# EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE AUXILIARY ENTERPRISES CORPORATION, INC.

Financial Statements and
Supplementary Information

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors
Eugenio Maria De Hostos Community College
Auxiliary Enterprises Corporation, Inc.:

## Report on the Financial Statements

We have audited the accompanying financial statements of Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation, Inc. (the Auxiliary) as of and for the years ended June 30, 2016 and 2015, 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 Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation, Inc. as of June 30, 2016 and 2015, 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 Matters

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Auxiliary's basic financial statements. The schedule of revenue and expenses - culture and arts program is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of revenue and expenses - culture and arts program is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue and expenses - culture and arts program is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Toski & Co., CPAs, P.C.

Williamsville, New York
October 19, 2016

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation, Inc.'s (the Auxiliary) financial position as of June 30, 2016, 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 increased by $131,376 or 13%.
- Operating revenue increased by $80,985 or 4%.
- Operating expenses increased by $155,053 or 8%.

## Financial Position

The Auxiliary's net position (the difference between assets and liabilities) is one way to measure the Auxiliary's financial health or financial position. 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, 2016 and 2015, under the accrual basis of accounting:

| | 2016 | 2015 | Dollar change | Percent change |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets | $ 1,527,732 | 1,573,086 | (45,354) | (3%) |
| Noncurrent assets | 56,768 | 13,088 | 43,680 | 334% |
| Total assets | 1,584,500 | 1,586,174 | (1,674) | (1%) |
| Liabilities | | | | |
| Current liabilities | 444,381 | 577,431 | (133,050) | (23%) |
| Noncurrent liabilities | 16,813 | 16,813 | - | - |
| Total liabilities | 461,194 | 594,244 | (133,050) | (22%) |
| Net position: | | | | |
| Net investment in capital assets | 56,768 | 13,088 | 43,680 | 334% |
| Unrestricted | 1,066,538 | 978,842 | 87,696 | 9% |
| Total net position | $ 1,123,306 | 991,930 | 131,376 | 13% |

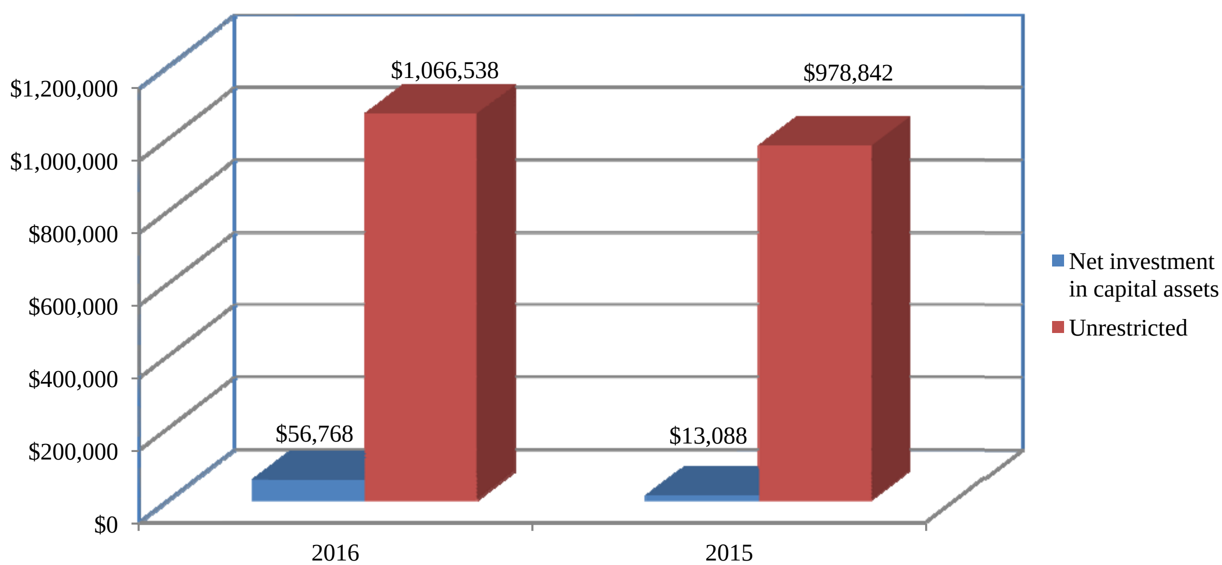
At June 30, 2016, the Auxiliary's total net position increased by $131,376 or 13%, compared to the previous year. The majority of this variance was attributable to increases in accounts receivable. The amount invested in capital assets increased by $43,680 or 334% as a result of purchasing new capital assets.

At June 30, 2016, the Auxiliary's total current liabilities decreased by $133,050 or 23%, compared to the previous year. The majority of this variance was related to making payments to vendors and related entities before the end of the fiscal year.

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, 2016 and 2015 by category:

**Net Position**



**Statements of Revenue, Expenses and Changes in Net Position**

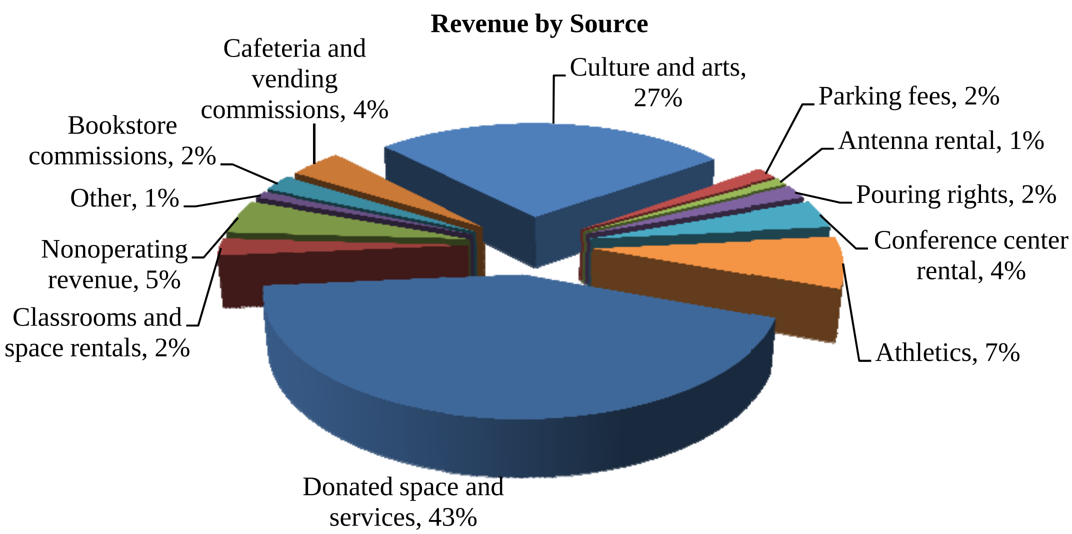
The statements of revenue, expenses and changes in net position present the operating results of the Auxiliary, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2016 and 2015 are as follows:

**Revenue**

| | 2016 | 2015 | Dollar change | Percent change |
|---|---|---|---|---|
| Operating revenue: | | | | |
| Commissions: | | | | |
| Bookstore | $ 51,663 | 68,334 | (16,671) | (24%) |
| Cafeteria and vending | 90,000 | 83,735 | 6,265 | 7% |
| Photocopy service | 3,292 | 2,511 | 781 | 31% |
| Parking fees | 35,168 | 37,884 | (2,716) | (7%) |
| Antenna rental | 22,476 | 21,727 | 749 | 3% |
| Pouring rights | 42,244 | 41,100 | 1,144 | 3% |
| Conference center rental | 85,844 | 124,296 | (38,452) | (31%) |
| Athletics | 156,812 | 106,047 | 50,765 | 48% |
| Classrooms and space rental | 51,955 | 93,995 | (42,040) | (45%) |
| Culture and arts: | | | | |
| Performing arts series | 35,211 | 38,428 | (3,217) | (8%) |
| Facility rentals | 326,217 | 348,239 | (22,022) | (6%) |
| Grants | 233,815 | 232,137 | 1,678 | 1% |
| Other | 4,049 | 6,049 | (2,000) | (33%) |
| Contribution | 15,830 | 16,809 | (979) | (6%) |
| Donated space and services | 968,428 | 816,733 | 151,695 | 19% |
| Other | 10,638 | 14,633 | (3,995) | (27%) |
| Total operating revenue | 2,133,642 | 2,052,657 | 80,985 | 4% |
| Nonoperating revenue - other | 101,595 | 15,639 | 85,956 | 550% |
| Total revenue | $ 2,235,237 | 2,068,296 | 166,941 | 8% |

The Auxiliary's total revenue for the year ended June 30, 2016 amounted to $2,235,237, an increase of $166,941 or 8%, compared to the previous year. The major components of this variance related to an increase in donated space and services of $151,695 as a result of an increase in the market rate per square feet from $25 to $35 and an increase in athletics of $50,765 as a result of more rental activity. The revenue increase was offset by a decrease in classrooms and space rental of $42,040 or 45%, a decrease of $38,452 or 31% in conference center rentals and a decrease in culture and arts facility rentals of $22,022 or 6%. Nonoperating revenue increased by $85,956 or 550%. 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, 2016:




**Expenses**

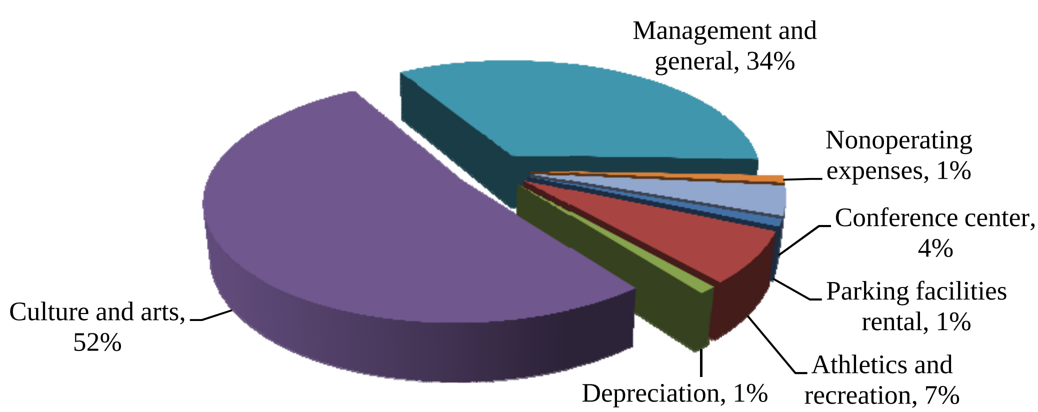
| | 2016 | 2015 | Dollar change | Percent change |
|---|---|---|---|---|
| Operating expenses: | | | | |
| Conference center | $ 90,051 | 61,043 | 29,008 | 48% |
| Cafeteria | 2,123 | 50,598 | (48,475) | (96%) |
| Parking facilities rental | 10,735 | 33,825 | (23,090) | (68%) |
| Athletics and recreation | 145,353 | 112,133 | 33,220 | 30% |
| Culture and arts | 1,095,985 | 1,085,695 | 10,290 | 1% |
| Management and general | 725,371 | 579,979 | 145,392 | 25% |
| Depreciation | 16,001 | 7,293 | 8,708 | 119% |
| Total operating expenses | 2,085,619 | 1,930,566 | 155,053 | 8% |

| | 2016 | 2015 | Dollar change | Percent change |
|---|---|---|---|---|
| Nonoperating expenses: | | | | |
| Other - clubs | $ 18,242 | 39,698 | (21,456) | (54%) |
| Career services | - | 658 | (658) | (100%) |
| Alumni relations | - | 888 | (888) | (100%) |
| College support - academic | - | 22,724 | (22,724) | (100%) |
| Total expenses | $ 2,103,861 | 1,994,534 | 109,327 | 5% |

Total expenses for the year ended June 30, 2016 were $2,103,861, an increase of $109,327 or 5%, compared to the previous year. The major components of this variance were caused by an increase in donated space and services of $151,695 or 19% as a result of the increase in the market rate per square feet from $25 to $35. The expense increases were partly offset by the decrease in cafeteria related expenses of $48,475 or 96% as a result of no new purchases and a decrease in parking related expenses of $23,090 or 68% as a result of no repairs or purchases.

The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2016:

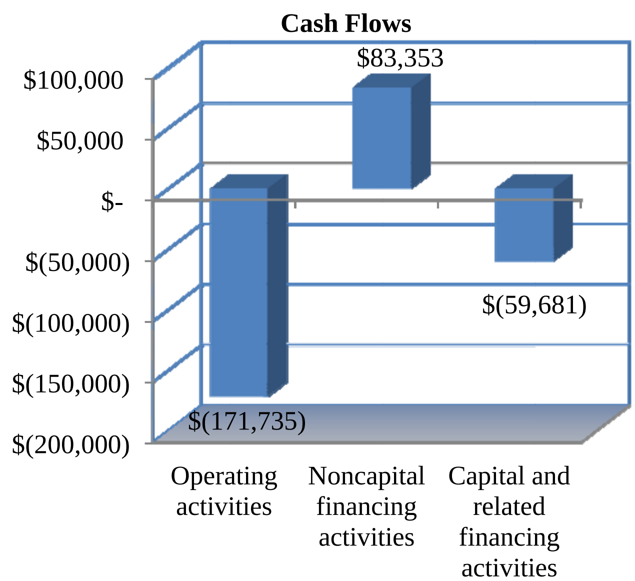
**Expenses by Category**




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

## 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, 2016:




## 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.

# EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
# AUXILIARY ENTERPRISES CORPORATION, INC.
## Statements of Net Position
## June 30, 2016 and 2015

| Assets | 2016 | 2015 |
|---|---|---|
| Current assets: | | |
| Cash and equivalents | $ 1,083,150 | 1,231,213 |
| Accounts receivable: | | |
| Commissions, net of allowance for doubtful accounts of $60,012 in 2016 and $30,006 in 2015 | 71,437 | 59,826 |
| Culture and arts, net of allowance for doubtful accounts of $30,700 in 2016 and $10,125 in 2015 | 163,092 | 135,464 |
| Other, net of allowance for doubtful accounts of $73,463 in 2016 and $32,460 in 2015 | 149,875 | 110,728 |
| Due from related entities | 47,166 | 27,211 |
| Prepaid expenses | 13,012 | 8,644 |
| Total current assets | 1,527,732 | 1,573,086 |
| Noncurrent assets - capital assets, net | 56,768 | 13,088 |
| Total assets | 1,584,500 | 1,586,174 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 83,001 | 153,135 |
| Unearned revenue | 46,562 | 32,035 |
| Due to related entities | 314,818 | 392,261 |
| Total current liabilities | 444,381 | 577,431 |
| Noncurrent liabilities - security deposits | 16,813 | 16,813 |
| Total liabilities | 461,194 | 594,244 |
| **Net Position** | | |
| Net investment in capital assets | 56,768 | 13,088 |
| Unrestricted | 1,066,538 | 978,842 |
| Total net position | $ 1,123,306 | 991,930 |

See accompanying notes to financial statements.

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Operating revenue: | | |
| Commissions: | | |
| Bookstore | $ 51,663 | 68,334 |
| Cafeteria and vending | 90,000 | 83,735 |
| Photocopy service | 3,292 | 2,511 |
| Parking fees | 35,168 | 37,884 |
| Antenna rental | 22,476 | 21,727 |
| Pouring rights | 42,244 | 41,100 |
| Conference center rental | 85,844 | 124,296 |
| Athletics | 156,812 | 106,047 |
| Classrooms and space rental | 51,955 | 93,995 |
| Culture and arts: | | |
| Performing arts series | 35,211 | 38,428 |
| Facility rentals | 326,217 | 348,239 |
| Grants | 233,815 | 232,137 |
| Other | 4,049 | 6,049 |
| Contribution | 15,830 | 16,809 |
| Donated space and services | 968,428 | 816,733 |
| Other | 10,638 | 14,633 |
| Total operating revenue | 2,133,642 | 2,052,657 |
| Operating expenses: | | |
| Conference center | 90,051 | 61,043 |
| Cafeteria | 2,123 | 50,598 |
| Parking facilities rental | 10,735 | 33,825 |
| Athletics and recreation | 145,353 | 112,133 |
| Culture and arts | 1,095,985 | 1,085,695 |
| Management and general | 725,371 | 579,979 |
| Depreciation | 16,001 | 7,293 |
| Total operating expenses | 2,085,619 | 1,930,566 |
| Income from operations | 48,023 | 122,091 |

(Continued)

See accompanying notes to financial statements.

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.
Statements of Revenue, Expenses and Changes in Net Position, Continued

| | 2016 | 2015 |
|---|---|---|
| Nonoperating revenue (expenses): | | |
| Other revenue | $ 101,595 | 15,639 |
| Other - clubs | (18,242) | (39,698) |
| Career services | - | (658) |
| Alumni relations | - | (888) |
| College support - academic | - | (22,724) |
| Total nonoperating revenue (expenses), net | 83,353 | (48,329) |
| Increase in net position | 131,376 | 73,762 |
| Net position at beginning of year | 991,930 | 918,168 |
| Net position at end of year | $ 1,123,306 | 991,930 |

See accompanying notes to financial statements.

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.
Statements of Cash Flows
Years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash receipts from: | | |
| Bookstore commissions | $ 44,430 | 61,290 |
| Cafeteria and vending commissions | 70,819 | 80,999 |
| Photocopy service commissions | 3,292 | 2,511 |
| Parking fees | 38,613 | 37,315 |
| Antenna rental | 22,476 | 21,727 |
| Pouring rights | 42,244 | 41,100 |
| Conference center rental | 18,130 | 61,140 |
| Athletics | 159,562 | 106,047 |
| Classrooms and space rental | 51,955 | 78,995 |
| Culture and arts programs | 557,761 | 605,114 |
| Other | 10,638 | 1,413 |
| Cash payments to/for: | | |
| Employees' salaries and benefits | (593,148) | (287,478) |
| Vendors | (501,109) | (529,063) |
| Other | (97,398) | (147,426) |
| Net cash provided by (used in) operating activities | (171,735) | 133,684 |
| Cash flows from noncapital financing activities: | | |
| Receipts (payments) to/from career services | 672 | 116 |
| Payments for alumni relations | - | (23) |
| Receipts (payments) to/from College support - academic | 100,923 | (18,724) |
| Payments to other - clubs | (18,242) | (29,698) |
| Net cash provided by (used in) noncapital financing activities | 83,353 | (48,329) |
| Cash flows from capital and related financing activities - purchases of capital assets | (59,681) | - |
| Net increase (decrease) in cash and equivalents | (148,063) | 85,355 |
| Cash and equivalents at beginning of year | 1,231,213 | 1,145,858 |
| Cash and equivalents at end of year | $ 1,083,150 | 1,231,213 |

(Continued)

See accompanying notes to financial statements.

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.
Statements of Cash Flows, Continued

| | 2016 | 2015 |
|---|---|---|
| Reconciliation of income from operations to net cash provided by (used in) operating activities: | | |
| Income from operations | $ 48,023 | 122,091 |
| Adjustments to reconcile income from operations to net cash provided by (used in) operating activities: | | |
| Depreciation | 16,001 | 7,293 |
| Bad debt expense | 81,435 | - |
| Changes in: | | |
| Accounts receivable | (159,821) | (129,611) |
| Due from related entities | (19,955) | - |
| Prepaid expenses | (4,368) | (750) |
| Accounts payable and accrued expenses | (70,134) | 143,323 |
| Unearned revenue | 14,527 | (8,662) |
| Due to related entities | (77,443) | - |
| Net cash provided by (used in) operating activities | $ (171,735) | 133,684 |
| Supplemental schedule of cash flow information: | | |
| Donated space and services | $ 968,428 | 816,733 |
| Auxiliary: | | |
| Donated professional services | 60,381 | 57,094 |
| Donated facilities | 415,030 | 296,450 |
| | 475,411 | 353,544 |
| Cultural and arts: | | |
| Donated personnel | 486,192 | 440,310 |
| Donated postage and utilities | 6,825 | 22,879 |
| | 493,017 | 463,189 |
| | $ 968,428 | 816,733 |

See accompanying notes to financial statements.

## (1) Nature of Organization

The Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation, Inc. (the Auxiliary) is a nonprofit entity created for the principal purpose of developing and cultivating educational, social, cultural, and recreational activities among students of Eugenio Maria De Hostos Community 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) 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.

(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, 2016, the Auxiliary had 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) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balance. Management provides for probable uncollectible amount through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(2) Summary of Significant Accounting Policies, Continued

(f) 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 $1,000 or more for computer hardware and $5,000 or more for all other equipment. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The estimated useful life of furniture, fixtures and equipment is five years.

(g) Revenue Recognition

Operating revenue is recognized in the period earned and is primarily derived from agreements with third-party vendors that provide bookstore, cafeteria services, as well as fees charged for the use of parking and space rentals. Fees that are collected prior to year-end, if any, relating to the subsequent year are recorded as unearned revenue.

(h) 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 6).

(i) 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.

(j) 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.

(k) 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.

## (2) Summary of Significant Accounting Policies, Continued

### (l) 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

### 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, 2016, $894,751 of the Auxiliary's bank balance of $1,144,751 was exposed to custodial credit risk as it was uninsured and uncollateralized.

The Auxiliary does not have a deposit policy.

## (4) Capital Assets

At June 30, 2016 and 2015, capital assets consisted of the following:

| | 2016 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Ending balance |
| Furniture and equipment | $ 151,502 | 59,681 | - | 211,183 |
| Less accumulated depreciation | (138,414) | (16,001) | - | (154,415) |
| Capital assets, net | $ 13,088 | 43,680 | - | 56,768 |

| | 2015 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Ending balance |
| Furniture and equipment | $ 151,502 | - | - | 151,502 |
| Less accumulated depreciation | (131,121) | (7,293) | - | (138,414) |
| Capital assets, net | $ 20,381 | (7,293) | - | 13,088 |

## (5) Commissions and Rentals

### (a) Antenna Rental

In fiscal year 2006, the Auxiliary signed a contract with AT&T Wireless to operate communication facilities, including radio transmitting and receiving antennas. The initial term of the agreement was for five years beginning January 1, 2005 and ending December 31, 2010. The agreement may be renewed for up to four additional five-year terms, upon mutual agreement. The agreement has been renewed as of January 2011. A one-time payment of $10,000 was received upon execution of the agreement and a monthly fee of $1,500 is payable in advance. Beginning with the second year of the initial term, and each year thereafter, the monthly fee will be increased by approximately 2%.

### (b) Cafeteria

Cafeteria commissions represent income earned under a contract with an unrelated organization to provide all dining services on the College's premises. On March 17, 2014, the College contracted with Metropolitan Food Services, Inc. (Metropolitan). The contract is in effect from April 15, 2014 to April 14, 2019. The terms of the contract requires Metropolitan to make a deposit of $15,000 with the College which is included in security deposits in the statements of net position it also guarantees a yearly minimum of $35,000 and annual gross sales from retail food service and catering or the commission percentage as follows:

4% of Annual gross sales up to $200,000
5% of Annual gross sales of $200,001 to $350,000; and
6% of Annual gross sales over $350,000.

Additional support, the contractor shall purchase a table and journal ad, or make a similar annual donation in the amount of no less than $2,000 to the College Foundation and make an annual donation of $10,000 to fund ten student scholarships of $1,000 each to be awarded by the College in its sole discretion, and shall provide the College with 100 free cases of beverages of the College's choice.

### (c) Vending

On March 17, 2014, the College contracted with Metropolitan. The contract is in effect from April 15, 2014 to April 14, 2019. The terms of payment guarantees a yearly minimum of $55,000 and gross sales from vending or the below commission percentage:

30% of annual gross sales from beverage vending; and
30% of annual gross sales of snack vending.

## (5) Commissions and Rentals, Continued

### (d) Bookstore

Bookstore commissions represent commissions earned from the operation of the campus bookstore. The Auxiliary receives an annual commission equal to the greater of a fixed amount or a percentage of annual sales. This agreement became effective on May 1, 2005 and expired on April 30, 2007. This agreement was renewed under a two-year renewal option which expired on April 30, 2009. The College was operating on a month-to-month basis under the terms of the expired contract until a new contract was signed. The new contract became effective on May 1, 2011 for a ten year period and expires on April 30, 2021.

Commissions related to this new contract are required in accordance with the following schedule:

6% of gross sales up $1,500,000
7% of gross sales from $1,500,000 to $2,500,000
8% of gross sales over $2,500,001

or

A guaranteed minimum annual payment, regardless of gross sales in the amount of $48,000, whichever is greater.

## (6) Donated Space and Services

The Auxiliary utilizes certain facilities provided by the College at no cost. For the years ended June 30, 2016 and 2015, the estimated fair value of the donated space, which is used, solely by the Auxiliary, and professional services provided by certain College employees amounted to $475,411 and $353,544, respectively. The College also provided the culture and arts program employee time for their operation, postage and utilities which amounted to $493,017 and $463,189 for the years ended June 30, 2016 and 2015, respectively. Such donated space and services are included in revenue and expenses in the accompanying statements of revenue, expenses and changes in net position.

## (7) Related Party Transactions

At June 30, 2016 and 2015, the Auxiliary owed $314,818 and $392,261, respectively, to other College entities. At June 30, 2016 and 2015, the Auxiliary had $47,166 and $27,211, respectively, due from other College entities. The Auxiliary is occasionally required to transfer funds to/from other Hostos College related entities during the course of the year for payroll reimbursement and other costs, if any.

## (8) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 77 - “Tax Abatement Disclosures,” is intended to improve financial reporting by providing users with information regarding the nature and magnitude of tax abatements, which is currently not required to be reported. The requirements of this Statement are effective for periods beginning after December 15, 2015, which is the fiscal year beginning July 1, 2016 for the Auxiliary. This Statement is not expected to have an effect on the financial statements of the Auxiliary.

GASB Statement No. 78 - “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.” This Statement, issued in December 2015 amends GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2015, which is the fiscal year beginning July 1, 2016 for the Auxiliary. This Statement is not expected to have an effect on the financial statements of the Auxiliary.

GASB Statement No. 80 - “Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14.” This Statement, issued in January 2016, amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this Statement are effective for financial statements for 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 an effect on the financial statements of the Auxiliary.

GASB Statement No. 81 - “Irrevocable Split-Interest Agreements.” This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016. For the Auxiliary, this Statement becomes effective for the fiscal year beginning July 1, 2017. This Statement is not expected to have an effect on the financial statements of the Auxiliary.

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

GASB Statement No. 82 - "Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning July 1, 2016 for the Auxiliary, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the Auxiliary. This Statement is not expected to have an effect on the financial statements of the Auxiliary.

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.
Schedule of Revenue and Expenses - Culture and Arts Program
Years ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| Culture and arts revenue: | | |
| Performing arts series | $ 35,211 | 38,428 |
| Facility rentals | 326,217 | 348,239 |
| Grants | 233,815 | 232,137 |
| Donated services | 493,017 | 463,189 |
| Other | 4,049 | 6,049 |
| Contribution | 15,830 | 16,809 |
| Total revenue | 1,108,139 | 1,104,851 |
| Culture and arts expenses: | | |
| Performing arts | 211,825 | 252,363 |
| Payroll | 269,725 | 260,021 |
| Special project | 100,321 | 68,626 |
| Donated services | 493,017 | 463,189 |
| Other | 21,097 | 41,496 |
| Total expenses | 1,095,985 | 1,085,695 |
| Income from operations | $ 12,154 | 19,156 |