

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Financial Statements and
Supplementary Information

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Herbert H. Lehman College Auxiliary
Enterprise Corporation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc. (the Auxiliary) as of and for the years ended June 30, 2017 and 2016, and the related notes to financial statements, which collectively comprise the Auxiliary's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc. as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other 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 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.

EFPR Group, CPAs, PLLC
(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York
October 5, 2017

HERBERT H. LEMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis

June 30, 2017

The intent of Management's Discussion and Analysis (MD&A) is to provide readers with a comprehensive overview of Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc.'s (the Auxiliary) financial position as of June 30, 2017, and changes in 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 total net position increased \$114,621 or 6.6% from the prior fiscal year.
- Operating revenue totaled \$1,760,760 a decrease of \$92,362 or 5% from the prior fiscal year.
- Operating expenses totaled \$1,275,679, an increase of \$202,748 or 18.9% from the prior fiscal year.

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 an Auxiliary's long term fiscal stability.

Statements of Net Position

The following summarizes the Auxiliary's assets, liabilities and net position as of June 30, 2017 and 2016, under the accrual basis of accounting:

	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percentage change</u>
Assets:				
Current assets	\$ 1,360,141	1,154,369	205,772	17.8%
Noncurrent assets	<u>826,757</u>	<u>882,631</u>	<u>(55,874)</u>	<u>(6.3%)</u>
Total assets	<u>2,186,898</u>	<u>2,037,000</u>	<u>149,898</u>	<u>7.4%</u>
Liabilities:				
Current liabilities	306,009	270,732	35,277	13.0%
Noncurrent liabilities	<u>31,667</u>	<u>31,667</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>337,676</u>	<u>302,399</u>	<u>35,277</u>	<u>11.7%</u>
Net position:				
Net investment in capital assets	399,494	478,568	(79,074)	(16.5%)
Unrestricted	<u>1,449,728</u>	<u>1,256,033</u>	<u>193,695</u>	<u>15.4%</u>
Total net position	\$ <u>1,849,222</u>	<u>1,734,601</u>	<u>114,621</u>	<u>6.6%</u>

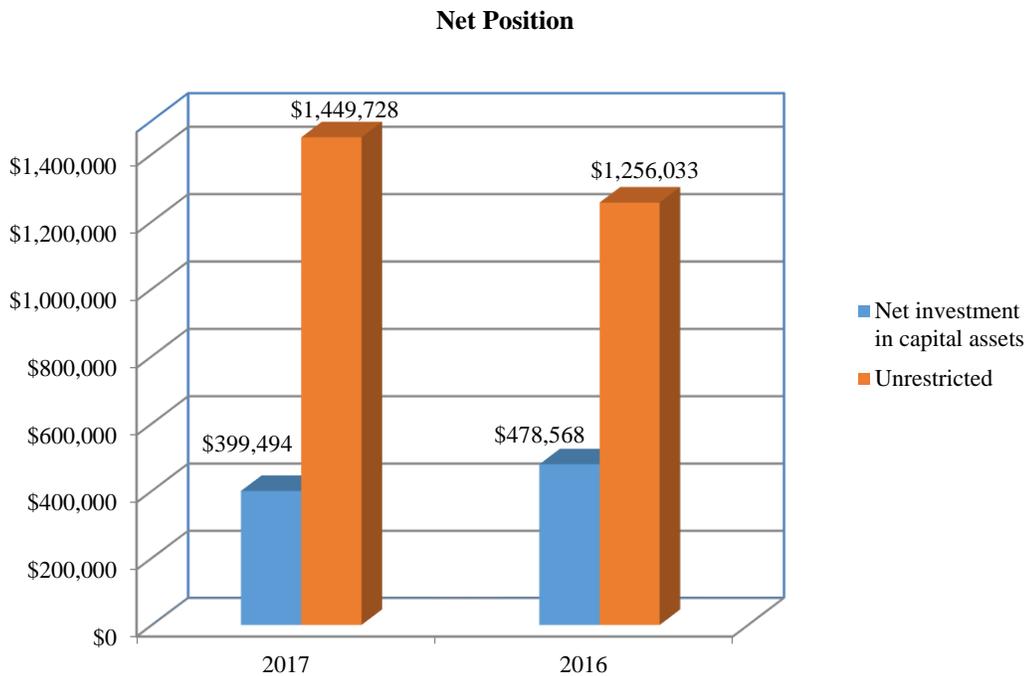
HERBERT H. LEMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

At June 30, 2017, the Auxiliary's total assets increased by \$149,898 or 7.4%, compared to the prior fiscal year. This variance represents an increase in current assets of \$205,772 offset by a decrease in noncurrent assets of \$55,874. The increase in net assets is largely due to the timing of expenditure payments over the prior fiscal year.

At June 30, 2017, the Auxiliary's total liabilities increased \$35,277 or 13%, compared to the prior fiscal year. The major components of this variance are increases in accounts payable and accrued expenses, \$22,595, due to related parties, \$27,219; and unearned revenue, \$5,010, offset by a decrease in deposits held in custody of others of \$19,547. These variances were largely due to the timing of payments and disbursements from the various expense accounts.

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



HERBERT H. LEMAN COLLEGE AUXILIARY
ENTERPRISE 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 presents the operating results of the Auxiliary, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2017 and 2016, are as follows:

Revenue

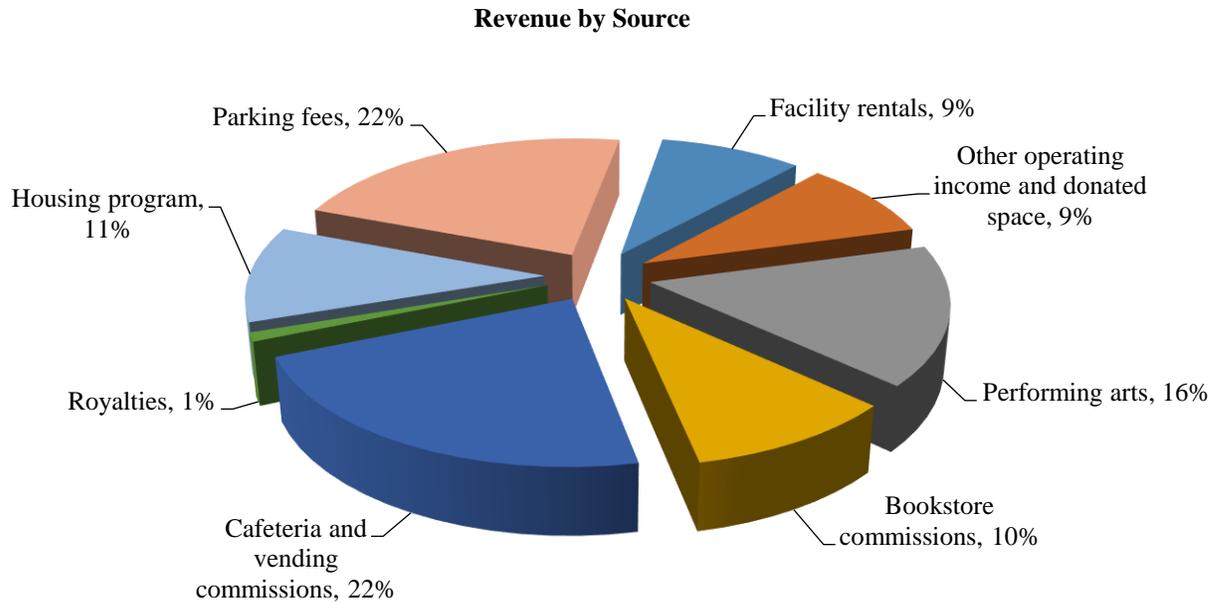
	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percentage change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 181,125	206,710	(25,585)	(12.4%)
Cafeteria and vending	386,206	448,001	(61,795)	(13.8%)
Royalties	10,958	7,679	3,279	42.7%
Parking fees	401,574	381,002	20,572	5.4%
Facility rentals	152,339	212,107	(59,768)	(28.2%)
Performing arts	281,190	235,602	45,588	19.3%
Housing program	194,744	196,371	(1,627)	(0.8%)
Other income	151,075	130,140	20,935	16.1%
Bad debt recovery	-	33,961	(33,961)	(100.0%)
Donated space	<u>1,549</u>	<u>1,549</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>1,760,760</u>	<u>1,853,122</u>	<u>(92,362)</u>	<u>(5.0%)</u>
Nonoperating revenue:				
Investment gain (loss)	23,746	(1,599)	25,345	(1,585.1%)
Other income	<u>8,671</u>	<u>1,862</u>	<u>6,809</u>	<u>365.7%</u>
Total nonoperating revenue	<u>32,417</u>	<u>263</u>	<u>32,154</u>	<u>12,225.8%</u>
Total revenue	\$ <u>1,793,177</u>	<u>1,853,385</u>	<u>(60,208)</u>	<u>(3.2%)</u>

The Auxiliary's total revenue, including operating and nonoperating, for the year ended June 30, 2017, was \$1,793,177, a decrease of \$60,208 or 3.2% from the prior fiscal year. Driving this were decreases in bookstore, cafeteria and vending commission revenue, facility rentals and bad debt recovery. Increases were noted in royalties, parking fees, performing arts and other income.

HERBERT H. LEMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

The following illustrates the Auxiliary's operating revenue, by source, for the year ended June 30, 2017:



Expenses

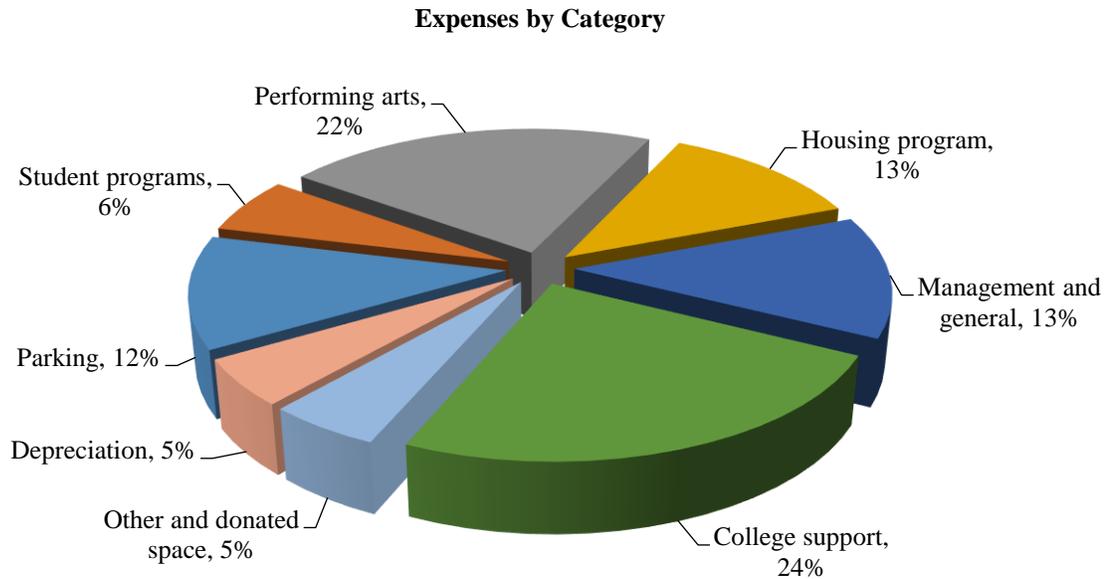
	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percentage change</u>
Operating expenses:				
Parking	\$ 206,455	191,123	15,332	8.0%
Student programs	100,304	58,292	42,012	72.1%
Performing arts	363,222	261,308	101,914	39.0%
Housing program	219,874	214,397	5,477	2.6%
Other	87,354	67,946	19,408	28.6%
Donated space	1,549	1,549	-	-
Management and general	217,847	199,242	18,605	9.3%
Depreciation	<u>79,074</u>	<u>79,074</u>	<u>-</u>	<u>-</u>
Total operating expenses	1,275,679	1,072,931	202,748	18.9%
Nonoperating expenses - College support	<u>402,877</u>	<u>392,067</u>	<u>10,810</u>	<u>2.8%</u>
Total expenses	\$ <u>1,678,556</u>	<u>1,464,998</u>	<u>213,558</u>	<u>14.6%</u>

HERBERT H. LEMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

Total expenses for the year ended June 30, 2017 were \$1,678,556, an increase of \$213,558 or 14.6%, compared to the previous fiscal year. Increases are noted in parking 8%, student programs 72.1%, performing arts 39%, housing program 2.6%, other 28.6% and management and general 9.3%. These increases are largely due to increased personnel costs including salary increases to bring staff in line with the increases received by tax levy employees including retroactive pay, the increase in the minimum wage and chargebacks that were begun to reimburse tax levy for costs incurred as a result of Auxiliary operations. In addition, increased staffing in both student programs and performing arts over the previous fiscal year further increased the expenditures of these budgets.

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

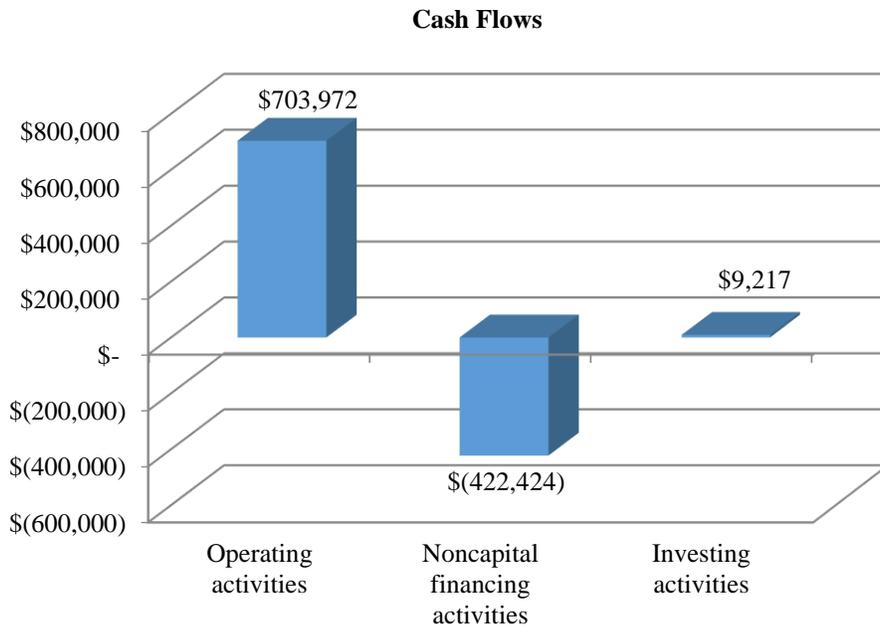


HERBERT H. LEMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the fiscal year. This statement assists users in assessing the Auxiliary's ability to maintain cash needed to meet its obligations and its dependency on external financing. The following summarizes the Auxiliary's cash flows for the year ended June 30, 2017:



Economic Factors That May Affect the Future

There are no known economic factors that may influence the future. The Auxiliary depends on user fees and commissions to fund its expenditures. Decreases in revenue would be offset by a corresponding decrease in expenditures.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Net Position
June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and equivalents	\$ 1,048,194	757,429
Accounts receivable, net of allowance for doubtful accounts of \$99,367 in 2017 and 2016	284,372	307,585
Prepaid expenses and other assets	<u>27,575</u>	<u>89,355</u>
Total current assets	<u>1,360,141</u>	<u>1,154,369</u>
Noncurrent assets:		
Investments in CUNY investment pool	427,263	404,063
Capital assets, net	<u>399,494</u>	<u>478,568</u>
Total noncurrent assets	<u>826,757</u>	<u>882,631</u>
Total assets	<u>2,186,898</u>	<u>2,037,000</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	107,156	84,561
Due to related parties	144,019	116,800
Deposits held in custody for others	34,436	53,983
Unearned revenue	<u>20,398</u>	<u>15,388</u>
Total current liabilities	306,009	270,732
Noncurrent liabilities - security deposit	<u>31,667</u>	<u>31,667</u>
Total liabilities	<u>337,676</u>	<u>302,399</u>
<u>Net Position</u>		
Net investment in capital assets	399,494	478,568
Unrestricted	<u>1,449,728</u>	<u>1,256,033</u>
Total net position	<u>\$ 1,849,222</u>	<u>1,734,601</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 181,125	206,710
Cafeteria and vending	386,206	448,001
Royalties	10,958	7,679
Parking fees	401,574	381,002
Facility rentals	152,339	212,107
Performing arts	281,190	235,602
Housing program	194,744	196,371
Other income	151,075	130,140
Bad debt recovery	-	33,961
Donated space	1,549	1,549
	<u>1,760,760</u>	<u>1,853,122</u>
Total operating revenue		
Operating expenses:		
Parking	206,455	191,123
Student programs	100,304	58,292
Performing arts	363,222	261,308
Housing program	219,874	214,397
Other	87,354	67,946
Donated space	1,549	1,549
Management and general	217,847	199,242
Depreciation	79,074	79,074
	<u>1,275,679</u>	<u>1,072,931</u>
Total operating expenses		
Income from operations	<u>485,081</u>	<u>780,191</u>
Nonoperating revenue (expenses):		
Investment gain (loss)	23,746	(1,599)
Other income	8,671	1,862
College support	(402,877)	(392,067)
	<u>(370,460)</u>	<u>(391,804)</u>
Total nonoperating expenses, net		
Increase in net position	114,621	388,387
Net position at beginning of year	<u>1,734,601</u>	<u>1,346,214</u>
Net position at end of year	<u>\$ 1,849,222</u>	<u>1,734,601</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Cash Flows
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 185,930	252,808
Cafeteria and vending commissions	381,093	487,057
Royalties commissions	10,958	8,479
Parking fees	418,194	341,939
Facility rentals	158,815	196,930
Bad debt recovery	-	24,946
Performing arts, housing program and other income	658,098	519,420
Cash payments to/for:		
Salaries and employee benefits	(209,843)	(289,098)
Vendors	(274,826)	(324,135)
Other	<u>(624,447)</u>	<u>(550,572)</u>
Net cash provided by operating activities	<u>703,972</u>	<u>667,774</u>
Cash flows from noncapital financing activities:		
Decrease in deposits held in custody for others	(19,547)	(95,609)
Repayment of security deposits	-	(10,000)
College support	<u>(402,877)</u>	<u>(392,067)</u>
Net cash used in noncapital financing activities	<u>(422,424)</u>	<u>(497,676)</u>
Cash flows from capital and related financing activities - purchases of capital assets	<u>-</u>	<u>(45,400)</u>
Cash flows from investing activities:		
Investment income	546	373
Other income	<u>8,671</u>	<u>1,862</u>
Net cash provided by investing activities	<u>9,217</u>	<u>2,235</u>
Net increase in cash and equivalents	290,765	126,933
Cash and equivalents at beginning of year	<u>757,429</u>	<u>630,496</u>
Cash and equivalents at end of year	<u>\$ 1,048,194</u>	<u>757,429</u>

(Continued)

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Cash Flows, Continued

	<u>2017</u>	<u>2016</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 485,081	780,191
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	79,074	79,074
Decrease in allowance for doubtful accounts	-	(71,555)
Changes in:		
Accounts receivable	23,213	75,104
Prepaid expenses and other assets	61,780	(88,486)
Accounts payable and accrued expenses	22,595	(55,305)
Due to related parties	27,219	(50,685)
Unearned revenue	<u>5,010</u>	<u>(564)</u>
Net cash provided by operating activities	<u>\$ 703,972</u>	<u>667,774</u>
Supplemental schedule of cash flow information:		
Donated space revenue	<u>\$ 1,549</u>	<u>1,549</u>
Donated space expense	<u>\$ 1,549</u>	<u>1,549</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(1) Nature of Organization

The Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc. (the Auxiliary) is a nonprofit corporation organized to support certain student activities and provide facilities and auxiliary services for the benefit of the campus of Herbert H. Lehman College (the College) of the City University of New York (CUNY or the University).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

(b) Accounting Pronouncements

The significant GASB standards followed by the Auxiliary are summarized below:

- GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.
- GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities." This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Accounting Pronouncements, Continued

- GASB Statement No. 72 - “Fair Value Measurement and Application” provides guidance regarding accounting and financial reporting related to fair value measures of certain investments. The requirements of this Statement are effective for periods beginning after June 15, 2015. For the Auxiliary, this Statement became effective for the fiscal year beginning July 1, 2015.
- GASB Statement No. 79 - “Certain External Investment Pools and Pool Participants.” This Statement, issued in December 2015, addresses the accounting and financial reporting for certain external investment pools and pool participants. It establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing. For the Auxiliary, this Statement became effective for the fiscal year beginning July 1, 2015.

(c) Net Position

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

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

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

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

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

At June 30, 2017, the Auxiliary had no restricted net position.

(d) Cash and Equivalents

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

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) 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.

(f) Investments

The Auxiliary has investments held by CUNY in an investment pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the Committee) totaling \$427,263 and \$404,063 at June 30, 2017 and 2016, respectively. Several investment advisory firms are engaged to assist the Committee in its Investment Pool portfolio management, which is comprised of cash and cash equivalents, corporate bonds, equities, mutual funds, U.S. agency mortgage-backed securities, U.S. government bonds and foreign bonds. Realized and unrealized gains and losses are included in the statements of revenue, expenses and changes in net position.

(g) Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of contribution, if donated. In accordance with the Auxiliary's capital asset policy, capital assets are defined as any asset with a useful life of at least two years and a cost or value at the time of receipt of \$1,000 or more for computer hardware and \$5,000 or more for all other equipment; and \$25,000 or more for building improvements. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The estimated useful life of furniture, fixtures and equipment is five years and the estimated useful life of building improvements is 25 years.

(h) Revenue Recognition

Operating revenue is recognized in the period earned and is primarily derived from agreements with third-party vendors that provide bookstore, cafeteria, and vending, facility rentals, fees for parking 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

The Auxiliary operates on the campus of the College and, utilizes office space made available to it. The cost savings associated with such arrangements are recorded as donated space and are recognized as revenue and expenses in the accompanying financial statements based on the fair value of such facilities (note 7).

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(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.

(k) Use of Estimates

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

(l) Commissions

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

(m) Subsequent Events

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

(n) Income Taxes

The Auxiliary is exempt from 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 and Investments

Custodial credit risk of deposits is the risk that the Auxiliary's deposits may not be returned in the event of a bank failure. At June 30, 2017, \$827,223 of the Auxiliary's bank balance of \$1,077,223 was exposed to custodial credit risk as such balances were not within the FDIC deposit insurance limits.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

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

The Auxiliary's investments in the investment pool comprise assets which are pooled and invested by and under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY. Pooled investments include equity and fixed income securities. Investments as of June 30, 2017 and 2016, are comprised of the following:

	<u>2017</u>	<u>2016</u>
Investments in CUNY investment pool	\$ <u>427,263</u>	<u>404,063</u>

The following table summarizes the activity for financial instruments in 2017 and 2016:

Balance at July 1, 2015		\$ 406,035
Interest and dividends		3,376
Realized gain		416
Unrealized loss		<u>(5,764)</u>
Balance at June 30, 2016		404,063
Interest and dividends		3,468
Realized gain		842
Unrealized gain		<u>18,890</u>
Balance at June 30, 2017		\$ <u>427,263</u>

A summary of investment gain (loss) for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 3,468	3,376
Realized gains	842	416
Unrealized gain (loss)	<u>18,890</u>	<u>(5,764)</u>
Total investment gain (loss)	\$ <u>23,200</u>	<u>(1,972)</u>

(5) Capital Assets

At June 30, 2017 and 2016, capital assets consisted of the following:

	<u>2017</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Equipment	\$ 336,078	-	-	336,078
Cafeteria renovations	464,300	-	-	464,300
Parking gate	211,187	-	-	211,187
Parking lot improvements	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
	1,196,565	-	-	1,196,565
Less accumulated depreciation	<u>(717,997)</u>	<u>(79,074)</u>	<u>-</u>	<u>(797,071)</u>
	\$ <u>478,568</u>	<u>(79,074)</u>	<u>-</u>	<u>399,494</u>

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Notes to Financial Statements, Continued

(5) Capital Assets, Continued

	2016			
	Beginning Balance	Additions	Disposals	Ending balance
Equipment	\$ 334,260	1,818	-	336,078
Cafeteria renovations	464,300	-	-	464,300
Parking gate	211,187	-	-	211,187
Parking lot improvements	185,000	-	-	185,000
	1,194,747	1,818	-	1,196,565
Less accumulated depreciation	(638,923)	(79,074)	-	(717,997)
	\$ 555,824	(77,256)	-	478,568

(6) Deposits Held in Custody for Others

At June 30, 2017 and 2016, the Auxiliary held \$34,436 and \$53,983, respectively, which related to deposits held in custody for others, and is comprised of funds which are held on behalf of various other groups and organizations related to the College.

(7) Donated Space

The Auxiliary utilizes certain facilities provided by the College. The estimated fair values of facilities are included in the accompanying statements of revenue, expenses and changes in net position. Donated space for the years ended June 30, 2017 and 2016 amounted to \$1,549.

(8) Related Party Transactions

The Auxiliary has funded various College expenses including campus ceremonies, equipment and maintenance and music expenses. These expenses are included within College support in the accompanying statements of revenue, expenses and changes in net position. College support for the years ended June 30, 2017 and 2016 amounted to \$402,877 and \$392,067, respectively. The Auxiliary is occasionally required to transfer funds to/from other College related entities during the course of the year for payroll reimbursement and other costs, if any.

The Auxiliary has invested \$427,263 and \$404,063 as of June 30, 2017 and 2016, respectively, in the CUNY investment pool (note 4) which is under the control of the Committee, a related party.

At June 30, 2017 and 2016, the Auxiliary owed \$144,019 and \$116,800, respectively, to other Lehman College entities. These amounts are included in due to related parties on the statements of net position.

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Notes to Financial Statements, Continued

(9) Accounting Standards Issued But Not Yet Implemented

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

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

GASB Statement No. 85 - "Omnibus 2017." This Statement, issued in March 2017, addresses issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

GASB Statement No. 86 - "Certain Debt Extinguishment Issues." This Statement, issued in May 2017, addresses issues related to in-substance defeasances occurring through repayment of debt from existing sources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

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