

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

Financial Statements and
Supplementary Information

June 30, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019, 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
September 25, 2020

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

June 30, 2020

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, 2020 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

- COVID-19 had a significant impact on the Graduate Center Auxiliary's financial position during fiscal year 2020.
- The Auxiliary's net position decreased by \$302,969 or 5.85%.
- Operating revenue decreased by \$922,933 or 40.11%.
- Operating expenses increased by \$603,870 or 53.62%.

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, 2020 and 2019, under the accrual basis of accounting:

| | <u>2020</u> | <u>2019</u> | <u>Dollar change</u> | <u>Percent change</u> |
|----------------------------------|---------------------|------------------|--------------------------|---------------------------|
| Assets: | | | | |
| Current assets | \$ 5,218,918 | 5,349,971 | (131,053) | (2.45%) |
| Noncurrent assets | <u>48,455</u> | <u>72,683</u> | <u>(24,228)</u> | (33.33%) |
| Total assets | <u>5,267,373</u> | <u>5,422,654</u> | <u>(155,281)</u> | (2.86%) |
| Liabilities | <u>394,328</u> | <u>246,640</u> | <u>147,688</u> | 59.88% |
| Net position: | | | | |
| Net investment in capital assets | 48,455 | 72,683 | (24,228) | (33.33%) |
| Unrestricted | <u>4,824,590</u> | <u>5,103,331</u> | <u>(278,741)</u> | (5.46%) |
| Total net position | \$ <u>4,873,045</u> | <u>5,176,014</u> | <u>(302,969)</u> | (5.85%) |

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

Management’s Discussion and Analysis, Continued

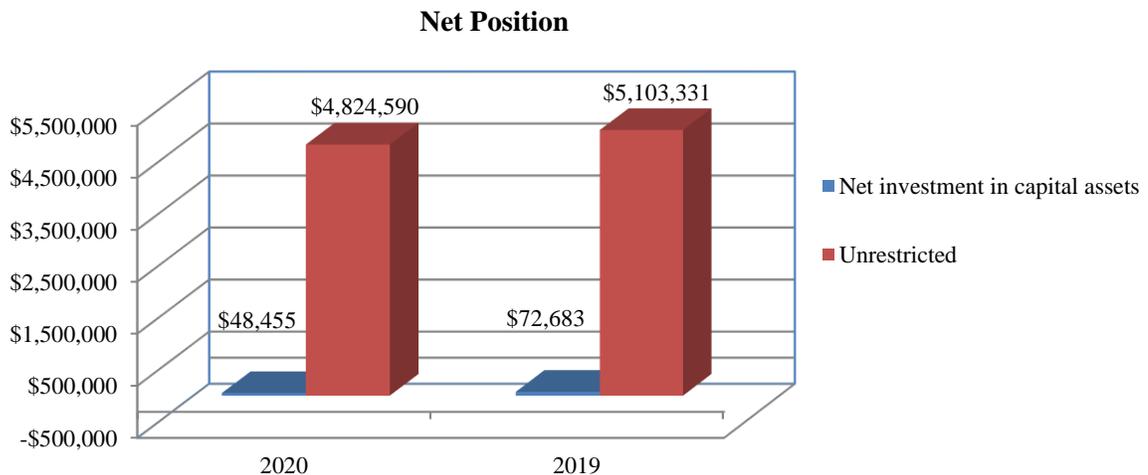
At June 30, 2020, the Auxiliary’s overall net position decreased by \$302,969 or 5.85%. This is mainly attributable to decreased equipment rental and dining services commission revenue.

The Auxiliaries’ assets totaled \$5,267,373 at June 30, 2020 a decrease of \$155,281 or 2.86% compared to the previous year. The decrease in assets is primarily due to the decrease in net cash provided by operating activities. Due to the changes in the dining services contract, the Auxiliary did not receive dining commissions in fiscal year 2020.

Liabilities increased by \$147,688 at June 30, 2020 compared to June 30, 2019. This is mainly due to a increase in accounts payable and accrued expenses of \$155,167. 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 unspent funds are recorded as 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, 2020 and 2019 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, 2020 and 2019 are as follows:

Revenue

| | <u>2020</u> | <u>2019</u> | <u>Dollar change</u> | <u>Percent change</u> |
|----------------------------------------|---------------------|------------------|--------------------------|---------------------------|
| Operating revenue: | | | | |
| Facilities fees | \$ 969,375 | 1,593,766 | (624,391) | (39.18%) |
| Donated space and services | 324,016 | 319,217 | 4,799 | 1.50% |
| Dining services commission, net | - | 204,824 | (204,824) | (100.00%) |
| Royalties | 52,226 | 36,808 | 15,418 | 41.89% |
| Other | <u>32,613</u> | <u>146,548</u> | <u>(113,935)</u> | <u>(77.75%)</u> |
| Total operating revenue | 1,378,230 | 2,301,163 | (922,933) | (40.11%) |
| Nonoperating revenue - interest income | <u>48,810</u> | <u>25,454</u> | <u>23,356</u> | 91.76% |
| Total revenue | \$ <u>1,427,040</u> | <u>2,326,617</u> | <u>(899,577)</u> | <u>(38.66%)</u> |

The Auxiliary's revenue for the year ended June 30, 2020 totaled \$1,427,040, a decrease of \$899,577 or 38.66%, compared to the prior fiscal year with the change being mainly attributable to a decrease in facilities fee revenue of \$624,391 or 39.18%. The decrease is attributable to cancelled events due to COVID-19. Dining services commission also decreased \$204,824 or 100% due to a change in the contract.

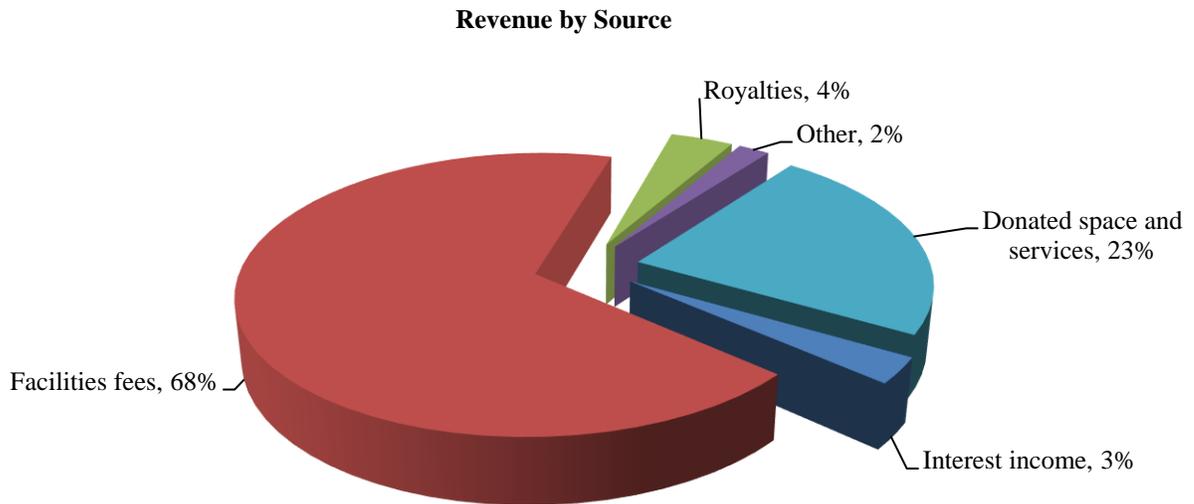
Nonoperating revenue totaled \$48,810 for the year June 30, 2020, an increase of \$23,356 or 91.76%. This increase in interest income was a result of better financial market performance.

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, 2020:



Expenses

| | <u>2020</u> | <u>2019</u> | <u>Dollar change</u> | <u>Percent change</u> |
|-----------------------------|---------------------|------------------|--------------------------|---------------------------|
| Operating expenses: | | | | |
| Facilities | \$ 552,597 | 764,208 | (211,611) | (27.69%) |
| Management and general | 1,071,128 | 256,594 | 814,534 | 317.44% |
| Publications and promotions | 82,056 | 81,109 | 947 | 1.17% |
| Depreciation | <u>24,228</u> | <u>24,228</u> | - | - |
| Total operating expenses | <u>\$ 1,730,009</u> | <u>1,126,139</u> | <u>603,870</u> | 53.62% |

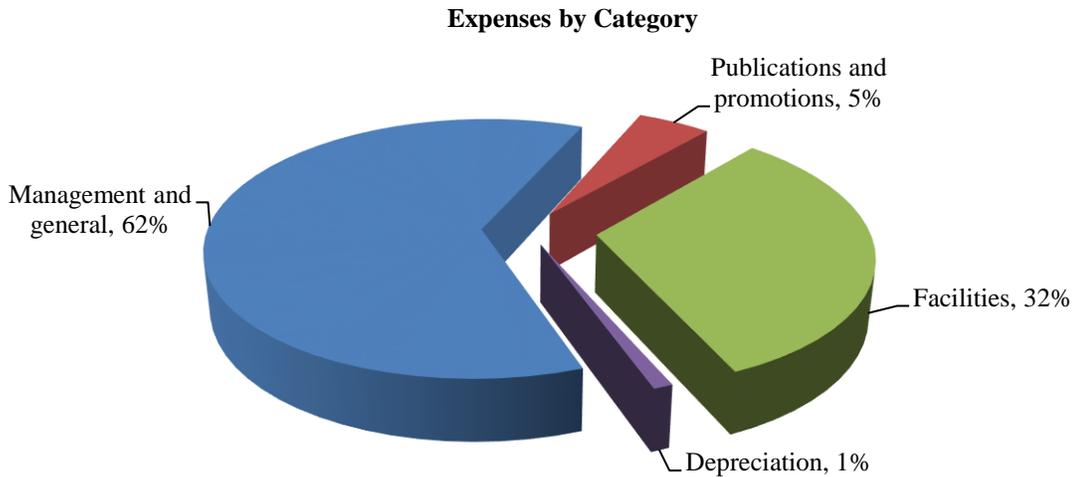
**AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
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Management's Discussion and Analysis, Continued

The Auxiliary's expenses associated with core operating activities for fiscal year 2020 totaled \$1,730,009, up from \$1,126,139 in fiscal year 2019. For the year ended June 30, 2020, the Auxiliary operating costs increased by \$603,870 or 53.62%. The increase primarily was due to three categories: consulting fees, administrative fees and fellowship awards. Consulting fees went up by \$225,745 or 899.06% from the previous year due to new website development. Administrative fees increased by \$402,880 or 100%. The increase was due to a contractual change. In prior fiscal years Graduate Center received commission from the Restaurant Associates, but in fiscal year 2020 due to a change in the cafeteria contract, Restaurant Associates administration and staff were converted into Auxiliary employees. However, the contract was terminated in May, 2020 due to low sales and the COVID-19 lockdown. In fiscal year 2020, the Auxiliary awarded an additional \$98,000 in fellowship awards to the Graduate Center students; an increase of 980%.

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

The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2020:

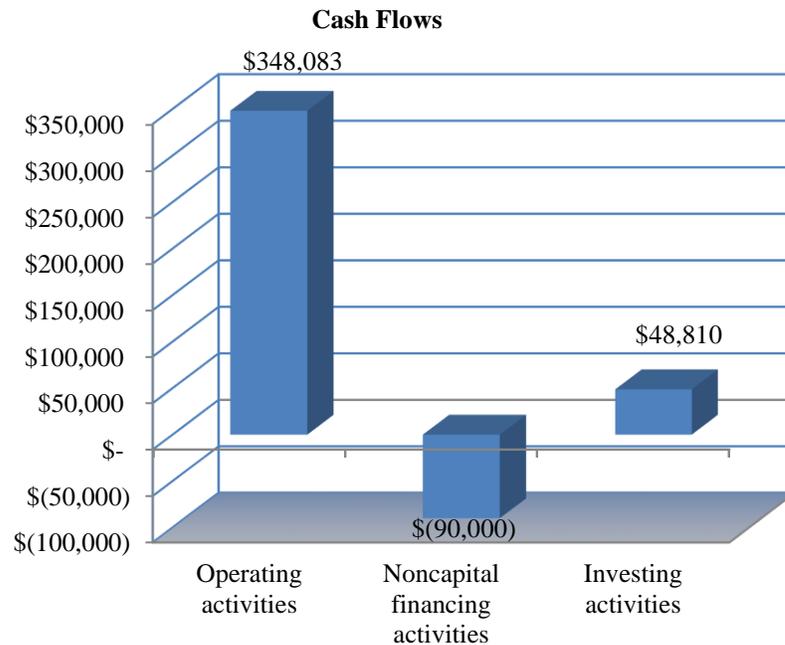


**AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS**

Management's Discussion and Analysis, Continued

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, 2020:



Economic Factors That May Affect the Future

The Auxiliary primarily depends on facilities rental fees, from both internal and external clients, and food services commissions to fund its operations. The Auxiliary Enterprises revenue is projected to significantly decrease during the next fiscal year due to COVID-19, which is having a global effect on virtually all types of rental and food services operations. The downward trend is expected to continue until the fall of 2021. Decreases in revenue would be offset by a corresponding decrease in expenditures. There are no additional currently known factors that are expected to have significant effect on the financial position of the Auxiliary Enterprises.

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

Statements of Net Position

June 30, 2020 and 2019

| <u>Assets</u> | <u>2020</u> | <u>2019</u> |
|------------------------------------------|---------------------|------------------|
| Current assets: | | |
| Cash and equivalents | \$ 4,992,229 | 4,685,336 |
| Accounts receivable | 19,365 | 19,655 |
| Due from related party | 155,000 | 65,000 |
| Dining services commission receivable | - | 204,824 |
| Advances to the CUNY Research Foundation | <u>52,324</u> | <u>375,156</u> |
| Total current assets | 5,218,918 | 5,349,971 |
| Noncurrent assets - capital assets, net | <u>48,455</u> | <u>72,683</u> |
| Total assets | <u>5,267,373</u> | <u>5,422,654</u> |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 161,807 | 6,640 |
| Unearned revenue | <u>232,521</u> | <u>240,000</u> |
| Total liabilities | <u>394,328</u> | <u>246,640</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 48,455 | 72,683 |
| Unrestricted | <u>4,824,590</u> | <u>5,103,331</u> |
| | <u>\$ 4,873,045</u> | <u>5,176,014</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, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|----------------------------------------|---------------------|------------------|
| Operating revenue: | | |
| Facilities fees | \$ 969,375 | 1,593,766 |
| Donated space and services | 324,016 | 319,217 |
| Dining services commission, net | - | 204,824 |
| Royalties | 52,226 | 36,808 |
| Other | <u>32,613</u> | <u>146,548</u> |
| Total operating revenue | <u>1,378,230</u> | <u>2,301,163</u> |
| Operating expenses: | | |
| Facilities | 552,597 | 764,208 |
| Management and general | 1,071,128 | 256,594 |
| Publications and promotions | 82,056 | 81,109 |
| Depreciation | <u>24,228</u> | <u>24,228</u> |
| Total operating expenses | <u>1,730,009</u> | <u>1,126,139</u> |
| Income (loss) from operations | (351,779) | 1,175,024 |
| Nonoperating revenue - interest income | 48,810 | 25,454 |
| Transfers of net position (note 6) | <u>-</u> | <u>(215,000)</u> |
| Change in net position | (302,969) | 985,478 |
| Net position at beginning of year | <u>5,176,014</u> | <u>4,190,536</u> |
| Net position at end of year | <u>\$ 4,873,045</u> | <u>5,176,014</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 Cash Flows
Years ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------------------------------|---------------------|------------------|
| Cash flows from operating activities: | | |
| Cash receipts from: | | |
| Facilities fees | \$ 962,186 | 1,540,978 |
| Dining services commission, net | 204,824 | 257,612 |
| Other | 84,839 | 183,356 |
| Cash payments to vendors | <u>(903,766)</u> | <u>(872,800)</u> |
| Net cash provided by operating activities | <u>348,083</u> | <u>1,109,146</u> |
| Cash flows from noncapital financing activities: | | |
| Repayment of loan for Graduate Center fellowship advances | 779,500 | 736,000 |
| Loan for Graduate Center fellowship advances | (779,500) | (736,000) |
| Loan to GSUC Child Development and Learning Center | <u>(90,000)</u> | <u>(65,000)</u> |
| Net cash used in noncapital financing activities | <u>(90,000)</u> | <u>(65,000)</u> |
| Cash flows from investing activities - interest income | <u>48,810</u> | <u>25,454</u> |
| Net change in cash and equivalents | 306,893 | 1,069,600 |
| Transfer of net position to Graduate Center Foundation, Inc. | - | (200,000) |
| Transfer of net position to Graduate Center Non-Tax Levy Fund | - | (15,000) |
| Cash and equivalents at beginning of year | <u>4,685,336</u> | <u>3,830,736</u> |
| Cash and equivalents at end of year | <u>\$ 4,992,229</u> | <u>4,685,336</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>2020</u> | <u>2019</u> |
|------------------------------------------------------------------------------------------------------|-------------------|------------------|
| Reconciliation of income (loss) from operations to net cash provided by operating activities: | | |
| Income (loss) from operations | \$ (351,779) | 1,175,024 |
| Adjustments to reconcile income (loss) from operations to net cash provided by operating activities: | | |
| Depreciation | 24,228 | 24,228 |
| Changes in: | | |
| Accounts receivable | 290 | 36,722 |
| Dining services commission receivable | 204,824 | 109,852 |
| Advances to the CUNY Research Foundation | 322,832 | (139,910) |
| Accounts payable and accrued expenses | 155,167 | (7,260) |
| Unearned revenue | <u>(7,479)</u> | <u>(89,510)</u> |
| Net cash provided by operating activities | <u>\$ 348,083</u> | <u>1,109,146</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, 2020 and 2019

(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, 2020 and 2019, 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 was terminated on December 31, 2019 indicated 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, 2019 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% | 15,000 |
| \$500,000 - \$1,000,000 | 500,000 | 5% | 25,000 |
| \$1,000,000 - \$2,500,000 | 1,500,000 | 7% | 105,000 |
| Over \$2,500,000 | <u>1,280,024</u> | 9% | <u>115,202</u> |
| Total sales | \$ <u>3,780,024</u> | | 260,202 |
| Accounts receivable write-offs recovered related to 52 weeks ended June 29, 2017 | | | 202 |
| Accounts receivable write-offs recovered related to 52 weeks ended June 29, 2018 | | | 14,619 |
| Less - accounts receivable write-offs for 52 weeks ended June 27, 2019 | | | <u>(62,142)</u> |
| Total dining services commission revenue | | | 212,881 |
| Less - Cinta's invoice #887872 | | | (4,029) |
| Less - Cinta's invoice #800292 | | | <u>(4,028)</u> |
| Total dining services commission receivable | | | \$ <u>204,824</u> |

(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 \$52,226 and \$36,808 of the allocation from the University in fiscal years ended 2020 and 2019, 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.

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

(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.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Auxiliary and its future results and financial position is not presently determinable.

(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, 2020, \$4,497,260 of the Auxiliary's bank balance of \$4,997,260 was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

Notes to Financial Statements, Continued

(4) Capital Assets

At June 30, 2020 and 2019, capital assets consisted of the following:

| | 2020 | | | |
|-------------------------------|------------------------------|------------------|------------------|---------------------------|
| | <u>Beginning balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending balance</u> |
| Equipment | \$ 121,139 | - | - | 121,139 |
| Less accumulated depreciation | <u>(48,456)</u> | <u>(24,228)</u> | <u>-</u> | <u>(72,684)</u> |
| Total capital assets, net | <u>\$ 72,683</u> | <u>(24,228)</u> | <u>-</u> | <u>48,455</u> |
| | 2019 | | | |
| | <u>Beginning balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending balance</u> |
| Equipment | \$ 121,139 | - | - | 121,139 |
| Less accumulated depreciation | <u>(24,228)</u> | <u>(24,228)</u> | <u>-</u> | <u>(48,456)</u> |
| Total capital assets, net | <u>\$ 96,911</u> | <u>(24,228)</u> | <u>-</u> | <u>72,683</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 \$241,857 and \$243,378 for the years ended June 30, 2020 and 2019, 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 \$82,159 and \$75,839 for the years ended June 30, 2020 and 2019, respectively. 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, 2020 and 2019, the advances provided to the CUNY Research Foundation amounted to \$52,324 and \$375,156, respectively, and are reported as a current asset in the accompanying statements of net position.

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

The Auxiliary provided loans totaling \$869,500 (as of fiscal year ended June 30, 2020) and \$801,000 (as of fiscal year ended June 30, 2019). These amounts were used as follows:

- a) During fiscal year 2020 and 2019, the Auxiliary provided a loan of \$90,000 and \$65,000, respectively, to cover a portion of the Graduate Center Child Development and Learning Center's payroll expenses. At the end of fiscal year 2020, the loans were outstanding.
- b) During fiscal years 2020 and 2019, the Auxiliary provided loans of \$779,500 and \$736,000, respectively, for fellowship advances for incoming Graduate Center students. The \$779,500 loan to the Graduate Center was repaid in full in fiscal year 2020 and the \$736,000 loan to the Graduate Center was repaid in full in fiscal year 2019.

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 2019, the Auxiliary Enterprises transferred a total of \$200,000 to the Graduate Center Foundation, Inc. and \$15,000 to the Graduate Center Non-Tax Levy Fund to reimburse and support their activities.

(7) Accounting Standards Issued But Not Yet Implemented

GASB issued Statement No. 95 - "Postponement of the Effective Dates of Certain Authoritative Guidance" in May 2020. This Statement has the primary objective of providing temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Disclosures below have been updated accordingly.

- GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, addresses criteria for identifying fiduciary activities of state and local governments and focuses on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with who the fiduciary relationship exists. 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.

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

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, requires 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. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021, which is the fiscal year beginning July 1, 2021 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, 2020, which is the fiscal year beginning July 1, 2021 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 91 - “Conduit Debt Obligations.” This Statement, issued in May 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, which is the fiscal year beginning July 1, 2022 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 92 - “Omnibus 2020.” This Statement, issued in January 2020, clarifies implementation of GASB Statements No. 73, 74, 84 and 87, generally effective for fiscal years beginning after June 15, 2021, which is the fiscal year beginning July 1, 2021 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 93 - “Replacement of Interbank Offered Rates.” This Statement, issued in March 2020, addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021. The requirements of this Statement are effective for reporting periods beginning after December 31, 2022, which is the fiscal year beginning July 1, 2023 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. 94 - “Public-Private and Public-Public Partnerships and Availability Payment Arrangements.” This Statement, issued in March 2020, addresses issues related to public-private and public-public partnerships (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which is the fiscal year beginning July 1, 2022 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 96 - “Subscription-Based Information Technology Arrangements.” This Statement, issued in May 2020, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which is the fiscal year beginning July 1, 2022 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 97 - “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.” This Statement, issued in June 2020, sets requirements for a primary government’s determination of component units which do not have governing boards; amends the financial burden criterion in paragraph 7 of Statement No. 84; sets required classifications for Section 457 plans and applies Statement No. 84, as amended, to IRC Section 457 arrangements; and supersedes remaining provisions of Statement No. 32, as amended, regarding investment valuation requirements for Section 457 plans. The requirements of this Statement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, which is the fiscal year beginning July 1, 2021 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.