

THE CITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)
Financial Statements and
Supplementary Information
June 30, 2017 and 2016
(With Independent Auditors' Report Thereon)

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The City College Auxiliary Enterprises Corporation
(A Component Unit of the City University of New York):

Report on the Financial Statements

We have audited the accompanying financial statements of the City College Auxiliary Enterprises Corporation (a component unit of the City University of New York) (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 The City College Auxiliary Enterprises Corporationas 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 7 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 12, 2017

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

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 The City College Auxiliary Enterprises Corporation's (a component unit of the City University of New York) (the Auxiliary) financial position as of June 30, 2017, and changes in its net position for the year then ended. Since this MD&A is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying audited financial statements and related notes.

Financial Highlights

- The Auxiliary's net position decreased by \$137,307 or 32%.
- Operating revenue decreased by \$24,701 or 5%.
- Operating expenses decreased by \$42,866 or 11%.

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, 2017 and 2016, under the accrual basis of accounting:

	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 411,100	523,086	(111,986)	(21%)
Noncurrent assets	<u> -</u>	<u>100,640</u>	<u>(100,640)</u>	(100%)
Total assets	<u>411,100</u>	<u>623,726</u>	<u>(212,626)</u>	(34%)
Current liabilities	<u>120,158</u>	<u>195,477</u>	<u>(75,319)</u>	(39%)
Net position:				
Net investment in capital assets	-	100,640	(100,640)	(100%)
Unrestricted	<u>290,942</u>	<u>327,609</u>	<u>(36,667)</u>	(11%)
Total net position	<u>\$ 290,942</u>	<u>428,249</u>	<u>(137,307)</u>	(32%)

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

Management's Discussion and Analysis, Continued

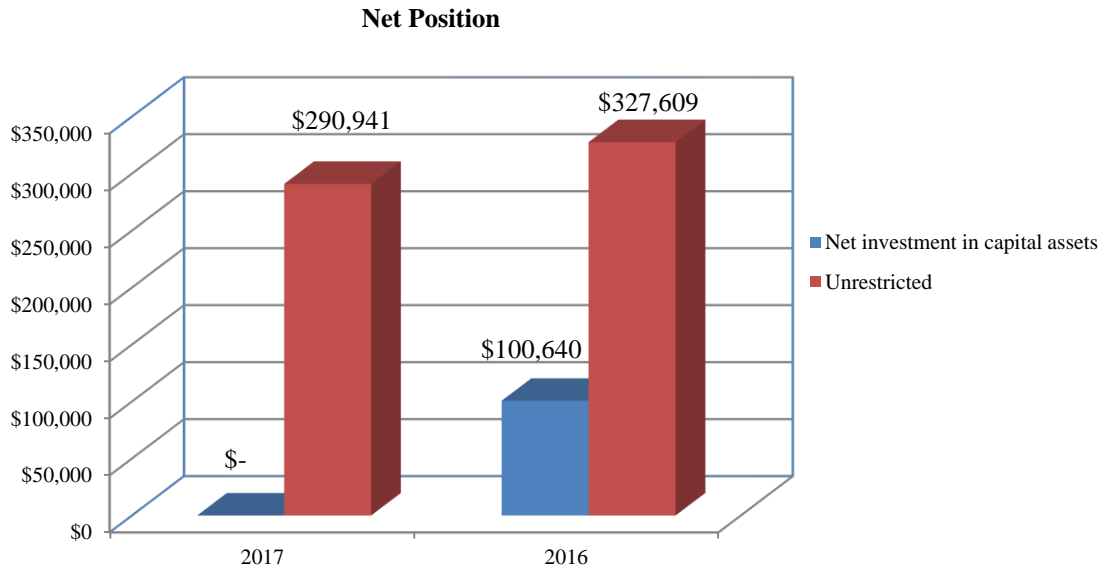
At June 30, 2017, the Auxiliary's total net position decreased by \$137,307 or 32%, compared to the previous year. The major component of this variance was attributable to a decrease in capital assets of \$100,640 due to transferring capital assets to the College.

At June 30, 2017, the Auxiliary's total current assets decreased by \$111,986 or 21%, compared to the previous year. The major component of this variance was attributed to a decrease of \$148,934 in cash and equivalents due to the operations and the cash disbursements for the CityOne card system, the identity card system with cash card function for the College.

At June 30, 2017, the Auxiliary's total current liabilities decreased by \$75,319 or 39%, compared to the previous year. The major component of this variance was attributed to a decrease of \$67,478 in accounts payable due to the timing of paying off outstanding invoices.

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, 2017 and 2016 by category:



THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

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. 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>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 62,744	72,116	(9,372)	(13%)
Cafeteria	96,147	95,000	1,147	1%
Vending	55,000	55,000	-	-
Other	16,800	16,800	-	-
Royalties	135,000	135,000	-	-
Donated space and services	<u>75,823</u>	<u>92,299</u>	<u>(16,476)</u>	<u>(18%)</u>
Total operating revenue	<u>441,514</u>	<u>466,215</u>	<u>(24,701)</u>	<u>(5%)</u>
Nonoperating revenue:				
Investment return	-	54	(54)	(100%)
Contributions	15,000	-	15,000	100%
Other	<u>38,340</u>	<u>10,863</u>	<u>27,477</u>	<u>253%</u>
Total nonoperating revenue	<u>53,340</u>	<u>10,917</u>	<u>42,423</u>	<u>389%</u>
Total revenue	<u>\$ 494,854</u>	<u>477,132</u>	<u>17,722</u>	<u>4%</u>

The Auxiliary's total revenue for the year ended June 30, 2017 amounted to \$494,854, an increase of \$17,722 or 4%, compared to the previous year. The major components of this variance resulted from an increase in other nonoperating revenue of \$27,477, offset by a decrease in donated space and services of \$16,476. The increase of other nonoperating revenue was mainly due to the forfeitures of the unspent balances on the CityOne cards for the bookstore and fees earned for managing the CityOne cards.

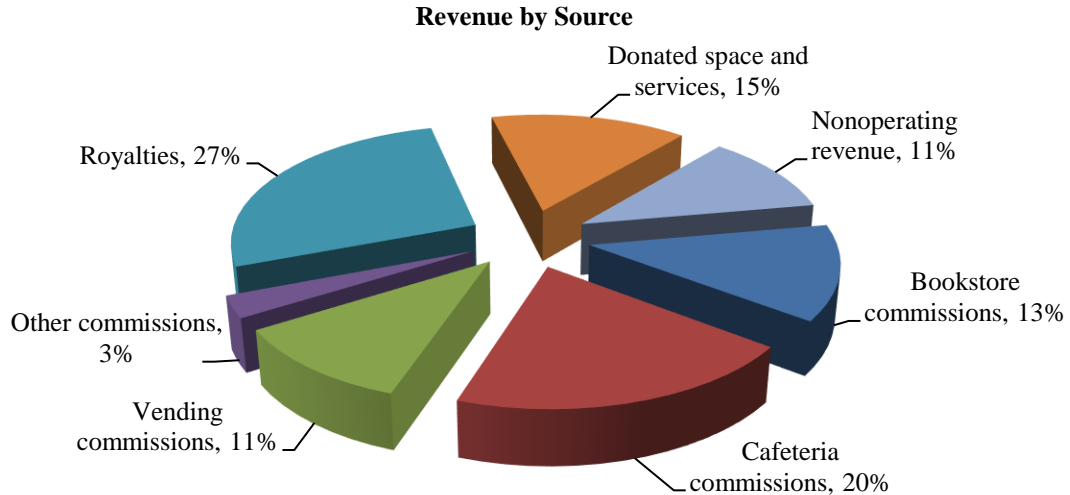
Commissions and royalties represented 47% and 27% of total revenue, respectively, and therefore, the Auxiliary is dependent on this level of support to carry out its operations.

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

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

Management's Discussion and Analysis, Continued

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



Expenses

	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Rent	\$ 5,166	4,788	378	8%
Management and general	322,693	325,899	(3,206)	(1%)
Depreciation	5,920	42,586	(36,666)	(86%)
Bad debts	-	3,372	(3,372)	(100%)
Total operating expenses	<u>333,779</u>	<u>376,645</u>	<u>(42,866)</u>	(11%)
Nonoperating expenses:				
Student services support	77,230	191,425	(114,195)	(60%)
College support	<u>221,152</u>	<u>13,144</u>	<u>208,008</u>	1,583%
Total nonoperating expenses	<u>298,382</u>	<u>204,569</u>	<u>93,813</u>	46%
Total expenses	<u>\$ 632,161</u>	<u>581,214</u>	<u>50,947</u>	9%

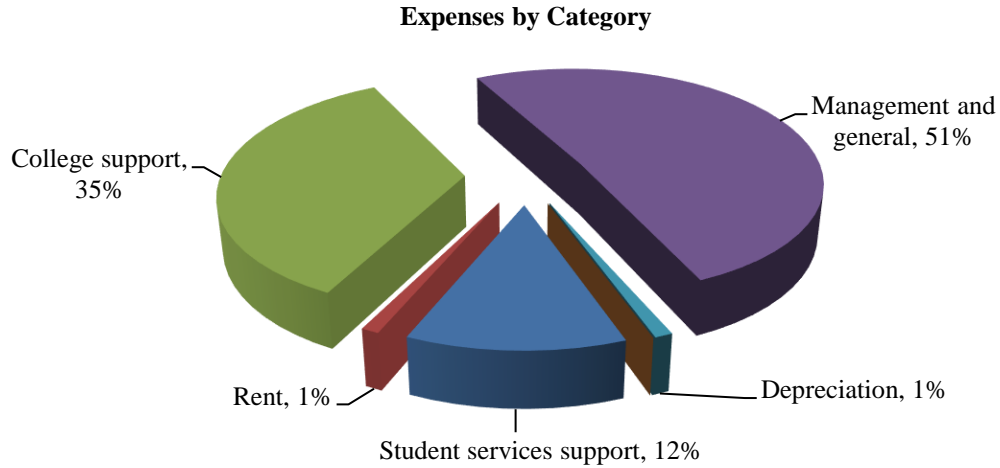
Total expenses for the year ended June 30, 2017 were \$632,161, an increase of \$50,947 or 9%, compared to the previous year. The major components of this variance related to an increase in college support expense of \$208,008 due to a transfer of capital assets to the College. The increase was offset by a decrease in student service support of \$114,195 due to providing less support to the student clubs, and a decrease in depreciation of \$36,666 due to some capital assets becoming fully depreciated in fiscal year 2016.

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

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
 (A Component Unit of the City University of New York)

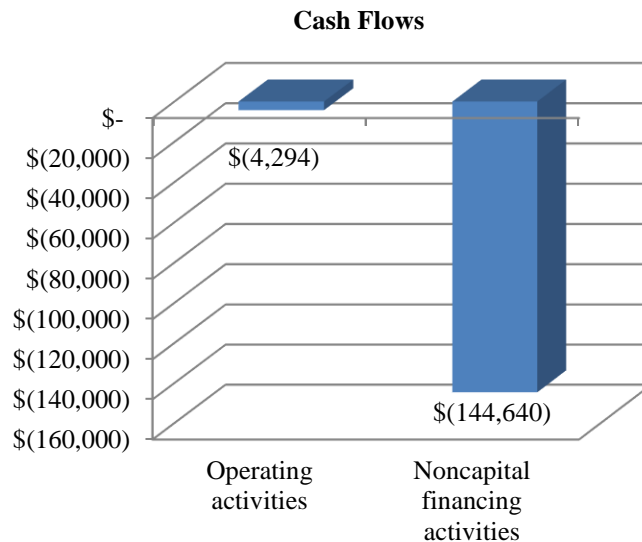
Management's Discussion and Analysis, Continued

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



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, 2017:



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.

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)
Statements of Net Position
June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and equivalents (note 3)	\$ 256,270	405,204
Commissions receivable	112,445	59,052
Prepaid expenses and other receivables	42,385	53,308
Due from officer (note 4)	-	5,522
Due from related parties, net (note 5)	-	-
Total current assets	411,100	523,086
Noncurrent assets - capital assets, net (note 6)	-	100,640
Total assets	411,100	623,726
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	15,072	82,550
Other liabilities	70,023	78,024
Security deposits	35,063	34,903
Total current liabilities	120,158	195,477
<u>Net Position</u>		
Net investment in capital assets	-	100,640
Unrestricted	290,942	327,609
Total net position	\$ 290,942	428,249

See accompanying notes to financial statements.

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)
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: (note 2 (g))		
Bookstore	\$ 62,744	72,116
Cafeteria	96,147	95,000
Vending	55,000	55,000
Other	16,800	16,800
Royalties (note 7)	135,000	135,000
Donated space and services (note 8)	<u>75,823</u>	<u>92,299</u>
Total operating revenue	<u>441,514</u>	<u>466,215</u>
Operating expenses:		
Rent	5,166	4,788
Management and general	322,693	325,899
Depreciation	5,920	42,586
Bad debts	<u>-</u>	<u>3,372</u>
Total operating expenses	<u>333,779</u>	<u>376,645</u>
Income from operations	<u>107,735</u>	<u>89,570</u>
Nonoperating revenue (expenses):		
Investment return	-	54
Contributions	15,000	-
Other nonoperating revenue	38,340	10,863
Student services support	(77,230)	(191,425)
College support	<u>(221,152)</u>	<u>(13,144)</u>
Total nonoperating revenue (expenses), net	<u>(245,042)</u>	<u>(193,652)</u>
Decrease in net position	(137,307)	(104,082)
Net position at beginning of year	<u>428,249</u>	<u>532,331</u>
Net position at end of year	<u>\$ 290,942</u>	<u>428,249</u>

See accompanying notes to financial statements.

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)
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:		
Commissions	\$ 177,298	245,689
Royalties	135,000	135,000
Cash payments to/for:		
Employees' salaries and benefits	(209,130)	(168,648)
Vendors and other	<u>(107,462)</u>	<u>(104,465)</u>
Net cash provided by (used in) operating activities	<u>(4,294)</u>	<u>107,576</u>
Cash flows from noncapital financing activities:		
Repayment of due from officer	5,522	4,000
Security deposits	160	12
Contributions	15,000	-
Other nonoperating revenue	38,340	10,863
Student services support	(77,230)	(191,425)
College support	<u>(126,432)</u>	<u>(13,144)</u>
Net cash used in noncapital financing activities	<u>(144,640)</u>	<u>(189,694)</u>
Cash flows from investing activities - investment return	<u>-</u>	<u>54</u>
Net decrease in cash and equivalents	(148,934)	(82,064)
Cash and equivalents at beginning of year	<u>405,204</u>	<u>487,268</u>
Cash and equivalents at end of year	<u>\$ 256,270</u>	<u>405,204</u>

(Continued)

See accompanying notes to financial statements.

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)
Statements of Cash Flows, Continued

	<u>2017</u>	<u>2016</u>
Reconciliation of income from operations to net cash provided by (used in) operating activities:		
Income from operations	\$ 107,735	89,570
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:		
Depreciation	5,920	42,586
Bad debts	-	3,372
Changes in:		
Commissions receivable	(53,393)	3,401
Prepaid expenses and other receivables	10,923	(50,182)
Accounts payable and accrued expenses	(67,478)	4,529
Other liabilities	<u>(8,001)</u>	<u>14,300</u>
Net cash provided by (used in) operating activities	<u>\$ (4,294)</u>	<u>107,576</u>
Supplemental schedule of cash flow information:		
Donated space and services revenue	<u>\$ 75,823</u>	<u>92,299</u>
Donated facilities	5,016	4,788
Donated professional services	<u>70,807</u>	<u>87,511</u>
Donated space and services expense	<u>\$ 75,823</u>	<u>92,299</u>
Capital assets transferred to College	<u>\$ 94,720</u>	<u>-</u>

See accompanying notes to financial statements.

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

Notes to Financial Statements

June 30, 2017 and 2016

(1) Nature of Organization

The City College Auxiliary Enterprises Corporation (a component unit of the City University of New York) (the Auxiliary) is a nonprofit entity organized to support certain student activities and provide facilities and auxiliary services for the benefit of the campus community of the City 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 relating to 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.

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

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.

The above mentioned accounting pronouncements, GASB Statements No. 63, No. 65, No. 72 and No. 79 currently are not applicable to the Auxiliary.

(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 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 of the Auxiliary’s Board of Directors.

At June 30, 2017, the Auxiliary had no restricted net position or net investment in capital assets.

(d) Cash and Equivalents

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

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of contribution, if donated. In accordance with the Auxiliary's capital asset policy, capital assets are defined as any asset with a useful life of at least two years and a cost or value at the time of receipt of \$1,000 or more for computer equipment and \$5,000 or more for all other assets. 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 equipment is five years. The estimated useful life of building improvements is 25 years.

(f) Commissions Receivable

Commissions receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires 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.

(g) Revenue Recognition

Revenue is recognized when earned and are primarily derived from agreements with certain unrelated organizations to provide the College with bookstore, auto teller machine (the ATM), and cafeteria and beverage services.

Bookstore commissions represent income earned under a contract with an unrelated organization to operate and maintain the campus bookstore. The contract provided the Auxiliary with annual commissions the greater of (1) an amount based on a percentage of the unrelated organization's sales at the campus bookstore or (2) guaranteed annual payment. The contract with the bookstore was set to expire on June 30, 2017. In December 2016, the University entered into a contract with an unrelated organization which allows the organization to provide virtual bookstore services at the College. The terms of contract provides the University commissions annually. The University allocates the commissions to the College based on the University's discretion. The contract entered into by the University will end on December 31, 2021.

Cafeteria and vending commissions represent income earned under a contract with an unrelated organization for the sale of food and nonalcoholic beverages on the College's premises. The contract expired on June 30, 2017. The College is negotiating a contract with another unrelated organization as of June 30, 2017.

ATM commissions represent income earned under a contract with an unrelated organization for offering ATM services. The terms of the contract, which expired on November 30, 2016, provided the Auxiliary with monthly commissions of \$280 per ATM on campus. The Auxiliary is in the process of renewing the contract, and currently is on a month-by-month contract with the same terms.

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Donated Space and Services

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

(i) Operating and Nonoperating Expenses

The costs associated with the operation of the Auxiliary, such as rent, are recorded as operating expenses. The costs associated with support to the College and student services are classified as nonoperating expenses due to the fact that support is discretionary, is subject to change based on the budget, and is not directly related to the operation of the Auxiliary.

(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 times, the Auxiliary's cash and equivalents may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high credit quality financial institutions.

THE CITY COLLEGE AUXILIARY ENTERPRISES CORPORATION
(A Component Unit of the City University of New York)

Notes to Financial Statements, Continued

(4) Due from Officer

The Auxiliary made an overpayment of compensation to the Executive Director in 2014. The Executive Director agreed to repay the overpayment in installments to the Auxiliary. As of June 30, 2016, the amount outstanding was \$5,522. The remaining amount due from the officer was repaid as of June 30, 2017.

(5) Due from Related Parties

The Auxiliary advanced funds to The City College Child Development Center, Inc. (CDC), a related party, for general operations. Since the CDC is temporarily closed for renovations, the Auxiliary determined the advance to be uncollectible. Amounts due from related parties are as follows:

	<u>2017</u>	<u>2016</u>
The City College Child Development Center	\$ 50,000	50,000
Less allowance for bad debts	(50,000)	(50,000)
	\$ <u> -</u>	<u> -</u>

(6) 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	\$ 198,752	-	(198,752)	-
Building improvements	148,000	-	-	148,000
Less accumulated depreciation	(246,112)	(5,920)	104,032	(148,000)
Capital assets, net	\$ <u>100,640</u>	(5,920)	(94,720)	<u> -</u>
	<u>2016</u>			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Equipment	\$ 198,752	-	-	198,752
Building improvements	148,000	-	-	148,000
Less accumulated depreciation	(203,526)	(42,586)	-	(246,112)
Capital assets, net	\$ <u>143,226</u>	(42,586)	<u> -</u>	<u>100,640</u>

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Notes to Financial Statements, Continued

(7) 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 College. 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 \$135,000 of the allocation from the University in 2017 and 2016, respectively.

(8) Donated Space and Services

The Auxiliary utilizes certain facilities and professional services provided by the College. The estimated fair values of facilities and professional services are included in the accompanying statements of revenue, expenses and changes in net position. Facilities and professional services for the years ended June 30, 2017 and 2016 amounted to the following:

	<u>2017</u>	<u>2016</u>
Facilities	\$ 5,016	4,788
Professional services	<u>70,807</u>	<u>87,511</u>
	\$ <u>75,823</u>	<u>92,299</u>

(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.

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Notes to Financial Statements, Continued

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

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.