

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Financial Statements and
Supplementary Information

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Queens College Auxiliary Enterprises Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Queens College Auxiliary Enterprises Corporation (the Auxiliary) as of and for the years ended June 30, 2019 and 2018, 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 Queens College Auxiliary Enterprises Corporation as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Auxiliary's basic financial statements. The accompanying supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 22, 2019

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Management's Discussion and Analysis

June 30, 2019

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of Queens College Auxiliary Enterprises Corporation's (the Auxiliary) financial position as of June 30, 2019, 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 footnotes.

Financial Highlights

- The Auxiliary's net position increased by \$580,889 or 15%.
- Operating revenue increased by \$1,784,294 or 41%.
- Operating expenses increased by \$2,150,429 or 76%.

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 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, 2019 and 2018, under the accrual basis of accounting:

	<u>2019</u>	<u>2018</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 4,816,066	3,696,719	1,119,347	30%
Noncurrent assets	<u>777,318</u>	<u>637,164</u>	<u>140,154</u>	22%
Total assets	<u>5,593,384</u>	<u>4,333,883</u>	<u>1,259,501</u>	29%
Current liabilities	<u>1,177,805</u>	<u>499,193</u>	<u>678,612</u>	136%
Net position:				
Net investment in capital assets	777,318	637,164	140,154	22%
Unrestricted	2,308,269	1,973,512	334,757	17%
Unrestricted - board designated	<u>1,329,992</u>	<u>1,224,014</u>	<u>105,978</u>	9%
Total net position	\$ <u>4,415,579</u>	<u>3,834,690</u>	<u>580,889</u>	15%

**QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

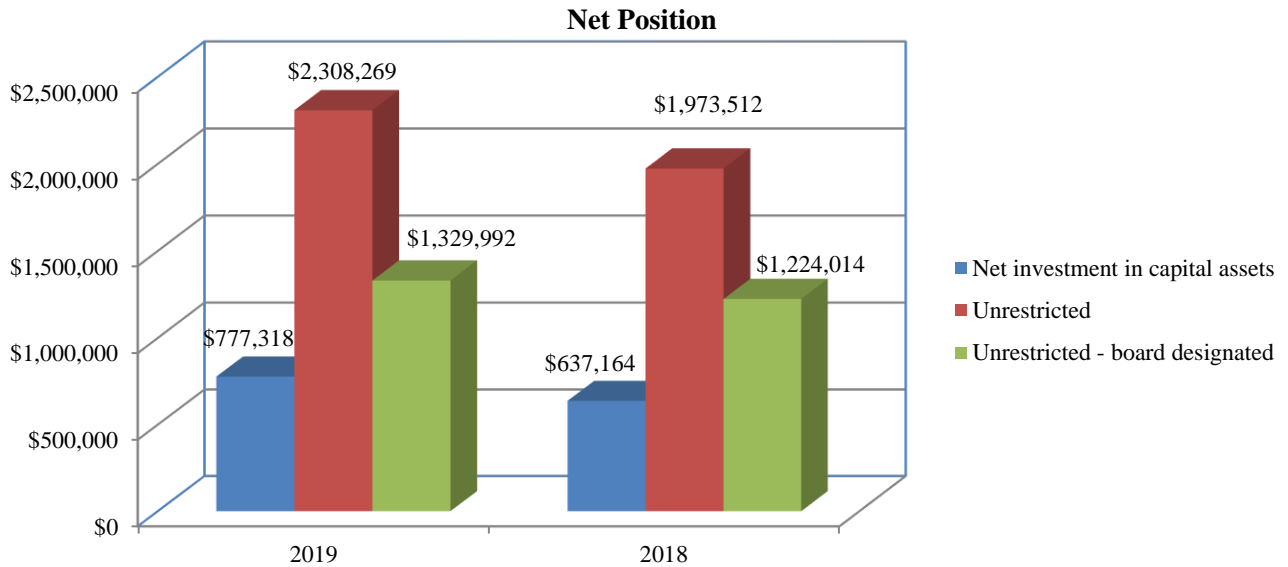
Management’s Discussion and Analysis, Continued

At June 30, 2019, the Auxiliary’s total net position increased by \$580,889 or 15%, compared to the previous year. The Auxiliary’s total assets increased by \$1,259,501 or 29%. This variance was attributable to increases in cash and equivalents, grants and contributions receivable, other receivables, due from related parties and capital assets, net of \$829,880, \$57,192, \$99,622, \$76,267 and \$140,154, respectively. Effective January 1, 2019, the Queens College - Kupferberg Center Fund (the Center) merged into the Auxiliary. The increase in cash and equivalents was primarily due to the increase in operating revenue of the Auxiliary and the cash and equivalents transferred from the Center. The increases in grants and contributions receivable, other receivables, due from related parties and capital assets, net were due to the merger of the Center.

At June 30, 2019, the Auxiliary’s total current liabilities increased by \$678,612 or 136%, compared to the previous year. The major components of this variance were related to increases in accounts payable and accrued expenses and unearned revenue of \$562,455 and \$125,318, respectively; these increases were due to the merger of the Center.

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, 2019 and 2018 by category:



QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

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, 2019 and 2018 are as follows:

Revenue

	<u>2019</u>	<u>2018</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 59,263	79,327	(20,064)	(25%)
Vending	291,229	306,565	(15,336)	(5%)
Cafeteria	203,832	125,038	78,794	63%
Rental	1,459,552	712,210	747,342	105%
Governmental grants	348,360	-	348,360	100%
Private gifts, grants and contracts	332,905	-	332,905	100%
Performances	305,015	-	305,015	100%
Qcard	29,101	42,284	(13,183)	(31%)
Parking fees	1,034,665	980,862	53,803	5%
Royalties	202,703	217,084	(14,381)	(7%)
Shuttle bus	1,487,260	1,557,293	(70,033)	(4%)
Other	68,640	1,915	66,725	3,484%
Commencement	31,780	32,923	(1,143)	(3%)
Donated space and services	<u>329,986</u>	<u>344,496</u>	<u>(14,510)</u>	(4%)
Total operating revenue	<u>6,184,291</u>	<u>4,399,997</u>	<u>1,784,294</u>	41%
Nonoperating revenue:				
College support	881	-	881	100%
Other income	-	316,003	(316,003)	(100%)
Tax levy support	<u>19,659</u>	<u>-</u>	<u>19,659</u>	100%
Total nonoperating revenue	<u>20,540</u>	<u>316,003</u>	<u>(295,463)</u>	(94%)
Total revenue	<u>\$ 6,204,831</u>	<u>4,716,000</u>	<u>1,488,831</u>	32%

The Auxiliary's total revenue for the year ended June 30, 2019 amounted to \$6,204,831, an increase of \$1,488,831 or 32%, compared to the previous year. The major components of this variance were related to increases in rental revenue of \$747,342, governmental grants of \$348,360, private gifts, grants and contracts of \$332,905 and performances of \$305,015, offset by a decrease in other income of \$316,003. The increases were due to the merger of the Center. Other income decreased due to 2018's adjustment to accumulated depreciation.

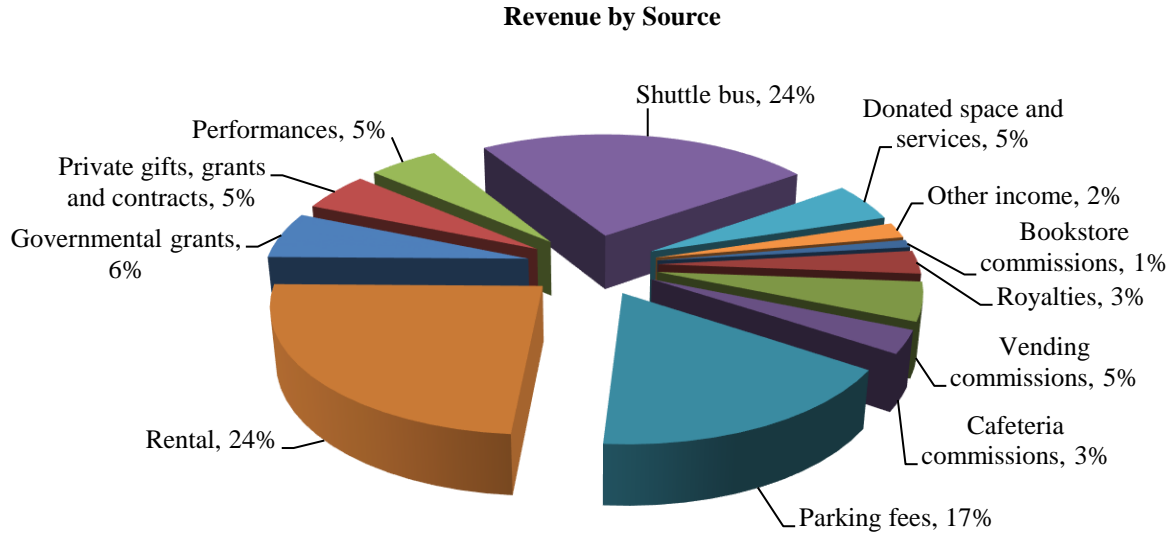
Shuttle bus, parking fees, rental, governmental grants and private gifts, grants and contracts represented 24%, 17%, 24%, 6% and 5% of total revenue, respectively. Accordingly, the Auxiliary is dependent upon this level of support to carry out its operations.

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

**QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

Management's Discussion and Analysis, Continued

The following illustrates the Auxiliary's revenue, by source, for the year ended June 30, 2019:



Expenses

	<u>2019</u>	<u>2018</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 650,637	635,393	15,244	2%
Dining hall	592,031	354,258	237,773	67%
Qcard	27,381	17,744	9,637	54%
Rental	298,622	142,673	155,949	109%
Performing arts	1,382,667	-	1,382,667	100%
Shuttle bus	1,381,282	1,194,967	186,315	16%
Management and general	502,137	424,500	77,637	18%
Fundraising	59,757	-	59,757	100%
Depreciation	94,156	71,468	22,688	32%
Loss on disposal of capital assets	<u>3,519</u>	<u>757</u>	<u>2,762</u>	365%
Total operating expenses	<u>4,992,189</u>	<u>2,841,760</u>	<u>2,150,429</u>	76%
Nonoperating expenses:				
Institutional initiatives	164,870	166,619	(1,749)	(1%)
College support	59,735	469,758	(410,023)	(87%)
Graduation/commencement	157,440	155,474	1,966	1%
New initiatives	<u>125,000</u>	<u>100,000</u>	<u>25,000</u>	25%
Total nonoperating expenses	<u>507,045</u>	<u>891,851</u>	<u>(384,806)</u>	(43%)
Total expenses	\$ <u>5,499,234</u>	<u>3,733,611</u>	<u>1,765,623</u>	47%

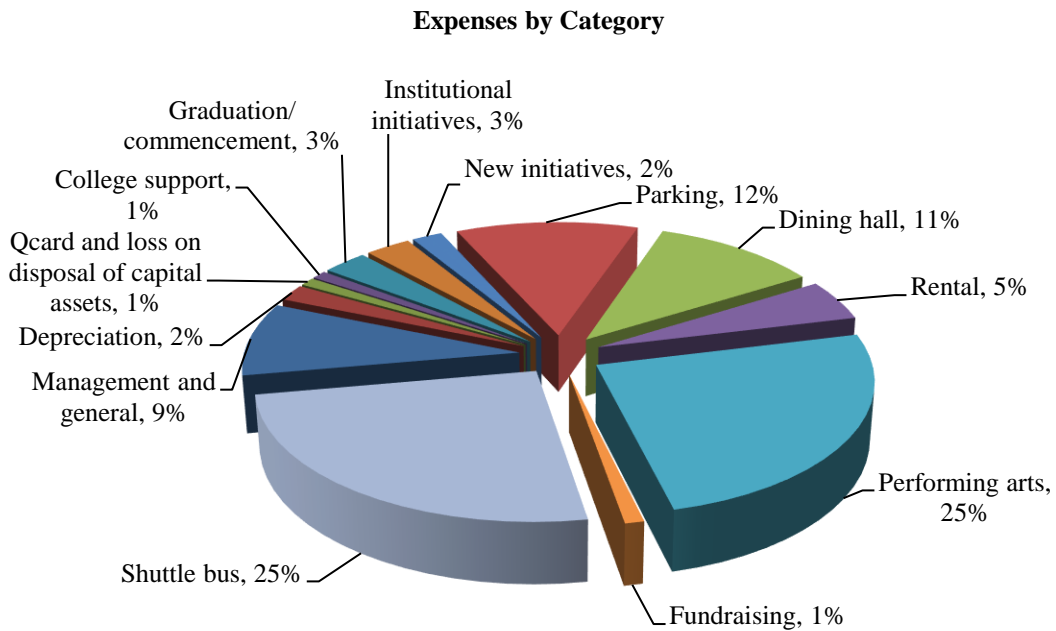
QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Management's Discussion and Analysis, Continued

The Auxiliary's total expenses for the year ended June 30, 2019 amounted to \$5,499,234, an increase of \$1,765,623 or 47%, compared to the previous year. The major components of this variance were related to increases in performing arts, shuttle bus, management and general and fundraising of \$1,382,667, \$186,315, \$77,637 and \$59,757, respectively; a majority of these increases were due to the merger of the Center. The increase in shuttle bus expenses was due to an increase in contractual costs in 2019.

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

The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2019:

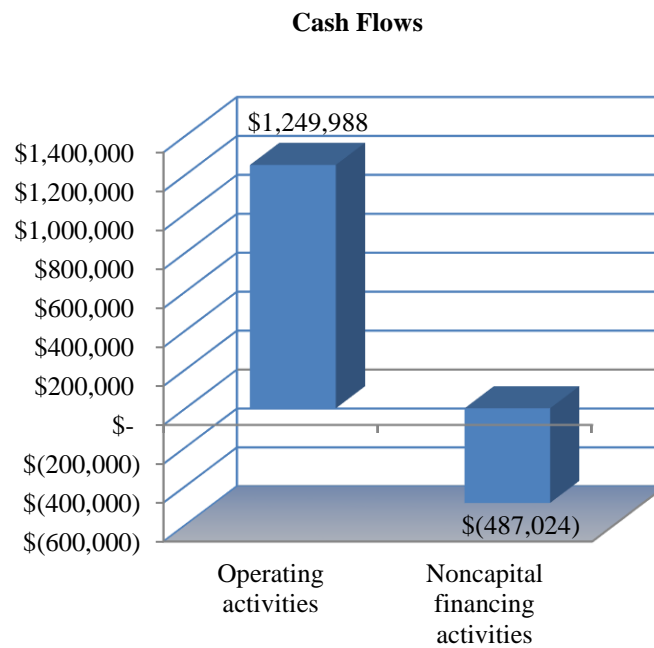


QUEENS COLLEGE AUXILIARY
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Management's Discussion and Analysis, Continued

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement assists users in assessing 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, 2019:



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.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Net Position
June 30, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and equivalents	\$ 3,956,850	3,126,970
Commissions receivable	216,763	179,727
Grants and contributions receivable	57,192	-
Other receivables	175,514	75,892
Due from related parties	214,033	137,766
Prepaid expenses	<u>195,714</u>	<u>176,364</u>
Total current assets	4,816,066	3,696,719
Noncurrent assets - capital assets, net	<u>777,318</u>	<u>637,164</u>
Total assets	<u>5,593,384</u>	<u>4,333,883</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses:		
Research Foundation of the City University of New York	42,764	-
Queens College	288,910	117,191
Other	<u>515,709</u>	<u>167,737</u>
Total accounts payable and accrued expenses	847,383	284,928
Deposits	166,884	176,045
Unearned revenue	<u>163,538</u>	<u>38,220</u>
Total liabilities	<u>1,177,805</u>	<u>499,193</u>
 <u>Net Position</u>		
Net investment in capital assets	777,318	637,164
Unrestricted	2,308,269	1,973,512
Unrestricted - board designated	<u>1,329,992</u>	<u>1,224,014</u>
Total net position	<u>\$ 4,415,579</u>	<u>3,834,690</u>

See accompanying notes to financial statements.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 59,263	79,327
Vending	291,229	306,565
Cafeteria	203,832	125,038
Rental	1,459,552	712,210
Governmental grants	348,360	-
Private gifts, grants and contracts	332,905	-
Performances	305,015	-
Qcard	29,101	42,284
Parking fees	1,034,665	980,862
Royalties	202,703	217,084
Shuttle bus	1,487,260	1,557,293
Other	68,640	1,915
Commencement	31,780	32,923
Donated space and services	<u>329,986</u>	<u>344,496</u>
Total operating revenue	<u>6,184,291</u>	<u>4,399,997</u>
Operating expenses:		
Parking	650,637	635,393
Dining hall	592,031	354,258
Qcard	27,381	17,744
Rental	298,622	142,673
Performing arts	1,382,667	-
Shuttle bus	1,381,282	1,194,967
Management and general	502,137	424,500
Fundraising	59,757	-
Depreciation	94,156	71,468
Loss on disposal of capital assets	<u>3,519</u>	<u>757</u>
Total operating expenses	<u>4,992,189</u>	<u>2,841,760</u>
Income from operations	<u>1,192,102</u>	<u>1,558,237</u>
Nonoperating revenue (expenses):		
College support revenue	881	-
Other income	-	316,003
Tax levy support	19,659	-
Institutional initiatives	(164,870)	(166,619)
College support expenses	(59,735)	(469,758)
Graduation/commencement	(157,440)	(155,474)
New initiatives	<u>(125,000)</u>	<u>(100,000)</u>
Total nonoperating expenses, net	<u>(486,505)</u>	<u>(575,848)</u>
Change in net position	705,597	982,389
Net position at beginning of year	3,834,690	2,852,301
Transfer of net position (deficit)	<u>(124,708)</u>	<u>-</u>
Net position at end of year	<u>\$ 4,415,579</u>	<u>3,834,690</u>

See accompanying notes to financial statements.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Cash Flows
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 37,893	77,172
Vending commissions	306,655	159,737
Cafeteria commissions	195,788	188,790
Rental	1,363,968	786,798
Governmental grants	348,360	-
Private gifts, grants and contracts	250,422	-
Performances	305,015	-
Qcard	29,019	42,284
Parking fees	979,257	974,023
Royalties	184,175	224,495
Shuttle bus	1,475,539	1,487,936
Other	70,390	165
Commencement	27,859	28,333
Cash payments to/for:		
Employees' salaries and benefits	(1,743,698)	(1,389,604)
Vendors	<u>(2,580,654)</u>	<u>(1,007,080)</u>
Net cash provided by operating activities	<u>1,249,988</u>	<u>1,573,049</u>
Cash flows from noncapital financing activities:		
Deposits	(519)	89,132
Cash receipts from:		
College support revenue	881	-
Tax levy support	19,659	-
Cash payments to/for:		
Institutional initiatives	(164,870)	(166,619)
College support expenses	(59,735)	(469,758)
Graduation/commencement	(157,440)	(155,474)
New initiatives	<u>(125,000)</u>	<u>(100,000)</u>
Net cash used in noncapital financing activities	<u>(487,024)</u>	<u>(802,719)</u>
Cash flows from capital and related financing activities - purchases of capital assets	<u>-</u>	<u>(15,604)</u>
Net change in cash and equivalents	762,964	754,726
Transfer of cash and equivalents	66,916	-
Cash and equivalents at beginning of year	<u>3,126,970</u>	<u>2,372,244</u>
Cash and equivalents at end of year	<u>\$ 3,956,850</u>	<u>3,126,970</u>

(Continued)

See accompanying notes to financial statements.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Cash Flows, Continued

	<u>2019</u>	<u>2018</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 1,192,102	1,558,237
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	94,156	71,468
Loss on disposal of capital assets	3,519	757
Changes in:		
Commissions receivable	(37,036)	(139,493)
Grants and contributions receivable	(52,192)	-
Other receivables	(75,984)	72,954
Due from related parties	(104,109)	(73,492)
Prepaid expenses	31,694	(9,966)
Accounts payable and accrued expenses	211,852	54,364
Unearned revenue	<u>(14,014)</u>	<u>38,220</u>
Net cash provided by operating activities	<u>\$ 1,249,988</u>	<u>1,573,049</u>
Supplemental schedule of cash flow information:		
Donated space and services revenue	<u>\$ 329,986</u>	<u>344,496</u>
Donated office space expenses	\$ 26,752	-
Donated professional services expenses	<u>303,234</u>	<u>344,496</u>
	<u>\$ 329,986</u>	<u>344,496</u>
Non-cash operating activities - assumed from Queens College - Kupferberg Center Fund:		
Net position - unrestricted (deficit)	\$ (124,708)	-
Grants and contributions receivable	(5,000)	-
Other receivables	(23,638)	-
Due from related parties	(1,800)	-
Prepaid expenses	(51,044)	-
Capital assets, net	(237,829)	-
Accounts payable and accrued expenses	350,603	-
Deposits	21,000	-
Unearned revenue	<u>139,332</u>	<u>-</u>
Cash and equivalents transferred	<u>\$ 66,916</u>	<u>-</u>

See accompanying notes to financial statements.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements

June 30, 2019 and 2018

(1) Nature of Organization

The Queens College Auxiliary Enterprises Corporation (the Auxiliary), formerly the Queens College Auxiliary Enterprises Association, is a nonprofit entity organized to support certain student activities and provide facilities and auxiliary services for the benefit of the campus community of Queens College (the College) of the City University of New York (CUNY or the University). In August 2013, the Auxiliary was incorporated and changed its name to the Queens College Auxiliary Enterprises Corporation.

Effective January 1, 2019, the Queens College - Kupferberg Center Fund (the Center), a program of the College, merged into the Auxiliary. The Center's facilities are used by the College for events, classes and College-sponsored rehearsals for which the Center does not receive rental fees. The Center also presents a variety of community service programs as part of its performance series including classical music, dance, children's theater and pop and contemporary artists.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

(b) Net Position

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

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

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

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Net Position, Continued

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, 2019, the Auxiliary had no restricted net position.

(c) Cash and Equivalents

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

(d) 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.

(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 capitalization policy, capital assets are defined as any asset with a value greater than the capitalization threshold for the particular classification of the asset and an estimated useful life of more than two years. The threshold for capitalizing assets acquired is as follows:

Infrastructure improvements	\$ 100,000
Land and building improvements	25,000
Furniture and equipment	5,000

Depreciation is computed using the full-year convention and the straight-line method over the estimated useful life of the asset.

(f) Revenue Recognition

Operating revenues are recognized when earned and are in-part derived from agreements with certain unrelated organizations to provide the College with bookstore, cafeteria, vending and photo copy services. Fees charged for the use of parking facilities also contribute significantly to the Auxiliary's revenue. Fees that are collected prior to year-end, if any, relating to the subsequent year are recorded as unearned revenue.

On November 10, 2015, the Auxiliary entered into a 5 year contract with Akademos, Inc. for a virtual bookstore. Commissions in the first year included a guaranteed minimum of \$225,000 (5% commissions based on gross sales of \$4,500,000); commissions for the 2nd to 5th year will be based on 6% of gross sales.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Revenue Recognition, Continued

On December 12, 2016, CUNY entered into a 5 year contract with Akademos, Inc. to provide virtual bookstore services to certain CUNY colleges, including the College, which expires December 31, 2021; existing contracts with participating colleges were terminated and superseded by this new agreement. The terms of the contract provide a one-time signing bonus of \$150,000, a 5% commission on gross sales of text and non-text course materials, with a \$1,000,000 guaranteed minimum during the 1st and 2nd year, and a 10% commission on gross sales of merchandise and non-course materials.

Cafeteria and vending commissions represent income earned under a contract with an unrelated organization to provide all dining services on the College's premises. The terms of the contract provide the Auxiliary with annual commissions based on a percentage of the unrelated organization's sales on the College's premises.

Sales commissions related to this contract are required in accordance with the following schedule:

- 2.75% of gross sales from retail food sales
- 2.75% of gross sales from catering sales
- 29% of gross sales from vending sales

Of the commissions from catering sales, the Auxiliary receives 50% and the Queens College Student Services Corporation, a related entity, receives the other 50%. Of the commissions from retail food sales, the Auxiliary receives 95% and the Queens College Student Services Corporation receives 5%.

The vendor, Compass Group Inc. through its Chartwells Division, is operating under a 10 year agreement, which was to expire June 30, 2019 and was extended to June 30, 2020; however, as of September 12, 2016, the College's vending service-related portion of this Chartwells agreement was terminated. Effective July 1, 2016 with respect to Avenue C, a new convenience market located at the College, and October 1, 2016 with respect to traditional snack and beverage machine vending, the College entered into an existing CUNY contract with Compass Group Inc. through its Canteen Vending Services Division, for vending services. Additionally, Chartwells has sub-contractors which are charged 15% of their gross sales and pay the Auxiliary 27.5% commissions. Sales from the rental of food trucks provide 50% commissions monthly to the Auxiliary.

The vendor, Mangia Fresco QC LLC has contracted to provide food services for five years effective April 1, 2016 which expires on March 31, 2021. Sales commissions related to this contract require a guaranteed minimum annual payment to the Auxiliary of \$31,050 or a 7% commission on gross sales, whichever is greater.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Revenue Recognition, Continued

Rental revenues generated by the Center are derived from fees charged for use of its facilities; generally, the Center retains its percentage of box office receipts, and the rental client receives the remaining balance. The Center also charges fees for various performances, all of which are retained by the Center.

Governmental grants are recognized as operating revenue in the period they are received as long as expenditures for which they are intended have been incurred.

The Qcard program, which commenced in December 2008 has, among other things, undertaken the photocopying activities and certain dining payments.

Parking revenues are earned through the sale of parking decals for students, faculty and staff. Parking fines and parking passes are also included in the Auxiliary's parking fees revenue.

The shuttle bus program involves additional buses that provide shuttle services to the College.

(g) Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Auxiliary. Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire within the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in restricted - expendable or restricted - non-expendable net position depending on the nature of the restrictions. When a restriction expires, restricted - expendable net position is reclassified to unrestricted net position.

(h) Donated Space and Services

The Auxiliary receives the services of certain personnel employed by the College and the Center operates on the campus of the College and utilizes office space and certain services made available to it. The estimated cost savings associated with such arrangements are recorded as donated space and services and are recognized as revenue and expenses in the accompanying financial statements based on the fair value of such space and services received (note 9).

The values of facilities shared between the Auxiliary and other College entities cannot be reasonably estimated and, therefore, are not recorded in the accompanying financial statements.

(i) Functional Expenses

The costs of providing 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.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Use of Estimates

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

(k) Subsequent Events

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

(l) Income Taxes

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

(3) Cash and Equivalents

Custodial credit risk of deposits is the risk that the Auxiliary's deposits may not be returned in the event of a bank failure. At June 30, 2019, \$3,520,828 of the Auxiliary's Citibank bank balance of \$4,020,828 was exposed to custodial credit risk, as it was uninsured and uncollateralized.

(4) Capital Assets

At June 30, 2019 and 2018, capital assets consisted of the following:

	2019				
	Beginning balance	Transfer from the Center	Additions	Disposals	Ending balance
Furniture and equipment	\$ 352,295	716,804	-	(5,866)	1,063,233
Building improvements	782,950	-	-	-	782,950
Land improvements	257,101	-	-	-	257,101
Infrastructure improvements	101,250	-	-	-	101,250
Less accumulated depreciation	(856,432)	(478,975)	(94,156)	2,347	(1,427,216)
Capital assets, net	\$ <u>637,164</u>	<u>237,829</u>	<u>(94,156)</u>	<u>(3,519)</u>	<u>777,318</u>

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(4) Capital Assets, Continued

	2018				
	Beginning <u>balance</u>	Transfer from the <u>Center</u>	<u>Additions</u>	<u>Disposals</u>	Ending <u>balance</u>
Furniture and equipment	\$ 363,790	-	-	(11,495)	352,295
Building improvements	782,950	-	-	-	782,950
Land improvements	257,101	-	-	-	257,101
Infrastructure improvements	101,250	-	-	-	101,250
Less accumulated depreciation	<u>(1,111,705)</u>	<u>-</u>	<u>(71,468)</u>	<u>326,741</u>	<u>(856,432)</u>
Capital assets, net	<u>\$ 393,386</u>	<u>-</u>	<u>(71,468)</u>	<u>315,246</u>	<u>637,164</u>

(5) Parking Expenses

Parking expenses incurred by the Auxiliary for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Salaries	\$ 516,406	594,257
Other expenses	<u>134,231</u>	<u>41,136</u>
	<u>\$ 650,637</u>	<u>635,393</u>

(6) Related Party Transactions

The Research Foundation of the City University of New York, a reporting entity of CUNY, pays certain compensation costs on behalf of the Auxiliary. These costs are reimbursed by the Auxiliary on a periodic basis. Amounts due are noninterest bearing and are expected to be settled over the next fiscal year.

Amounts due to the College represent transactions with the College for various program expenses paid for by the College to be reimbursed by the Auxiliary and/or other transactions with the College. The liability is noninterest bearing and is expected to be settled over the next fiscal year.

The Auxiliary receives its parking fee revenue from several parking lots and does not record or pay rent to the College for the use of these facilities.

The Auxiliary receives its Qcard deposits from several deposit boxes on campus and does not record or pay rent to the College for the use of these boxes. At June 30, 2019 and 2018, a large majority of deposits payable represented amounts added to Qcards, which are refundable if not used.

The Auxiliary receives shuttle bus revenue from a portion of the student activity and shuttle bus fees charged by the College.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(7) Royalties

As of July 1, 2013, CUNY entered into a new 10 year CUNY-wide pouring rights contract with Pepsi-Cola Bottling Company of New York, Inc. CUNY's contract replaces all previous pouring rights contracts, whether with Coke or Pepsi, including those with college auxiliary enterprise corporations. CUNY's contract is valued at \$20,750,000 over 10 years, including \$18,350,000 in cash and \$2,400,000 in kind. The Auxiliary's royalties amounted to \$202,703 and \$217,084 for the years ended June 30, 2019 and 2018, respectively.

(8) Unrestricted Net Position - Board Designated

The Auxiliary's Board of Directors approved the following designations of unrestricted net position:

	<u>2019</u>	<u>2018</u>
Shuttle bus	\$ <u>1,329,992</u>	<u>1,224,014</u>

(9) Donated Space and Services

Certain facilities and professional services were provided by the College and estimated to total \$329,986 and \$344,496 for the years ended June 30, 2019 and 2018, respectively. Such donated space and services are included in revenue and expenses in the accompanying statements of revenue, expenses and changes in net position.

(10) Accounting Standards Issued But Not Yet Implemented

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

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

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

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

GASB Statement No. 89 - "Accounting for Interest Cost Incurred Before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning July 1, 2020 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

GASB Statement No. 90 - "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61." This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

GASB Statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning July 1, 2021 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Combining Statement of Net Position
June 30, 2019

<u>Assets</u>	<u>Queens College Auxiliary Enterprises Corporation</u>	<u>Queens College - Kupferberg Center Fund</u>	<u>Total</u>
Current assets:			
Cash and equivalents	\$ 3,595,352	361,498	3,956,850
Commissions receivable	216,763	-	216,763
Grants and contributions receivable	-	57,192	57,192
Other receivables	63,870	111,644	175,514
Due from related parties	161,998	52,035	214,033
Prepaid expenses	<u>187,574</u>	<u>8,140</u>	<u>195,714</u>
Total current assets	4,225,557	590,509	4,816,066
Noncurrent assets - capital assets, net	<u>573,883</u>	<u>203,435</u>	<u>777,318</u>
Total assets	<u>4,799,440</u>	<u>793,944</u>	<u>5,593,384</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued expenses:			
Research Foundation of the City University of New York	-	42,764	42,764
Queens College	154,332	134,578	288,910
Other	<u>169,098</u>	<u>346,611</u>	<u>515,709</u>
Total accounts payable and accrued expenses	323,430	523,953	847,383
Deposits	162,884	4,000	166,884
Unearned revenue	<u>37,228</u>	<u>126,310</u>	<u>163,538</u>
Total liabilities	<u>523,542</u>	<u>654,263</u>	<u>1,177,805</u>
<u>Net Position</u>			
Net investment in capital assets	573,883	203,435	777,318
Unrestricted (deficit)	2,372,023	(63,754)	2,308,269
Unrestricted - board designated	<u>1,329,992</u>	<u>-</u>	<u>1,329,992</u>
Total net position	<u>\$ 4,275,898</u>	<u>139,681</u>	<u>4,415,579</u>

QUEENS COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Combining Statement of Revenue, Expenses and Changes in Net Position
Year ended June 30, 2019

	(7/1/18 - 6/30/19)	(1/1/19 - 6/30/19)	
	Queens College Auxiliary Enterprises <u>Corporation</u>	Queens College - Kupferberg <u>Center Fund</u>	<u>Total</u>
Operating revenue:			
Commissions:			
Bookstore	\$ 59,263	-	59,263
Vending	291,229	-	291,229
Cafeteria	203,832	-	203,832
Rental	734,341	725,211	1,459,552
Governmental grants	-	348,360	348,360
Private gifts, grants and contracts	-	332,905	332,905
Performances	-	305,015	305,015
Qcard	29,101	-	29,101
Parking fees	1,014,721	19,944	1,034,665
Royalties	202,703	-	202,703
Shuttle bus	1,487,260	-	1,487,260
Other	6,424	62,216	68,640
Commencement	31,780	-	31,780
Donated space and services	277,153	52,833	329,986
	<u>4,337,807</u>	<u>1,846,484</u>	<u>6,184,291</u>
Total operating revenue			
Operating expenses:			
Parking	650,637	-	650,637
Dining hall	592,031	-	592,031
Qcard	27,381	-	27,381
Rental	298,622	-	298,622
Performing arts	-	1,382,667	1,382,667
Shuttle bus	1,381,282	-	1,381,282
Management and general	380,201	121,936	502,137
Fundraising	-	59,757	59,757
Depreciation	59,762	34,394	94,156
Loss on disposal of capital assets	3,519	-	3,519
	<u>3,393,435</u>	<u>1,598,754</u>	<u>4,992,189</u>
Total operating expenses			
Income from operations	<u>944,372</u>	<u>247,730</u>	<u>1,192,102</u>
Nonoperating revenue (expenses):			
College support revenue	881	-	881
Tax levy support	-	19,659	19,659
Institutional initiatives	(164,870)	-	(164,870)
College support expenses	(56,735)	(3,000)	(59,735)
Graduation/commencement	(157,440)	-	(157,440)
New initiatives	(125,000)	-	(125,000)
	<u>(503,164)</u>	<u>16,659</u>	<u>(486,505)</u>
Total nonoperating expenses, net			
Change in net position	441,208	264,389	705,597
Net position at beginning of year	3,834,690	-	3,834,690
Transfer of net position (deficit)	-	(124,708)	(124,708)
Net position at end of year	<u>\$ 4,275,898</u>	<u>139,681</u>	<u>4,415,579</u>