

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

Financial Statements and
Supplementary Information

June 30, 2017 and 2016

(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, 2017 and 2016, 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, 2017 and 2016, 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
(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York
October 5, 2017

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

June 30, 2017

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, 2017 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 2017.
- The Auxiliary's net position increased by \$637,440 or 26%.
- Operating revenue decreased by \$417,649 or 18%.
- Operating expenses increased by \$19,115 or 2%.

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, 2017 and 2016, under the accrual basis of accounting:

	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets	\$ <u>3,493,366</u>	<u>2,648,014</u>	<u>845,352</u>	32%
Liabilities	<u>385,991</u>	<u>178,079</u>	<u>207,912</u>	117%
Unrestricted net position	\$ <u>3,107,375</u>	<u>2,469,935</u>	<u>637,440</u>	26%

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

Management's Discussion and Analysis, Continued

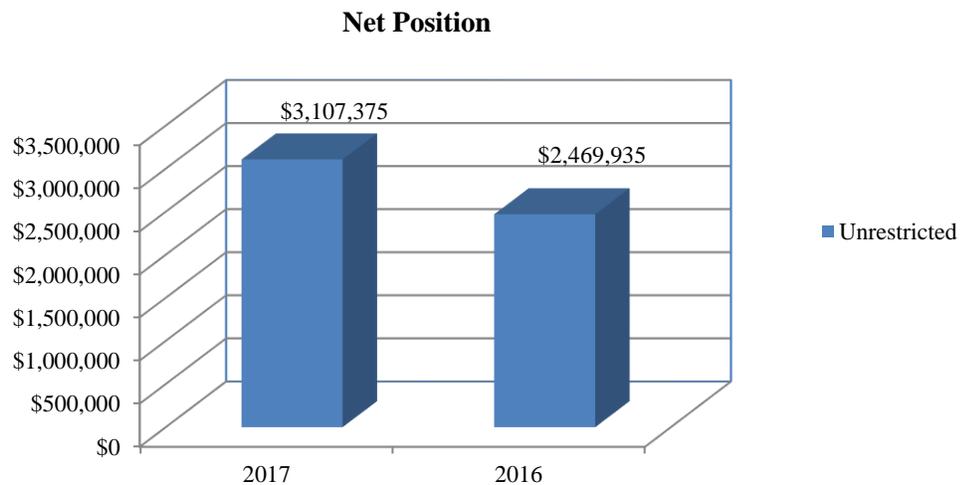
At June 30, 2017, the Auxiliary's overall net position increased by \$637,440 or 26%. The increase in net position is primarily due to income from operations of \$733,894 for fiscal year 2017. This is mainly attributable to the facilities fees revenue and dining services commission revenue for the year ended 2017.

The Auxiliaries' assets totaled \$3,493,366 at June 30, 2017, an increase of \$845,352, or 32% compared to the previous year. The increase in assets is primarily due to the increase in net cash provided by operating activities. Accounts receivable increased by \$603,929 due to related party short-term loans.

Liabilities increased by \$207,912 from fiscal year 2016 to fiscal year 2017. This is mainly due to an increase in deferred revenue of \$210,785. 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.

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, 2017 and 2016 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, 2017 and 2016 are as follows:

Revenue

	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Facilities fees	\$ 1,263,150	1,581,648	(318,498)	(20%)
Donated space and services	260,528	247,528	13,000	5%
Dining services commission, net	292,370	380,331	(87,961)	(23%)
Royalties	24,984	39,839	(14,855)	(37%)
Other	<u>114,941</u>	<u>124,276</u>	<u>(9,335)</u>	(8%)
Total operating revenue	1,955,973	2,373,622	(417,649)	(18%)
Nonoperating revenue - interest income	<u>7,513</u>	<u>4,559</u>	<u>2,954</u>	65%
Total revenue	\$ <u>1,963,486</u>	<u>2,378,181</u>	<u>(414,695)</u>	(17%)

The Auxiliary's revenue for the year ended June 30, 2017 totaled \$1,963,486, a decrease of \$414,695 or 17%, compared to the prior fiscal year with the change being mainly attributable to two factors: (1) in fiscal year 2017, there was a decrease in dining services commission of \$87,961 or 23% compared to fiscal year 2016. Dining services commission decreased mainly due to less demand for dining services, chiefly consisting of catering activities in connection with both internal and external clients; and (2) in fiscal year 2017, there was a decrease of facilities fees of \$318,498. This was mainly due to a decrease in space and equipment rental income.

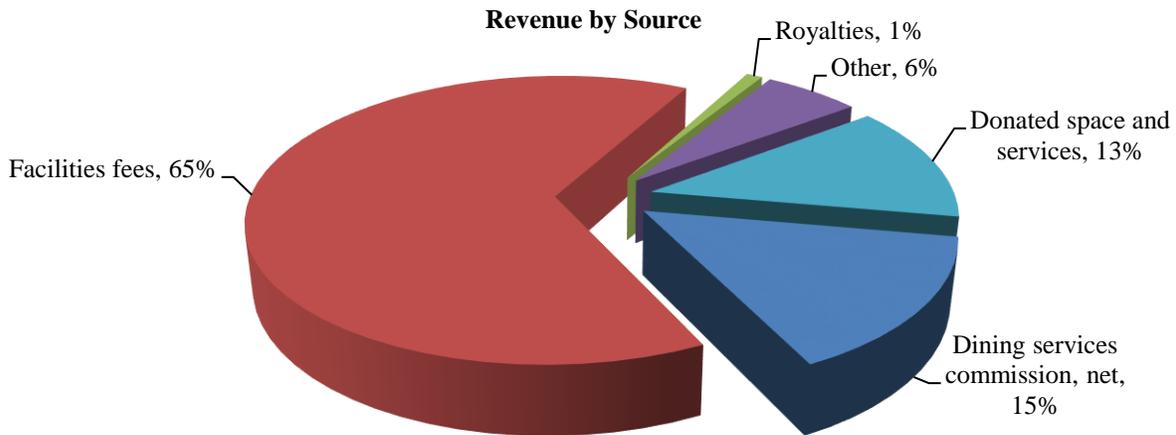
Nonoperating revenue totaled \$7,513 at June 30, 2017, an increase of \$2,954 or 65%. This increase in interest income resulted from a higher bank balance in fiscal year 2017, compared to the previous year.

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, 2017:



Expenses

	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Facilities	\$ 832,737	782,433	50,304	6%
Management and general	322,365	357,894	(35,529)	(10%)
Publications and promotions	<u>66,977</u>	<u>62,637</u>	<u>4,340</u>	7%
Total operating expenses	<u>\$ 1,222,079</u>	<u>1,202,964</u>	<u>19,115</u>	2%

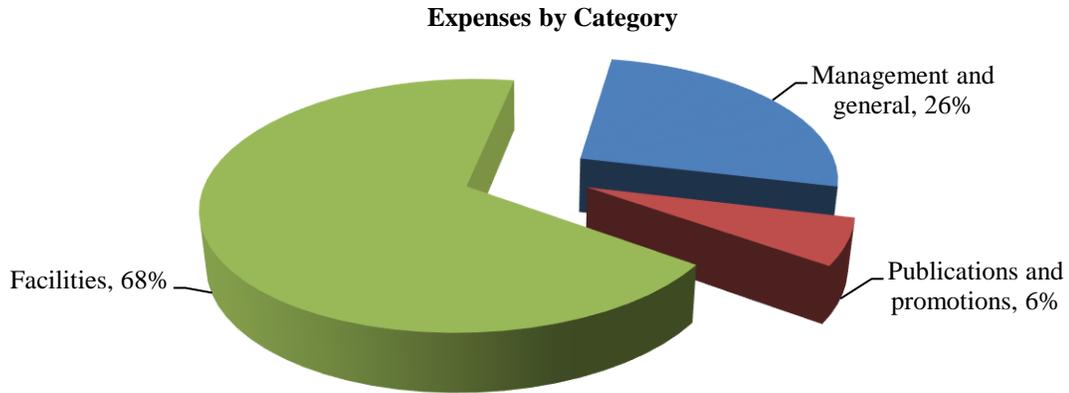
The Auxiliary's expenses associated with core operating activities for fiscal year 2017 totaled \$1,222,079, up from \$1,202,964 in fiscal year 2016. A portion of the operating expenses was related to salaries and benefits for administrative staff working on behalf of the Auxiliary. Other expenses were related to goods and services used for operation of the principle activities of the Auxiliary. The increase in operating expenses was due primarily to an increase in facilities. For the year ended June 30, 2017, the Auxiliary had higher operating costs than fiscal year ended June 30, 2016 due to an increase in salary, consulting and commencement expenses.

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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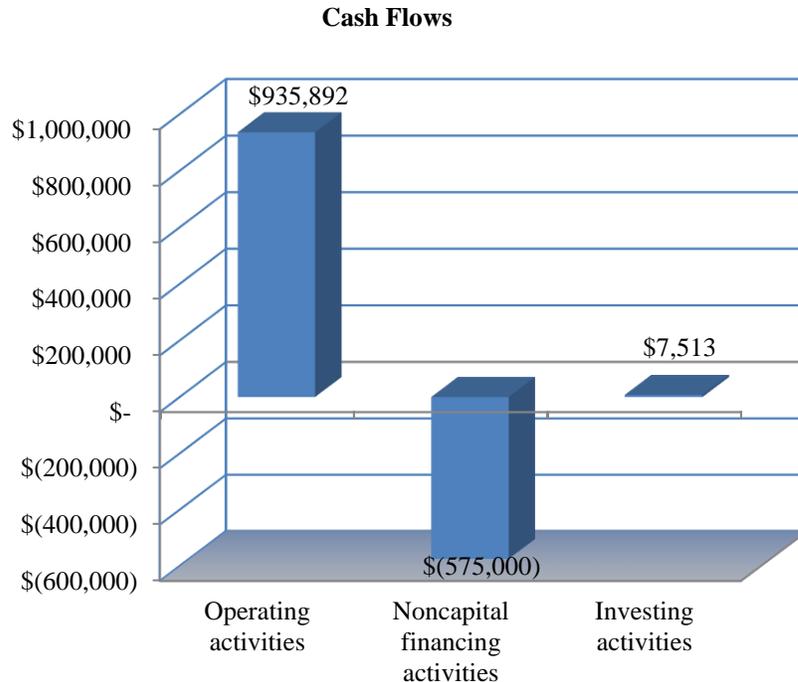
Management's Discussion and Analysis, Continued

The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2017:



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, 2017:



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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 -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS
Statements of Net Position
June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and equivalents	\$ 1,964,969	1,700,531
Accounts receivable	603,929	-
Dining services commission receivable	292,370	380,331
Advances to the CUNY Research Foundation	<u>632,098</u>	<u>567,152</u>
Total current assets	<u>3,493,366</u>	<u>2,648,014</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	16,811	19,684
Unearned revenue	<u>369,180</u>	<u>158,395</u>
Total current liabilities	<u>385,991</u>	<u>178,079</u>
<u>Net Position</u>		
Unrestricted	<u>\$ 3,107,375</u>	<u>2,469,935</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenue:		
Facilities fees	\$ 1,263,150	1,581,648
Donated space and services	260,528	247,528
Dining services commission, net	292,370	380,331
Royalties	24,984	39,839
Other	<u>114,941</u>	<u>124,276</u>
Total operating revenue	<u>1,955,973</u>	<u>2,373,622</u>
Operating expenses:		
Facilities	832,737	782,433
Management and general	322,365	357,894
Publications and promotions	<u>66,977</u>	<u>62,637</u>
Total operating expenses	<u>1,222,079</u>	<u>1,202,964</u>
Income from operations	733,894	1,170,658
Nonoperating revenue - interest income	7,513	4,559
Transfers of net position (note 5)	<u>(103,967)</u>	<u>-</u>
Increase in net position	637,440	1,175,217
Net position at beginning of year	<u>2,469,935</u>	<u>1,294,718</u>
Net position at end of year	<u>\$ 3,107,375</u>	<u>2,469,935</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash receipts from:		
Facilities fees	\$ 1,183,935	1,301,894
Dining services commission, net	380,331	569,181
Food service capital improvements	300,000	-
Other	143,733	154,197
Cash payments to vendors	<u>(1,072,107)</u>	<u>(1,004,187)</u>
Net cash provided by operating activities	<u>935,892</u>	<u>1,021,085</u>
Cash flows from noncapital financing activities:		
Repayment of loan for Graduate Center fellowship advances	770,000	806,500
Repayment of loan to GSUC Child Development and Learning Center	73,818	60,000
Loan for Graduate Center fellowship advances	(770,000)	(806,500)
Loan to GSUC Child Development and Learning Center	(148,818)	(60,000)
Loan to GC General Fund	<u>(500,000)</u>	<u>-</u>
Net cash used in noncapital financing activities	<u>(575,000)</u>	<u>-</u>
Cash flows from investing activities:		
Sale of investments	-	507,202
Interest income	<u>7,513</u>	<u>4,559</u>
Net cash provided by investing activities	<u>7,513</u>	<u>511,761</u>
Net increase in cash and equivalents	368,405	1,532,846
Transfer of net position to Graduate Center Foundation Inc.	(30,000)	-
Transfer of net position to Graduate Center Non-Tax Levy Fund	(73,967)	-
Cash and equivalents at beginning of year	<u>1,700,531</u>	<u>167,685</u>
Cash and equivalents at end of year	<u>\$ 1,964,969</u>	<u>1,700,531</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>2017</u>	<u>2016</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 733,894	1,170,658
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Changes in:		
Accounts receivable	(28,929)	1,000
Dining services commission receivable	87,961	188,850
Advances to the CUNY Research Foundation	(64,946)	10,086
Accounts payable and accrued expenses	(2,873)	(59,755)
Unearned revenue	<u>210,785</u>	<u>(289,754)</u>
Net cash provided by operating activities	<u>\$ 935,892</u>	<u>1,021,085</u>
Supplemental schedule of cash flow information:		
Donated space and services revenue	<u>\$ 260,528</u>	<u>247,528</u>
Donated personnel services expense	183,425	171,689
Donated facilities expense	<u>77,103</u>	<u>75,839</u>
	<u>\$ 260,528</u>	<u>247,528</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, 2017 and 2016

(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) 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 -
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Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Accounting Pronouncements, Continued

- GASB Statement No. 72 - “Fair Value Measurement and Application” provides guidance regarding accounting and financial reporting related to fair value measures of certain investments. The requirements of this Statement are effective for periods beginning after June 15, 2015. For the Auxiliary, this Statement became effective for the fiscal year beginning July 1, 2015.
- GASB Statement No. 79 - “Certain External Investment Pools and Pool Participants.” This Statement, issued in December 2015, addresses the accounting and financial reporting for certain external investment pools and pool participants. It establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing. For the Auxiliary, this Statement became effective for the fiscal year beginning July 1, 2015.

(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, 2017, 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.

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

(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 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.

(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, 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

(h) Commissions, Continued

Dining services commission for the year ended June 30, 2016 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>2,614,791</u>	9.00%	<u>235,331</u>
Total dining services commission revenue	\$ <u>5,114,791</u>		<u>380,331</u>
Total dining services commission receivable			\$ <u>380,331</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 \$24,984 and \$39,839 of the allocation from the University in fiscal years ended 2017 and 2016, 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.

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

(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, 2017, \$1,721,107 of the Auxiliary's bank balance of \$1,971,107 was exposed to custodial credit risk as it was uninsured and uncollateralized.

(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. 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 \$183,425 and \$171,689 for the years ended June 30, 2017 and 2016, 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 and \$75,839 for the years ended June 30, 2017 and 2016, 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.

(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, 2017 and 2016, the advances provided to the CUNY Research Foundation amounted to \$632,098 and \$567,152, 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

(5) Related Party Transactions, Continued

The Auxiliary provided loans totaling \$1,418,818 (as of fiscal year ended June 30, 2017) and \$866,500 (as of fiscal year ended June 30, 2016). These amounts were used as follows:

- a) During fiscal years 2017 and 2016, the Auxiliary provided loans of \$770,000 and \$806,500, respectively, for fellowship advances for incoming Graduate Center students. The \$770,000 loan to the Child Development and Learning Center was repaid in full in fiscal year 2017.
- b) During fiscal years 2017 and 2016, the Auxiliary provided loans of \$148,818 and \$60,000, respectively, 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. At the end of fiscal year 2017, \$75,000 remained outstanding.
- c) During fiscal year 2017, the Auxiliary provided a loan of \$500,000 for operating cash flows to the Graduate Center General Fund. At the end of fiscal year 2017, the \$500,000 remained outstanding.

The Auxiliary provided payment of \$27,929, representing the initial payment for Blackbaud Financial Edge (accounting software), on behalf of several Graduate Center entities. At the end of fiscal year 2017, the \$27,929 remained outstanding.

The Auxiliary paid a damage deposit of \$1,000 to The Cooper Union, location for the CUNY Baccalaureate Commencement. At the end of fiscal year 2017, The Cooper Union had not yet returned the deposit.

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 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.

(6) 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.

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. 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.

GASB Statement No. 85 - "Omnibus 2017." This Statement, issued in March 2017, addresses issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods 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. 86 - "Certain Debt Extinguishment Issues." This Statement, issued in May 2017, addresses issues related to in-substance defeasances occurring through repayment of debt from existing sources. The requirements of this Statement are effective for reporting periods 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. 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.