

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

**Financial Statements and
Supplementary Information**

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

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

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Financial Statements:	
Statements of Net Position	9
Statements of Revenue, Expenses and Changes in Net Position	10
Statements of Cash Flows	11 - 12
Notes to Financial Statements	13 - 19

* * * * *

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, 2015 and 2014, 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, 2015 and 2014, 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
October 2, 2015

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

Management's Discussion and Analysis

June 30, 2015 and 2014

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts' (the Auxiliary) financial position as of June 30, 2015 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 declined during fiscal year 2015.
- The Auxiliary's net position decreased by \$4,872,359 or 79%.
- Operating revenue increased by \$56,687 or 2%.
- Operating expenses increased by \$18,785 or 2%.

Financial Position

The Auxiliary's net position, the difference between assets and liabilities, are 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, 2015 and 2014, under the accrual basis of accounting:

	<u>2015</u>	<u>2014</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets	\$ <u>1,822,306</u>	<u>6,371,598</u>	<u>(4,549,292)</u>	<u>(71%)</u>
Liabilities	<u>527,588</u>	<u>204,521</u>	<u>323,067</u>	<u>158%</u>
Net position	\$ <u>1,294,718</u>	<u>6,167,077</u>	<u>(4,872,359)</u>	<u>(79%)</u>

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, 2015, the Auxiliary's overall net position decreased by \$4,872,359 or 79%. The decrease in net position is primarily due to financial support to the Graduate Center Foundation Housing Corporation LIC, a tax-exempt organization, which was formed to create affordable housing for the use of students enrolled at the Graduate School and University Center of the City University of New York (CUNY) and their families while these students complete their studies, and for the faculty of the CUNY Graduate Center and their families. The decrease in overall net position was also due to the use of Auxiliary funds to provide support of Graduate Center faculty research, as well as doctoral student fellowships. The Auxiliary provided partial funding of \$3,679,527 for the acquisition of land in Long Island City, NY for CUNY Graduate Center student and faculty housing and \$2,919,024 in support for CUNY Graduate Center faculty research and doctoral student fellowships. Although there was a decrease in the Auxiliary's net position at June 30, 2015, the Auxiliary's financial position continues to remain strong with assets of \$1,822,306. The Auxiliary continues to maintain and protect its strong financial position, with the efficient and effective use of its financial resources.

The cash and equivalents for the Auxiliary decreased by \$4,677,677 between fiscal years 2014 and 2015 due to the transfer of \$3,679,527 and \$2,919,024 to the Graduate Center Foundation Housing Corp, LIC and the Graduate Center Non-Tax Levy General Fund, respectively. This was offset by Auxiliary income from operations of \$1,716,454. In fiscal year ended 2015, dining services commission receivable was \$569,181, an increase of 26% from prior fiscal year. This increase is primarily due to an increase in catering and food service commission revenue generated through dining services. The dining services at the CUNY Graduate Center is operated by Restaurant Associates, which serves both external and internal clients. In fiscal year ending 2015, facilities fees decreased by \$43,222 or 2% from the prior fiscal year. The advances to the City University of New York Research Foundation increased from the previous year by \$25,971. This increase is mainly due to an increase in payment amounts, representing advances for future payroll processing, made at the end of the fiscal year to the CUNY Research Foundation.

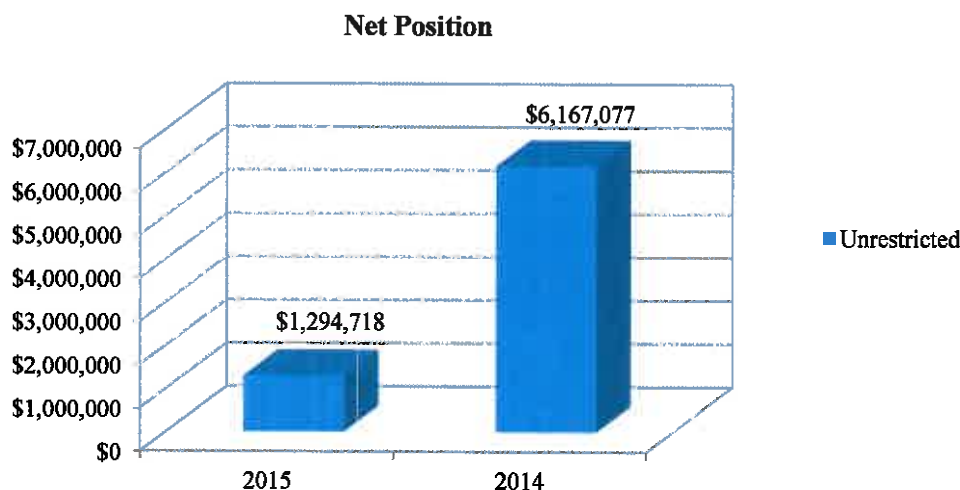
At June 30, 2015, the Auxiliary's total current liabilities increased by \$323,067 from the prior year, consisting largely of accounts payable to vendors for goods and services, accrued costs due to security and concierge services performed, and an increase in unearned facilities rental revenue. Accounts payable and accrued expenses increased to \$79,439 in fiscal year 2015 from \$42,034 in fiscal year 2014. Unearned revenue for fiscal year 2015 totaled \$448,149, up from \$162,487 in fiscal year 2014; this increase in unearned revenue is attributed mainly to the timing of facilities rental cash payments at June 30, 2015.

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

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

Management's Discussion and Analysis, Continued

The following illustrates the Auxiliary's net position at June 30, 2015 and 2014 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, 2015 and 2014 are as follows:

Revenue

	<u>2015</u>	<u>2014</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Facilities fees	\$ 1,849,938	1,893,160	(43,222)	(2%)
Donated space and services	221,281	218,776	2,505	1%
Dining services commission, net	569,181	452,777	116,404	26%
Royalties	19,264	25,410	(6,146)	(24%)
Other	<u>115,724</u>	<u>128,578</u>	<u>(12,854)</u>	<u>(10%)</u>
Total operating revenue	2,775,388	2,718,701	56,687	2%
Nonoperating revenue - interest income	<u>9,738</u>	<u>5,945</u>	<u>3,793</u>	64%
Total revenue	\$ <u>2,785,126</u>	<u>2,724,646</u>	<u>60,480</u>	2%

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

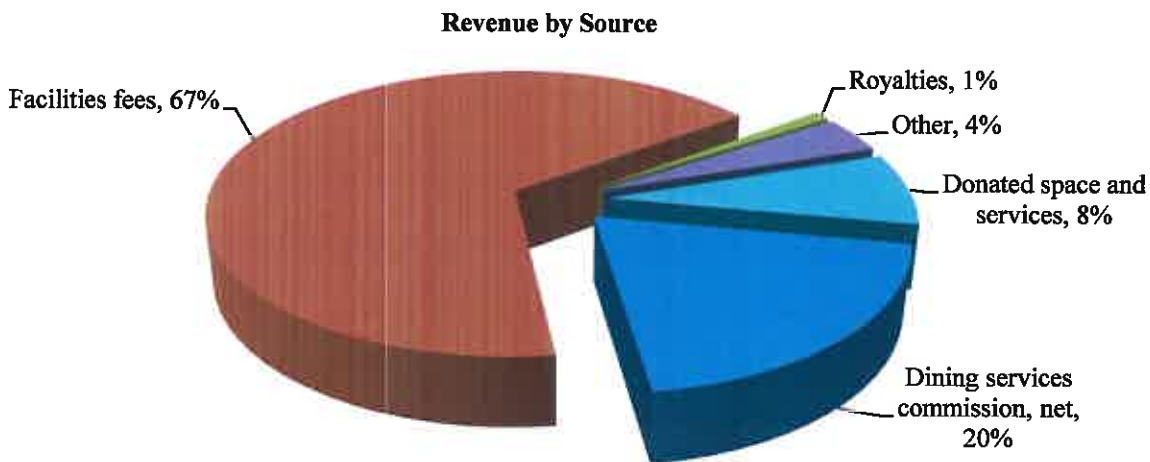
Management's Discussion and Analysis, Continued

The Auxiliary's revenue for the year ended June 30, 2015 totaled \$2,785,126, an increase of \$60,480 or 2%, compared to the prior fiscal year with the change being mainly attributable to two factors: (1) in fiscal year 2015, there was a significant increase in dining services commission of \$116,404 or 26% compared to fiscal year 2014. Dining services commission increased mainly due to greater demand for dining services, chiefly consisting of catering activities in connection with both internal and external clients; and (2) in fiscal year 2015, there was a decrease of facilities fees of \$43,222. This was mainly due to a decrease in space and equipment rental income. There is an increase of \$285,662 of unearned revenue in fiscal year 2015 as compared to fiscal year 2014.

Nonoperating revenue increased \$3,793 for the year ended June 30, 2015 from \$5,945 in 2014 to \$9,738 in 2015, due to an increase in interest income that resulted from carrying a higher bank balance during fiscal year 2015, as compared with fiscal year 2014.

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, 2015:



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

Management's Discussion and Analysis, Continued

Expenses

	<u>2015</u>	<u>2014</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Facilities	\$ 713,467	693,260	20,207	3%
Management and general	288,581	286,549	2,032	1%
Publications and promotions	<u>56,886</u>	<u>60,340</u>	<u>(3,454)</u>	(6%)
Total operating expenses	<u>\$ 1,058,934</u>	<u>1,040,149</u>	<u>18,785</u>	2%

The Auxiliary's expenses associated with core operating activities for fiscal year 2015 totaled \$1,058,934, up from \$1,040,149 in fiscal year 2014. A portion of the operating expenses were 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 increase in operating expenses was due primarily to an increase in facilities and management and general expenses. For the year ended June 30, 2015, the Auxiliary had higher operating costs than fiscal year ended June 30, 2014 due to an increase in salary, consulting, membership dues and commencement expenses.

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, 2015:

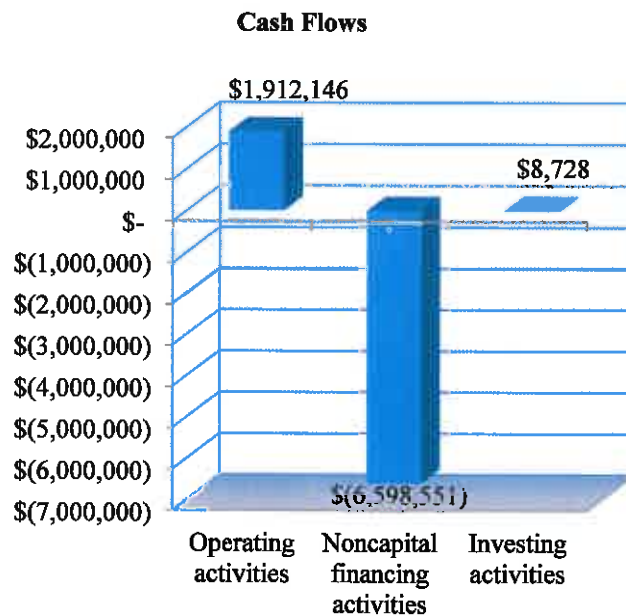


AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

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, 2015:



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 -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Statements of Net Position

June 30, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and equivalents	\$ 167,685	4,845,362
Short-term investments	507,202	506,192
Accounts receivable	1,000	16,000
Dining services commission receivable	569,181	452,777
Advances to the CUNY Research Foundation	<u>577,238</u>	<u>551,267</u>
Total current assets	<u>1,822,306</u>	<u>6,371,598</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	79,439	42,034
Unearned revenue	<u>448,149</u>	<u>162,487</u>
Total current liabilities	<u>527,588</u>	<u>204,521</u>
<u>Net Position</u>		
Unrestricted	<u>\$ 1,294,718</u>	<u>6,167,077</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenue:		
Facilities fees	\$ 1,849,938	1,893,160
Donated space and services	221,281	218,776
Dining services commission, net	569,181	452,777
Royalties	19,264	25,410
Other	<u>115,724</u>	<u>128,578</u>
Total operating revenue	<u>2,775,388</u>	<u>2,718,701</u>
Operating expenses:		
Facilities	713,467	693,260
Management and general	288,581	286,549
Publications and promotions	<u>56,886</u>	<u>60,340</u>
Total operating expenses	<u>1,058,934</u>	<u>1,040,149</u>
Income from operations	1,716,454	1,678,552
Nonoperating revenue - interest income	9,738	5,945
Transfer out of net position (note 5)	<u>(6,598,551)</u>	<u>-</u>
Increase (decrease) in net position	(4,872,359)	1,684,497
Net position at beginning of year	<u>6,167,077</u>	<u>4,482,580</u>
Net position at end of year	<u>\$ 1,294,718</u>	<u>6,167,077</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash receipts from:		
Facilities fees	\$ 2,161,600	1,787,608
Dining services commission, net	452,777	341,591
Other	131,640	144,006
Cash payments to vendors	<u>(833,871)</u>	<u>(844,471)</u>
Net cash provided by operating activities	<u>1,912,146</u>	<u>1,428,734</u>
Cash flows from noncapital financing activities:		
Repayment of loan for Graduate Center fellowship advances	650,000	700,000
Repayment of loan to GSUC Child Development and Learning Center	50,000	50,000
Repayment of loan to Graduate Center Foundation Housing Corp. LIC	-	100,000
Loan for Graduate Center fellowship advances	(650,000)	(700,000)
Loan to GSUC Child Development and Learning Center	(50,000)	(50,000)
Loan to Graduate Center Foundation Housing Corp. LIC	-	(100,000)
Contribution to Graduate Center Foundation Housing Corp. LIC	(3,679,527)	-
Contribution to Graduate Center Non-Tax Levy Fund	<u>(2,919,024)</u>	<u>-</u>
Net cash used in noncapital financing activities	<u>(6,598,551)</u>	<u>-</u>
Cash flows from investing activities:		
Purchase of investments	(1,010)	(570)
Interest income	<u>9,738</u>	<u>5,945</u>
Net cash provided by investing activities	<u>8,728</u>	<u>5,375</u>
Net increase (decrease) in cash and equivalents	<u>(4,677,677)</u>	<u>1,434,109</u>
Cash and equivalents at beginning of year	<u>4,845,362</u>	<u>3,411,253</u>
Cash and equivalents at end of year	<u>\$ 167,685</u>	<u>4,845,362</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>2015</u>	<u>2014</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 1,716,454	1,678,552
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Changes in:		
Accounts receivable	15,000	(16,000)
Dining services commission receivable	(116,404)	(111,186)
Advances to the CUNY Research Foundation	(25,971)	20,878
Accounts payable and accrued expenses	37,405	(43,958)
Unearned revenue	<u>285,662</u>	<u>(99,552)</u>
Net cash provided by operating activities	<u>\$ 1,912,146</u>	<u>1,428,734</u>
Supplemental schedule of cash flow information:		
Donated space and services revenue	<u>\$ 221,281</u>	<u>218,776</u>
Donated personnel services	158,082	155,577
Donated facilities services	<u>63,199</u>	<u>63,199</u>
	<u>\$ 221,281</u>	<u>218,776</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, 2015 and 2014

(1) Nature of Organization

The 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) Accounting Pronouncements

The significant GASB standards followed by the Auxiliary are summarized below:

GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities." This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities.

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

(c) 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, 2015, the Auxiliary had no net investment in capital assets and no restricted net position.

(d) Cash and Equivalents

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

(e) 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.

(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 change in net position based on the fair value of services received (note 4).

(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.

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

The agreement between Restaurant Associates, Inc. and the Graduate Center, which is extended through June 30, 2017, 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

Dining services commission for the year ended June 30, 2015 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>4,713,127</u>	9.00%	<u>424,181</u>
Total dining services commission revenue	\$ <u>7,213,127</u>		<u>569,181</u>
Total dining services commission receivable			\$ <u>569,181</u>

Dining services commission for the year ended June 30, 2014 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>3,419,742</u>	9.00%	<u>307,777</u>
Total dining services commission revenue	\$ <u>5,919,742</u>		<u>452,777</u>
Total dining services commission receivable			\$ <u>452,777</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 \$19,264 and \$25,410 of the allocation from the University in fiscal year ended 2015 and 2014, 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. The Auxiliary is no longer subject to tax examination for the years ended June 30, 2011, and prior.

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

Notes to Financial Statements, Continued

(3) Cash and Equivalents and Investments

(a) 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, 2015, none of the Auxiliary's bank balance of \$168,650 was exposed to custodial credit risk as it was insured and collateralized.

(b) Custodial Credit Risk - Investments

Custodial credit risk as it relates to investments is the risk that the Auxiliary will not be able to recover the value of its investment portfolio that is in the possession of a failed counterparty in the event of failure of that counterparty of a transaction. At June 30, 2015, \$425,852 of the Auxiliary's investment portfolio balance of \$507,202 was exposed to custodial credit risk, as it was uninsured and uncollateralized. This investment represents short-term certificates of deposit.

(4) 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. This staff is provided by the Graduate Center at no cost. The estimated fair value of the donated services amounted to \$158,082 and \$155,577 for the years ended June 30, 2015 and 2014, 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 \$63,199 for the years ended June 30, 2015 and 2014. These donated space and services are included in the revenue and expenses in the accompanying statements of revenue, expenses and changes in net position.

(5) 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, 2015 and 2014, the advances provided to the CUNY Research Foundation amounted to \$577,238 and \$551,267, respectively, and are reported as a current asset in the accompanying statements of net position.

The Auxiliary provided loans totaling \$700,000 (as of fiscal year ended June 30, 2015) and \$850,000 (as of fiscal year ended June 30, 2014). These amounts were used as follows:

- a) During fiscal years 2015 and 2014, the Auxiliary provided loans of \$650,000 and \$700,000, respectively, for fellowship advances for incoming Graduate Center students.

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

Notes to Financial Statements, Continued

(5) Related Party Transactions, Continued

- b) During fiscal years 2015 and 2014, the Auxiliary provided a loan of \$50,000 to cover a portion of the Graduate Center Child Development and Learning Center's staff expenses.
- c) During fiscal year 2014, the Auxiliary provided a loan of \$100,000 for start-up costs to the Graduate Center Foundation Housing Corp. LIC.

The Graduate Center Foundation Housing Corp. LIC, 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 2015, the Auxiliary Enterprises transferred a total of \$3,679,527 to the Graduate Center Foundation Housing Corp. LIC and \$2,919,024 to the Graduate Center Non-Tax Levy General Fund to support their activities.

(6) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 72 - "Fair Value Measurement and Application." This Statement, which was issued in February 2015, provides guidance regarding accounting and financial reporting issues related to fair value measurements for certain investments and disclosures related to fair value measurements. The requirements of this Statement are effective for periods beginning after June 15, 2015, which is the fiscal year beginning July 1, 2015 for the Auxiliary. This Statement is being evaluated for its effect on the financial statements of the Auxiliary.
- GASB Statement No. 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This Statement, issued in June 2015, establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of Statement No. 68, "Accounting and Financial Reporting for Pensions," as well as requirements for the assets accumulated for purposes of providing those pensions. The requirements of this Statement for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016. Requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions as well as the requirements for pension plans within the scope of Statements 67 and 68 are effective for fiscal years beginning after June 15, 2015, which is the fiscal year beginning July 1, 2015. 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

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

- GASB Statement No. 74 - “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” This Statement, issued in June 2015, replaces existing standards of accounting and financial reporting for postemployment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning July 1, 2016 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 75 - “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 76 - “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.” This Statement, issued in June 2015, supersedes Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2015, which is the fiscal year beginning July 1, 2015 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.