

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
York College Auxiliary Enterprises Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of York College Auxiliary Enterprises Corporation (the Auxiliary) as of and for the years ended June 30, 2018 and 2017, and 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 York College Auxiliary Enterprises Corporation as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 1, 2018

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Management's Discussion and Analysis

June 30, 2018

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

Financial Highlights

- The Auxiliary's net position decreased by \$1,594,503 or 77%.
- Operating revenue increased by \$84,353 or 5%.
- Operating expenses increased by \$13,789 or 1%.

Financial Position

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

Statements of Net Position

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

	<u>2018</u>	<u>2017</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 764,562	1,479,928	(715,366)	(48%)
Noncurrent assets	<u>571,011</u>	<u>1,389,814</u>	<u>(818,803)</u>	(59%)
Total assets	<u>1,335,573</u>	<u>2,869,742</u>	<u>(1,534,169)</u>	(53%)
Liabilities:				
Current liabilities	846,954	786,620	60,334	8%
Noncurrent liabilities	<u>10,000</u>	<u>10,000</u>	<u>-</u>	-
Total liabilities	<u>856,954</u>	<u>796,620</u>	<u>60,334</u>	8%
Net position:				
Net investment in capital assets	42,114	65,989	(23,875)	(36%)
Unrestricted	<u>436,505</u>	<u>2,007,133</u>	<u>(1,570,628)</u>	(78%)
Total net position	\$ <u>478,619</u>	<u>2,073,122</u>	<u>(1,594,503)</u>	(77%)

**YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

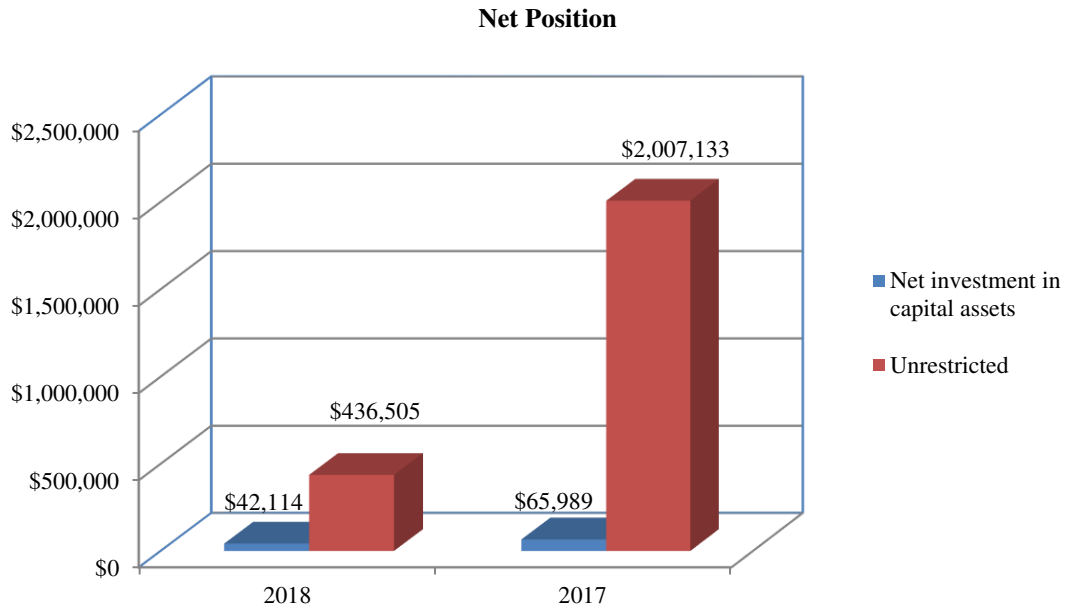
Management’s Discussion and Analysis, Continued

At June 30, 2018, the Auxiliary’s total assets decreased by \$1,534,169 or 53%, compared to the previous year. The majority of this variance was related to a decrease in cash and equivalents and investments of \$752,269 and \$825,943, respectively. Both cash and equivalents and investments decreased, primarily due to a transfer to New York State of \$1,600,000 to provide support to the College’s operating budget.

At June 30, 2018, the Auxiliary’s total liabilities increased by \$60,334 or 8%, compared to the previous year. The majority of this variance was related to increases in accounts payable and accrued expenses and due to York College of \$25,135 and \$64,114, respectively. Accounts payable and accrued expenses, and due to York College entities increased largely due to the timing of payments. These increases were offset by a decrease in deposits held in custody for others of \$37,945 due to a reduction in the amount of deposits held from several organizations.

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

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



YORK COLLEGE AUXILIARY
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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 represent the operating results of the Auxiliary, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2018 and 2017, are as follows:

Revenue

	<u>2018</u>	<u>2017</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 19,841	42,401	(22,560)	(53%)
Food service	135,634	141,286	(5,652)	(4%)
Royalties	42,320	42,320	-	-
Rental income	754,431	607,246	147,185	24%
Copier	10,577	10,231	346	3%
Parking fees	401,653	405,699	(4,046)	(1%)
Donated space and services	202,400	256,407	(54,007)	(21%)
Other	<u>199,937</u>	<u>176,850</u>	<u>23,087</u>	13%
Total operating revenue	<u>1,766,793</u>	<u>1,682,440</u>	<u>84,353</u>	5%
Nonoperating revenue:				
Investment income	80,689	128,512	(47,823)	(37%)
Contributions	<u>1,500</u>	<u>55,853</u>	<u>(54,353)</u>	(97%)
Total nonoperating revenue	<u>82,189</u>	<u>184,365</u>	<u>(102,176)</u>	(55%)
Total revenue	<u>\$ 1,848,982</u>	<u>1,866,805</u>	<u>(17,823)</u>	(1%)

The Auxiliary's total revenue for the year ended June 30, 2018 amounted to \$1,848,982 a decrease of \$17,823 or 1%, compared to the previous year. The major components of this variance were related to decreases in donated space and services, investment income, and contributions of \$54,007, \$47,823 and \$54,353, respectively. Donated space and services decreased because of staff changes and the time dedicated to the Auxiliary. Investment income decreased due to less favorable market conditions and contributions decreased since the contract with the College bookstore ended. These decreases were offset by an increase in rental income of \$147,185 due to new clients.

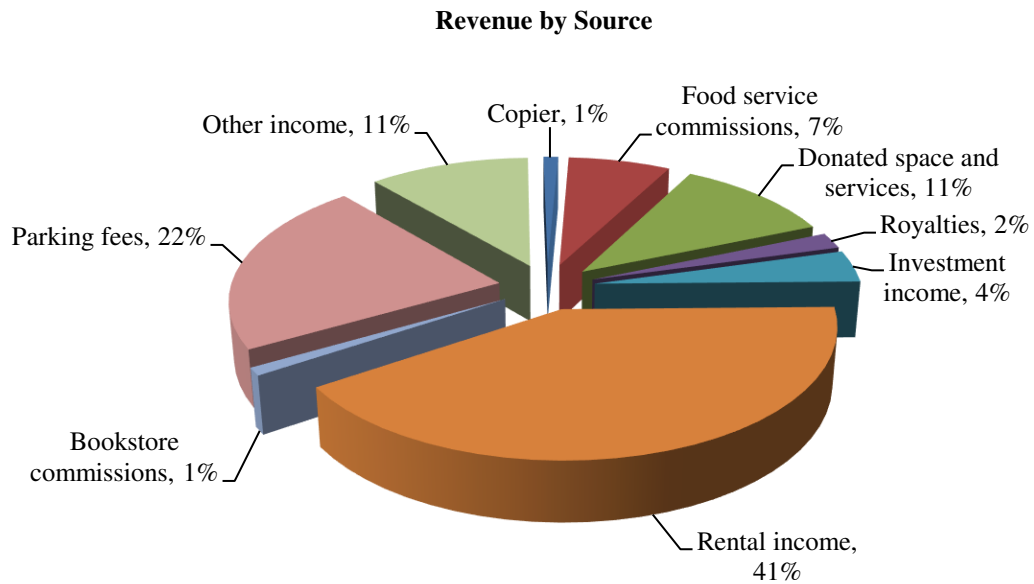
YORK COLLEGE AUXILIARY
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Management's Discussion and Analysis, Continued

Rental income, parking fees and donated space and services represented 41%, 22% and 11% of the total revenue, respectively. Accordingly, the Auxiliary is dependent upon this level of support to carry out its operations.

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

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



YORK COLLEGE AUXILIARY
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Management's Discussion and Analysis, Continued

Expenses

	<u>2018</u>	<u>2017</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Athletics and recreation	\$ 55,408	81,580	(26,172)	(32%)
Graduation/commencement	99,892	100,084	(192)	(1%)
Career services	2,800	3,378	(578)	(17%)
Fine arts	10,094	10,293	(199)	(2%)
Undergraduate research	8,196	6,535	1,661	25%
VITA program	6,094	4,578	1,516	33%
Recruitment and advertising	15,620	16,811	(1,191)	(7%)
Facility rentals	372,472	334,337	38,135	11%
Parking	392,533	330,321	62,212	19%
Performing arts	232,125	227,371	4,754	2%
Other	193,935	177,478	16,457	9%
Management and general	362,394	439,556	(77,162)	(18%)
Provision for bad debts	-	4,414	(4,414)	(100%)
Depreciation	<u>23,875</u>	<u>24,913</u>	<u>(1,038)</u>	<u>(4%)</u>
Total operating expenses	1,775,438	1,761,649	13,789	1%
Nonoperating expenses - College support	<u>1,668,047</u>	<u>62,270</u>	<u>1,605,777</u>	2,579%
Total expenses	\$ <u>3,443,485</u>	<u>1,823,919</u>	<u>1,619,566</u>	89%

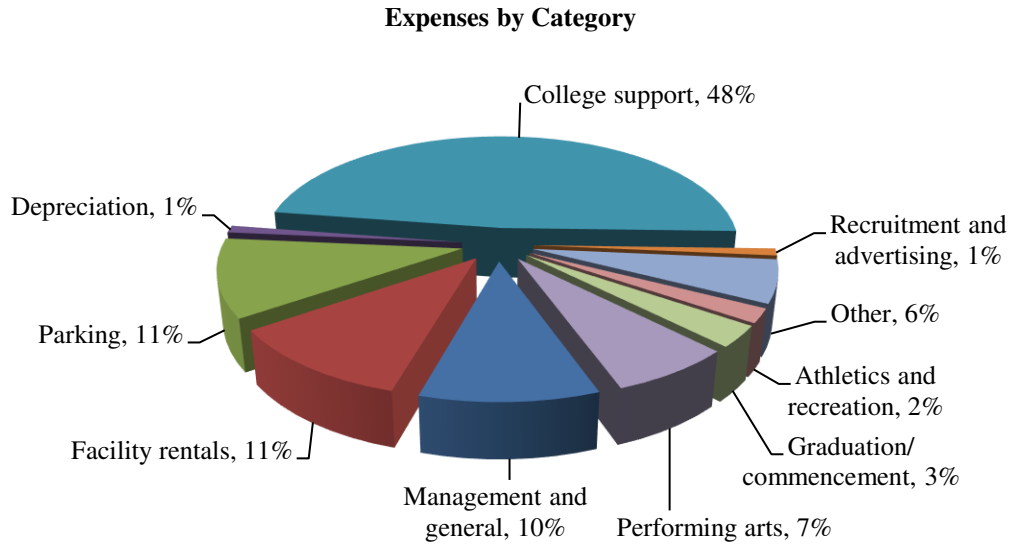
Total expenses for the year ended June 30, 2018 amounted to \$3,443,485, an increase of \$1,619,566 or 89%, compared to the previous year. The major components of this variance were related to increases in facility rentals, parking, and College support of \$38,135, \$62,212, and \$1,605,777, respectively. Facility rentals largely increased due an increase of activity due to new clients. Parking increased primarily due to security costs, and College support increased largely due to a transfer to New York State of \$1,600,000 to assist the College.

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

**YORK COLLEGE AUXILIARY
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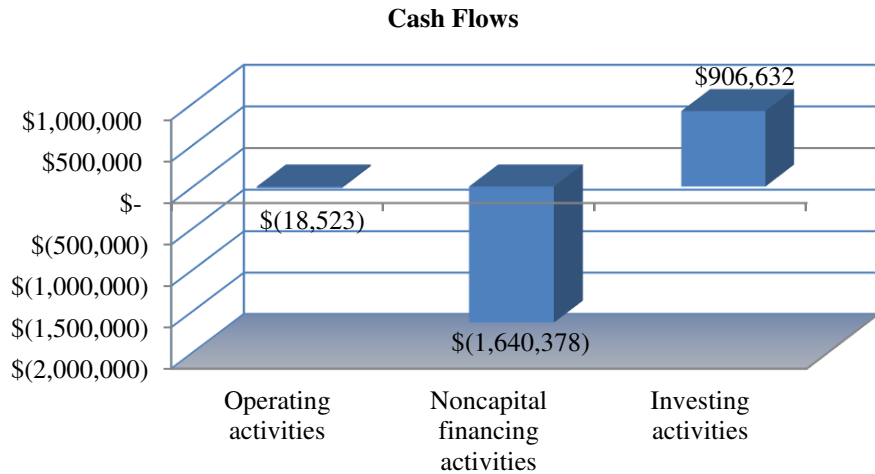
Management's Discussion and Analysis, Continued

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



Cash Flows

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



YORK COLLEGE AUXILIARY
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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 student enrollment, which directly relates to the amount of revenue earned, as well as related expenses incurred.

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Net Position
June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and equivalents	\$ 567,568	1,319,837
Accounts receivable	111,856	61,535
Commissions receivable	47,932	37,934
Prepaid expenses	9,369	1,770
Investments, short-term	<u>27,837</u>	<u>58,852</u>
Total current assets	<u>764,562</u>	<u>1,479,928</u>
Noncurrent assets:		
Investments, long-term	528,897	1,323,825
Capital assets, net	<u>42,114</u>	<u>65,989</u>
Total noncurrent assets	<u>571,011</u>	<u>1,389,814</u>
Total assets	<u>1,335,573</u>	<u>2,869,742</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	237,854	212,719
Unearned revenue	19,063	10,033
Due to York College entities	364,713	300,599
Deposits held in custody for others, net	<u>225,324</u>	<u>263,269</u>
Total current liabilities	846,954	786,620
Noncurrent liabilities - security deposit	<u>10,000</u>	<u>10,000</u>
Total liabilities	<u>856,954</u>	<u>796,620</u>
<u>Net Position</u>		
Net investment in capital assets	42,114	65,989
Unrestricted	<u>436,505</u>	<u>2,007,133</u>
Total net position	<u>\$ 478,619</u>	<u>2,073,122</u>

See accompanying notes to financial statements.

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 19,841	42,401
Food service	135,634	141,286
Royalties	42,320	42,320
Rental income	754,431	607,246
Copier	10,577	10,231
Parking fees	401,653	405,699
Donated space and services	202,400	256,407
Other	199,937	176,850
	<u>1,766,793</u>	<u>1,682,440</u>
Total operating revenue		
Operating expenses:		
Athletics and recreation	55,408	81,580
Graduation/commencement	99,892	100,084
Career services	2,800	3,378
Fine arts	10,094	10,293
Undergraduate research	8,196	6,535
VITA program	6,094	4,578
Recruitment and advertising	15,620	16,811
Facility rentals	372,472	334,337
Parking	392,533	330,321
Performing arts	232,125	227,371
Other	193,935	177,478
Management and general	362,394	439,556
Provision for bad debts	-	4,414
Depreciation	23,875	24,913
	<u>1,775,438</u>	<u>1,761,649</u>
Total operating expenses		
Loss from operations	<u>(8,645)</u>	<u>(79,209)</u>
Nonoperating revenue (expenses):		
Investment income	80,689	128,512
Contributions	1,500	55,853
College support	(1,668,047)	(62,270)
	<u>(1,585,858)</u>	<u>122,095</u>
Total nonoperating revenue (expenses)		
Increase (decrease) in net position	(1,594,503)	42,886
Net position at beginning of year	<u>2,073,122</u>	<u>2,030,236</u>
Net position at end of year	<u>\$ 478,619</u>	<u>2,073,122</u>

See accompanying notes to financial statements.

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Cash Flows
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 40,671	27,520
Food service commissions	123,813	137,598
Rental income	741,758	572,177
Copier	10,577	10,231
Parking fees	401,653	405,699
Other	194,632	205,800
Cash payments to/for:		
Employees' salaries and benefits	(874,145)	(862,415)
Services	(211,104)	(151,417)
Vendors	(446,378)	(575,062)
Net cash used in operating activities	<u>(18,523)</u>	<u>(229,869)</u>
Cash flows from noncapital financing activities:		
Increase (decrease) in due to York College entities	64,114	(239,098)
Decrease in deposits held in custody for others	(37,945)	(27,494)
Contributions	1,500	55,853
College support	(1,668,047)	(62,270)
Net cash used in noncapital financing activities	<u>(1,640,378)</u>	<u>(273,009)</u>
Cash flows provided by (used in) capital and related financing activities - purchases of capital assets	<u>-</u>	<u>(30,726)</u>
Cash flows from investing activities:		
Interest and dividends	987	1,173
Proceeds from sales of investments	905,645	-
Net cash provided by investing activities	<u>906,632</u>	<u>1,173</u>
Net decrease in cash and equivalents	(752,269)	(532,431)
Cash and equivalents at beginning of year	<u>1,319,837</u>	<u>1,852,268</u>
Cash and equivalents at end of year	<u>\$ 567,568</u>	<u>1,319,837</u>

(Continued)

See accompanying notes to financial statements.

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Cash Flows, Continued

	<u>2018</u>	<u>2017</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (8,645)	(79,209)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	23,875	24,913
Bad debts	-	4,414
Changes in:		
Accounts receivable	(50,321)	(16,543)
Commissions receivable	(9,998)	(19,327)
Prepaid expenses	(7,599)	-
Accounts payable and accrued expenses	25,135	(112,979)
Unearned revenue	<u>9,030</u>	<u>(31,138)</u>
Net cash used in operating activities	<u>\$ (18,523)</u>	<u>(229,869)</u>
Supplemental schedule of cash flow information:		
Donated space and services revenue	<u>\$ 202,400</u>	<u>256,407</u>
Donated facilities expense	3,248	3,016
Donated professional services expense	<u>199,152</u>	<u>253,391</u>
	<u>\$ 202,400</u>	<u>256,407</u>
Disposal of fully depreciated capital assets	<u>\$ -</u>	<u>29,913</u>

See accompanying notes to financial statements.

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements

June 30, 2018 and 2017

(1) Nature of Organization

The York College Auxiliary Enterprises Corporation (the Auxiliary) is a nonprofit entity created to support certain activities and provide facilities and auxiliary services for the benefit of the campus community of York College (the College) of the City University of New York (CUNY or the University).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

(b) Net Position

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

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

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

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

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

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

(c) Cash and Equivalents

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

YORK COLLEGE AUXILIARY
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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) Investments

The Association has investments held by CUNY in an investment pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the Committee) totaling \$556,734 and \$1,177,037 at June 30, 2018 and 2017, respectively. Several investment advisory firms are engaged to assist the Committee in its Investment Pool portfolio management, which is comprised of cash and cash equivalents, corporate bonds, equities, mutual funds, U.S. agency mortgage-backed securities, U.S. government bonds and foreign bonds. The Association had investments in a common fund - intermediate term fund which had a reported fair value of \$205,640 at June 30, 2017 but was closed during fiscal year 2018. Realized and unrealized gains and losses are included in the statements of revenue, expenses and changes in net position.

(f) Fair Value Measurements and Disclosures

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 - Inputs to the valuation methodology include:

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

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

YORK COLLEGE AUXILIARY
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Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Fair Value Measurements and Disclosures, Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2018.

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

(g) Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of contribution, if donated. In accordance with the Auxiliary's capital asset policy, capital assets are defined as any asset with a useful life of at least two years and a cost or value at the time of receipt of \$5,000 or more for all equipment; and \$25,000 or more for building improvements. 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. The estimated useful life of building improvements is the lesser of the projected life or 25 years.

(h) Revenue Recognition

Operating revenue is recognized in the period earned and are primarily derived from agreements with third-party vendors that provide bookstore, cafeteria, vending, copier, facility rental and other services. Fees that are collected prior to year-end, if any, relating to the subsequent year are recorded as unearned revenue.

(i) Donated Space and Services

The Auxiliary operates on the campus of the College and, utilizes office space and certain services made available to it. The cost savings associated with such arrangements are recorded as donated space and services and are recognized as revenue and expenses in the accompanying financial statements based on the fair value of such services (note 8).

(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.

YORK COLLEGE AUXILIARY
ENTERPRISES CORPORATION

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) Commissions

Bookstore, cafeteria and vending commissions represent income earned under contracts with third-party vendors who operate and maintain the campus bookstore, cafeteria, and vending services, respectively.

(m) Subsequent Events

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

(n) Income Taxes

The Auxiliary is exempt from 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.

(o) Reclassifications

Reclassifications have been made to certain 2017 balances in order to conform them to the 2018 presentation.

(3) Cash and Equivalents

Custodial credit risk of deposits is the risk that the Auxiliary's deposits may not be returned in the event of a bank failure. At June 30, 2018, \$82,334 of the Auxiliary's bank balance of \$468,233 was exposed to custodial credit risk as it was uninsured and uncollateralized.

YORK COLLEGE AUXILIARY
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Notes to Financial Statements, Continued

(4) Investments in CUNY Investment Pool and Related Investment Income

The Auxiliary's investments in the investment pool comprise assets which are pooled and invested by and under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY. Pooled investments include equity and fixed income securities. Investments as of June 30, 2018 and 2017, are comprised of the following:

	<u>2018</u>	<u>2017</u>
Investments in CUNY investment pool, short-term	\$ 27,837	58,852
Investments in CUNY investment pool, long-term	<u>528,897</u>	<u>1,118,185</u>
	\$ <u>556,734</u>	<u>1,177,037</u>

The following table summarizes the activity for financial instruments in 2018 and 2017:

Balance at July 1, 2016	\$ 1,049,931	
Interest and dividends	2,671	
Realized gain	11,854	
Unrealized gain	<u>112,581</u>	
Balance at June 30, 2017	1,177,037	
Withdrawal	(700,000)	
Interest and dividends	5,622	
Realized gain	17,246	
Unrealized gain	<u>56,829</u>	
Balance at June 30, 2018	\$ <u>556,734</u>	

A summary of investment gain for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 5,622	2,671
Realized gains	17,246	11,854
Unrealized gains	<u>56,829</u>	<u>112,581</u>
Total investment gain	\$ <u>79,697</u>	<u>127,106</u>

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Notes to Financial Statements, Continued

(5) Capital Assets

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

	2018			
	Beginning balance	Additions	Disposals	Ending balance
Furniture and equipment	\$ 44,969	-	-	44,969
Equipment	136,156	-	-	136,156
Vehicles	80,788	-	-	80,788
Improvements	<u>105,989</u>	<u>-</u>	<u>-</u>	<u>105,989</u>
Total	367,902	-	-	367,902
Less accumulated depreciation	<u>(301,913)</u>	<u>(23,875)</u>	<u>-</u>	<u>(325,788)</u>
Capital assets, net	\$ <u>65,989</u>	<u>(23,875)</u>	<u>-</u>	<u>42,114</u>
	2017			
	Beginning balance	Additions	Disposals	Ending balance
Furniture and equipment	\$ 44,969	-	-	44,969
Equipment	149,288	16,781	(29,913)	136,156
Vehicles	80,788	-	-	80,788
Improvements	<u>92,044</u>	<u>13,945</u>	<u>-</u>	<u>105,989</u>
Total	367,089	30,726	(29,913)	367,902
Less accumulated depreciation	<u>(306,913)</u>	<u>(24,913)</u>	<u>29,913</u>	<u>(301,913)</u>
Capital assets, net	\$ <u>60,176</u>	<u>5,813</u>	<u>-</u>	<u>65,989</u>

(6) Deposits Held in Custody for Others

At June 30, 2018 and 2017, the Auxiliary held \$225,324 and \$263,269, respectively, which related to deposits held in custody for others, and is comprised of funds which are held on behalf of various other York College departments.

(7) Unrestricted Net Position - Designated

Unrestricted net position includes \$436,505 and \$2,007,133 at June 30, 2018 and 2017, respectively, designated by the Board of Directors of the Auxiliary to fund costs related to the purchase and replacement of furniture, equipment and capital projects, and to support a select number of College departments that generate revenue.

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Notes to Financial Statements, Continued

(8) Donated Space and Services

The Auxiliary utilizes certain facilities and professional services provided by the College. The estimated fair values of facilities and professional services are included in the accompanying statements of revenue, expenses and changes in net position. Facilities and professional services for the years ended June 30, 2018 and 2017 amounted to the following:

	<u>2018</u>	<u>2017</u>
Facilities	\$ 3,248	3,016
Professional services	<u>199,152</u>	<u>253,391</u>
	\$ <u>202,400</u>	<u>256,407</u>

(9) Commissions

Bookstore commissions represent income earned from a virtual bookstore vendor. The Auxiliary previously received an annual commission based on a percentage of total sales from the bookstore contract which expired on April 30, 2017; however, the CUNY entered into a contract with a virtual bookstore in which the Auxiliary is participating. The Auxiliary receives 5% of commission on books and course materials and 10% on general merchandise.

Food service commissions represent income earned on the sale of food, catering and vending services, and nonalcoholic beverages on campus. The Auxiliary signed a new contract and receives an annual commission equal to \$130,000 plus additional commission based on a percentage of annual sales. The contract has a five year term commencing June 4, 2012 and expired on June 30, 2017. The agreement is currently operating on a month to month basis.

(10) Royalties

During the years ended June 30, 2018 and 2017, the Auxiliary received an annual royalty payment of \$42,320 from Verizon for leasing space on the roof of one its buildings to house a telecommunications transmitter. The contract expires on October 31, 2018.

(11) Related Party Transactions

At June 30, 2018 and 2017, the Auxiliary owed \$364,713 and \$300,599, respectively, to other York College entities. The Auxiliary is occasionally required to transfer funds to/from other York College related entities during the course of the year for payroll reimbursement and other costs, if any.

The Auxiliary has invested \$556,734 and \$1,177,037 as of June 30, 2018 and 2017, respectively, in the CUNY Investment Pool (note 4) which is under the control of the Committee, a related party.

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Notes to Financial Statements, Continued

(12) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

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

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

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Notes to Financial Statements, Continued

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

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

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