# QUEENSBOROUGH COMMUNITY COLLEGE AUXILIARY ENTERPRISE ASSOCIATION, INC.

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors
Queensborough Community College Auxiliary
Enterprise Association, Inc.:

## Report on the Financial Statements

We have audited the accompanying financial statements of Queensborough Community College Auxiliary Enterprise Association, Inc. (the Auxiliary) as of and for the years ended June 30, 2018 and 2017, and the related notes to financial statements, which collectively comprise the Auxiliary's 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. 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 Auxiliary'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 Auxiliary's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Queensborough Community College Auxiliary Enterprise Association, Inc. as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 1, 2018

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Queensborough Community College (QCC) Auxiliary Enterprise Association, Inc.'s (the Auxiliary) financial position as of June 30, 2018, and changes in its net position for the year then ended. Since this MD&A is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying audited financial statements and related notes.

**Financial Highlights**

- The Auxiliary's net position increased by $568,877 or 10%.
- Operating revenue increased by $375,701 or 19%.
- Operating expenses increased by $143,926 or 13%.

**Financial Position**

The Auxiliary's net position, the difference between assets and liabilities, is one way to measure the Auxiliary's financial health or financial position. Over time, increases and decreases in the Auxiliary's net position are one indicator of whether its financial health is improving.

**Statements of Net Position**

The following summarizes the Auxiliary's assets, liabilities, and net position as of June 30, 2018 and 2017, under the accrual basis of accounting:

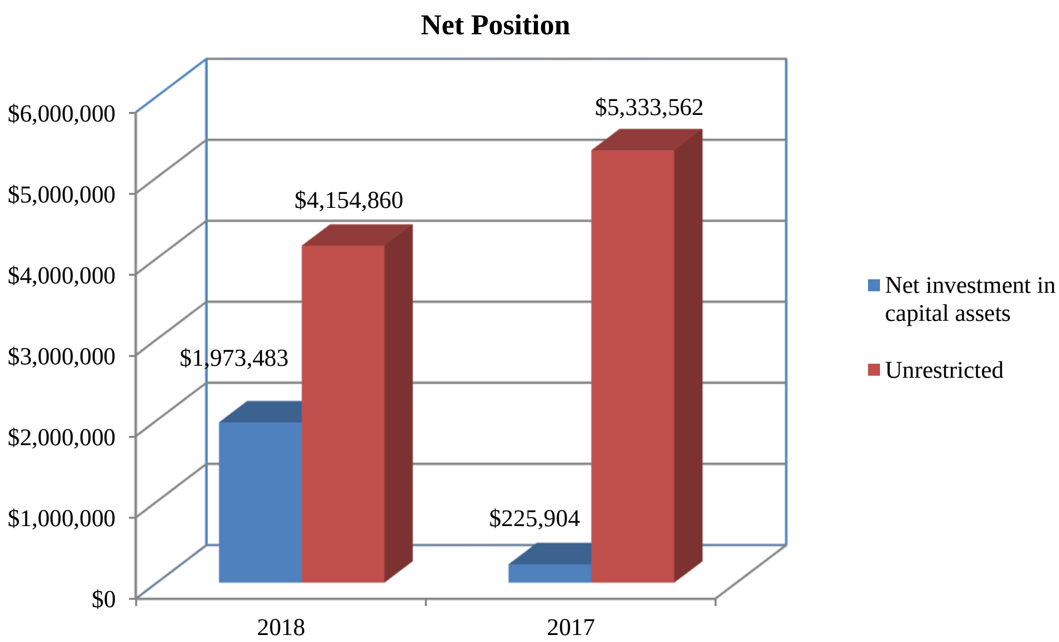
| | 2018 | 2017 | Dollar change | Percent change |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets | $ 1,561,182 | 2,532,155 | (970,973) | (38%) |
| Noncurrent assets | 5,100,138 | 3,349,499 | 1,750,639 | 52% |
| Total assets | 6,661,320 | 5,881,654 | 779,666 | 13% |
| Current liabilities | 532,977 | 322,188 | 210,789 | 65% |
| Net position: | | | | |
| Net investment in capital assets | 1,973,483 | 225,904 | 1,747,579 | 774% |
| Unrestricted | 4,154,860 | 5,333,562 | (1,178,702) | (22%) |
| Total net position | $ 6,128,343 | 5,559,466 | 568,877 | 10% |

At June 30, 2018, the Auxiliary's total assets increased by $779,666 or 13%, compared to the previous year. This variance was primarily due to an increase of $1,747,579 in capital assets and an increase of $124,766 in commissions receivable and accounts receivable. The increase in capital assets is mainly due to $1,099,400 for construction in progress of the parking lot renovation contract approved by the CUNY Board of Trustees and which will commence next fiscal year.

The Auxiliary's current liabilities increased by $210,789 or 65%, compared to the previous year. This was mainly due to an increase of $145,259 in accounts payable and accrued expenses related to the College's student enrollment advertising campaign. There was also an increase of $71,734 in deposits held in custody for others which was partially offset by a decrease of $6,204 in unearned revenue.

There were no other significant or unexpected changes in the Auxiliary's assets and liabilities.

The following illustrates the Auxiliary's net position at June 30, 2018 and 2017 by category:




## Statements of Revenue, Expenses and Changes in Net Position

The statements of revenue, expenses and changes in net position present the operating results of the Auxiliary, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2018 and 2017 are as follows:

**Revenue**

| | 2018 | 2017 | Dollar change | Percent change |
|---|---|---|---|---|
| Operating revenue: | | | | |
| Commissions: | | | | |
| Bookstore | $ 194,679 | 210,653 | (15,974) | (8%) |
| Cafeteria | 55,000 | 52,500 | 2,500 | 5% |
| Vending | 303,742 | 239,978 | 63,764 | 27% |
| Parking fees | 262,358 | 181,148 | 81,210 | 45% |
| Performing arts | 454,529 | 390,912 | 63,617 | 16% |
| Kupferberg Holocaust Center | 155,500 | 66,250 | 89,250 | 135% |
| Royalties | 272,541 | 259,474 | 13,067 | 5% |
| Facilities rental | 203,974 | 170,170 | 33,804 | 20% |
| Other | 324,945 | 281,159 | 43,786 | 16% |
| Donated space and services | 92,511 | 91,834 | 677 | 1% |
| Total operating revenue | 2,319,779 | 1,944,078 | 375,701 | 19% |
| Nonoperating revenue: | | | | |
| Other | 147,500 | 186,692 | (39,192) | (21%) |
| Investment gains | 3,060 | 125,282 | (122,222) | (98%) |
| Total nonoperating revenue | 150,560 | 311,974 | (161,414) | (52%) |
| Total revenue | $ 2,470,339 | 2,256,052 | 214,287 | 9% |

The Auxiliary's total revenue for fiscal 2018 was $2,470,339, representing an increase of $214,287, or 9%, compared to the previous year. The Auxiliary operating revenue increased by $375,701 or 19%, including gains in beverage and snack vending income, parking fees, performing arts and the Kupferberg Holocaust Center (KHC). Operating revenue was partially offset by a one-time reduction of nonoperating investment income in 2018 as compared to the prior year primarily due to conservative investment of excess funds.

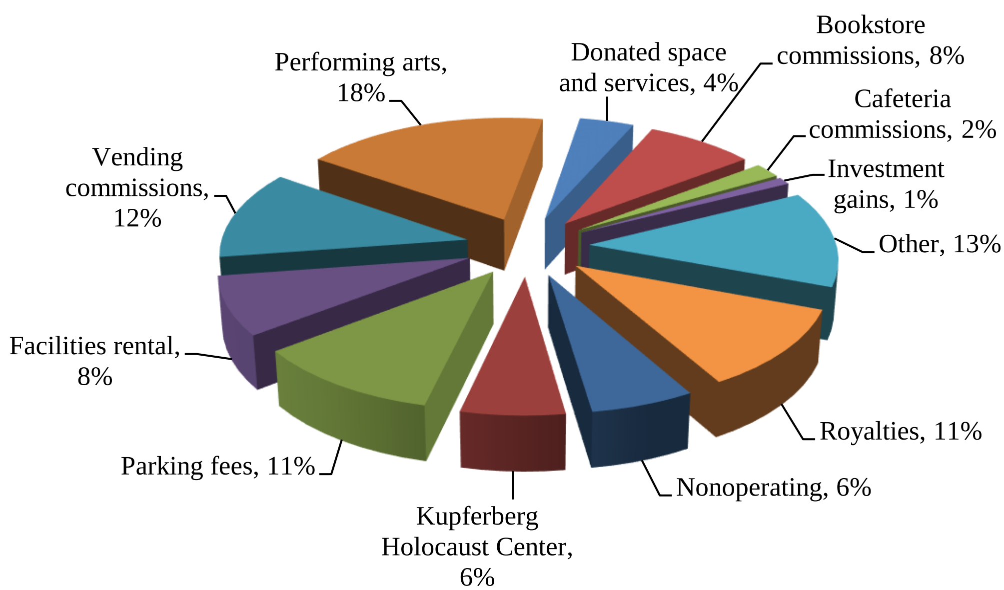
Total operating revenue increased by $375,701 overall or 19%. Snack and beverage vending income increased by $63,764 or 27%, as a result of an increase in unit pricing approved by CUNY and higher than planned vending sales. Parking fees increase by $81,210 or 45%, due to the increase in annual and daily parking fees approved by the Auxiliary in anticipation of a parking lot repaving project. Revenue at the Performing Arts Center increased by $63,617 or 16%, due to an increase in ticket sales. KHC revenue increased by $89,250 or 135%, due to an increase in New York City legislative grants support. Royalties increased by $13,067 or 5%, mainly due to an increase in pouring rights commission and wireless tower rental income. Increased facilities rental activities also resulted in an increase of $33,804 or 20%, in facilities rental income. Finally, other income increased by $43,786 or 16%, due primarily to an increase in passport processing income. This was partially offset by a decline of $15,974 or 8% in bookstore commissions due to lower student sales.

Bookstore commissions, performing arts, facilities rental, parking fees and other income represented 8%, 18%, 8%, 11% and 13% of total revenue, respectively, and accordingly, the Auxiliary is dependent upon this level of support to carry out its operation.

There were no other significant or unexpected changes in the Auxiliary's revenue.

The following illustrates the Auxiliary's revenue, by source, for the year ended June 30, 2018:

**Revenue by Source**



**Expenses**

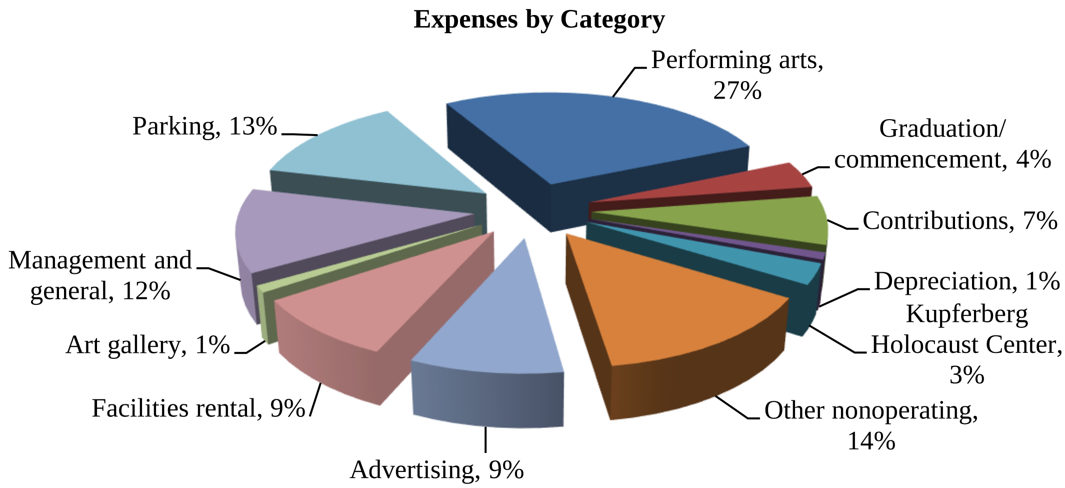
| | | 2018 | 2017 | Dollar change | Percent change |
|---|---|---|---|---|---|
| Operating expenses: | | | | | |
| Parking | $ | 251,842 | 84,084 | 167,758 | 200% |
| Performing arts | | 521,086 | 504,969 | 16,117 | 3% |
| Facilities rental | | 162,797 | 168,158 | (5,361) | (3%) |
| Art gallery | | 4,087 | 8,776 | (4,689) | (53%) |
| Kupferberg Holocaust Center | | 59,644 | 70,731 | (11,087) | (16%) |
| Management and general | | 234,786 | 257,814 | (23,028) | (9%) |
| Depreciation | | 24,963 | 20,747 | 4,216 | 20% |
| Total operating expenses | | 1,259,205 | 1,115,279 | 143,926 | 13% |
| Nonoperating expenses: | | | | | |
| Advertising | | 168,929 | 42,969 | 125,960 | 293% |
| Graduation/commencement | | 81,957 | 41,808 | 40,149 | 96% |
| Contributions | | 133,051 | 100,153 | 32,898 | 33% |
| Other | | 258,320 | 259,603 | (1,283) | (1%) |
| Total nonoperating expenses | | 642,257 | 444,533 | 197,724 | 44% |
| Total expenses | $ | 1,901,462 | 1,559,812 | 341,650 | 22% |

Total expenses for fiscal 2018 were $1,901,462, an increase of $341,650 or 22%, compared to the previous year.

Operating expenses were $1,259,205, an increase of $143,926 or 13%, compared to the previous year. The increase in operating expense was primarily due to an increase of $167,758 or 200% in parking and $16,117 or 3% in performing arts. The higher expenses in parking were mainly due to a $135,000 payment for the College's security personnel. Such expense was paid for by the College last year. The increased expenses at the Performing Arts Center were primarily attributable to catering expenses. The increases in operating expenses were partially offset by a decrease of $11,087 or 16% in KHC as a result of a drop in printing expenses. Management and general expenses also dropped by $23,028 or 9% as a result of a decrease in public relation expenses.

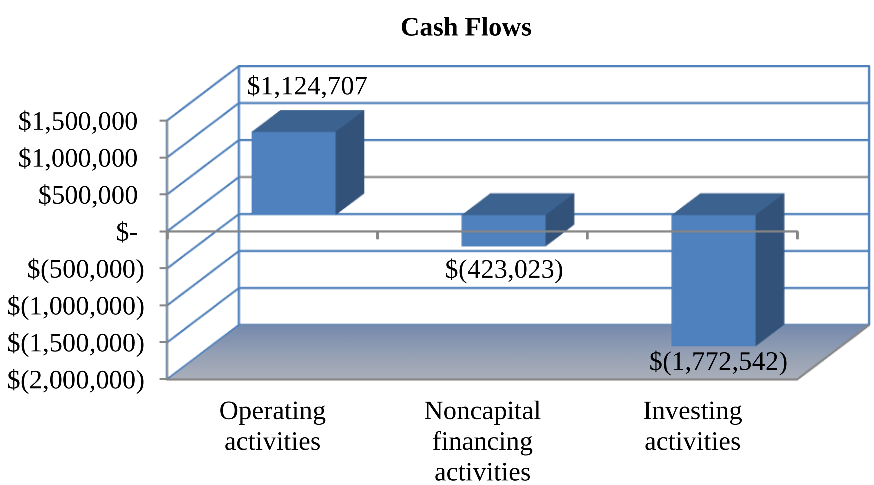
Nonoperating expenses were $642,257, an increase of $197,724 or 44% over the previous year. There was an increase of $125,960 or 293% in advertising expenses mainly attributable to an accrual of $156,000 for production and posting of the College train and bus posters for next fiscal year. There was also an increase of $40,149 or 96% in graduation/commencement expenses primarily due to a reimbursement of 2017 commencement expenses to the College. Contribution expenses increased by $32,898 or 33% mainly due to an increase of $29,000 in expenses for students with disabilities. The increases in nonoperating expenses were partially offset by a decrease of $1,283 or 1% in other expenses.

The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2018:




## Cash Flows

The statements of cash flows provide information about cash receipts and cash payments during the year. This statement assists users to assess the Auxiliary's ability to generate net cash flows, meet its obligations as they come due, and its dependency on external financing. The following summarizes the Auxiliary's cash flows for the year ended June 30, 2018:




## Economic Factors That May Affect the Future

There are no known economic factors that may influence the future, with the exception of student enrollment, which directly relates to the amount of revenue earned, as well as related expenses incurred.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Statements of Net Position
June 30, 2018 and 2017

| Assets | 2018 | 2017 |
|---|---|---|
| Current assets: | | |
| Cash and equivalents | $ 1,305,427 | 2,376,285 |
| Commissions receivable | 110,166 | 10,826 |
| Accounts receivable - other | 66,995 | 41,569 |
| Prepaid expenses | 78,594 | 103,475 |
| Total current assets | 1,561,182 | 2,532,155 |
| Investments | 3,126,655 | 3,123,595 |
| Noncurrent assets - capital assets, net | 1,973,483 | 225,904 |
| Total assets | 6,661,320 | 5,881,654 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 257,289 | 112,030 |
| Unearned revenue | 71,157 | 77,361 |
| Deposits held in custody for others, net | 204,531 | 132,797 |
| Total current liabilities | 532,977 | 322,188 |
| **Net Position** | | |
| Net investment in capital assets | 1,973,483 | 225,904 |
| Unrestricted | 4,154,860 | 5,333,562 |
| Total net position | $ 6,128,343 | 5,559,466 |

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| Operating revenue: | | |
| Commissions: | | |
| Bookstore | $ 194,679 | 210,653 |
| Cafeteria | 55,000 | 52,500 |
| Vending | 303,742 | 239,978 |
| Parking fees | 262,358 | 181,148 |
| Performing arts | 454,529 | 390,912 |
| Kupferberg Holocaust Center | 155,500 | 66,250 |
| Royalties | 272,541 | 259,474 |
| Facilities rental | 203,974 | 170,170 |
| Other | 324,945 | 281,159 |
| Donated space and services | 92,511 | 91,834 |
| Total operating revenue | 2,319,779 | 1,944,078 |
| Operating expenses: | | |
| Parking | 251,842 | 84,084 |
| Performing arts | 521,086 | 504,969 |
| Facilities rental | 162,797 | 168,158 |
| Art gallery | 4,087 | 8,776 |
| Kupferberg Holocaust Center | 59,644 | 70,731 |
| Management and general | 234,786 | 257,814 |
| Depreciation | 24,963 | 20,747 |
| Total operating expenses | 1,259,205 | 1,115,279 |
| Income from operations | 1,060,574 | 828,799 |

(Continued)

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Statements of Revenue, Expenses and Changes in Net Position, Continued

| | 2018 | 2017 |
|---|---|---|
| Nonoperating revenue (expenses): | | |
| Other nonoperating revenue | $ 147,500 | 186,692 |
| Investment gains | 3,060 | 125,282 |
| College related disbursements: | | |
| Advertising | (168,929) | (42,969) |
| Graduation/commencement | (81,957) | (41,808) |
| Contributions | (133,051) | (100,153) |
| Other | (258,320) | (259,603) |
| Total nonoperating revenue (expenses), net | (491,697) | (132,559) |
| Increase in net position | 568,877 | 696,240 |
| Net position at beginning of year | 5,559,466 | 4,863,226 |
| Net position at end of year | $ 6,128,343 | 5,559,466 |

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Statements of Cash Flows
Years ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash receipts from: | | |
| Bookstore commissions | $ 204,759 | 213,975 |
| Cafeteria commissions | 55,000 | 52,500 |
| Vending commissions | 196,130 | 265,842 |
| Parking fees | 272,061 | 182,469 |
| Performing arts | 459,662 | 381,287 |
| Other | 908,686 | 957,895 |
| Cash payments to/for: | | |
| Employees' salaries and benefits | (219,462) | (321,286) |
| Vendors and other disbursements | (752,129) | (787,698) |
| Net cash provided by operating activities | 1,124,707 | 944,984 |
| Cash flows from noncapital financing activities: | | |
| College related disbursements | (383,938) | (184,930) |
| Deposits held in custody for others | 71,734 | 11,757 |
| Other nonoperating expenses, net | (110,819) | (72,911) |
| Net cash used in noncapital financing activities | (423,023) | (246,084) |
| Cash flows from capital and related activities - purchase of capital assets | (1,772,542) | - |
| Net increase (decrease) in cash and equivalents | (1,070,858) | 698,900 |
| Cash and equivalents at beginning of year | 2,376,285 | 1,677,385 |
| Cash and equivalents at end of year | $ 1,305,427 | 2,376,285 |

(Continued)

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Statements of Cash Flows, Continued

| | 2018 | 2017 |
|---|---|---|
| Reconciliation of income from operations to net cash provided by operating activities: | | |
| Income from operations | $ 1,060,574 | 828,799 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | 24,963 | 20,747 |
| Changes in: | | |
| Commissions receivable | (99,340) | 36,066 |
| Accounts receivable - other | (25,426) | 170,444 |
| Prepaid expenses | 24,881 | (74,361) |
| Accounts payable and accrued expenses | 145,259 | (31,925) |
| Unearned revenue | (6,204) | (4,786) |
| Net cash provided by operating activities | $ 1,124,707 | 944,984 |
| Supplemental schedule of cash flow information: | | |
| Donated space and services revenue | $ 92,511 | 91,834 |
| Donated space | 4,493 | 4,493 |
| Donated services | 88,018 | 87,341 |
| | $ 92,511 | 91,834 |

See accompanying notes to financial statements.

## (1) Nature of Organization

The Queensborough Community College Auxiliary Enterprise Association, Inc. (the Auxiliary) is a nonprofit entity organized to support certain student activities and provide facilities and auxiliary services for the benefit of the campus community of Queensborough Community College (the College) of the City University of New York (CUNY or the University).

## (2) Summary of Significant Accounting Policies

### (a) Basis of Accounting

The Auxiliary's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and applicable Governmental Accounting Standards Board (GASB) pronouncements.

For financial reporting purposes, the Auxiliary is considered to be a special-purpose entity engaged only in business-type activities. GASB defines business-type activities as activities financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP, as prescribed by GASB. For financial reporting purposes, the Auxiliary is also considered to be a discretely presented component unit of the University, as defined by GASB.

### (b) Net Position

The Auxiliary's resources are classified into the following net position categories:

Net investment in capital assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt, if any, attributable to the acquisition, construction, or improvement of those assets.

Restricted - non-expendable - Net position subject to externally imposed stipulations requiring the Auxiliary to maintain them in perpetuity.

Restricted - expendable - Net position whose use is subject to externally imposed stipulations that can be fulfilled by the actions of the Auxiliary or the passage of time.

Unrestricted - All other net position, including net position designated by actions, if any, of the Auxiliary's Board of Directors.

At June 30, 2018, the Auxiliary had no restricted net position.

### (c) Cash and Equivalents

Cash and equivalents are comprised of highly liquid instruments with original maturities of 90 days or less.

## (2) Summary of Significant Accounting Policies, Continued

### (d) Receivables

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

### (e) Investments

Investments are reported at their fair values based on quoted market prices. Donated securities are recorded at fair value at the date of donation. Realized and unrealized gains and losses are included in the statements of revenue, expenses and changes in net position as changes in unrestricted net position, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

### (f) Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of contribution, if donated. In accordance with the Auxiliary's capital asset policy, capital assets are defined as any asset with a useful life of at least two years and a cost or value at the time of receipt of $5,000 or more. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The estimated useful life of furniture and equipment is five years and 15 years for improvements.

### (g) Revenue Recognition

Operating revenue is primarily derived from ticket sales for performances held in the College's theater and agreements with certain unrelated organizations to provide the College with bookstore, cafeteria, photocopy, beverage vending services and fees charged for the use of parking and other College facilities. Fees that are collected prior to year-end, if any, relating to the subsequent year are recorded as unearned revenue.

### (h) Commissions

Bookstore commissions represent income earned under a contract with an unrelated organization to operate and maintain the campus bookstore. The terms of the original contract, effective through July 31, 2015, provided the Auxiliary with annual commissions equal to the greater of a fixed amount of $175,000 or an amount based on a percentage of the unrelated organization's sales at the campus bookstore. The terms of the original contract were extended for eight years to July 30, 2023.

(2) Summary of Significant Accounting Policies, Continued

(h) Commissions, Continued

Cafeteria and food vending commissions represent income earned under a contract with an unrelated organization for the sale of food and nonalcoholic beverages on the College's premises. The food services contract was extended through July 30, 2014, with an option for one two-year contract extension through July 30, 2016. The food services contract was subsequently extended for another period of three years through July 30, 2019, with a fixed annual commission of $55,000 and $52,500 for the years ended June 30, 2018 and 2017, respectively.

A vending contract was signed with Canteen Vending Service Division as of June 9, 2014. The terms of the agreement began on January 1, 2015 with the terms being a total of five years ending December 31, 2019.

(i) Royalties

Royalties represent agreements to provide locations for wireless providers with Sprint, Verizon and T-Mobile; and pouring rights royalties from Pepsi-Cola Bottling Company of New York, Inc. The terms of the T-Mobile contract, which expired on September 29, 2016 will continue on a month to month basis until further contract negotiations. The terms of the Sprint contract, which expired on November 18, 2016, will continue on a month to month basis until further contract negotiations. The terms of the Verizon agreement, which expires March 22, 2019, provides a monthly fee of $4,949 from July 2017 to January 2018 and $5,097 from February 2018 to June 2018 ($60,128 per year). All wireless agreements provide that the fee each year shall be increased by an amount equal to 103% of the annual fee for the immediately preceding year. The terms of the Pepsi-Cola Bottling Company of New York, Inc. contract, which expires on July 1, 2023, provide the Auxiliary with an guaranteed annual royalty in the amount $60,000 plus an annual donation to the QCC Fund, Inc., a related entity.

(j) Donated Space and Services

The Auxiliary operates on the campus of the College and, utilizes office space and certain services made available to it. The use of the space was valued at $4,493 for the years ended June 30, 2018 and 2017. Donated services of $88,018 and $87,341 for the years ended June 30, 2018 and 2017, respectively, represent a portion of the accountant's salary and that of the Finance Manager attributable to functions performed by the Auxiliary, and is included in revenue and management and general expenses in the accompanying statements of revenue, expenses and changes in net position.

(k) Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenue, expenses and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## (2) Summary of Significant Accounting Policies, Continued

### (l) Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### (m) Subsequent Events

The Auxiliary has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

### (n) Income Taxes

The Auxiliary is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Auxiliary has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Auxiliary presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Auxiliary has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Auxiliary are subject to examination by taxing authorities.

## (3) Cash and Equivalents

Custodial credit risk of deposits is the risk that the Auxiliary's deposits may not be returned in the event of a bank failure. At June 30, 2018, $1,099,459 of the Auxiliary's bank balance of $1,349,459 was exposed to custodial credit risk as it was uninsured and uncollateralized.

## (4) Investments

At June 30, 2018 and 2017, the Auxiliary had investments in mutual funds in the amounts of $3,126,655 and $3,123,595, respectively.

Custodial credit risk as it relates to investments is the risk that in the event of failure of the counterparty of a transaction, the Auxiliary will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty. At June 30, 2018 and 2017, the Auxiliary's entire investment portfolio balance of $3,126,655 and $3,123,595, respectively, was not exposed to any custodial credit risk, as it was insured through the Securities Investor Protection Corporation in the amount of $500,000 and through an insurance company, which provides an additional supplemental protection of up to $49.5 million of cash loss per client.

## (4) Investments, Continued

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Auxiliary has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Auxiliary believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Auxiliary's assets at fair value as of June 30, 2018 and 2017:

| | Assets at Fair Value as of June 30, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | $ 3,126,655 | - | - | 3,126,655 |

## (4) Investments, Continued

| | Assets at Fair Value as of June 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | $ 3,123,595 | - | - | 3,123,595 |

## (5) Capital Assets

At June 30, 2018 and 2017 capital assets consisted of the following:

| | 2018 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Disposals | Ending balance |
| Construction in progress | $ - | 1,109,400 | - | 1,109,400 |
| Furniture and equipment | 39,060 | 229,840 | - | 268,900 |
| Parking lot improvements | 407,745 | 121,077 | - | 528,822 |
| Vehicles | 199,492 | - | - | 199,492 |
| Campus improvement | 66,095 | 312,225 | - | 378,320 |
| | 712,392 | 1,772,542 | - | 2,484,934 |
| Less accumulated depreciation | (486,488) | (24,963) | - | (511,451) |
| Capital assets, net | $ 225,904 | 1,747,579 | - | 1,973,483 |

| | 2017 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Disposals | Ending balance |
| Furniture and equipment | $ 39,060 | - | - | 39,060 |
| Parking lot improvements | 407,745 | - | - | 407,745 |
| Vehicles | 199,492 | - | - | 199,492 |
| Campus improvement | 66,095 | - | - | 66,095 |
| | 712,392 | - | - | 712,392 |
| Less accumulated depreciation | (465,741) | (20,747) | - | (486,488) |
| Capital assets, net | $ 246,651 | (20,747) | - | 225,904 |

## (6) Deposits Held in Custody for Others

Deposits held in custody for others represent funds which are held by the Auxiliary on behalf of certain groups related to the College. These funds are payable on demand.

## (7) Related Party Transactions

The Auxiliary entered into transactions with the Research Foundation of the City University of New York and certain other College entities related to reimbursement for payroll, healthcare and other fringe benefits provided to the Auxiliary. During the years ended June 30, 2018 and 2017, the Auxiliary paid the Research Foundation and other College entities $60,618 and $55,380, respectively, for these costs which covered administrative employees.

## (8) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain 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 reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the Auxiliary. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Auxiliary.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning July 1, 2020 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

(8) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

GASB Statement No. 89 - "Accounting for Interest Cost Incurred Before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning July 1, 2020 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

GASB Statement No. 90 - "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61." This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.