

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

Financial Statements and
Supplementary Information

June 30, 2017 and 2016

(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, 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 Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation, Inc. 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 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.

EFPR Group, CPAs, PLLC

(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York
October 17, 2017

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

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 Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation, Inc.'s (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 net position increased by \$316,724 or 28%.
- Operating revenue increased by \$250,662 or 12%.
- Operating expenses increased by \$161,882 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, 2017 and 2016, under the accrual basis of accounting:

	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 1,898,948	1,527,732	371,216	24%
Noncurrent assets	<u>46,607</u>	<u>56,768</u>	<u>(10,161)</u>	(18%)
Total assets	<u>1,945,555</u>	<u>1,584,500</u>	<u>361,055</u>	23%
Liabilities:				
Current liabilities	488,712	444,381	44,331	10%
Noncurrent liabilities	<u>16,813</u>	<u>16,813</u>	<u>-</u>	-
Total liabilities	<u>505,525</u>	<u>461,194</u>	<u>44,331</u>	10%
Net position:				
Net investment in capital assets	46,607	56,768	(10,161)	(18%)
Unrestricted	<u>1,393,423</u>	<u>1,066,538</u>	<u>326,885</u>	31%
Total net position	\$ <u>1,440,030</u>	<u>1,123,306</u>	<u>316,724</u>	28%

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

Management's Discussion and Analysis, Continued

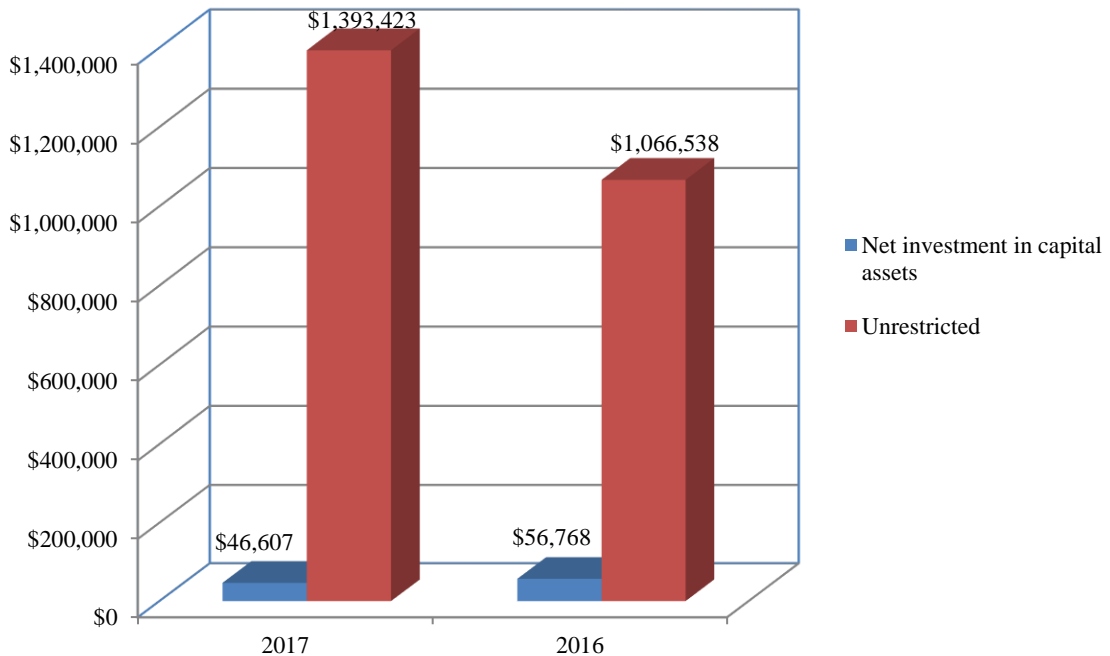
At June 30, 2017, the Auxiliary's total net position increased by \$316,724 or 28%, compared to the previous year. The majority of this variance was attributable to increases in accounts receivable. The amount invested in capital assets decreased by \$10,161 or 18% as a result of purchasing new capital assets of \$5,425 offset by depreciation expense of \$15,586.

At June 30, 2017, the Auxiliary's total current liabilities increased by \$44,331 or 10%, due to the timing of payments for accounts payable and accrued expenses, reimbursements due to related parties and the increase in unearned revenue.

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

The following illustrates the Auxiliary's net position at June 30, 2017 and 2016 by category:

Net Position



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

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

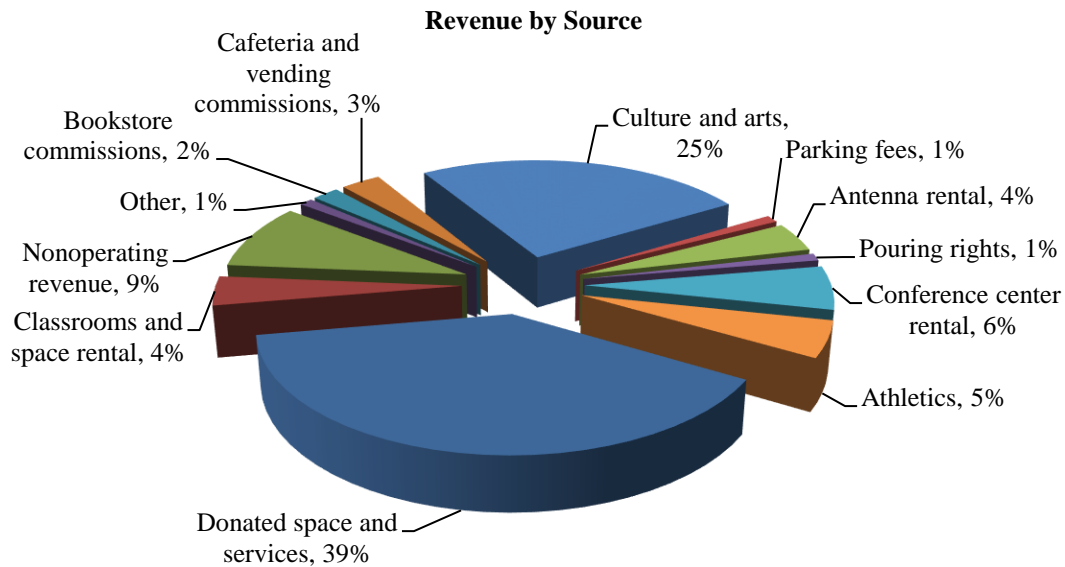
	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 43,717	51,663	(7,946)	(15%)
Cafeteria and vending	90,000	90,000	-	-
Photocopy service	2,033	3,292	(1,259)	(38%)
Parking fees	38,994	35,168	3,826	11%
Antenna rental	110,862	22,476	88,386	393%
Pouring rights	30,630	42,244	(11,614)	(27%)
Conference center rental	155,980	85,844	70,136	82%
Athletics	119,584	156,812	(37,228)	(24%)
Classrooms and space rental	106,653	51,955	54,698	105%
Culture and arts:				
Performing arts series	70,881	35,211	35,670	101%
Facility rentals	304,044	326,217	(22,173)	(7%)
Grants	243,050	233,815	9,235	4%
Other	5,669	4,049	1,620	40%
Contribution	20,110	15,830	4,280	27%
Donated space and services	1,026,848	968,428	58,420	6%
Other	<u>15,249</u>	<u>10,638</u>	<u>4,611</u>	43%
Total operating revenue	2,384,304	2,133,642	250,662	12%
Nonoperating revenue - other	<u>241,581</u>	<u>101,595</u>	<u>139,986</u>	138%
Total revenue	\$ <u>2,625,885</u>	<u>2,235,237</u>	<u>390,648</u>	17%

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

Management's Discussion and Analysis, Continued

The Auxiliary's total revenue for the year ended June 30, 2017 amounted to \$2,625,884, an increase of \$390,648 or 17%, compared to the previous year. The major components of this variance related to an increase in classroom and space rentals of \$54,658 and an increase in antenna rental of \$88,386 as a result of more rental activity. The revenue increase was offset by a decrease in athletics of \$37,228 or 24%, a decrease of \$11,614 or 27% in pouring rights. Nonoperating revenue increased by \$139,986 or 138%. 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, 2017:



Expenses

	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Conference center	\$ 117,922	90,051	27,871	31%
Cafeteria	1,178	2,123	(945)	(45%)
Parking facilities rental	12,012	10,735	1,277	12%
Athletics and recreation	124,149	145,353	(21,204)	(15%)
Culture and arts	1,159,860	1,095,985	63,875	6%
Management and general	816,794	725,371	91,423	13%
Depreciation	<u>15,586</u>	<u>16,001</u>	<u>(415)</u>	(3%)
Total operating expenses	2,247,501	2,085,619	161,882	8%
Nonoperating expenses - other - clubs	<u>61,660</u>	<u>18,242</u>	<u>43,418</u>	238%
Total expenses	\$ <u>2,309,161</u>	<u>2,103,861</u>	<u>205,300</u>	10%

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

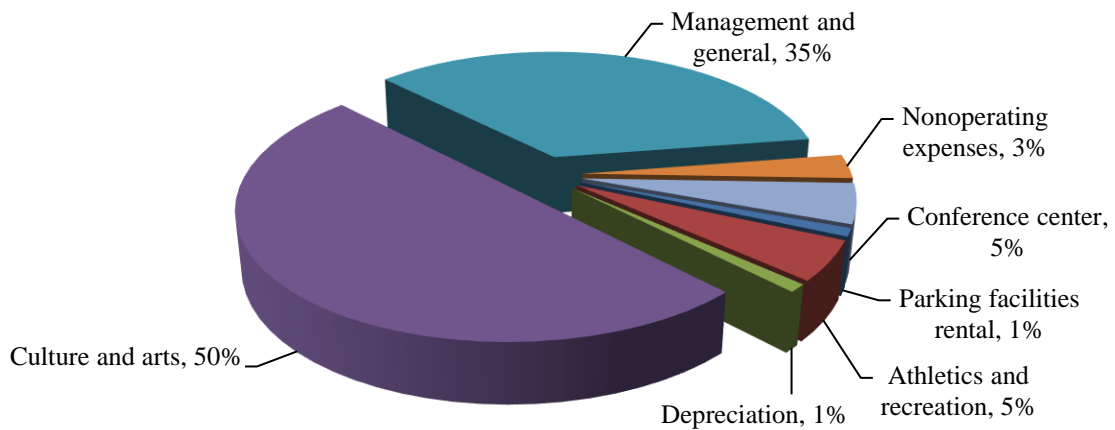
Management's Discussion and Analysis, Continued

Total expenses for the year ended June 30, 2017 were \$2,309,161, an increase of \$205,300 or 10%, compared to the previous year. The major components of this variance were caused by an increase in culture and arts of \$63,875 or 6% and management and general of \$91,423 or 13%. The expense increases were partly offset by the decrease in athletics and recreation of \$21,204 or 15%.

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

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

Expenses by Category

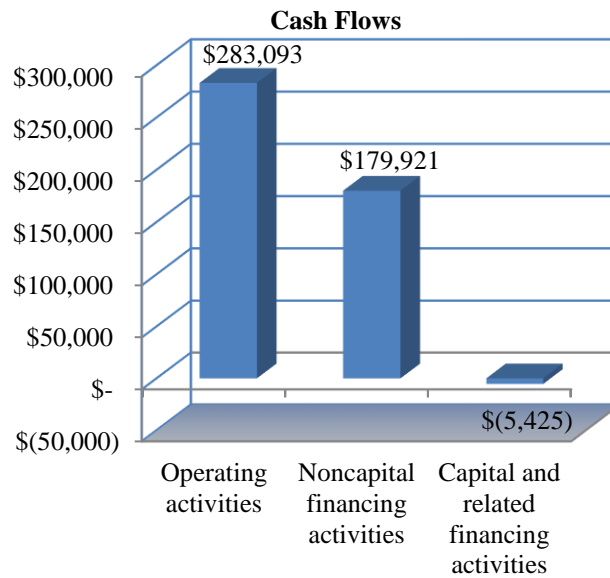


EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.

Management's Discussion and Analysis, Continued

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement assists users to assess the Auxiliary's ability to generate net cash flows, meet its obligations as they come due, and its dependency on external financing. The following summarizes the Auxiliary's cash flows for the year ended June 30, 2017:



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, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and equivalents	\$ 1,540,739	1,083,150
Accounts receivable:		
Commissions, net of allowance for doubtful accounts of \$61,684 in 2017 and \$60,012 in 2016	100,297	71,437
Culture and arts, net of allowance for doubtful accounts of \$30,700 in 2017 and 2016	122,821	163,092
Other, net of allowance for doubtful accounts of \$113,639 in 2017 and \$73,463 in 2016	38,985	149,875
Due from related entities	89,577	47,166
Prepaid expenses	<u>6,529</u>	<u>13,012</u>
Total current assets	1,898,948	1,527,732
Noncurrent assets - capital assets, net	<u>46,607</u>	<u>56,768</u>
Total assets	<u>1,945,555</u>	<u>1,584,500</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	109,418	83,001
Unearned revenue	56,232	46,562
Due to related entities	<u>323,062</u>	<u>314,818</u>
Total current liabilities	488,712	444,381
Noncurrent liabilities - security deposits	<u>16,813</u>	<u>16,813</u>
Total liabilities	<u>505,525</u>	<u>461,194</u>
 <u>Net Position</u>		
Net investment in capital assets	46,607	56,768
Unrestricted	<u>1,393,423</u>	<u>1,066,538</u>
Total net position	<u>\$ 1,440,030</u>	<u>1,123,306</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 43,717	51,663
Cafeteria and vending	90,000	90,000
Photocopy service	2,033	3,292
Parking fees	38,994	35,168
Antenna rental	110,862	22,476
Pouring rights	30,630	42,244
Conference center rental	155,980	85,844
Athletics	119,584	156,812
Classrooms and space rental	106,653	51,955
Culture and arts:		
Performing arts series	70,881	35,211
Facility rentals	304,044	326,217
Grants	243,050	233,815
Other	5,669	4,049
Contribution	20,110	15,830
Donated space and services	1,026,848	968,428
Other	<u>15,249</u>	<u>10,638</u>
Total operating revenue	<u>2,384,304</u>	<u>2,133,642</u>
Operating expenses:		
Conference center	117,922	90,051
Cafeteria	1,178	2,123
Parking facilities rental	12,012	10,735
Athletics and recreation	124,149	145,353
Culture and arts	1,159,860	1,095,985
Management and general	816,794	725,371
Depreciation	<u>15,586</u>	<u>16,001</u>
Total operating expenses	<u>2,247,501</u>	<u>2,085,619</u>
Income from operations	<u>136,803</u>	<u>48,023</u>

(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

	<u>2017</u>	<u>2016</u>
Nonoperating revenue (expenses):		
Other revenue	\$ 241,581	101,595
Other - clubs	<u>(61,660)</u>	<u>(18,242)</u>
Total nonoperating revenue (expenses), net	<u>179,921</u>	<u>83,353</u>
Increase in net position	316,724	131,376
Net position at beginning of year	<u>1,123,306</u>	<u>991,930</u>
Net position at end of year	<u>\$ 1,440,030</u>	<u>1,123,306</u>

See accompanying notes to financial statements.

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

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:		
Bookstore commissions	\$ 47,067	44,430
Cafeteria and vending commissions	63,874	70,819
Photocopy service commissions	2,033	3,292
Parking fees	38,939	38,613
Antenna rental	110,862	22,476
Pouring rights	30,630	42,244
Conference center rental	236,413	18,130
Athletics	116,834	159,562
Classrooms and space rental	106,653	51,955
Culture and arts programs	679,025	557,761
Other	15,249	10,638
Cash payments to/for:		
Employees' salaries and benefits	(720,348)	(593,148)
Vendors	(409,971)	(501,109)
Other	(34,167)	(97,398)
Net cash provided by (used in) operating activities	<u>283,093</u>	<u>(171,735)</u>
Cash flows from noncapital financing activities:		
Receipts from career services	-	672
Receipts from College support - academic	241,581	100,923
Payments to other - clubs	(61,660)	(18,242)
Net cash provided by noncapital financing activities	<u>179,921</u>	<u>83,353</u>
Cash flows from capital and related financing activities - purchases of capital assets	<u>(5,425)</u>	<u>(59,681)</u>
Net increase (decrease) in cash and equivalents	457,589	(148,063)
Cash and equivalents at beginning of year	<u>1,083,150</u>	<u>1,231,213</u>
Cash and equivalents at end of year	<u>\$ 1,540,739</u>	<u>1,083,150</u>

(Continued)

See accompanying notes to financial statements.

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

	<u>2017</u>	<u>2016</u>
Reconciliation of income from operations to net cash provided by (used in) operating activities:		
Income from operations	\$ 136,803	48,023
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:		
Depreciation	15,586	16,001
Bad debt expense	41,848	81,435
Changes in:		
Accounts receivable	80,453	(159,821)
Due from related entities	(42,411)	(19,955)
Prepaid expenses	6,483	(4,368)
Accounts payable and accrued expenses	26,417	(70,134)
Unearned revenue	9,670	14,527
Due to related entities	<u>8,244</u>	<u>(77,443)</u>
Net cash provided by (used in) operating activities	<u>\$ 283,093</u>	<u>(171,735)</u>
Supplemental schedule of cash flow information:		
Donated space and services	<u>\$ 1,026,848</u>	<u>968,428</u>
Auxiliary:		
Donated professional services	64,073	60,381
Donated facilities	<u>533,610</u>	<u>415,030</u>
	<u>597,683</u>	<u>475,411</u>
Cultural and arts:		
Donated personnel	423,361	486,192
Donated postage and utilities	<u>5,804</u>	<u>6,825</u>
	<u>429,165</u>	<u>493,017</u>
	<u>\$ 1,026,848</u>	<u>968,428</u>
Disposal of fully depreciated capital assets	<u>\$ 37,983</u>	<u>-</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2017 and 2016

(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.

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

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 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.

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

Notes to Financial Statements, Continued

(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.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(1) 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, 2017, \$1,350,958 of the Auxiliary's bank balance of \$1,600,958 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, 2017 and 2016, capital assets consisted of the following:

	2017			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Furniture and equipment	\$ 211,183	5,425	(37,983)	178,625
Less accumulated depreciation	(154,415)	(15,586)	37,983	(132,018)
Capital assets, net	\$ <u>56,768</u>	(10,161)	-	<u>46,607</u>
	2016			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Furniture and equipment	\$ 151,502	59,681	-	211,183
Less accumulated depreciation	(138,414)	(16,001)	-	(154,415)
Capital assets, net	\$ <u>13,088</u>	<u>43,680</u>	-	<u>56,768</u>

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

Notes to Financial Statements, Continued

(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%. During 2017, the Auxiliary received a one time lump sum payment in the amount of \$80,000 for a utility consumption survey conducted by AT&T Wireless. The survey retrospectively reimbursed the Auxiliary for utility expenses from the time period of January 2006 through June 2016.

(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.

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

Notes to Financial Statements, Continued

(5) Commissions and Rentals, Continued

(d) Bookstore

Bookstore commissions represent commissions earned from the operation of the campus bookstore by Barnes & Noble College Booksellers, Inc. (Barnes & Noble). The Auxiliary receives an annual commission equal to the greater of a fixed amount or a percentage of annual sales. The contract became effective on May 1, 2011 for a ten year period and expires on April 30, 2021.

Commissions related to this 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. The percentage based commissions exceeded the guaranteed minimum for the contract year of May 2016 through April 2017 and the period of May 2017 through June 2017. The contract was pro-rated to \$43,717 to reflect the time that Barnes and Noble operated the store during 2017. Subsequent to year-end, CUNY entered into a contract with Akademos, Inc. for virtual bookstore operations. The Auxiliary terminated their contract with Barnes & Noble effective June 30, 2017.

(6) Donated Space and Services

The Auxiliary utilizes certain facilities provided by the College at no cost. For the years ended June 30, 2017 and 2016, 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 \$597,683 and \$475,411, respectively. The College also provided the culture and arts program employee time for their operation, postage and utilities which amounted to \$429,165 and \$493,017 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the Auxiliary owed \$323,062 and \$314,818, respectively, to other College entities. At June 30, 2017 and 2016, the Auxiliary had \$89,577 and \$47,166, 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.

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
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Notes to Financial Statements, Continued

(8) 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. 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.

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.
Schedule of Revenue and Expenses - Culture and Arts Program
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Culture and arts revenue:		
Performing arts series	\$ 70,881	35,211
Facility rentals	304,044	326,217
Grants	243,050	233,815
Donated services	429,165	493,017
Other	5,669	4,049
Contribution	20,110	15,830
Rental income	55,490	-
Total revenue	<u>1,128,409</u>	<u>1,108,139</u>
Culture and arts expenses:		
Performing arts	180,733	211,825
Payroll	265,436	269,725
Special project	218,481	100,321
Donated services	429,165	493,017
Other	66,045	21,097
Depreciation	3,602	3,602
Total expenses	<u>1,163,462</u>	<u>1,099,587</u>
Income (loss) from operations	<u>\$ (35,053)</u>	<u>8,552</u>