202,445,000	$ -
Housing I and II Renovations Series 1988A	3.00%	-	79,000
Housing V and Academic, Series 2006F	3.65 - 5.00%	-	43,710,000
Housing and College, Series 2007G	4.00 - 4.50%	-	34,695,000
Housing, College, and College Center			
Series 2008A (Refunded 2005C)	4.00 - 5.00%	-	124,560,000
Total		202,445,000	203,044,000
Unamortized discount		-	(235,039)
Unamortized premium		32,619,768	1,093,850
Total		235,064,768	203,902,811
Less current portion		(4,994,157)	(5,601,102)
Bonds payable, noncurrent portion		$ 230,070,611	$ 198,301,709
Other long-term debt:			
Higher Education Equipment Leasing Fund	5.00%	$ 1,199,273	$ 1,367,251
Higher Education Capital Improvement			
Fund	3.00 - 5.25%	14,437,310	7,622,233
Series 2015E (Current refunding of 2005F)	2.83%	17,563,507	18,830,826
Island Campus Redevelopment Urban Renewal Assoc.	12.00%	2,100,000	-
Dam Restoration Loan	2.00%	227,231	247,565
Total		35,527,321	28,067,875
Unamortized premium		530,958	409,213
Total		36,058,279	28,477,088
Less current portion		(2,228,150)	(1,962,252)
Other long-term debt, noncurrent portion		$ 33,830,129	$ 26,514,836
Capital lease obligations (see Note 11):			
Atlantic County Improvement Authority:			
Stockton University AC Campus	4.21%	$ 78,980,000	$ -
Other	N/A	45,548	56,935
Total		79,025,548	56,935
Less current portion		(11,387)	(12,336)
Capital lease obligations, noncurrent portion		$ 79,014,161	$ 44,599

Bonds Payable

The University issued on the Series 2016A Bonds on July 13, 2016, consisting of $176,095,000 Serial Bonds and $26,350,000 5% Term Bonds. The Serial Bonds bear interest at rates between 3-5%, with the average being 4.71%. They are due serially each July 1 through 2037. The $26,350,000 Term Bonds are due July 1, 2041. The Series 2016A Bonds are being issued to finance the current 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 of $12,174,387. This amount is presented as a deferred outflow and is amortized as a component of interest expense over the life of the defeased Series Bonds.

Series 1988A Housing I and II Renovations bonds were a 3.00% federal loan for housing improvements and were contractually settled on July 1, 2016. These bonds were collateralized by a pledge of and first lien on the net revenues derived from Housing I and II.

Series 2006F Bonds consisted of $26,560,000 Serial Bonds, $9,395,000 5% Term Bonds, and $14,410,000 4.250% Term Bonds. The Serial Bonds bore interest at rates between 3.65-5.00%, with the average being 4.40%. These bonds were paid off by the Series 2016A Bonds issued July 13, 2016.

Series 2007G Bonds consisted of $27,300,000 Serial Bonds, $6,005,000 5% Term Bonds, and $6,945,000 5% Term Bonds. The Serial Bonds bore interest at rates between 4.0-4.5%, with the average being 4.11%. These bonds were paid off by the Series 2016A Bonds issued July 13, 2016.

Series 2008A Bonds consisted of $22,360,000 Serial Bonds, $20,010,000 5.5% Term Bonds, $25,695,000 5.125% Term Bonds and $68,845,000 5.375% Term Bonds. The Serial Bonds bore interest at rates between 4-5%, with the average being 4.25%. These bonds were paid off by the Series 2016A Bonds issued July 13, 2016.

Other Long-Term Debt

In 2001, the New Jersey Educational Facilities Authority ("Authority") issued bonds to finance the University's loan amount request pursuant to the Dormitory Safety Trust Fund Act (P.L. 2000, C56). The University's loan under this Act was $3,453,000 and was fully repaid on January 15, 2016. This was a non-interest bearing note and interest expense was inputed at a rate of 4.5%.

During 2003, 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 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.

The 2002A and 2004A bonds have since been partially advance refunded by the 2005A and 2006A bonds. The 2004A bonds were also partially advance refunded by the 2015C bonds. These transactions resulted in a loss on advance refunding of approximately $77,005, which was a deferred outflow. On July 26, 2016, the Authority refunded 2005A and 2006A with 2016A bonds, which resulted in a loss on refunding of $109,064 and is a component of deferred outflows.

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 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 New Jersey Educational Facilities 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 currently refund Series 2005F Bonds originally issued October 27, 2005 including issuance costs of $123,222, which was expenses. This transaction resulted in a gain on refunding of $143,779. The gain is a deferred inflow and amortized as a component of interest expense over the life of the 2015E Series Bonds.

Payments due on bonds payable and other long-term debt excluding net unamortized premiums, discounts, and deferred gains and losses totaling $21,533,490 subsequent to June 30, 2017 are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ 5,818,139	$ 10,763,309	$ 16,581,448
2019	4,052,431	10,772,151	14,824,582
2020	4,244,609	10,606,607	14,851,216
2021	6,917,633	10,433,303	17,350,936
2022	9,608,381	10,109,680	19,718,061
2023-2027	53,836,797	43,779,489	97,616,286
2028-2032	59,306,736	30,677,716	89,984,452
2033-2037	65,737,595	15,538,781	81,276,376
2038-2042	28,450,000	4,904,250	33,354,250
Total	$ 237,972,321	$ 147,585,286	$ 385,557,607

Capital Lease Obligation

For fiscal year ended 2017, the University is the guarantor 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% Term Bonds, and $10,475,000 5% Term Bonds. The Serial Bonds bear interest at rates between 2.125-5%, with the average being 4.4%. They are due serially each July 1 through 2036. The $18,905,000 Term Bonds are due July 1, 2041, the $22,650,000 Term Bonds are due July 1, 2046 and the $10,475,000 Term Bonds are due July 1, 2048. These bonds are being issued to finance a portion of the costs of the development and construction of the University's new Atlantic City campus.

8. LINE OF CREDIT

The University has available a $10,957,100 revolving line of credit with Wells Fargo Advisors, which was approved July 8, 2016 and had no outstanding balance as of June 30, 2017. Interest is payable monthly at a rate of 2.22% of the priority credit line outstanding, if any. The line of credit 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. There was no interest expense for the year ended June 30, 2017 related to this line of credit.

9. LONG-TERM LIABILITIES

Activity in long-term liabilities for the years ended June 30, 2017 and 2016 follows:

	July 1, 2016	Additions	Reductions	June 30, 2017	Current Portion
Compensated absences	$ 4,151,398	$ 3,633,872	$ 3,289,146	$ 4,496,124	$ 3,642,310
Net pension liability	163,839,503	42,154,226	-	205,993,729	-
U.S. Government grants refundable	2,498,131	-	-	2,498,131	-
Bonds payable	203,902,811	236,423,925	205,261,968	235,064,768	4,994,157
Other long-term debt	28,477,088	9,541,663	1,960,472	36,058,279	2,228,150
Capital lease obligations	56,935	78,980,000	11,387	79,025,548	11,387
Total	$ 402,925,866	$ 370,733,686	$ 210,522,973	$ 563,136,579	$ 10,876,004

	July 1, 2015	Additions	Reductions	June 30, 2016	Current Portion
Compensated absences	$ 4,227,871	$ 3,248,986	$ 3,325,459	$ 4,151,398	$ 3,289,146
Net pension liability	135,883,399	27,956,104	-	163,839,503	-
U.S. Government grants refundable	2,498,131	-	-	2,498,131	-
Bonds payable	209,394,913	-	5,492,102	203,902,811	5,601,102
Other long-term debt	29,378,540	-	901,452	28,477,088	1,962,252
Capital lease obligations	-	56,935	-	56,935	12,336
Total	$ 381,382,854	$ 31,262,025	$ 9,719,013	$ 402,925,866	$ 10,864,836

10. 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, 2017 and 2016:

	2017				
	Foundation	SASI	SARTP	Eliminations	Total
Current assets:					
Cash and cash equivalents	$ 369,679	$ 2,248,674	$ 131,681	$ -	$ 2,750,034
Due from University/component units	46,770	173,524	-	-	220,294
Other receivables	495,575	132,874	23	-	628,472
Other current assets	10,463	95,568	4,703	-	110,734
Noncurrent assets:					
Investments	34,307,084	-	-	-	34,307,084
Other receivables	656,101	-	-	-	656,101
Capital assets, net	-	1,878,265	-	-	1,878,265
Total assets	$ 35,885,672	$ 4,528,905	$ 136,407	$ -	$ 40,550,984
Accounts payable and other current liabilities	$ 45,854	$ 360,096	$ 17,871	$ -	$ 423,821
Due to University/component units	70,366	1,332,282	165,990	-	1,568,638
Long-term liabilities to University	-	1,314,683	1,141,700	-	2,456,383
Total liabilities	$ 116,220	$ 3,007,061	$ 1,325,561	$ -	$ 4,448,842
Net position:					
Net investment in capital assets	$ -	$ 563,582	$ -	$ -	$ 563,582
Restricted - nonexpendable	20,343,116	-	-	-	20,343,116
Restricted - expendable	12,953,362	-	-	-	12,953,362
Unrestricted	2,472,974	958,262	(1,189,154)	-	2,242,082
Total net position	$ 35,769,452	$ 1,521,844	$ (1,189,154)	$ -	$ 36,102,142

	2016				
	Foundation	**SASI**	**SARTP**	**Eliminations**	**Total**
Current assets:					
Cash and cash equivalents	$ 291,793	$ 1,642,819	$ 134,029	$ -	$ 2,068,641
Due from University/component units	-	154,776	-	-	154,776
Other receivables	395,222	128,657	21,054	-	544,933
Other current assets	14,621	106,255	4,648	-	125,524
Noncurrent assets:					
Investments	28,948,376	-	-	-	28,948,376
Other receivables	411,186	-	-	-	411,186
Capital assets, net	-	1,996,698	-	-	1,996,698
Total assets	$ 30,061,198	$ 4,029,205	$ 159,731	$ -	$ 34,250,134
Accounts payable and other current liabilities	$ 30,446	$ 739,862	$ 39,571	$ -	$ 809,879
Due to University/component units	59,275	741,079	129,925	-	930,279
Long-term liabilities to University	-	1,314,683	976,700	-	2,291,383
Total liabilities	$ 89,721	$ 2,795,624	$ 1,146,196	$ -	$ 4,031,541
Net position:					
Net investment in capital assets	$ -	$ 682,015	$ -	$ -	$ 682,015
Restricted - nonexpendable	19,441,971	-	-	-	19,441,971
Restricted - expendable	8,265,003	-	-	-	8,265,003
Unrestricted	2,264,503	551,566	(986,465)	-	1,829,604
Total net position	$ 29,971,477	$ 1,233,581	$ (986,465)	$ -	$ 30,218,593

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, 2017 and 2016:

	2017				
	Foundation	**SASI**	**SARTP**	**Eliminations**	**Total**
Operating revenues:					
Other auxiliary enterprises	$ -	$ 12,772,135	$ -	$ -	$ 12,772,135
Grants	-	-	293,105	-	293,105
Other	339,216	58,271	25,000	(8,000)	414,487
In-kind contributions	464,781	-	86,697	-	551,478
Total operating revenues	803,997	12,830,406	404,802	(8,000)	14,031,205
Operating expenses:					
Institutional support	1,487,527	2,767,627	520,794	(298,870)	4,477,078
Student aid	722,987	-	-	-	722,987
Auxiliary enterprises	-	10,001,237	-	-	10,001,237
Depreciation	-	118,433	-	-	118,433
In-kind expense	464,781	-	86,697	-	551,478
Total operating expenses	2,675,295	12,887,297	607,491	(298,870)	15,871,213
Operating loss	(1,871,298)	(56,891)	(202,689)	290,870	(1,840,008)
Non-operating revenues (expenses):					
Investment income	3,182,766	20,005	-	-	3,202,771
Interest expense	-	(50,652)	-	-	(50,652)
University and Foundation support	-	375,801	-	(240,870)	134,931
Gifts and contributions	3,585,361	-	-	-	3,585,361
	6,768,127	345,154	-	(240,870)	6,872,411
Other revenues:					
Additions to permanent endowments	901,146	-	-	(50,000)	851,146
Change in net position	5,797,975	288,263	(202,689)	-	5,883,549
Net position - beginning of year	29,971,477	1,233,581	(986,465)	-	30,218,593
Net position - end of year	$ 35,769,452	$ 1,521,844	$ (1,189,154)	$ -	$ 36,102,142

	2016				
	Foundation	**SASI**	**SARTP**	**Eliminations**	**Total**
Operating revenues:					
Other auxiliary enterprises	$ -	$ 12,666,670	$ -	$ -	$ 12,666,670
Other	265,054	49,177	53,536	(7,500)	360,267
In-kind contributions	400,654	-	95,480	-	496,134
Total operating revenues	665,708	12,715,847	149,016	(7,500)	13,523,071
Operating expenses:					
Institutional support	1,217,613	3,614,086	471,518	(287,711)	5,015,506
Student aid	663,814	-	-	-	663,814
Auxiliary enterprises	-	10,269,426	-	-	10,269,426
Depreciation	-	150,443	-	-	150,443
In-kind expense	400,654	-	95,480	-	496,134
Total operating expenses	2,282,081	14,033,955	566,998	(287,711)	16,595,323
Operating loss	(1,616,373)	(1,318,108)	(417,982)	280,211	(3,072,252)
Non-operating revenues (expenses):					
Investment income	205,742	16,835	-	-	222,577
Interest expense	-	(57,202)	-	-	(57,202)
University and Foundation support	-	420,518	-	(230,211)	190,307
Gifts and contributions	840,597	-	-	-	840,597
	1,046,339	380,151	-	(230,211)	1,196,279
Other revenues:					
Additions to permanent endowments	1,369,112	-	-	(50,000)	1,319,112
Change in net position	799,078	(937,957)	(417,982)	-	(556,861)
Net position - beginning of year	29,172,399	2,171,538	(568,483)	-	30,775,454
Net position - end of year	$ 29,971,477	$ 1,233,581	$ (986,465)	$ -	$ 30,218,593

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, 2017 and 2016:

	2017			
	Foundation	SASI	SARTP	Total
Due from the University:				
Scholarships	$ 670	$ -	$ -	$ 670
Food service	-	96,489	-	96,489
Overhead charge adjustment	-	64,960	-	64,960
Miscellaneous	46,100	12,075	-	58,175
Total due from the University	$ 46,770	$ 173,524	$ -	$ 220,294
Due to the University:				
Institutional support	$ -	$ 65,070	$ -	$ 65,070
Services provided	24,631	3,180	-	27,811
Scholarships	43,272	-	-	43,272
Seaview operations	2,463	1,167,293	-	1,169,756
Overhead charge	-	96,680	82,470	179,150
Interest on loan	-	-	83,490	83,490
Miscellaneous	-	59	30	89
Total due to the University	$ 70,366	$ 1,332,282	$ 165,990	$ 1,568,638

	2016			
	Foundation	SASI	SARTP	Total
Due from the University:				
Food service	$ -	$ 88,767	$ -	$ 88,767
Overhead charge adjustment	-	24,742	-	24,742
Miscellaneous	-	41,267	-	41,267
Total due from the University	$ -	$ 154,776	$ -	$ 154,776
Due to the University:				
Institutional support	$ -	$ 170,884	$ -	$ 170,884
Services provided	42,756	-	-	42,756
Scholarships	16,519	-	-	16,519
Seaview operations	-	570,196	-	570,196
Overhead charge	-	-	86,935	86,935
Interest on loan	-	-	42,974	42,974
Miscellaneous	-	-	15	15
Total due to the University	$ 59,275	$ 741,080	$ 129,924	$ 930,279

The Foundation provided support of $1,426,072 and $1,244,601 to the University for scholarships, academic support and facilities support for the years ended June 30, 2017 and 2016, respectively. The University provided in-kind finance and administrative services to the Foundation of $452,731 and $394,514 for the years ended June 30, 2017 and 2016, respectively.

The Foundation provided support to SASI for the Sam Azeez Museum of $240,870 and $230,211 for the years ended June 30, 2017 and 2016, respectively.

The University has issued a line of credit to SASI in the amount of $2,000,000. As of June 30, 2017 and 2016, a note receivable in the amount of $1,314,683 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 3.80%. 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. Interest-only payments will be made on the outstanding principal balance at the stated interest rate. Interest expense on the line of credit totaled $50,652 and $57,204 for the years ended June 30, 2017 and 2016, respectively. SASI reimburses the University for use of space and personnel through payment of an overhead charge. For the years ended June 30, 2017 and 2016, the overhead charge was $682,162 and $472,962, respectively.

On May 27, 2015, SASI provided a short-term, non-interest bearing advance of $375,000 to SARTP. The funds were used to purchase architectural plans and design services from South Jersey Economic Development District ("SJEDD"). The plans will be used for constructing the Aviation Research and Technology Park. This advance was subsequently repaid on July 30, 2015.

The University has issued a line of credit to SARTP in the amount of $1,500,000. As of June 30, 2017 and 2016, a note receivable in the amount of $1,141,700 and $976,700, respectively, 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 3.80%. 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. Interest-only payments will be made on the outstanding principal balance at the stated interest rate. Interest expense on the line of credit totaled $40,516 and $29,369 for the years ended June 30, 2017 and 2016, respectively. SARTP reimburses the University for the use of space and personnel through payment of an overhead charge. For the years ended June 30, 2017 and 2016, the overhead charge was $306,743 and $303,078, respectively.

11. COMMITMENTS AND CONTINGENCIES

Compensated Absences

The University recorded a liability for compensated absences in the amount of $4,496,124 and $4,151,398 for the years ended June 30, 2017 and 2016, respectively. The liability is calculated based upon employees' accrued vacation leave as of year-end, as well as an estimated vested amount for accrued sick leave.

Payments for 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, 2017 and 2016, 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.

Construction Contracts

The University has outstanding construction commitments in the amount of $54,382,828 as of June 30, 2017. These commitments are primarily related to the completion of the Science Center. 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.

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

	Amount
2018	$ -
2019	3,259,456
2020	3,359,456
2021	3,459,456
2022	3,559,206
Thereafter	133,939,882
	147,577,456
Less: interest	(68,597,456)
	$ 78,980,000

Miscellaneous Equipment Leases

The University leases certain equipment through capital leases. Total capital lease obligations, with a cost of $56,935 and a net book value of $45,548, are included in the accompanying statements of net position at June 30, 2017. The aggregate future maturities of the capital lease obligations are as follows for the years ending June 30:

	Amount
2018	$ 11,387
2019	11,387
2020	11,387
2021	11,387
Total	$ 45,548

Lease Commitments

Future minimum lease payments required under all non-cancelable operating leases, are as follows:

Years Ending June 30,	Amount
2018	$ 151,320
2019	144,573
2020	145,112
2021	148,740
2022	152,458
Total	$ 742,203

Total rent expense for the years ended June 30, 2017 and 2016 was $59,701 and $98,000, respectively.

Power Purchase Agreement

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. This agreement began on May 25, 2011 and will expire on May 25, 2021.

12. SUBSEQUENT EVENTS

The University evaluated subsequent events through October 30, 2017, the date the financial statements were available to be issued. The University is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Public Employees' Retirement System (PERS)

Reporting fiscal year (Measurement Date, June 30,)	Stockton's proportion of the net pension liability %	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
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 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
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.

Schedules of University Contributions – Last 10 Years*

Public Employees' Retirement System (PERS)

	2017	2016	2015
(1) Contractually required contribution	$ 4,994,131	$ 2,184,725	$ 1,022,366
(2) Contributions in relation to the contractually determined contribution	4,994,131	2,184,725	1,022,366
(3) Contribution deficiency (excess)	$ -	$ -	$ -
(4) Covered-employee payroll	$ 30,386,266	$ 30,400,613	$ 29,636,603
(5) Contributions as a percentage of covered-employee payroll	16.44%	7.19%	3.45%

Police and Firemen's Retirement System (PFRS)

	2017	2016	2015
(1) Contractually required contribution	$ 602,447	$ 185,988	$ 218,158
(2) Contributions in relation to the contractually determined contribution	602,447	185,988	218,158
(3) Contribution deficiency (excess)	$ -	$ -	$ -
(4) Covered-employee payroll	$ 965,938	$ 885,871	$ 723,945
(5) Contributions as a percentage of covered-employee payroll	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.

SUPPLEMENTARY INFORMATION

Stockton University
(A Component Unit of The State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Direct Loan Program	84.268	$ 53,847,681
Federal Perkins Loan Program	84.038	2,976,479
Federal Supplemental Educational Opportunity Grants	84.007	221,705
Federal Work Study Program	84.033	280,893
Federal Pell Grant Program (including administrative costs of $15,895)	84.063	13,180,908
Teacher Education Assistance for College & Higher Education Grants (Teach Grants)	84.379	10,706
Total Student Financial Assistance Cluster		70,518,372
Research and Development Cluster:		
U.S. Department of Commerce:		
National Oceanic & Atmospheric Administration (NOAA):		
Passed Through Rutgers, The State University of NJ		
Estuarine Research Reserves	11.420	13,398
WeCrab Marine Debris Project	11.463	7,227
Habitat Conservation - Derelict Crab Trap Removal in Mullica River & Great Bay Estuary of NJ	11.463	61,596
Passed Through the Conserve Wildlife Foundation of New Jersey:		
Identification & Retrieval of Derelict Crab Pots to Reduce Bycatch of NOAA Trust Resources in Barnegat Bay, New Jersey	11.463	11,738
Passed Through the New Jersey Audubon Society:		
Rounding the Bend: Ghost Trap Removal in Delaware Bay, Cape May Reef and New Jersey's Coastal Bay	11.463	14,302
U.S. Department of Health and Human Services:		
National Institutes of Health (NIH):		
Akt-mTOR Pathway Impact on Neural Stem Cell Fates	93.853	125,119
National Environmental Protection Agency: Office of Water		
Passed Through Barnegat Bay Partnership Ocean County College:		
National Estuary Program - Assessing the Status of Barnegat Bay Submerged Aquatic Vegetation	66.456	4,414
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	66.456	29,014
U.S. Department of the Interior Fish and Wildlife Service:		
Forsythe Wildlife Refuge Lidar Survey	15.677	14,148
Passed Through NJ DEP: Division of Fish & Wildlife -		
Wildlife Protection User Survey	15.605	182,092
Passed Through NJ DEP: Office of Coastal and Land Use -		
Establishing Protocols for New Jersey Shellfish and Submerged Aquatic Vegetation Habitat Mapping and Sampling	11.415	18,301
Total Research and Development Cluster		481,349
Other Federal Assistance:		
U.S. Department of Health and Human Services:		
Passed Through Atlantic County Department of Human Services,		
Educational Programs and Lectures for Older Adults	93.044	16,783
NJ Healthy Kids Vineland YMCA	93.331	55,936
Passed Through The New Jersey Council on Developmental Disabilities,		
2015-2016 Get FIT partnership - Get Fit @ Home	93.630	3,526
Passed Through NJ Department of Children and Families,		
Foster Care Title IV-E - Child Welfare Education Institute (CWEI) - BCWEP Program	93.658	226,295
Foster Care Title IV-E - Child Welfare Education Institute (CWEI) - MCWEP Program	93.658	1,149,573
Chafee Foster Care Independence Program - Foster and Adoptive Family Services	93.674	6,031
Total U.S. Department of Health and Human Services		1,458,144
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,		
Stay Safe and Graduate	20.601	16,032
Distracted Driving Crackdown	20.616	4,840
Passed Through Institute for Water Resources		
Quantification of Flood Event Forcing and the Impact of Natural Wetland Systems; Great Bay Boulevard, Ocean County New Jersey	20.614	40,130
Total U.S. Department of Transportation		61,002

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
Year ended June 30, 2017

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Other Federal Assistance (continued):		
U.S. Department of Education:		
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	$ 211,689
Passed Through NJ Commission for the Blind & Visually Impaired,		
Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	84.264	83,426
Stockton Coastal Collaborative Math & Science Partnership	84.366	286,414
Building Teacher Leadership	84.367	146,280
Total U.S. Department of Education		727,809
U.S. Department of Agriculture:		
Passed through the State of New Jersey Department of Environmental Protection, Forestry Services		
Forest Fire Research	10.664	16,398
U.S. Department of the Interior:		
Passed through The Nature Conservancy: Wetlands Restoration	15.153	30,593
U.S. Department of Veterans Affairs:		
Post - 9/11 Veterans Educational Assistance	64.028	1,952,339
U.S. Department of Homeland Security:		
Passed Through The State of New Jersey Office of Emergency Management: Hazard Mitigation Grant Program	97.039	74,078
U.S. Corporation for National & Community Service:		
Passed Through The College of New Jersey:		
New Jersey Bonner Americorps Program	94.006	5,259
AmeriCorps National Service Education Award	94.006	6,484
Total U.S. Corporation for National & Community Service		11,743
U.S. Department of Labor:		
WIA Cluster,		
Passed Through Atlantic Cape May Workforce Investment Board:		
Work First New Jersey	17.258	243,771
Dislocated Workers - On-The-Job Training	17.260	558
Adult Program	17.258	3,795
National Emergency	17.277	5,292
Office of Workers' Compensation Program/Federal Employees' Compensation Act	17.225	3,218
Trade Adjustment Act	17.245	50,570
Passed Through NJ Department of Labor & Workforce Development:		
Dislocated Workers - Retail, Hospitality & Tourism Talent Network	17.278	229,349
Total WIA Cluster		536,553
U.S. Small Business Administration:		
Passed Through Rutgers, The State University of NJ		
New Jersey Small Business Development Centers (NJSBDC)	59.037	150,719
Special Carryforward Award	59.037	5,000
Total U.S. Small Business Administration		155,719
Total Other Federal Assistance		5,024,378
Total Expenditures of Federal Awards		$ 76,024,099

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
Year ended June 30, 2017

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	$ 3,872,072	07/01/16-06/30/17	$ 3,872,072	$ 3,872,072
Tuition Aid Grant	100-074-2405-007	10,479,562	07/01/16-06/30/17	10,479,562	10,479,562
Urban Scholars	100-074-2405-278	10,500	07/01/16-06/30/17	10,500	10,500
Governor's Urban Persistency Award	100-074-2405-329	1,000	07/01/16-06/30/17	1,000	1,000
New Jersey STARS II	100-074-2405-313	203,965	07/01/16-06/30/17	203,965	203,965
Survivor Tuition Benefits	100-074-2405-009	8,435	07/01/16-06/30/17	8,435	8,435
Law Enforcement Officer Memorial	100-074-2405-312	47,525	07/01/16-06/30/17	47,525	47,525
NJ BEST	100-074-2405-316	21,250	07/01/16-06/30/17	21,250	21,250
N.J. Commission on Higher Education:					
Educational Opportunity Fund Article III Summer FY2017	100-074-2401-001	316,922	06/01/16-07/31/17	148,152	316,922
Educational Opportunity Fund Article III Summer FY2018	100-074-2401-001	351,783	06/01/17-07/31/18	1,650	1,650
Educational Opportunity Fund Article III Academic Year	100-074-2401-001	429,225	07/01/16-06/30/17	429,225	429,225
Educational Opportunity Fund Graduate Grants	100-074-2401-001	19,550	07/01/16-06/30/17	19,550	19,550
Total Student Financial Assistance				15,242,886	15,411,656
Other State of N.J. Assistance:					
N.J. Department of Environmental Protection:					
N.J. Beach Profile 2016	100-042-4895-043	499,879	02/01/16-12/31/16	334,311	499,879
N.J. Beach Profile 2017	100-042-4895-043	710,301	01/01/17-01/30/18	202,536	202,536
N.J. Coastal Estuaries Inventory	100-042-4800-176	59,206	01/01/16-06/30/17	43,086	59,206
N.J. Coastal Estuaries Inventory 2017	100-042-4800-176	133,161	01/01/17-06/30/19	15,135	15,135
N.J. Department of Transportation:					
Dredged Material Management System	480-078-6300-CTB	286,993	03/06/08-03/06/18	528	182,004
Fisheries and Utilization Study	480-078-6300-XXX	226,122	06/01/16-05/31/17	60,632	60,632
N.J. Department of Children & Families Services,					
Child Welfare Education Institute (CWEI) - BCWEP	100-016-1600-047	597,774	07/01/16-06/30/17	399,137	399,137
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	1,448,623	07/01/16-06/30/17	1,267,617	1,267,617
N.J. Department of Commerce and Economic Growth,					
Passed through Rutgers University: Small Business Development Center	100-074-2505-001	32,200	07/01/16-06/30/17	32,200	32,200
N.J. Department of Education:					
Teacher's Sheltered English Instruction Professional Development	100-034-5061-016	45,000	07/07/15-08/31/16	5,431	40,914
Teacher's Sheltered English Instruction Professional Development Year 2	100-034-5061-016	97,499	09/01/16-06/30/18	40,299	40,299
N.J. Department of Labor and Workforce Development,					
Retail, Hospitality & Tourism Talent Network	780-062-4545-007	50,000	01/01/16-12/31/16	32,601	32,601
Retail, Hospitality & Tourism Talent Network	780-062-4545-007	50,000	01/01/17-12/31/17	24,736	24,736
Atlantic County Job Development, Placement and Retention	100-062-4545-322	209,702	07/01/16-06/30/17	106,935	106,935
N.J. Office of the Attorney General					
Municipal Planning for Safe Streets	100-066-1000-146	80,000	09/01/14-06/30/16	8,747	74,747
Municipal Planning for Safe Streets	100-066-1000-146	40,000	07/01/16-06/30/17	33,725	33,725
Drunk Driving Enforcement	100-078-640-YYY	6,841	06/01/17-06/30/18	3,420	3,420

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
Year ended June 30, 2017

Grantor Department Program Title	Account Number	Program Amount	Grant Period	Current Year Expenditures	Total Disbursements
N.J. Higher Education Services:					
Educational Opportunity Fund Article IV-Academic Year	100-074-2401-002	$ 275,574	07/01/16-06/30/17	$ 275,574	$ 275,574
NJSCA General Program Support	100-074-2530-032	101,020	07/01/16-06/30/17	101,020	101,020
NJSCA General Program Support-Noyes Museum	100-074-2530-032	26,902	07/01/16-06/30/17	26,902	26,902
NJSCA 09 CSP Co Sponsored Project - State of the Arts	100-074-2530-032	200,000	07/01/16-06/30/17	200,000	200,000
48 Blocks-A Celebration of Arts & Culture	100-074-2530-164	5,000	06/01/16-12/29/17	4,530	4,530
Atlantic County Awards 2016	100-074-2505-053	4,400	01/01/16-12/20/16	4,000	4,400
Atlantic County Awards 2017	100-074-2505-053	7,900	01/01/17-12/20/17	3,900	3,900
N.J. Commission on Higher Education:					
Higher Education Equipment Leasing Fund Program	100-082-2155-036	5,696,250	01/01/14-05/02/23	131,849	5,569,140
Higher Education Technology Infrastructure Fund Program	100-074-2400-059	775,000	01/01/14-12/31/XX	243,084	775,000
Higher Education Capital Improvement Fund	100-082-2155-079	21,734,420	03/01/14-03/01/34	6,934,394	9,708,592
Higher Education General Obligation Fund	586-074-2400-014	34,987,950	03/01/14-12/31/XX	20,502,083	23,556,396
N.J. Higher Education Services:					
N.J. Department of State:					
State of New Jersey Appropriation	100-074-2480-001	18,391,000	07/01/16-06/30/17	18,391,000	18,391,000
Interdepartmental Accounts:					
State Fringe Benefits other than FICA	100-094-9410-134	12,150,439	07/01/16-06/30/17	12,150,439	12,150,439
FICA-State Colleges and Universities Reimbursement Program	100-094-9410-137	5,959,517	07/01/16-06/30/17	5,959,517	5,959,517
Alternate Benefits Program	100-094-9410-132	4,423,536	07/01/16-06/30/17	4,423,536	4,423,536
Total Other State of N.J. Assistance				71,962,904	84,225,669
Total Expenditures of State of New Jersey Awards				$ 87,205,790	$ 99,637,325

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

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.* 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, 2017. 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, 2017 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 fiscal 2017 financial statements.

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, 2017 follow:

Federal Direct Student Loans	$ 53,847,681
New Jersey College Loans to Assist State Students	$ 3,872,072

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, 2017.

3. FEDERAL PERKINS LOANS

The Federal Perkins Loan expenditures presented in the accompanying Schedule of Expenditures of Federal Awards of $2,976,479 represent the total balance of loans outstanding under the Perkins Program. The current fiscal year's new loans made from the revolving loan fund from which new loans are made utilizing receipts from repayments of loans that have entered collection status was $399,294.

4. SUBRECIPIENT AWARDS

The University passed through the following Federal awards to subrecipients during the year ended June 30, 2017:

Federal Program	Subrecipient	CFDA Number	Pass-Through Expenditures
Research and Development Cluster:			
Habitat Conservation - Derelict Crab Trap Removal in Mullica River & Great Bay Estuary of NJ	Rutgers, The State University of NJ	11.463	$ 4,125
National Estuary Program - Barnegat Bay Oyster Reefs: Biological & Cost Benefit Analysis for Scale Up Efforts	Rutgers, The State University of NJ	66.456	713
Rounding the Bend: Ghost Trap Removal in Delaware Bay, Cape May Reef and New Jersey's Coastal Bay	William C. Wilkin	11.463	2,800
			7,638
Other Federal Assistance:			
Stockton Coastal Collaborative Math & Science Partnership	Public Health Management Corp	84.366	34,000
Work First New Jersey	Career Opportunity Development Inc	17.258	102,908
Quantification of Flood Event Forcing and the Impact of Natural Wetland Systems; Great Bay Boulevard, Ocean County New Jersey	Ocean County College	20.614	10,203
			147,111
			$ 154,749

5. REVENUE/EXPENSE RECOGNITION

The University utilizes a negotiated indirect cost rate and has not elected to use the 10% de minimis cost rate.

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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 and State of New Jersey Department of Treasury Circular 2015-08, the financial statements of Stockton University (the "University"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2017.

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") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 determination of financial statement amounts. 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* and State of New Jersey Department of Treasury Circular 2015-08.

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* and State of New Jersey Department of Treasury Circular 2015-08 in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Philadelphia, Pennsylvania

October 30, 2017

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE OF NEW JERSEY DEPARTMENT OF TREASURY CIRCULAR 2015-08 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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 its major federal programs and State of New Jersey programs for the year ended June 30, 2017. The University's major federal programs and State of New Jersey 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 its major federal and State of New Jersey programs does not include the compliance requirements governing student loan repayments under the federal Perkins Loan Program in accordance with the requirements of the federal Student Financial Assistance Cluster, because the University engaged Educational Loan Servicing LLC (d/b/a Campus Partners) to perform these compliance activities. This third-party servicer has obtained a compliance attestation from another practitioner for the year ended June 30, 2016, in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to the University's federal programs and State of New Jersey programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for the University's major federal and State of New Jersey 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 and the Uniform Guidance and State of New Jersey Department of Treasury Circular 2015-08 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 or State of New Jersey 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 of New Jersey program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on each major federal program and State of New Jersey 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 its major federal and State of New Jersey programs for the year ended June 30, 2017.

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 the major federal and State of New Jersey programs to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal and State of New Jersey programs 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.

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 of New Jersey 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 a State of New Jersey 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 a State of New Jersey 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

October 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes __X__ none reported

Federal and State of New Jersey Awards

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____ yes __X__ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or State of New Jersey Department of Treasury Circular 2015-08?	_____ yes __X__ no

Identification of major programs:

Program or Cluster Title	Federal CFDA Number or NJ State Identifying Number
Federal:	
Student Financial Assistance Cluster	84.007, 84.033, 84.038 84.063, 84.268, 84.379
Foster Care Title IV-E	93.658
State of New Jersey:	
Student Financial Assistance Cluster	Various
Higher Education Capital Improvement Fund	100-082-2155-079
Higher Education General Obligation Fund	586-074-2400-014
State of New Jersey Appropriation	100-074-2480-001

Dollar threshold used to distinguish between type A and Type B programs:	Federal: $750,000 State: $2,616,173
Auditee qualified as low-risk auditee?	__X__ yes _____ no

Section II - Financial Statement Findings

None noted.

Section III - Federal and State of New Jersey Award Findings and Questioned Costs

None noted.

Section IV - Summary of Prior Year Findings and Corrective Action Plan

None noted.