

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

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

(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, 2018 and 2017, 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, 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 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 audits were 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

Williamsville, New York
October 1, 2018

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

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 Eugenio Maria De Hostos Community College Auxiliary Enterprises Corporation, Inc.'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 increased by \$156,480 or 11%.
- Operating revenue decreased by \$118,220 or 5%.
- Operating expenses decreased by \$200,075 or 9%.

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, 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	\$ 2,015,316	1,898,948	116,368	6%
Noncurrent assets	<u>36,327</u>	<u>46,607</u>	<u>(10,280)</u>	(22%)
Total assets	<u>2,051,643</u>	<u>1,945,555</u>	<u>106,088</u>	5%
Liabilities:				
Current liabilities	438,320	488,712	(50,392)	(10%)
Noncurrent liabilities	<u>16,813</u>	<u>16,813</u>	<u>-</u>	-
Total liabilities	<u>455,133</u>	<u>505,525</u>	<u>(50,392)</u>	(10%)
Net position:				
Net investment in capital assets	36,327	46,607	(10,280)	(22%)
Unrestricted	<u>1,560,183</u>	<u>1,393,423</u>	<u>166,760</u>	12%
Total net position	<u>\$ 1,596,510</u>	<u>1,440,030</u>	<u>156,480</u>	11%

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

Management’s Discussion and Analysis, Continued

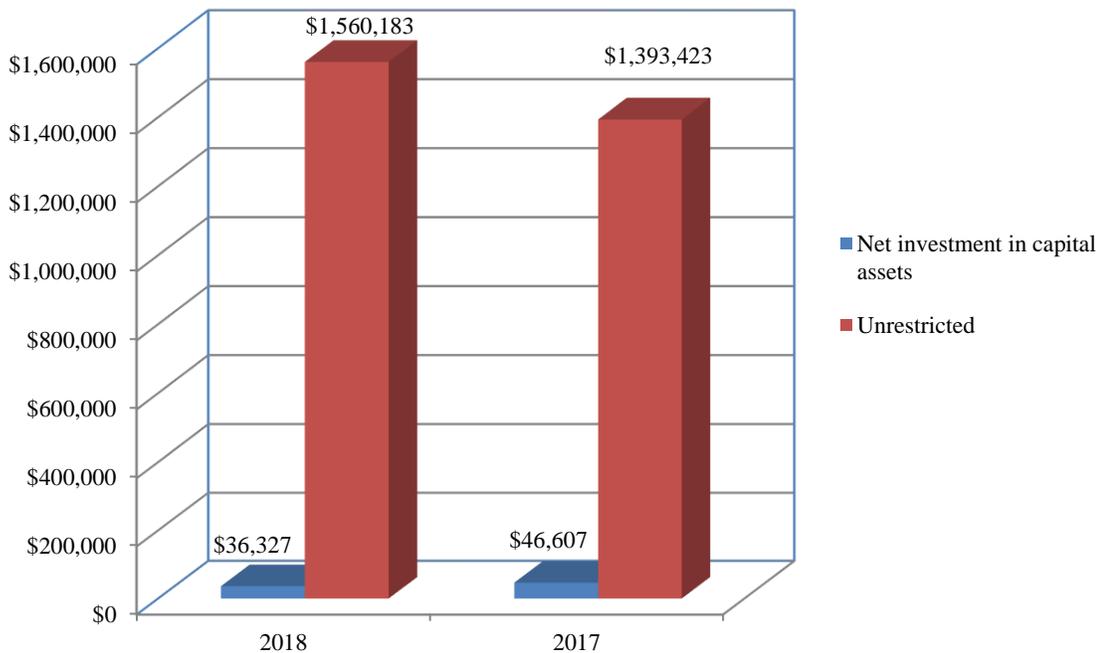
At June 30, 2018, the Auxiliary’s total net position increased by \$156,480 or 11%, compared to the previous year. The majority of this variance was attributable to an increase in cash and equivalents of \$178,966, an increase in commission’s receivable of \$12,439, a decrease in accounts payable and accrued expenses and due to related entities of \$37,911 and \$22,149, respectively, offset by a decrease in due from related entities of \$62,783 and an increase in unearned revenue of \$9,668. The amount invested in capital assets decreased by \$10,280 or 22% as a result of purchasing new capital assets of \$7,989 offset by depreciation expense of \$18,269.

At June 30, 2018, the Auxiliary’s total current liabilities decreased by \$50,392 or 10%, due to a decrease in accounts payable and accrued expenses and due to related entities of \$37,911 and \$22,149, respectively, offset by an increase in unearned revenue of \$9,668.

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:

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, 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	\$ 50,344	43,717	6,627	15%
Cafeteria and vending	90,000	90,000	-	-
Photocopy service	5,278	2,033	3,245	160%
Parking fees	44,245	38,994	5,251	13%
Antenna rental	31,314	110,862	(79,548)	(72%)
Pouring rights	27,310	30,630	(3,320)	(11%)
Conference center rental	206,457	155,980	50,477	32%
Athletics	68,887	119,584	(50,697)	(42%)
Classrooms and space rental	134,259	106,653	27,606	26%
Culture and arts:				
Performing arts series	57,542	70,881	(13,339)	(19%)
Facility rentals	381,796	304,044	77,752	26%
Grants	185,226	243,050	(57,824)	(24%)
Other	2,423	5,669	(3,246)	(57%)
Contribution	11,831	20,110	(8,279)	(41%)
Donated space and services	949,386	1,026,848	(77,462)	(8%)
Other	<u>19,786</u>	<u>15,249</u>	<u>4,537</u>	30%
Total operating revenue	2,266,084	2,384,304	(118,220)	(5%)
Nonoperating revenue - other	<u>59,250</u>	<u>241,581</u>	<u>(182,331)</u>	(75%)
Total revenue	\$ <u>2,325,334</u>	<u>2,625,885</u>	<u>(300,551)</u>	(11%)

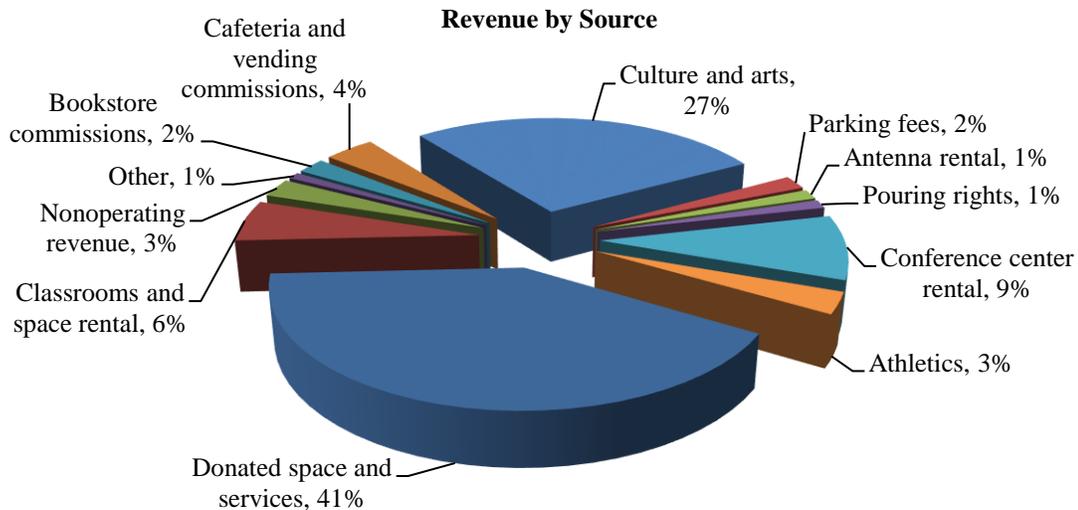
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AUXILIARY ENTERPRISES CORPORATION, INC.

Management's Discussion and Analysis, Continued

The Auxiliary's total revenue for the year ended June 30, 2018 amounted to \$2,325,334, a decrease of \$300,551 or 11%, compared to the previous year. The major components of this variance related to a decrease in nonoperating revenue, antenna rental, athletics and culture and arts revenue of \$182,331, \$79,548, \$50,697 and \$4,936, respectively. The revenue decrease was offset by an increase in conference center rentals of \$50,477 or 32% and an increase of \$27,606 or 26% in classroom and space rental.

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:



Expenses

	<u>2018</u>	<u>2017</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Conference center	\$ 35,230	117,922	(82,692)	(70%)
Cafeteria	366	1,178	(812)	(69%)
Parking facilities rental	72,340	12,012	60,328	502%
Athletics and recreation	80,870	124,149	(43,279)	(35%)
Culture and arts	1,078,243	1,159,860	(81,617)	(7%)
Management and general	762,108	816,794	(54,686)	(7%)
Depreciation	<u>18,269</u>	<u>15,586</u>	<u>2,683</u>	17%
Total operating expenses	2,047,426	2,247,501	(200,075)	(9%)
Nonoperating expenses:				
Foundation support	50,000	-	50,000	100%
Other - clubs	<u>71,428</u>	<u>61,660</u>	<u>9,768</u>	16%
Total nonoperating expenses	<u>121,428</u>	<u>61,660</u>	<u>59,768</u>	97%
Total expenses	\$ <u>2,168,854</u>	<u>2,309,161</u>	<u>(140,307)</u>	(6%)

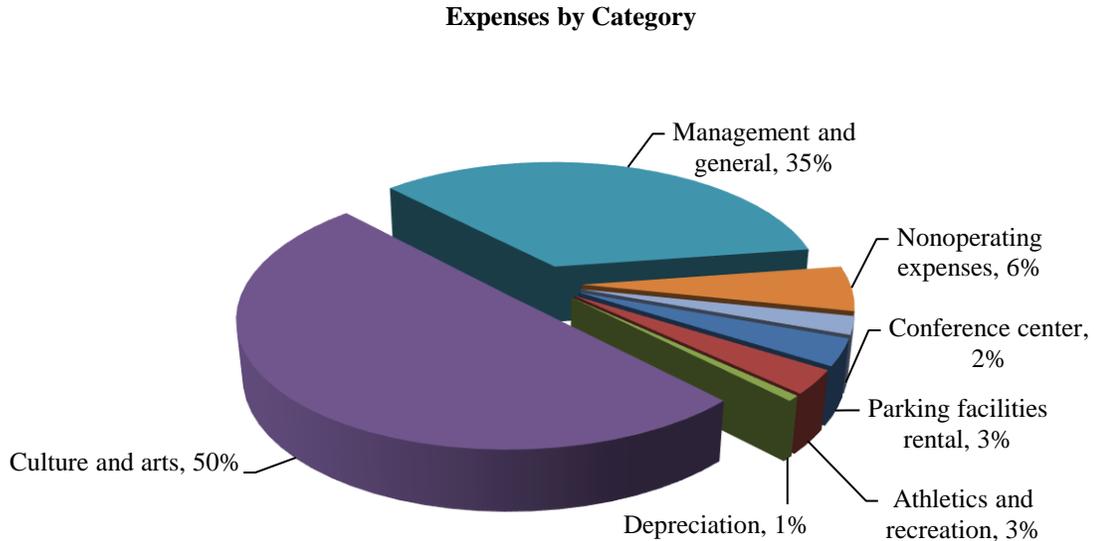
EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.

Management's Discussion and Analysis, Continued

Total expenses for the year ended June 30, 2018 were \$2,168,854, a decrease of \$140,307 or 6%, compared to the previous year. The major components of this variance were caused by a decrease in conference center expenses of \$82,692 or 70%, in athletics and recreation of \$43,279 or 35%, in culture and arts of \$81,617 or 7% and management and general of \$54,686 or 7%. The expense decreases were partly offset by the increases in parking facilities rental of \$60,328 or 502% and nonoperating expenses of \$59,768 or 97%.

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

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

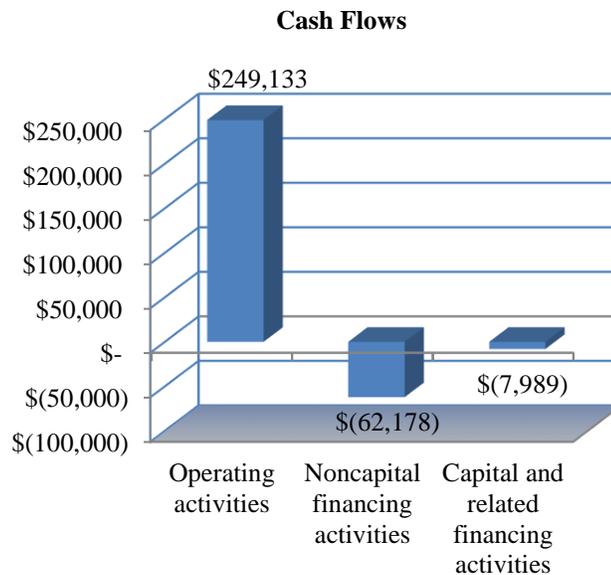


EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.

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, 2018:



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, 2018 and 2017

	<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash and equivalents		\$ 1,719,705	1,540,739
Accounts receivable:			
Commissions, net of allowance for doubtful accounts of \$14,489 in 2018 and \$61,684 in 2017		112,736	100,297
Culture and arts, net of allowance for doubtful accounts of \$56,430 in 2018 and \$30,700 in 2017		116,244	122,821
Other, net of allowance for doubtful accounts of \$17,571 in 2018 and \$113,639 in 2017		32,827	38,985
Due from related entities		26,794	89,577
Prepaid expenses		<u>7,010</u>	<u>6,529</u>
Total current assets		2,015,316	1,898,948
Noncurrent assets - capital assets, net		<u>36,327</u>	<u>46,607</u>
Total assets		<u>2,051,643</u>	<u>1,945,555</u>
 <u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued expenses		71,507	109,418
Unearned revenue		65,900	56,232
Due to related entities		<u>300,913</u>	<u>323,062</u>
Total current liabilities		438,320	488,712
Noncurrent liabilities - security deposits		<u>16,813</u>	<u>16,813</u>
Total liabilities		<u>455,133</u>	<u>505,525</u>
 <u>Net Position</u>			
Net investment in capital assets		36,327	46,607
Unrestricted		<u>1,560,183</u>	<u>1,393,423</u>
Total net position		<u>\$ 1,596,510</u>	<u>1,440,030</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 50,344	43,717
Cafeteria and vending	90,000	90,000
Photocopy service	5,278	2,033
Parking fees	44,245	38,994
Antenna rental	31,314	110,862
Pouring rights	27,310	30,630
Conference center rental	206,457	155,980
Athletics	68,887	119,584
Classrooms and space rental	134,259	106,653
Culture and arts:		
Performing arts series	57,542	70,881
Facility rentals	381,796	304,044
Grants	185,226	243,050
Other	2,423	5,669
Contribution	11,831	20,110
Donated space and services	949,386	1,026,848
Other	19,786	15,249
Total operating revenue	2,266,084	2,384,304
Operating expenses:		
Conference center	35,230	117,922
Cafeteria	366	1,178
Parking facilities rental	72,340	12,012
Athletics and recreation	80,870	124,149
Culture and arts	1,078,243	1,159,860
Management and general	762,108	816,794
Depreciation	18,269	15,586
Total operating expenses	2,047,426	2,247,501
Income from operations	218,658	136,803

(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>2018</u>	<u>2017</u>
Nonoperating revenue (expenses):		
Other revenue	\$ 59,250	241,581
Foundation support	(50,000)	-
Other - clubs	<u>(71,428)</u>	<u>(61,660)</u>
Total nonoperating revenue (expenses), net	<u>(62,178)</u>	<u>179,921</u>
Increase in net position	156,480	316,724
Net position at beginning of year	<u>1,440,030</u>	<u>1,123,306</u>
Net position at end of year	<u>\$ 1,596,510</u>	<u>1,440,030</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 66,227	47,067
Cafeteria and vending commissions	39,570	63,874
Photocopy service commissions	5,278	2,033
Parking fees	46,280	38,939
Antenna rental	31,314	110,862
Pouring rights	27,310	30,630
Conference center rental	185,674	236,413
Athletics	68,887	116,834
Classrooms and space rental	134,259	106,653
Culture and arts programs	712,882	679,025
Other	19,786	15,249
Cash payments to/for:		
Employees' salaries and benefits	(594,423)	(720,348)
Vendors	(472,612)	(409,971)
Other	<u>(21,299)</u>	<u>(34,167)</u>
Net cash provided by operating activities	<u>249,133</u>	<u>283,093</u>
Cash flows from noncapital financing activities:		
Receipts from College support - academic	59,250	241,581
Payments for Foundation support	(50,000)	-
Payments to other - clubs	<u>(71,428)</u>	<u>(61,660)</u>
Net cash provided by (used in) noncapital financing activities	<u>(62,178)</u>	<u>179,921</u>
Cash flows from capital and related financing activities - purchases of capital assets	<u>(7,989)</u>	<u>(5,425)</u>
Net increase in cash and equivalents	178,966	457,589
Cash and equivalents at beginning of year	<u>1,540,739</u>	<u>1,083,150</u>
Cash and equivalents at end of year	<u>\$ 1,719,705</u>	<u>1,540,739</u>

(Continued)

See accompanying notes to financial statements.

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

	<u>2018</u>	<u>2017</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 218,658	136,803
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	18,269	15,586
Bad debt expense	51,978	41,848
Changes in:		
Accounts receivable	(51,682)	80,453
Due from related entities	62,783	(42,411)
Prepaid expenses	(481)	6,483
Accounts payable and accrued expenses	(37,911)	26,417
Unearned revenue	9,668	9,670
Due to related entities	<u>(22,149)</u>	<u>8,244</u>
Net cash provided by operating activities	<u>\$ 249,133</u>	<u>283,093</u>
Supplemental schedule of cash flow information:		
Donated space and services	<u>\$ 949,386</u>	<u>1,026,848</u>
Auxiliary:		
Donated professional services	67,548	64,073
Donated facilities	<u>423,810</u>	<u>533,610</u>
	<u>491,358</u>	<u>597,683</u>
Cultural and arts:		
Donated personnel	451,255	423,361
Donated postage and utilities	<u>6,773</u>	<u>5,804</u>
	<u>458,028</u>	<u>429,165</u>
	<u>\$ 949,386</u>	<u>1,026,848</u>
Disposal of fully depreciated capital assets	<u>\$ -</u>	<u>37,983</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2018 and 2017

(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) 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.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense 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.

(e) 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. 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.

(f) 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.

(g) 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 space and services (note 6).

(h) 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.

(i) 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.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) 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.

(k) 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 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, \$1,527,915 of the Auxiliary's bank balance of \$1,751,689 was exposed to custodial credit risk as it was uninsured and uncollateralized.

(4) Capital Assets

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

	2018			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Furniture and equipment	\$ 101,315	7,989	-	109,304
Land improvements	77,310	-	-	77,310
Less accumulated depreciation	<u>(132,018)</u>	<u>(18,269)</u>	<u>-</u>	<u>(150,287)</u>
Capital assets, net	<u>\$ 46,607</u>	<u>(10,280)</u>	<u>-</u>	<u>36,327</u>

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

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	2017			
	Beginning Balance	Additions	Disposals	Ending balance
Furniture and equipment	\$ 133,873	5,425	(37,983)	101,315
Land improvements	77,310	-	-	77,310
Less accumulated depreciation	(154,415)	(15,586)	37,983	(132,018)
Capital assets, net	\$ 56,768	(10,161)	-	46,607

(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 for 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.

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

Notes to Financial Statements, Continued

(5) Commissions and Rentals, Continued

(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.

(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. 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 & Noble College Booksellers, Inc. (Barnes and Noble) operated the store during 2017. Subsequent to June 30, 2017, 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, 2018 and 2017, 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 \$491,358 and \$597,683, respectively. The College also provided the culture and arts program employee time for their operation, postage and utilities which amounted to \$458,028 and \$429,165 for the years ended June 30, 2018 and 2017, respectively. Such donated space and services are included in revenue and expenses in the accompanying statements of revenue, expenses and changes in net position.

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

Notes to Financial Statements, Continued

(7) Related Party Transactions

At June 30, 2018 and 2017, the Auxiliary owed \$300,913 and \$323,062, respectively, to other College entities. At June 30, 2018 and 2017, the Auxiliary had \$26,794 and \$89,577, 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. 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.

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

Notes to Financial Statements, Continued

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

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.

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.

EUGENIO MARIA DE HOSTOS COMMUNITY COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INC.
Schedule of Revenue and Expenses - Culture and Arts Program
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Culture and arts revenue:		
Performing arts series	\$ 57,542	70,881
Facility rentals	381,796	304,044
Grants	185,226	243,050
Donated services	458,028	429,165
Other	2,423	5,669
Contribution	11,831	20,110
Rental income	-	55,490
	<u>1,096,846</u>	<u>1,128,409</u>
Total revenue		
Culture and arts expenses:		
Performing arts	142,327	180,733
Payroll	276,135	265,436
Special project	93,921	218,481
Donated services	458,028	429,165
Other	107,832	66,045
Depreciation	3,602	3,602
	<u>1,081,845</u>	<u>1,163,462</u>
Total expenses		
Income (loss) from operations	<u>\$ 15,001</u>	<u>(35,053)</u>