

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY
OF NEW YORK - GRADUATE SCHOOL AND
UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Financial Statements and
Supplementary Information

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Financial Statements:	
Statements of Net Position	9
Statements of Revenue, Expenses and Changes in Net Position	10
Statements of Cash Flows	11 - 12
Notes to Financial Statements	13 - 20

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Auxiliary Enterprises of the City University of New York -
Graduate School and University Center Fiduciary Accounts:

Report on the Financial Statements

We have audited the accompanying financial statements of Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts (the Auxiliary) as of and for the years ended June 30, 2016 and 2015, and the related notes to financial statements, which collectively comprise the Auxiliary's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts 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 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.

Williamsville, New York
October 11, 2016

Toski & Co., CPAs, P.C.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

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 Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts' (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 financial position is strong during fiscal year 2016.
- The Auxiliary's net position increased by \$1,175,217 or 91%.
- Operating revenue decreased by \$401,766 or 14%.
- Operating expenses increased by \$144,030 or 14%.

Financial Position

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

Statements of Net Position

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

	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets	\$ <u>2,648,014</u>	<u>1,822,306</u>	<u>825,708</u>	45%
Liabilities	<u>178,079</u>	<u>527,588</u>	<u>(349,509)</u>	(66%)
Net position	\$ <u>2,469,935</u>	<u>1,294,718</u>	<u>1,175,217</u>	91%

**AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS**

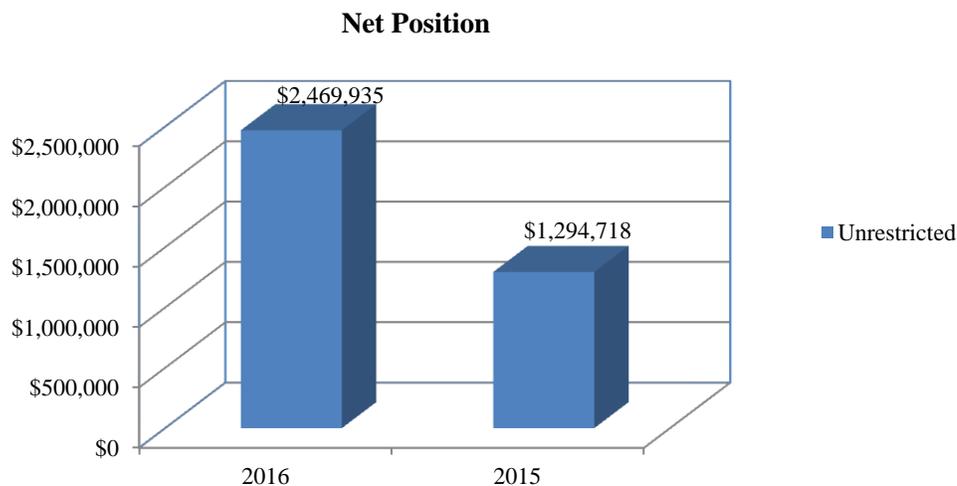
Management's Discussion and Analysis, Continued

At June 30, 2016, the Auxiliary's overall net position increased by \$1,175,217 or 91%. The increase in net position is primarily due to income from operations of \$1,170,658 for fiscal year 2016. The increase in net position is also due to a decrease of liabilities of \$349,509 or 66% from prior fiscal year. Unearned revenue for fiscal year 2016 is \$158,395 compared to \$448,149 in fiscal year 2015 a decrease of \$289,754. This is attributable to the timing of facilities rental cash payments at June 30, 2016.

The cash and equivalents for the Auxiliary increased by \$1,532,846 between fiscal years 2015 and 2016 due to net cash provided by operating activities of \$1,021,085 and the liquidation of its certificate of deposit in the amount of \$507,202. In fiscal year ended 2016, dining services commission receivable was \$380,331, a decrease of 33% from the prior fiscal year. This decrease is primarily due to a decrease in catering and food service commission revenue generated through dining services. The dining services at the CUNY Graduate Center is operated by Restaurant Associates, which serves both external and internal clients. In fiscal year ending 2016, facilities fees decreased by \$268,290 or 15% from the prior fiscal year. The advances to the City University of New York Research Foundation decreased from the previous year by \$10,086. This decrease is mainly due to a decrease in payment amounts, representing advances for future payroll processing, made at the end of the fiscal year to the CUNY Research Foundation.

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:



AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

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, 2016 and 2015 are as follows:

Revenue

	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Facilities fees	\$ 1,581,648	1,849,938	(268,290)	(15%)
Donated space and services	247,528	221,281	26,247	12%
Dining services commission, net	380,331	569,181	(188,850)	(33%)
Royalties	39,839	19,264	20,575	107%
Other	<u>124,276</u>	<u>115,724</u>	<u>8,552</u>	7%
Total operating revenue	2,373,622	2,775,388	(401,766)	(14%)
Nonoperating revenue - interest income	<u>4,559</u>	<u>9,738</u>	<u>(5,179)</u>	(53%)
Total revenue	\$ <u>2,378,181</u>	<u>2,785,126</u>	<u>(406,945)</u>	(15%)

The Auxiliary's revenue for the year ended June 30, 2016 totaled \$2,378,181, a decrease of \$406,945 or 15%, compared to the prior fiscal year with the change being mainly attributable to two factors: (1) in fiscal year 2016, there was a significant decrease in dining services commission of \$188,850 or 33% compared to fiscal year 2015. Dining services commission decreased mainly due to less demand for dining services, chiefly consisting of catering activities in connection with both internal and external clients; and (2) in fiscal year 2016, there was a decrease of facilities fees of \$268,290. This was mainly due to a decrease in space and equipment rental income.

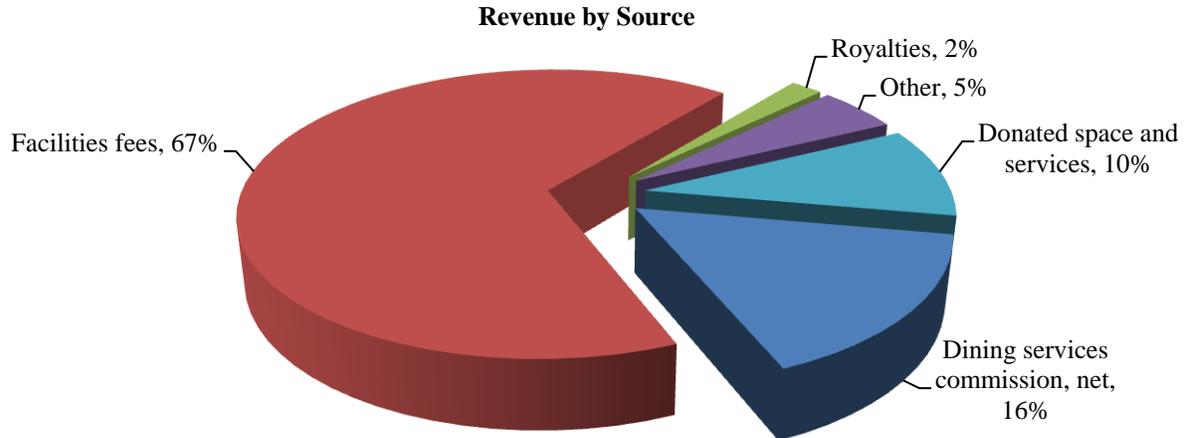
Nonoperating revenue decreased \$5,179 for the year ended June 30, 2016 from \$9,738 in 2015 to \$4,559 in 2016, due to a decrease in interest income that resulted from lower interest rates during fiscal year 2016, as compared with fiscal year 2015.

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

**AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS**

Management's Discussion and Analysis, Continued

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



Expenses

	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Facilities	\$ 782,433	713,467	68,966	10%
Management and general	357,894	288,581	69,313	24%
Publications and promotions	<u>62,637</u>	<u>56,886</u>	<u>5,751</u>	10%
Total operating expenses	\$ <u>1,202,964</u>	<u>1,058,934</u>	<u>144,030</u>	14%

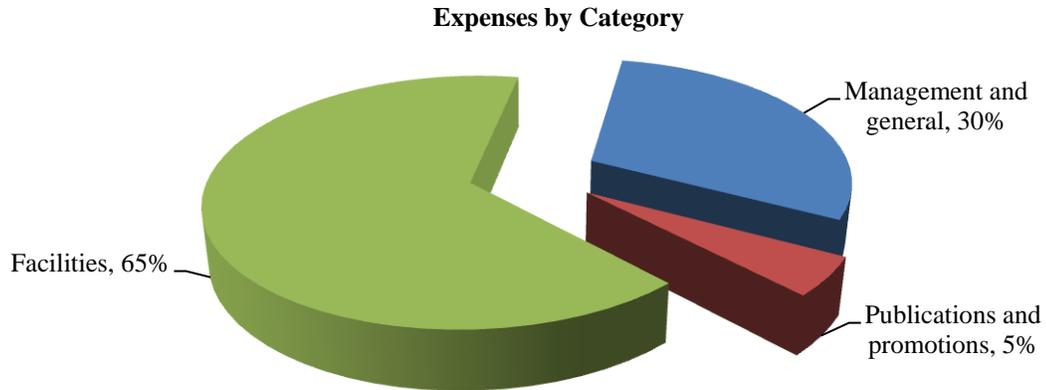
The Auxiliary's expenses associated with core operating activities for fiscal year 2016 totaled \$1,202,964, up from \$1,058,934 in fiscal year 2015. A portion of the operating expenses were related to salaries and benefits for administrative staff working on behalf of the Auxiliary. Other expenses were related to goods and services used for operation of the principle activities of the Auxiliary. The increase in operating expenses was due primarily to an increase in facilities and management and general expenses along with expenses that were paid in the prior years from Tax-Levy Funds. For the year ended June 30, 2016, the Auxiliary had higher operating costs than fiscal year ended June 30, 2015 due to an increase in salary, consulting and commencement expenses.

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

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

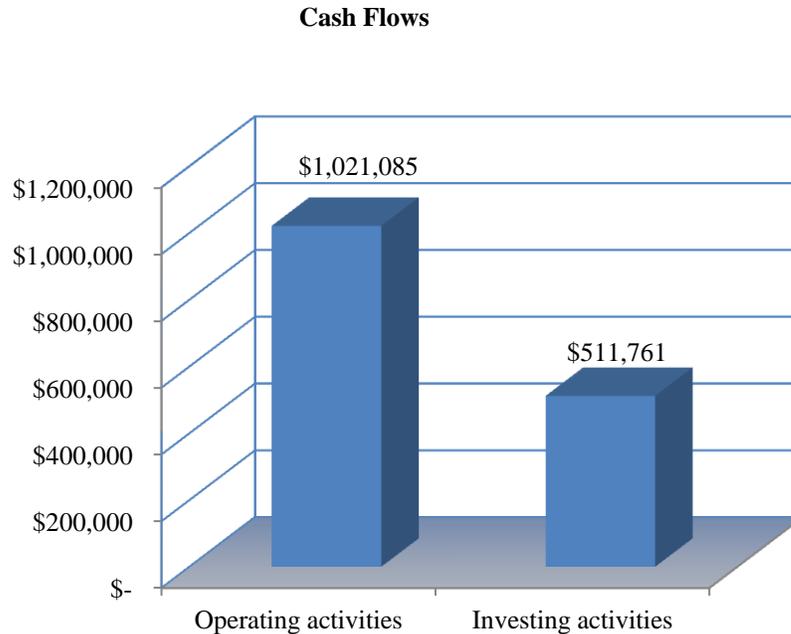
Management's Discussion and Analysis, Continued

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:



AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

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 third-party vendors and food service operation and facilities rental activities, which directly relate to the amount of revenue earned, as well as related expenses incurred.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Statements of Net Position

June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and equivalents	\$ 1,700,531	167,685
Short-term investments	-	507,202
Accounts receivable	-	1,000
Dining services commission receivable	380,331	569,181
Advances to the CUNY Research Foundation	<u>567,152</u>	<u>577,238</u>
Total current assets	<u>2,648,014</u>	<u>1,822,306</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	19,684	79,439
Unearned revenue	<u>158,395</u>	<u>448,149</u>
Total current liabilities	<u>178,079</u>	<u>527,588</u>
<u>Net Position</u>		
Unrestricted	<u>\$ 2,469,935</u>	<u>1,294,718</u>

See accompanying notes to financial statements.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenue:		
Facilities fees	\$ 1,581,648	1,849,938
Donated space and services	247,528	221,281
Dining services commission, net	380,331	569,181
Royalties	39,839	19,264
Other	<u>124,276</u>	<u>115,724</u>
Total operating revenue	<u>2,373,622</u>	<u>2,775,388</u>
Operating expenses:		
Facilities	782,433	713,467
Management and general	357,894	288,581
Publications and promotions	<u>62,637</u>	<u>56,886</u>
Total operating expenses	<u>1,202,964</u>	<u>1,058,934</u>
Income from operations	1,170,658	1,716,454
Nonoperating revenue - interest income	4,559	9,738
Transfer out of net position (note 5)	<u>-</u>	<u>(6,598,551)</u>
Increase (decrease) in net position	1,175,217	(4,872,359)
Net position at beginning of year	<u>1,294,718</u>	<u>6,167,077</u>
Net position at end of year	<u>\$ 2,469,935</u>	<u>1,294,718</u>

See accompanying notes to financial statements.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

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:		
Facilities fees	\$ 1,301,894	2,161,600
Dining services commission, net	569,181	452,777
Other	154,197	131,640
Cash payments to vendors	<u>(1,004,187)</u>	<u>(833,871)</u>
Net cash provided by operating activities	<u>1,021,085</u>	<u>1,912,146</u>
Cash flows from noncapital financing activities:		
Repayment of loan for Graduate Center fellowship advances	806,500	650,000
Repayment of loan to GSUC Child Development and Learning Center	60,000	50,000
Loan for Graduate Center fellowship advances	(806,500)	(650,000)
Loan to GSUC Child Development and Learning Center	(60,000)	(50,000)
Contribution to Graduate Center Foundation Housing Corp. LIC	-	(3,679,527)
Contribution to Graduate Center Non-Tax Levy Fund	<u>-</u>	<u>(2,919,024)</u>
Net cash used in noncapital financing activities	<u>-</u>	<u>(6,598,551)</u>
Cash flows from investing activities:		
(Purchase) sale of investments	507,202	(1,010)
Interest income	<u>4,559</u>	<u>9,738</u>
Net cash provided by investing activities	<u>511,761</u>	<u>8,728</u>
Net increase (decrease) in cash and equivalents	1,532,846	(4,677,677)
Cash and equivalents at beginning of year	<u>167,685</u>	<u>4,845,362</u>
Cash and equivalents at end of year	<u>\$ 1,700,531</u>	<u>167,685</u>

(Continued)

See accompanying notes to financial statements.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS
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	\$ 1,170,658	1,716,454
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Changes in:		
Accounts receivable	1,000	15,000
Dining services commission receivable	188,850	(116,404)
Advances to the CUNY Research Foundation	10,086	(25,971)
Accounts payable and accrued expenses	(59,755)	37,405
Unearned revenue	<u>(289,754)</u>	<u>285,662</u>
Net cash provided by operating activities	<u>\$ 1,021,085</u>	<u>1,912,146</u>
Supplemental schedule of cash flow information:		
Donated space and services revenue	<u>\$ 247,528</u>	<u>221,281</u>
Donated personnel services	171,689	158,082
Donated facilities services	<u>75,839</u>	<u>63,199</u>
	<u>\$ 247,528</u>	<u>221,281</u>

See accompanying notes to financial statements.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements

June 30, 2016 and 2015

(1) Nature of Organization

The Auxiliary Enterprises of the City University of New York - Graduate School and University Center Fiduciary Accounts (the Auxiliary) is a nonprofit entity created for the principal purpose of developing and cultivating educational, social, cultural, and recreational activities among students of Graduate School and University Center (the Graduate Center) 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.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

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, 2016, the Auxiliary had no net investment in capital assets and no restricted net position.

(d) Cash and Equivalents

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

(e) 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.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Donated Space and Services

The Auxiliary operates on the campus of the Graduate Center and utilizes staff with specialized skills from the Office of Special Events and Events Planning and the Office of Finance and Administration to perform the duties of the Auxiliary. The Auxiliary also utilizes facilities and equipment of the Graduate Center. The cost savings associated with such arrangements are recorded as donated space and services and are recognized as revenue and expenses in the accompanying statements of revenue, expenses and change in net position based on the fair value of services received (note 4).

(g) Revenue Recognition

Operating revenues are recognized when earned and primarily consist of commissions and facilities rentals derived from agreements with third parties and rentals of space to internal and/or external groups. Receipts for services relating to future periods are recorded as unearned revenue.

(h) Commissions

The agreement between Restaurant Associates, Inc. and the Graduate Center, which is extended through June 30, 2017, indicates that commissions earned by the Graduate Center are based on the gross sales at the dining commons as follows:

- 3% of the first \$500,000
- 5% of the amounts from \$500,000 through \$1,000,000
- 7% of the amount from \$1,000,000 through \$2,500,000
- 9% of the amount over \$2,500,000

Dining services commission for the year ended June 30, 2016 was determined as follows and is included as receivable:

<u>Gross Sales</u>	<u>Sales</u>	<u>Rate</u>	<u>Commission revenue</u>
\$0 - \$500,000	\$ 500,000	3.00%	15,000
\$500,000 - \$1,000,000	500,000	5.00%	25,000
\$1,000,000 - \$2,500,000	1,500,000	7.00%	105,000
Over \$2,500,000	<u>2,614,791</u>	9.00%	<u>235,331</u>
Total dining services commission revenue	\$ <u>5,114,791</u>		<u>380,331</u>
Total dining services commission receivable			\$ <u>380,331</u>

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Commissions, Continued

Dining services commission for the year ended June 30, 2015 was determined as follows and is included as receivable:

<u>Gross Sales</u>	<u>Sales</u>	<u>Rate</u>	<u>Commission revenue</u>
\$0 - \$500,000	\$ 500,000	3.00%	15,000
\$500,000 - \$1,000,000	500,000	5.00%	25,000
\$1,000,000 - \$2,500,000	1,500,000	7.00%	105,000
Over \$2,500,000	<u>4,713,127</u>	9.00%	<u>424,181</u>
Total dining services commission revenue	\$ <u>7,213,127</u>		<u>569,181</u>
Total dining services commission receivable			\$ <u>569,181</u>

(i) Royalties

The University entered into a contract with an unrelated organization in 2014, which allows the organization to sell its brand of products exclusively at the University. The terms of the contract provide the University with annual royalties. The University allocates the annual royalties to the Auxiliary based on cases of the products sold in the previous year. The Auxiliary received \$39,839 and \$19,264 of the allocation from the University in fiscal years ended 2016 and 2015, respectively.

(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) 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.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(m) 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 - Deposits

(a) Custodial Credit Risk - Deposits

Custodial credit risk of deposits is the risk that the Auxiliary's deposits may not be returned in the event of a bank failure. At June 30, 2016, \$1,557,973 of the Auxiliary's bank balance of \$1,807,973 was exposed to custodial credit risk as it was insured and collateralized.

(b) Custodial Credit Risk - Investments

Custodial credit risk as it relates to investments is the risk that the Auxiliary will not be able to recover the value of its investment portfolio that is in the possession of a failed counterparty in the event of failure of that counterparty of a transaction. At June 30, 2015, \$425,852 of the Auxiliary's investment portfolio balance of \$507,202 was exposed to custodial credit risk, as it was uninsured and uncollateralized. This investment represents short-term certificates of deposit.

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 2 measurements). Level 1 assets and liabilities are those whose 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. The investment in short-term certificates of deposit are considered Level 1 investments.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(4) Donated Space and Services

The Auxiliary utilizes members of the staff with specialized skills from the Office of Special Events and Events Planning and the Office of Finance and Administration. This staff is provided by the Graduate Center at no cost. The estimated fair value of the donated services amounted to \$171,689 and \$158,082 for the years ended June 30, 2016 and 2015, respectively. The Auxiliary also utilizes certain facilities provided by the Graduate Center at no cost. The estimated fair value of the donated office space, which is used solely by the Auxiliary, amounted to \$75,839 and \$63,199 for the years ended June 30, 2016 and 2015, respectively. These donated space and services are included in the revenue and expenses in the accompanying statements of revenue, expenses and changes in net position.

(5) Related Party Transactions

The Auxiliary provided funding to the CUNY Research Foundation, a related entity, for payroll expenses related to the Office of Special Events and Events Planning. All such personnel appointments are made to the CUNY Research Foundation payroll. As of June 30, 2016 and 2015, the advances provided to the CUNY Research Foundation amounted to \$567,152 and \$577,238, respectively, and are reported as a current asset in the accompanying statements of net position.

The Auxiliary provided loans totaling \$866,500 (as of fiscal year ended June 30, 2016) and \$700,000 (as of fiscal year ended June 30, 2015). These amounts were used as follows:

- a) During fiscal years 2016 and 2015, the Auxiliary provided loans of \$806,500 and \$650,000, respectively, for fellowship advances for incoming Graduate Center students.
- b) During fiscal years 2016 and 2015, the Auxiliary provided a loan of \$60,000 and \$50,000, respectively, to cover a portion of the Graduate Center Child Development and Learning Center's staff expenses.

The Graduate Center Foundation Housing Corp. LIC, The Graduate School and University Center Auxiliary Enterprises and the Graduate Center Non-Tax Levy General Fund are separate entities that receive and hold economic resources for the benefit to The Graduate School and University Center for the City University of New York. In fiscal year 2015, the Auxiliary Enterprises transferred a total of \$3,679,527 to the Graduate Center Foundation Housing Corp. LIC and \$2,919,024 to the Graduate Center Non-Tax Levy General Fund to support their activities.

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(6) Accounting Standards Issued But Not Yet Implemented

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

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

GASB Statement No. 80 - "Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14." This Statement, issued in January 2016, amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2016, which is the fiscal year beginning July 1, 2016 for the Auxiliary. This Statement is not expected to have an effect on the financial statements of the Auxiliary.

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

AUXILIARY ENTERPRISES OF THE CITY UNIVERSITY OF NEW YORK -
GRADUATE SCHOOL AND UNIVERSITY CENTER FIDUCIARY ACCOUNTS

Notes to Financial Statements, Continued

(6) 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.