

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

Financial Statements and  
Supplementary Information

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
York College Auxiliary Enterprises Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of York College Auxiliary Enterprises Corporation (the Auxiliary) as of and for the years ended June 30, 2016 and 2015, and related notes to financial statements, which collectively comprise the Auxiliary's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Auxiliary's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Auxiliary's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of York College Auxiliary Enterprises Corporation as of June 30, 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 Matter

Required Supplementary Information

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

Toski & Co., CPAs, P.C.

Williamsville, New York  
September 30, 2016

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

Management's Discussion and Analysis

June 30, 2016 and 2015

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the York College Auxiliary Enterprises Corporation'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 \$47,815 or 2%.
- Operating revenue increased by \$33,767 or 2%.
- Operating expenses increased by \$256,778 or 21%.

**Financial Position**

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

**Statements of Net Position**

The following summarizes the Auxiliary's assets, liabilities and net position as of June 30, 2016 and 2015, under the accrual basis of accounting:

|                                  | <u>2016</u>         | <u>2015</u>      | <u>Dollar<br/>change</u> | <u>Percent<br/>change</u> |
|----------------------------------|---------------------|------------------|--------------------------|---------------------------|
| <b>Assets:</b>                   |                     |                  |                          |                           |
| Current assets                   | \$ 1,922,051        | 1,811,720        | 110,331                  | 6%                        |
| Noncurrent assets                | <u>1,315,514</u>    | <u>1,332,160</u> | <u>(16,646)</u>          | (1%)                      |
| Total assets                     | <u>3,237,565</u>    | <u>3,143,880</u> | <u>93,685</u>            | 3%                        |
| <b>Liabilities:</b>              |                     |                  |                          |                           |
| Current liabilities              | 1,197,329           | 1,145,474        | 51,855                   | 5%                        |
| Noncurrent liabilities           | <u>10,000</u>       | <u>10,000</u>    | <u>-</u>                 | -                         |
| Total liabilities                | <u>1,207,329</u>    | <u>1,155,474</u> | <u>51,855</u>            | 4%                        |
| <b>Net position:</b>             |                     |                  |                          |                           |
| Net investment in capital assets | 60,176              | 55,625           | 4,551                    | 8%                        |
| Unrestricted                     | <u>1,970,060</u>    | <u>1,932,781</u> | <u>37,279</u>            | 2%                        |
| Total net position               | \$ <u>2,030,236</u> | <u>1,988,406</u> | <u>41,830</u>            | 2%                        |

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

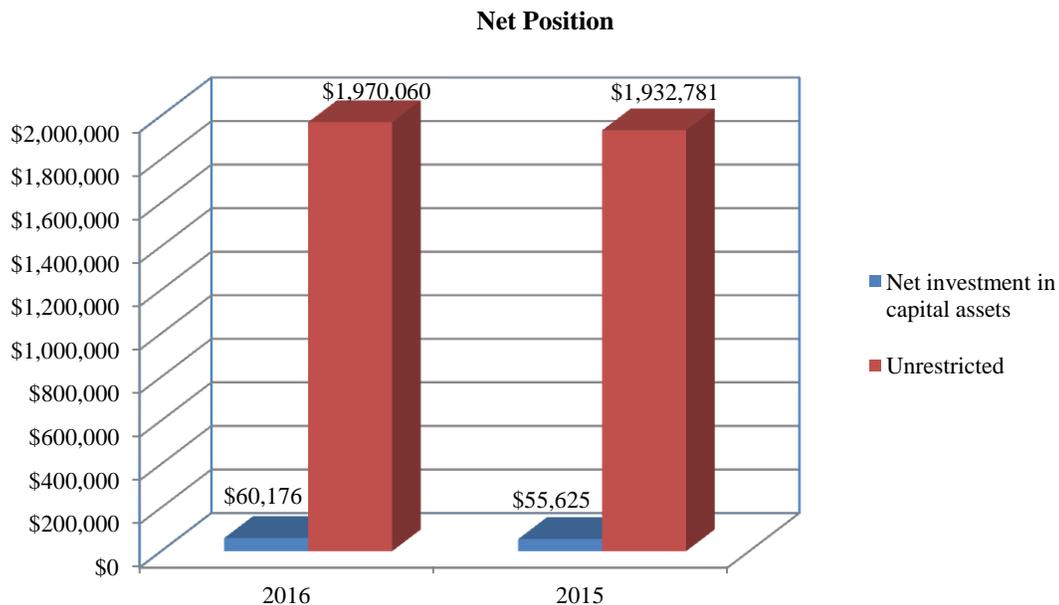
Management's Discussion and Analysis, Continued

At June 30, 2016, the Auxiliary's total assets increased by \$93,685 or 3%, compared to the previous year. The majority of this variance was related to an increase in cash and equivalents of \$126,167 and accounts receivable of \$14,835. Cash and equivalents increased, primarily due to the timing of payments and accounts receivable due to the timing of cash receipts. This increase was offset by a decrease in commission receivable and investments of \$30,671 and \$21,197, respectively. Commission receivable decreased primarily due to the timely payment of food commissions. Investments decreased due to the poor condition of the financial markets.

At June 30, 2016, the Auxiliary's total liabilities increased by \$51,855 or 4%, compared to the previous year. The majority of this variance was related to an increase in deposits held for others of \$58,274. Deposits held for others increased largely due to the monies held for the Testing Center and the Star Program. This increase is offset by decreases in accounts payable and accrued expenses and due to York College entities of \$6,059 and \$8,259, respectively. Accounts payable and accrued expenses and due to York College entities decreased due to timely payments.

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:



YORK COLLEGE AUXILIARY  
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Management's Discussion and Analysis, Continued

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

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

**Revenue**

|                            | <u>2016</u>         | <u>2015</u>      | <u>Dollar<br/>change</u> | <u>Percent<br/>change</u> |
|----------------------------|---------------------|------------------|--------------------------|---------------------------|
| Operating revenue:         |                     |                  |                          |                           |
| Commissions:               |                     |                  |                          |                           |
| Bookstore                  | \$ 49,591           | 56,706           | (7,115)                  | (13%)                     |
| Food service               | 135,099             | 140,885          | (5,786)                  | (4%)                      |
| Royalties                  | 42,325              | 42,320           | 5                        | 1%                        |
| Rental income              | 564,639             | 574,997          | (10,358)                 | (2%)                      |
| Copier                     | 11,068              | 12,291           | (1,223)                  | (10%)                     |
| Parking fees               | 350,230             | 326,302          | 23,928                   | 7%                        |
| Donated space and services | 287,165             | 285,322          | 1,843                    | 1%                        |
| Other                      | <u>136,259</u>      | <u>103,786</u>   | <u>32,473</u>            | 31%                       |
| Total operating revenue    | <u>1,576,376</u>    | <u>1,542,609</u> | <u>33,767</u>            | 2%                        |
| Nonoperating revenue:      |                     |                  |                          |                           |
| Investment income (loss)   | (20,348)            | (16,380)         | (3,968)                  | (24%)                     |
| Contributions              | <u>35,000</u>       | <u>35,848</u>    | <u>(848)</u>             | (2%)                      |
| Total nonoperating revenue | <u>14,652</u>       | <u>19,468</u>    | <u>(4,816)</u>           | (25%)                     |
| Total revenue              | <u>\$ 1,591,028</u> | <u>1,562,077</u> | <u>28,951</u>            | 2%                        |

The Auxiliary's total revenue for the year ended June 30, 2016 amounted to \$1,591,028 an increase of \$28,951 or 2%, compared to the previous year. The major components of this variance were related to increases in other income and parking fees of \$32,473 and \$23,928, respectively. Other income increased largely due an increase in ticket sales for Performing Arts Center events. Parking fees increased due to the implementation of the College's online payment system for parking and an increase in reserved parking permit sales. These increases were offset by a decrease in rental income of \$10,358 due to the Health and Physical Education Building having fewer events this year.

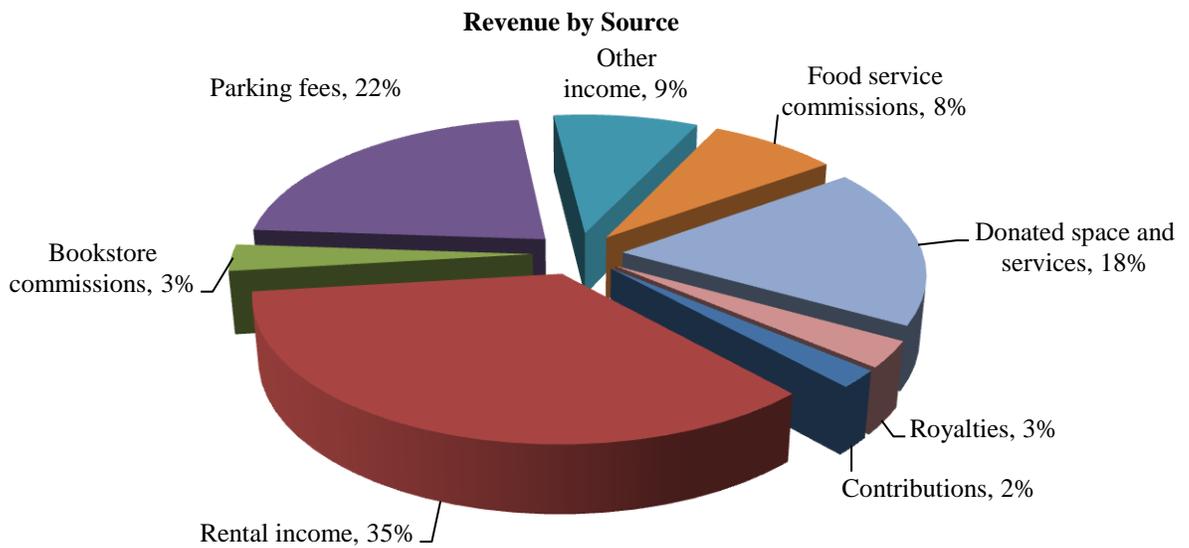
YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

Management's Discussion and Analysis, Continued

Rental income, parking fees and donated space and services represented 35%, 22% and 18% of the total revenue, respectively. Accordingly, the Auxiliary is dependent upon this level of support to carry out its operations.

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

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



YORK COLLEGE AUXILIARY  
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Management's Discussion and Analysis, Continued

**Expenses**

|   | <u>2016</u>         | <u>2015</u>      | <u>Dollar<br/>change</u> | <u>Percent<br/>change</u> |
|---|---------------------|------------------|--------------------------|---------------------------|
| Operating expenses:                     |                     |                  |                          |                           |
| Athletics and recreation                | \$ 43,153           | 40,445           | 2,708                    | 7%                        |
| Graduation/commencement                 | 51,672              | 22,123           | 29,549                   | 134%                      |
| Career services                         | 2,460               | 3,409            | (949)                    | (28%)                     |
| Fine arts                               | 10,916              | 10,263           | 653                      | 6%                        |
| Undergraduate research                  | 10,845              | 12,761           | (1,916)                  | (15%)                     |
| VITA program                            | 1,695               | -                | 1,695                    | 100%                      |
| Recruitment and advertising             | 17,836              | 13,604           | 4,232                    | 31%                       |
| Facility rentals                        | 234,416             | 313,003          | (78,587)                 | (25%)                     |
| Parking                                 | 346,215             | 256,077          | 90,138                   | 35%                       |
| Performing arts                         | 107,278             | 41,593           | 65,685                   | 158%                      |
| Other                                   | 153,661             | 9,962            | 143,699                  | 1,442%                    |
| Management and general                  | 480,220             | 467,266          | 12,954                   | 3%                        |
| Provision for bad debts                 | -                   | 3,154            | (3,154)                  | (100%)                    |
| Depreciation                            | <u>33,962</u>       | <u>43,891</u>    | <u>(9,929)</u>           | <u>(23%)</u>              |
| Total operating expenses                | 1,494,329           | 1,237,551        | 256,778                  | 21%                       |
| Nonoperating expenses - College support | <u>54,869</u>       | <u>54,681</u>    | <u>188</u>               | 1%                        |
| Total expenses                          | \$ <u>1,549,198</u> | <u>1,292,232</u> | <u>256,966</u>           | 20%                       |

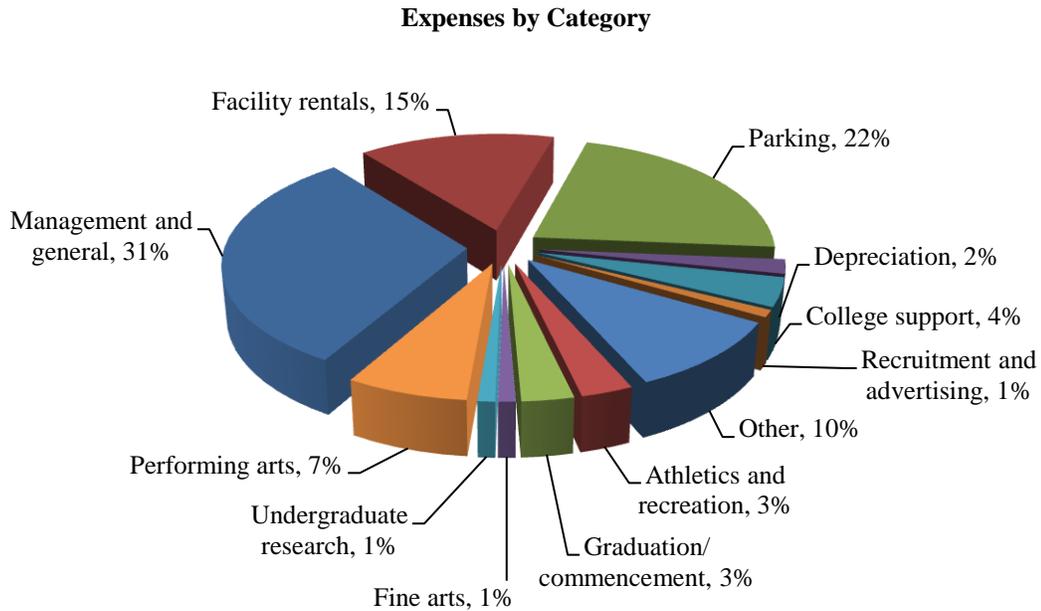
Total expenses for the year ended June 30, 2016 amounted to \$1,549,198, an increase of \$256,966 or 20%, compared to the previous year. The major components of this variance were related to increases in parking, performing arts, and other expenses of \$90,138, \$65,685 and \$143,699, respectively. Parking increased primarily due to personnel change in the use of contracted security. Performing arts increased because, this year, they had an increase in events held at the Performing Arts Center and in addition staffing hours had increased as an outcome. This year other expenses had increased largely due to the auxiliary voting on a decision to support the College's operational expenses. These increases were offset by a decrease in facility rentals which was due to a decrease in the salaries paid out for staffing around campus wide events.

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

**YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION**

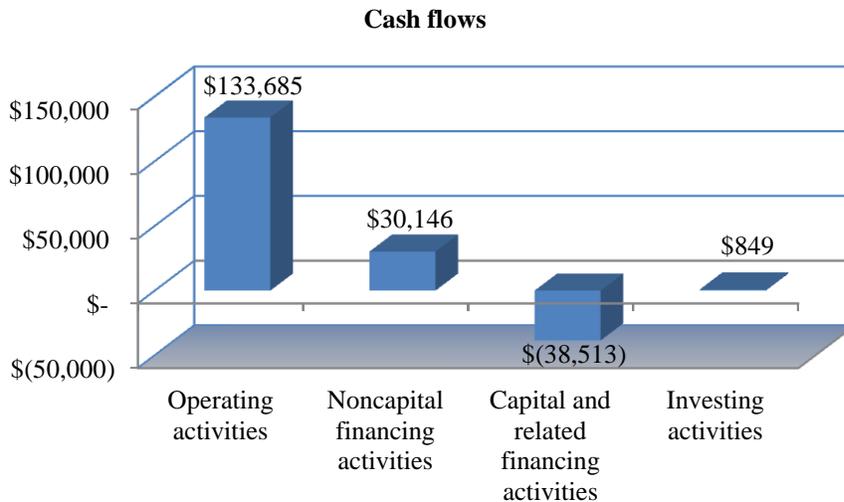
**Management's Discussion and Analysis, Continued**

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



**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:



YORK COLLEGE AUXILIARY  
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Management's Discussion and Analysis, Continued

**Economic Factors That May Affect the Future**

There are no known economic factors that may influence the future, with the exception of student enrollment, which directly relates to the amount of revenue earned, as well as related expenses incurred.

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION  
Statements of Net Position  
June 30, 2016 and 2015

| <u>Assets</u>                             | <u>2016</u>         | <u>2015</u>      |
|---|---------------------|------------------|
| Current assets:                           |                     |                  |
| Cash and equivalents                      | \$ 1,852,268        | 1,726,101        |
| Accounts receivable                       | 49,406              | 34,571           |
| Commissions receivable                    | 18,607              | 49,278           |
| Prepaid expenses                          | <u>1,770</u>        | <u>1,770</u>     |
| Total current assets                      | <u>1,922,051</u>    | <u>1,811,720</u> |
| Noncurrent assets:                        |                     |                  |
| Long-term investments, at fair value      | 1,255,338           | 1,276,535        |
| Capital assets, net                       | <u>60,176</u>       | <u>55,625</u>    |
| Total noncurrent assets                   | <u>1,315,514</u>    | <u>1,332,160</u> |
| Total assets                              | <u>3,237,565</u>    | <u>3,143,880</u> |
| <u>Liabilities</u>                        |                     |                  |
| Current liabilities:                      |                     |                  |
| Accounts payable and accrued expenses     | 325,698             | 331,757          |
| Unearned revenue                          | 41,171              | 33,272           |
| Due to York College entities              | 539,697             | 547,956          |
| Deposits held in custody for others, net  | <u>290,763</u>      | <u>232,489</u>   |
| Total current liabilities                 | 1,197,329           | 1,145,474        |
| Noncurrent liabilities - security deposit | <u>10,000</u>       | <u>10,000</u>    |
| Total liabilities                         | <u>1,207,329</u>    | <u>1,155,474</u> |
| <u>Net Position</u>                       |                     |                  |
| Net investment in capital assets          | 60,176              | 55,625           |
| Unrestricted                              | <u>1,970,060</u>    | <u>1,932,781</u> |
| Total net position                        | <u>\$ 2,030,236</u> | <u>1,988,406</u> |

See accompanying notes to financial statements.

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION  
Statements of Revenue, Expenses and Changes in Net Position  
Years ended June 30, 2016 and 2015

|  | <u>2016</u>         | <u>2015</u>      |
|--|---------------------|------------------|
| Operating revenue:                         |                     |                  |
| Commissions:                               |                     |                  |
| Bookstore                                  | \$ 49,591           | 56,706           |
| Food service                               | 135,099             | 140,885          |
| Royalties                                  | 42,325              | 42,320           |
| Rental income                              | 564,639             | 574,997          |
| Copier                                     | 11,068              | 12,291           |
| Parking fees                               | 350,230             | 326,302          |
| Donated space and services                 | 287,165             | 285,322          |
| Other                                      | <u>136,259</u>      | <u>103,786</u>   |
| Total operating revenue                    | <u>1,576,376</u>    | <u>1,542,609</u> |
| Operating expenses:                        |                     |                  |
| Athletics and recreation                   | 43,153              | 40,445           |
| Graduation/commencement                    | 51,672              | 22,123           |
| Career services                            | 2,460               | 3,409            |
| Fine arts                                  | 10,916              | 10,263           |
| Undergraduate research                     | 10,845              | 12,761           |
| VITA program                               | 1,695               | -                |
| Recruitment and advertising                | 17,836              | 13,604           |
| Facility rentals                           | 234,416             | 313,003          |
| Parking                                    | 346,215             | 256,077          |
| Performing arts                            | 107,278             | 41,593           |
| Other                                      | 153,661             | 9,962            |
| Management and general                     | 480,220             | 467,266          |
| Provision for bad debts                    | -                   | 3,154            |
| Depreciation                               | <u>33,962</u>       | <u>43,891</u>    |
| Total operating expenses                   | <u>1,494,329</u>    | <u>1,237,551</u> |
| Income from operations                     | <u>82,047</u>       | <u>305,058</u>   |
| Nonoperating revenue (expenses):           |                     |                  |
| Investment income (loss)                   | (20,348)            | (16,380)         |
| Contributions                              | 35,000              | 35,848           |
| College support                            | <u>(54,869)</u>     | <u>(54,681)</u>  |
| Total nonoperating revenue (expenses), net | <u>(40,217)</u>     | <u>(35,213)</u>  |
| Increase in net position                   | 41,830              | 269,845          |
| Net position at beginning of year          | <u>1,988,406</u>    | <u>1,718,561</u> |
| Net position at end of year                | <u>\$ 2,030,236</u> | <u>1,988,406</u> |

See accompanying notes to financial statements.

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION  
Statements of Cash Flows  
Years ended June 30, 2016 and 2015

|  | <u>2016</u>         | <u>2015</u>      |
|--|---------------------|------------------|
| Cash flows from operating activities:  |                     |                  |
| Cash receipts from:  |                     |                  |
| Bookstore commissions  | \$ 52,034           | 50,090           |
| Food service commissions   | 163,327             | 114,744          |
| Rental income  | 603,090             | 638,824          |
| Copier   | 6,886               | 12,291           |
| Parking fees   | 349,970             | 326,302          |
| Other  | 137,639             | 110,231          |
| Cash payments to/for:  |                     |                  |
| Employees' salaries and benefits   | (739,442)           | (674,116)        |
| Services   | (70,007)            | (57,321)         |
| Vendors  | (369,812)           | (148,457)        |
| Net cash provided by operating activities  | <u>133,685</u>      | <u>372,588</u>   |
| Cash flows from noncapital financing activities:   |                     |                  |
| Decrease in due to York College entities   | (8,259)             | (8,413)          |
| Change in deposits held in custody for others  | 58,274              | (3,346)          |
| Contributions  | 35,000              | 35,848           |
| College support  | (54,869)            | (54,681)         |
| Net cash provided by (used in) noncapital<br>financing activities                            | <u>30,146</u>       | <u>(30,592)</u>  |
| Cash flows used in capital and related financing activities -<br>purchases of capital assets | <u>(38,513)</u>     | <u>(41,514)</u>  |
| Cash flows from investing activities - interest and dividends                                | <u>849</u>          | <u>317</u>       |
| Net increase in cash and equivalents   | 126,167             | 300,799          |
| Cash and equivalents at beginning of year  | <u>1,726,101</u>    | <u>1,425,302</u> |
| Cash and equivalents at end of year  | <u>\$ 1,852,268</u> | <u>1,726,101</u> |

(Continued)

See accompanying notes to financial statements.

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION  
Statements of Cash Flows, Continued

|   | <u>2016</u>       | <u>2015</u>    |
|---|-------------------|----------------|
| Reconciliation of income from operations to net cash provided by operating activities:        |                   |                |
| Income from operations  | \$ 82,047         | 305,058        |
| Adjustments to reconcile income from operations to net cash provided by operating activities: |                   |                |
| Depreciation  | 33,962            | 43,891         |
| Bad debts   | -                 | 3,154          |
| Changes in:   |                   |                |
| Accounts receivable   | (14,835)          | 25,412         |
| Commissions receivable  | 30,671            | (32,357)       |
| Prepaid expenses  | -                 | (68)           |
| Accounts payable and accrued expenses   | (6,059)           | 25,358         |
| Unearned revenue  | <u>7,899</u>      | <u>2,140</u>   |
| Net cash provided by operating activities   | <u>\$ 133,685</u> | <u>372,588</u> |
| Supplemental schedule of cash flow information:   |                   |                |
| Donated space and services  | <u>\$ 287,165</u> | <u>285,322</u> |
| Professional services   | 284,149           | 281,726        |
| Facilities  | <u>3,016</u>      | <u>3,596</u>   |
|   | <u>\$ 287,165</u> | <u>285,322</u> |
| Disposal of fully depreciated capital assets  | <u>\$ 38,118</u>  | <u>-</u>       |

See accompanying notes to financial statements.

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

Notes to Financial Statements

June 30, 2016 and 2015

(1) Nature of Organization

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

For financial reporting purposes, the Auxiliary is considered to be a special-purpose government 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.

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

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 relates to fair value measures of certain investments. The requirements of this Statement are effective for periods beginning after June 15, 2015, which is the fiscal year beginning July 1, 2015 for the Auxiliary. 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.

YORK COLLEGE AUXILIARY  
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Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(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 \$1,000 or more for computer hardware and \$5,000 or more for all other equipments; and \$25,000 or more for building improvements. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The estimated useful life of furniture, fixtures and equipment is five years. The estimated useful life of building improvements is the lesser of the projected life or 25 years.

(f) Investments

The Auxiliary records its investments at fair value based on quoted market prices, with changes in fair value of investments recorded in the statements of revenue, expenses and changes in net position.

(g) Receivables

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(h) Revenue Recognition

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

(i) Donated Space and Services

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

(j) Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenue, expenses and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(l) Commissions

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

(m) Subsequent Events

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

(n) Income Taxes

The Auxiliary is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The Auxiliary has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Auxiliary presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Auxiliary has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Auxiliary are subject to examination by taxing authorities.

(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, 2016, \$1,163,773 of the Auxiliary's bank balance of \$1,899,314 was exposed to custodial credit risk as it was uninsured and uncollateralized.

YORK COLLEGE AUXILIARY  
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Notes to Financial Statements, Continued

(4) Investments

Custodial credit risk as it relates to investments is the risk that in the event of failure of the counterparty of a transaction, the Auxiliary will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty. At June 30, 2016, the Auxiliary's entire investment portfolio balance of \$1,049,931 was exposed to custodial credit risk, as it was uninsured and uncollateralized. A portion of the Auxiliary's investments are held by CUNY in an investment pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the Committee). Several investment advisory firms are engaged to assist the Committee in its investment pool portfolio management, which is comprised of cash and cash equivalents, corporate bonds, equities, mutual funds, U.S. agency mortgage-backed securities, U.S. government bonds, and foreign bonds.

|                                      | <u>2016</u>         | <u>2015</u>      |
|--------------------------------------|---------------------|------------------|
| CUNY investment pool                 | \$ 1,049,931        | 1,074,771        |
| Common fund - intermediate term fund | <u>205,407</u>      | <u>201,764</u>   |
|                                      | <u>\$ 1,255,338</u> | <u>1,276,535</u> |

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

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

Level 2 - Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(4) Investments, Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2016.

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

The following table set forth by level, within the fair value hierarchy, the Auxiliary's assets at fair value as of June 30, 2016:

|                                      | <u>Assets at Fair Value as of June 30, 2016</u> |                |                  |                  |
|--------------------------------------|---|----------------|------------------|------------------|
|                                      | <u>Level 1</u>                                  | <u>Level 2</u> | <u>Level 3</u>   | <u>Total</u>     |
| CUNY investment pool                 | \$ -  | -              | 1,049,931        | 1,049,931        |
| Common fund - intermediate term fund | <u>205,407</u>                                  | -              | -                | <u>205,407</u>   |
|                                      | <u>\$ 205,407</u>                               | <u>-</u>       | <u>1,049,931</u> | <u>1,255,338</u> |

The following table summarizes the activity for financial instruments classified as Level 3 in 2016:

|                               |                     |
|-------------------------------|---------------------|
| Balance at June 30, 2015      | \$ 1,074,771        |
| Dividends and interest income | 5,485               |
| Realized and unrealized loss  | <u>(30,325)</u>     |
| Balance at June 30, 2016      | \$ <u>1,049,931</u> |

(5) Capital Assets

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

|                               | <u>2016</u>                  |                  |                  |                           |
|-------------------------------|------------------------------|------------------|------------------|---------------------------|
|                               | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending<br/>balance</u> |
| Furniture and equipment       | \$ 44,357                    | 3,090            | (2,478)          | 44,969                    |
| Equipment                     | 131,971                      | 17,317           | -                | 149,288                   |
| Vehicles                      | 116,428                      | -                | (35,640)         | 80,788                    |
| Improvements                  | <u>73,938</u>                | <u>18,106</u>    | -                | <u>92,044</u>             |
| Total                         | 366,694                      | 38,513           | (38,118)         | 367,089                   |
| Less accumulated depreciation | <u>(311,069)</u>             | <u>(33,962)</u>  | <u>38,118</u>    | <u>(306,913)</u>          |
| Capital assets, net           | <u>\$ 55,625</u>             | <u>4,551</u>     | -                | <u>60,176</u>             |

YORK COLLEGE AUXILIARY  
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(5) Capital Assets, Continued

|                               | 2015                 |                  |                  | Ending<br>balance |
|-------------------------------|----------------------|------------------|------------------|-------------------|
|                               | Beginning<br>balance | <u>Additions</u> | <u>Disposals</u> |                   |
| Furniture and equipment       | \$ 44,357            | -                | -                | 44,357            |
| Equipment                     | 129,905              | 2,066            | -                | 131,971           |
| Vehicles                      | 76,980               | 39,448           | -                | 116,428           |
| Improvements                  | <u>73,938</u>        | <u>-</u>         | <u>-</u>         | <u>73,938</u>     |
| Total                         | 325,180              | 41,514           | -                | 366,694           |
| Less accumulated depreciation | <u>(267,178)</u>     | <u>(43,891)</u>  | <u>-</u>         | <u>(311,069)</u>  |
| Capital assets, net           | \$ <u>58,002</u>     | <u>(2,377)</u>   | <u>-</u>         | <u>55,625</u>     |

(6) Deposits Held in Custody for Others

At June 30, 2016 and 2015, the Auxiliary held \$290,763 and \$232,489, respectively, which related to deposits held in custody for others, and is comprised of funds which are held on behalf of various other York College departments.

(7) Unrestricted Net Position - Designated

Unrestricted net position includes \$1,970,060 and \$1,932,781 at June 30, 2016 and 2015, respectively, designated by the Board of Directors of the Auxiliary to fund costs related to the purchase and replacement of furniture, equipment and capital projects, and to support a select number of College departments that generate revenue.

(8) Donated Space and Services

The Auxiliary utilizes certain facilities and professional services provided by the College. The estimated fair values of facilities and salaries are included in the accompanying statements of revenue, expenses and changes in net position. Professional services and facilities for the years ended June 30, 2016 and 2015 amounted to the following:

|                       | <u>2016</u>       | <u>2015</u>    |
|-----------------------|-------------------|----------------|
| Professional services | \$ 284,149        | 281,726        |
| Facilities            | <u>3,016</u>      | <u>3,596</u>   |
|                       | \$ <u>287,165</u> | <u>285,322</u> |

YORK COLLEGE AUXILIARY  
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Notes to Financial Statements, Continued

(9) Commissions

Bookstore commissions represent income earned from the operation of the campus bookstore.

The Auxiliary receives an annual commission based on a percentage of total sales. The bookstore contract expired on April 30, 2014; however, the Auxiliary renewed the contract through April 2015 and also exercised an option for an additional renewal term for two one-year periods. Under the renewed contract, the bookstore vendor will make an annual contribution of \$35,000 to the College for student scholarships in addition to the annual sales commissions earned by the Auxiliary. The Auxiliary receives 5% of commission on up to \$1 million net sales, 6% on net sales up to \$1.6 million, 7% on net sales up to \$2.5 million and 8% on net sales of over \$2.5 million.

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

(10) Royalties

During the years ended June 30, 2016 and 2015, the Auxiliary received a royalty payment of \$42,325 and \$42,320, respectively, from Verizon for leasing space on the roof of one its buildings to house a telecommunications transmitter. The contract expired on September 20, 2012 and a new contract is under negotiation.

(11) Related Party Transactions

At June 30, 2016 and 2015, the Auxiliary owed \$539,697 and \$547,956, respectively, to other York College entities. The Auxiliary is occasionally required to transfer funds to/from other York College related entities during the course of the year for payroll reimbursement and other costs, if any.

The Auxiliary has invested \$1,049,931 and \$1,074,771 as of June 30, 2016 and 2015, respectively, in the CUNY Investment Pool (note 4) which is under the control of the Committee, a related party.

(12) 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.

YORK COLLEGE AUXILIARY  
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Notes to Financial Statements, Continued

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

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.

YORK COLLEGE AUXILIARY  
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Notes to Financial Statements, Continued

(12) 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.