

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY
OF NEW YORK - GRADUATE SCHOOL AND
UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Auxiliary Enterprises of the City University of New York -
Graduate School and University Center Fiduciary Accounts:

Report on the Financial Statements

We have audited the accompanying financial statements of Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts (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 Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts 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

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Management's Discussion and Analysis

June 30, 2018

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts' (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 financial position remains strong during fiscal year 2018.
- The Auxiliary's net position increased by \$1,083,161 or 35%.
- Operating revenue increased by \$403,690 or 21%.
- Operating expenses decreased by \$908 or 1%.

Financial Position

The Auxiliary's net position, the difference between assets and liabilities, is one way to measure the Auxiliary's financial health. Over time, increases and decreases in the Auxiliary's net position is 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:

| | <u>2018</u> | <u>2017</u> | <u>Dollar change</u> | <u>Percent change</u> |
|----------------------------------|---------------------|------------------|--------------------------|---------------------------|
| Assets: | | | | |
| Current assets | \$ 4,437,035 | 3,493,366 | 943,669 | 27% |
| Noncurrent assets | <u>96,911</u> | <u>-</u> | <u>96,911</u> | 100% |
| Total assets | <u>4,533,946</u> | <u>3,493,366</u> | <u>1,040,580</u> | 30% |
| Liabilities | <u>343,410</u> | <u>385,991</u> | <u>(42,581)</u> | (11%) |
| Net position: | | | | |
| Net investment in capital assets | 96,911 | - | 96,911 | 100% |
| Unrestricted | <u>4,093,625</u> | <u>3,107,375</u> | <u>986,250</u> | 32% |
| Total net position | <u>\$ 4,190,536</u> | <u>3,107,375</u> | <u>1,083,161</u> | 35% |

**AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Management’s Discussion and Analysis, Continued

At June 30, 2018, the Auxiliary’s overall net position increased by \$1,083,161 or 35%. The increase in net position is primarily due to income from operations of \$1,138,492 for fiscal year 2018. This is mainly attributable to increased facilities fees revenue and dining services commission revenue for the year ended 2018.

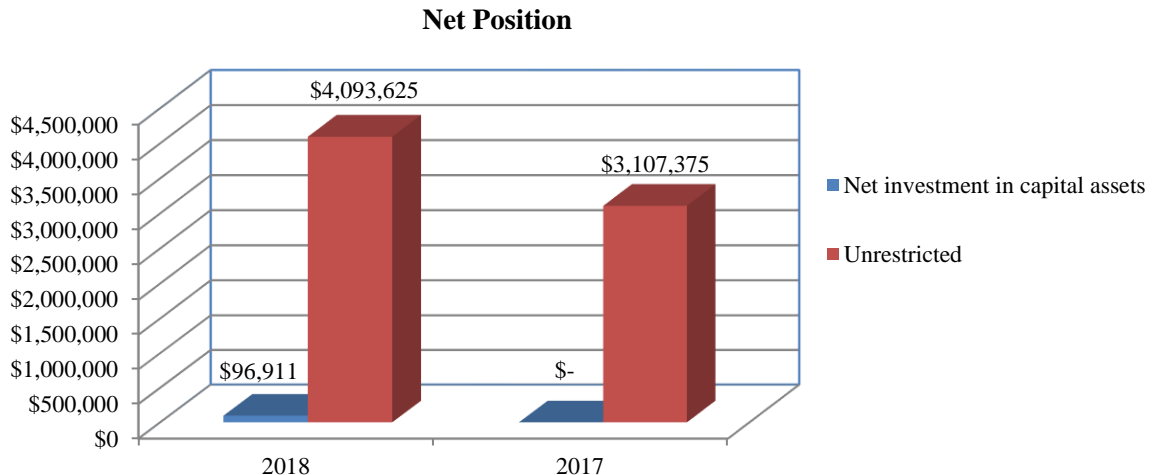
The Auxiliaries’ assets totaled \$4,533,946 at June 30, 2018, an increase of \$1,040,580, or 30% compared to the previous year. The increase in assets is primarily due to the increase in net cash provided by operating activities. Dining services commission receivable increased by \$22,306 due to increased dining services commission revenue.

In fiscal year 2018, the Auxiliary Board approved allocations for the following new spending initiatives: support for doctoral students, Graduate Center website enhancement, institutional promotion and capital projects. \$500,000 will be used to provide support for doctoral students, including dissertation fellowships. \$500,000 will be used to update and redesign the Graduate Center website. \$250,000 will be used increase the visibility and awareness of the Graduate Center and the work produced at the Graduate Center and to increase connections between alumni and current students. \$35,000 will be used for creating space and for purchasing furniture for student lounges.

Liabilities decreased by \$42,581 from fiscal year 2017 to fiscal year 2018. This is mainly due to a decrease in unearned revenue of \$39,670. The Auxiliary received \$300,000 in fiscal year 2017 for food service facilities upgrades and improvements over a ten-year period beginning in July 1, 2017. The Graduate Center purchased new kitchen equipment in fiscal year 2018.

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:



AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Management's Discussion and Analysis, Continued

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

| | <u>2018</u> | <u>2017</u> | <u>Dollar change</u> | <u>Percent change</u> |
|--|---------------------|------------------|--------------------------|---------------------------|
| Operating revenue: | | | | |
| Facilities fees | \$ 1,548,747 | 1,263,150 | 285,597 | 23% |
| Donated space and services | 265,115 | 260,528 | 4,587 | 2% |
| Dining services commission, net | 375,263 | 292,370 | 82,893 | 28% |
| Royalties | 34,005 | 24,984 | 9,021 | 36% |
| Other | <u>136,533</u> | <u>114,941</u> | <u>21,592</u> | 19% |
| Total operating revenue | 2,359,663 | 1,955,973 | 403,690 | 21% |
| Nonoperating revenue - interest income | <u>8,669</u> | <u>7,513</u> | <u>1,156</u> | 15% |
| Total revenue | \$ <u>2,368,332</u> | <u>1,963,486</u> | <u>404,846</u> | 21% |

The Auxiliary's revenue for the year ended June 30, 2018 totaled \$2,368,332, an increase of \$404,846 or 21%, compared to the prior fiscal year with the change being mainly attributable to two factors: (1) in fiscal year 2018, there was an increase in dining services commission of \$82,893 or 28% compared to fiscal year 2017. Dining services commission increased mainly due to more demand for dining services, chiefly consisting of catering activities in connection with both internal and external clients; and (2) in fiscal year 2018, there was an increase of facilities fees of \$285,597 or 23% compared to fiscal year 2017. This was mainly due to an increase in space and equipment rental income.

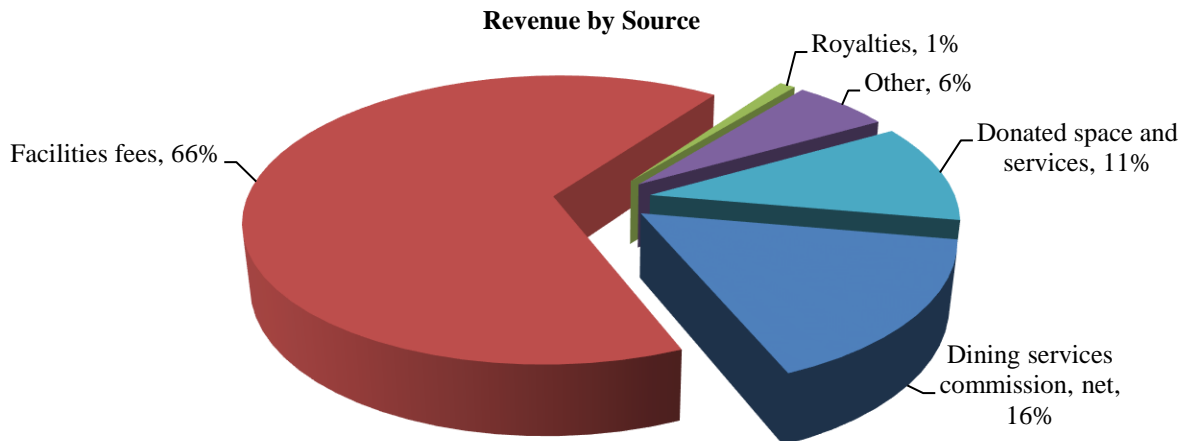
Nonoperating revenue totaled \$8,669 at June 30, 2018, an increase of \$1,156 or 15%. This increase in interest income resulted from a higher bank balance in fiscal year 2018, compared to the previous year.

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

**AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Management's Discussion and Analysis, Continued

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



Expenses

| | <u>2018</u> | <u>2017</u> | <u>Dollar change</u> | <u>Percent change</u> |
|-----------------------------|---------------------|------------------|----------------------|-----------------------|
| Operating expenses: | | | | |
| Facilities | \$ 837,168 | 832,737 | 4,431 | 1% |
| Management and general | 286,338 | 322,365 | (36,027) | (11%) |
| Publications and promotions | 73,437 | 66,977 | 6,460 | 10% |
| Depreciation | <u>24,228</u> | <u>-</u> | <u>24,228</u> | 100% |
| Total operating expenses | \$ <u>1,221,171</u> | <u>1,222,079</u> | <u>(908)</u> | (1%) |

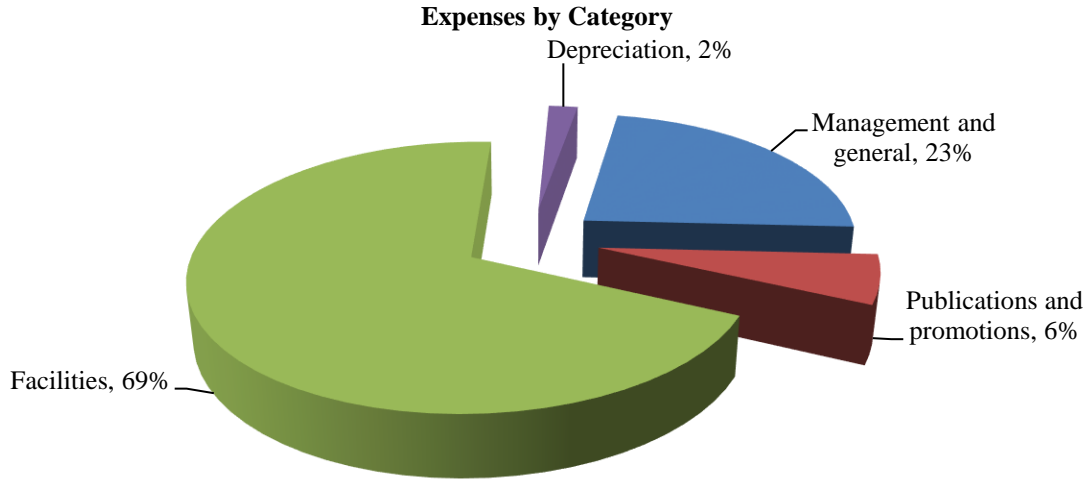
The Auxiliary's expenses associated with core operating activities for fiscal year 2018 totaled \$1,221,171, up from \$1,222,079 in fiscal year 2017. A portion of the operating expenses was related to salaries and benefits for administrative staff working on behalf of the Auxiliary. Other expenses were related to goods and services used for operation of the principle activities of the Auxiliary. The slight decrease in operating expenses was due primarily to a decrease in management and general. Depreciation expense increased due to the purchase of additional dining service equipment in 2018. For the year ended June 30, 2018, the Auxiliary operating costs remained approximately the same as the costs in fiscal year ended June 30, 2017.

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

**AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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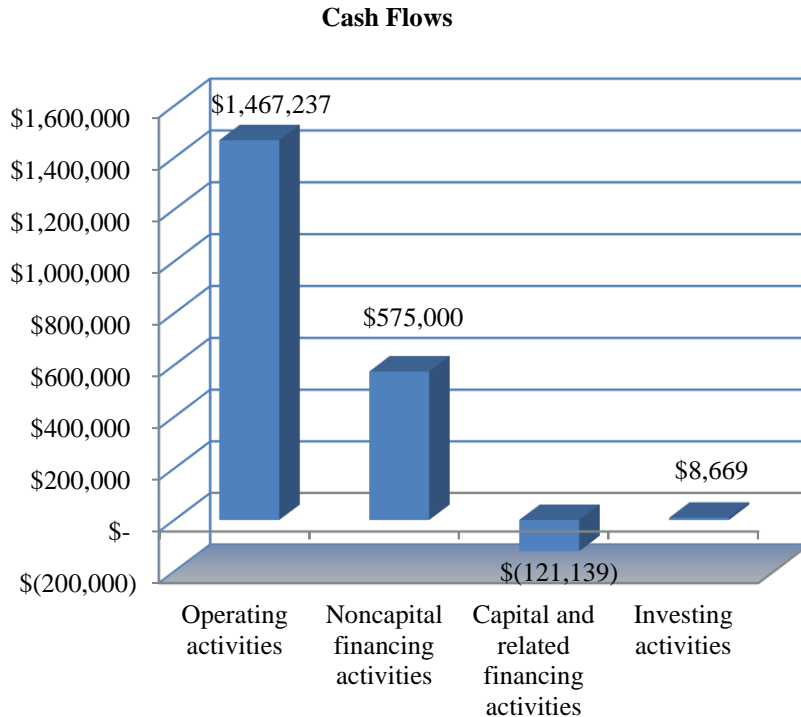
Management's Discussion and Analysis, Continued

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



Cash Flows

The statement of cash flows provides 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:



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Management's Discussion and Analysis, Continued

Economic Factors That May Affect the Future

There are no known economic factors that may influence the future, with the exception of third-party vendors and food service operation and facilities rental activities, which directly relate to the amount of revenue earned, as well as related expenses incurred.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Statements of Net Position

June 30, 2018 and 2017

| <u>Assets</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|------------------|
| Current assets: | | |
| Cash and equivalents | \$ 3,830,736 | 1,964,969 |
| Accounts receivable | 56,377 | 603,929 |
| Dining services commission receivable | 314,676 | 292,370 |
| Advances to the CUNY Research Foundation | <u>235,246</u> | <u>632,098</u> |
| Total current assets | 4,437,035 | 3,493,366 |
| Noncurrent assets - capital assets, net | <u>96,911</u> | <u>-</u> |
| Total assets | <u>4,533,946</u> | <u>3,493,366</u> |
| | | |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 13,900 | 16,811 |
| Unearned revenue | <u>329,510</u> | <u>369,180</u> |
| Total current liabilities | <u>343,410</u> | <u>385,991</u> |
| | | |
| <u>Net Position</u> | | |
| Net investment in capital assets | 96,911 | - |
| Unrestricted | <u>4,093,625</u> | <u>3,107,375</u> |
| | <u>\$ 4,190,536</u> | <u>3,107,375</u> |

See accompanying notes to financial statements.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|------------------|
| Operating revenue: | | |
| Facilities fees | \$ 1,548,747 | 1,263,150 |
| Donated space and services | 265,115 | 260,528 |
| Dining services commission, net | 375,263 | 292,370 |
| Royalties | 34,005 | 24,984 |
| Other | <u>136,533</u> | <u>114,941</u> |
| Total operating revenue | <u>2,359,663</u> | <u>1,955,973</u> |
| Operating expenses: | | |
| Facilities | 837,168 | 832,737 |
| Management and general | 286,338 | 322,365 |
| Publications and promotions | 73,437 | 66,977 |
| Depreciation | <u>24,228</u> | <u>-</u> |
| Total operating expenses | <u>1,221,171</u> | <u>1,222,079</u> |
| Income from operations | 1,138,492 | 733,894 |
| Nonoperating revenue - interest income | 8,669 | 7,513 |
| Transfers of net position (note 6) | <u>(64,000)</u> | <u>(103,967)</u> |
| Increase in net position | 1,083,161 | 637,440 |
| Net position at beginning of year | <u>3,107,375</u> | <u>2,469,935</u> |
| Net position at end of year | <u>\$ 4,190,536</u> | <u>3,107,375</u> |

See accompanying notes to financial statements.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Statements of Cash Flows
Years ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Cash receipts from: | | |
| Facilities fees | \$ 1,528,407 | 1,183,935 |
| Dining services commission, net | 312,381 | 380,331 |
| Food service capital improvements | - | 300,000 |
| Other | 168,467 | 143,733 |
| Cash payments to vendors | <u>(542,018)</u> | <u>(1,072,107)</u> |
| Net cash provided by operating activities | <u>1,467,237</u> | <u>935,892</u> |
| Cash flows from noncapital financing activities: | | |
| Repayment of loan for Graduate Center fellowship advances | 734,000 | 770,000 |
| Loan for Graduate Center fellowship advances | (734,000) | (770,000) |
| Repayment of loan to GSUC Child Development and Learning Center | 75,000 | 73,818 |
| Loan to GSUC Child Development and Learning Center | - | (148,818) |
| Repayment of loan to GC General Fund | 500,000 | - |
| Loan to GC General Fund | <u>-</u> | <u>(500,000)</u> |
| Net cash provided by (used in) noncapital financing activities | <u>575,000</u> | <u>(575,000)</u> |
| Cash flows used in capital and related financing activities - capital assets acquired | <u>(121,139)</u> | <u>-</u> |
| Cash flows from investing activities - interest income | <u>8,669</u> | <u>7,513</u> |
| Net increase in cash and equivalents | 1,929,767 | 368,405 |
| Transfer of net position to Graduate Center Foundation Inc. | (60,000) | (30,000) |
| Transfer of net position to Graduate Center Non-Tax Levy Fund | (4,000) | (73,967) |
| Cash and equivalents at beginning of year | <u>1,964,969</u> | <u>1,700,531</u> |
| Cash and equivalents at end of year | <u>\$ 3,830,736</u> | <u>1,964,969</u> |

(Continued)

See accompanying notes to financial statements.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS
Statements of Cash Flows, Continued

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|----------------|
| Reconciliation of income from operations to net cash provided by operating activities: | | |
| Income from operations | \$ 1,138,492 | 733,894 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | 24,228 | - |
| Changes in: | | |
| Accounts receivable | (27,448) | (28,929) |
| Dining services commission receivable | (22,306) | 87,961 |
| Advances to the CUNY Research Foundation | 396,852 | (64,946) |
| Accounts payable and accrued expenses | (2,911) | (2,873) |
| Unearned revenue | <u>(39,670)</u> | <u>210,785</u> |
| Net cash provided by operating activities | <u>\$ 1,467,237</u> | <u>935,892</u> |
| Supplemental schedule of cash flow information: | | |
| Donated space and services revenue | <u>\$ 265,115</u> | <u>260,528</u> |
| Donated personnel services expense | 188,012 | 183,425 |
| Donated facilities expense | <u>77,103</u> | <u>77,103</u> |
| | <u>\$ 265,115</u> | <u>260,528</u> |

See accompanying notes to financial statements.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements

June 30, 2018 and 2017

(1) Nature of Organization

Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts (the Auxiliary) is a nonprofit entity created for the principal purpose of developing and cultivating educational, social, cultural, and recreational activities among students of Graduate School and University Center (the Graduate Center) 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.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(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) 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 Child Care Services' 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 for all other equipment. 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, fixtures and equipment is five years and the estimated useful life of building improvements is 25 years.

(f) Donated Space and Services

The Auxiliary operates on the campus of the Graduate Center and utilizes staff with specialized skills from the Office of Special Events and Events Planning and the Office of Finance and Administration to perform the duties of the Auxiliary. The Auxiliary also utilizes facilities and equipment of the Graduate Center. The cost savings associated with such arrangements are recorded as donated space and services and are recognized as revenue and expenses in the accompanying statements of revenue, expenses and changes in net position based on the fair value of services received (note 5).

(g) Revenue Recognition

Operating revenues are recognized when earned and primarily consist of commissions and facilities rentals derived from agreements with third parties and rentals of space to internal and/or external groups. Receipts for services relating to future periods are recorded as unearned revenue.

(h) Commissions

The agreement between Restaurant Associates, Inc. and the Graduate Center, which is extended through June 30, 2027, indicates that commissions earned by the Graduate Center are based on the gross sales at the dining commons as follows:

- 3% of the first \$500,000
- 5% of the amounts from \$500,000 through \$1,000,000
- 7% of the amount from \$1,000,000 through \$2,500,000
- 9% of the amount over \$2,500,000

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Commissions, Continued

Dining services commission for the year ended June 30, 2018 was determined as follows and is included as receivable:

| <u>Gross sales</u> | <u>Sales</u> | <u>Rate</u> | <u>Commission revenue</u> |
|--|---------------------|-------------|---------------------------|
| \$0 - \$500,000 | \$ 500,000 | 3.00% | 15,000 |
| \$500,000 - \$1,000,000 | 500,000 | 5.00% | 25,000 |
| \$1,000,000 - \$2,500,000 | 1,500,000 | 7.00% | 105,000 |
| Over \$2,500,000 | <u>2,678,172</u> | 9.00% | <u>241,035</u> |
| Total sales | \$ <u>5,178,172</u> | | 386,035 |
| Accounts receivable recoveries - October 2017 to June 2018 (related to fiscal year June 2018) | | | 9,474 |
| Less - accounts receivable write-offs for 52 weeks ended June 28, 2018 | | | <u>(40,257)</u> |
| Total dining services commission revenue | | | 355,252 |
| Less - POS invoice #2104356223 | | | <u>(40,576)</u> |
| Total dining services commission receivable | | | \$ <u>314,676</u> |

Note: Check #108236294 dated October 11, 2017 for \$20,011.12 paid to CUNY for accounts receivable recoveries (July 17th to September 17th) related to fiscal year June 2017.

Dining services commission for the year ended June 30, 2017 was determined as follows and is included as receivable:

| <u>Gross Sales</u> | <u>Sales</u> | <u>Rate</u> | <u>Commission revenue</u> |
|---|---------------------|-------------|---------------------------|
| \$0 - \$500,000 | \$ 500,000 | 3.00% | 15,000 |
| \$500,000 - \$1,000,000 | 500,000 | 5.00% | 25,000 |
| \$1,000,000 - \$2,500,000 | 1,500,000 | 7.00% | 105,000 |
| Over \$2,500,000 | <u>2,188,012</u> | 9.00% | <u>196,921</u> |
| Total dining services commission revenue | \$ <u>4,688,012</u> | | 341,921 |
| Less: write-offs | | | <u>(49,551)</u> |
| Total dining services commission receivable | | | \$ <u>292,370</u> |

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(i) Royalties

The University entered into a contract with an unrelated organization in 2014, which allows the organization to sell its brand of products exclusively at the University. The terms of the contract provide the University with annual royalties. The University allocates the annual royalties to the Auxiliary based on cases of the products sold in the previous year. The Auxiliary received \$34,005 and \$24,984 of the allocation from the University in fiscal years ended 2018 and 2017, respectively.

(j) 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.

(k) 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.

(l) 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.

(m) 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 and Investments - Custodial Credit Risk - Deposits

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, \$3,615,029 of the Auxiliary's bank balance of \$3,865,029 was exposed to custodial credit risk as it was uninsured and uncollateralized.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Notes to Financial Statements, Continued

(4) Capital Assets

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

| | Beginning <u>balance</u> | <u>Additions</u> | <u>Disposals</u> | Ending <u>balance</u> |
|-------------------------------|-----------------------------|------------------|------------------|--------------------------|
| Equipment | \$ - | 121,139 | - | 121,139 |
| Less accumulated depreciation | <u>-</u> | <u>(24,228)</u> | <u>-</u> | <u>(24,228)</u> |
| Total capital assets, net | \$ <u>-</u> | <u>96,911</u> | <u>-</u> | <u>96,911</u> |

(5) Donated Space and Services

The Auxiliary utilizes members of the staff with specialized skills from the Office of Special Events and Events Planning and the Office of Finance and Administration. The Auxiliary recognizes in-kind revenue and corresponding expenses for the contribution associated with these specific members of the staff, who are paid directly by New York State and are not subject to reimbursement by the Auxiliary. The estimated fair value of the donated services amounted to \$188,012 and \$183,425 for the years ended June 30, 2018 and 2017, respectively. The Auxiliary also utilizes certain facilities provided by the Graduate Center at no cost. The estimated fair value of the donated office space, which is used solely by the Auxiliary, amounted to \$77,103 for the years ended June 30, 2018 and 2017. The donated space and services are included in the revenue and expenses in the accompanying statements of revenue, expenses and changes in net position.

(6) Related Party Transactions

The Auxiliary provided funding to the CUNY Research Foundation, a related entity, for payroll expenses related to the Office of Special Events and Events Planning. All such personnel appointments are made to the CUNY Research Foundation payroll. As of June 30, 2018 and 2017, the advances provided to the CUNY Research Foundation amounted to \$235,246 and \$632,098, respectively, and are reported as a current asset in the accompanying statements of net position.

The Auxiliary provided loans totaling \$734,000 (as of fiscal year ended June 30, 2018) and \$1,418,818 (as of fiscal year ended June 30, 2017). These amounts were used as follows:

- a) During fiscal years 2018 and 2017, the Auxiliary provided loans of \$734,000 and \$770,000, respectively, for fellowship advances for incoming Graduate Center students. The \$734,000 loan to the Graduate Center was repaid in full in fiscal year 2018 and the \$770,000 loan to the Graduate Center was repaid in full in fiscal year 2017.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(6) Related Party Transactions, Continued

- b) During fiscal year 2017, the Auxiliary provided a loan of \$148,818 to cover a portion of the Graduate Center Child Development and Learning Center's payroll expenses. Of the \$148,818 loan, \$73,818 was repaid in fiscal year 2017 and \$75,000 was repaid in fiscal year 2018. At the end of fiscal year 2018, there was no outstanding balance on this loan.
- c) During fiscal year 2017, the Auxiliary provided a loan of \$500,000 for operating cash flows to the Graduate Center General Fund. This was paid back to the Auxiliary in full in fiscal year 2018.

The Auxiliary provided payments of \$54,322, representing the payments for Blackbaud Financial Edge (accounting software), on behalf of several Graduate Center entities. At the end of fiscal year 2018, \$45,707 remained outstanding from the other Graduate Center entities and is included in accounts receivable on the statements of net position.

The Graduate Center Foundation Inc, The Graduate School and University Center Auxiliary Enterprises and the Graduate Center Non-Tax Levy General Fund are separate entities that receive and hold economic resources for the benefit to The Graduate School and University Center for the City University of New York. In fiscal year 2018, the Auxiliary Enterprises transferred a total of \$60,000 to the Graduate Center Foundation Inc. and \$4,000 to the Graduate Center Non-Tax Levy General Fund to reimburse and support their activities. In fiscal year 2017, the Auxiliary Enterprises transferred a total of \$30,000 to the Graduate Center Foundation, Inc. and \$73,967 to the Graduate Center Non-Tax Levy General Fund to reimburse and support their activities.

(7) 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. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Notes to Financial Statements, Continued

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

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.

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.