BROOKLYN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Financial Statements and
Supplementary Information

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

BROOKLYN COLLEGE AUXILIARY ENTERPRISE CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Brooklyn College Auxiliary Enterprise Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn College Auxiliary Enterprise Corporation (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 Brooklyn College Auxiliary Enterprise Corporation as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

EFPR Group, CPAs, PLLC

(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York
October 12, 2017

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of Brooklyn College Auxiliary Enterprise Corporation's (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 $46,217 or 3%. This variance is mainly due to a decrease in operating revenue and an increase in expenses from operations.
- Operating revenue decreased by $52,251 or 6%. This variance is a result of the reduction in cafeteria revenue and closure of the campus bookstore.
- Operating expenses increased by $21,466 or 4%. This variance is a result of an increase in management and general.

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 just one indicator of whether its financial position 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:

	2017	2016	Dollar change	Percent change
Assets:				
Current assets	$ 1,342,446	1,502,826	(160,380)	(11%)
Noncurrent capital assets, net	67,276	-	67,276	100%
Total assets	1,409,722	1,502,826	(93,104)	(6%)
Liabilities	45,360	92,247	(46,887)	(51%)
Net position:				
Net investment in capital assets	67,276	-	67,276	100%
Unrestricted	1,297,086	1,410,579	(113,493)	(8%)
	$ 1,364,362	1,410,579	(46,217)	(3%)

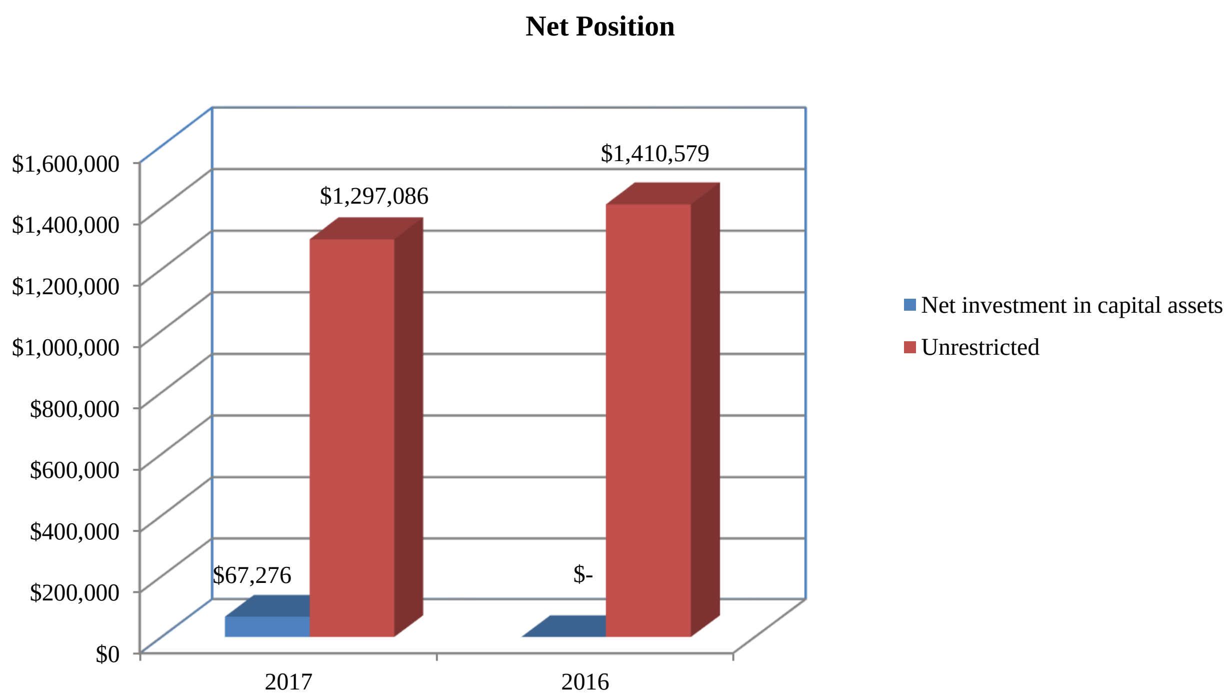
At June 30, 2017, the Auxiliary's total net position decreased by $46,217 or 3%, compared to the previous year.

At June 30, 2017, the Auxiliary's assets decreased by $93,104 or 6%, compared to the previous year. This variance is a result of a decrease in operating revenues and an increase in nonoperating expenses over the prior year.

At June 30, 2017, the Auxiliary's total current liabilities decreased by $46,887 or 51%, compared to the previous year. This variance resulted primarily from a decrease in accrued expenses over the prior year.

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:



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, 2017 and 2016, are as follows:

Revenue

	2017	2016	Dollar change	Percent change
Operating revenue:				
Bookstore commissions	$ 83,572	116,138	(32,566)	(28%)
Cafeteria and vending commissions	176,583	189,454	(12,871)	(7%)
Parking fees	206,466	220,929	(14,463)	(7%)
Facility rentals	248,302	248,501	(199)	(1%)
Royalty	108,584	102,191	6,393	6%
ATM revenue	11,400	11,400	-	-
Other	1,555	100	1,455	1,455%
Total operating revenue	836,462	888,713	(52,251)	(6%)
Nonoperating revenue:				
Interest income	4,494	2,672	1,822	68%
Contributions	100,000	100,000	-	-
Total revenue	$ 940,956	991,385	(50,429)	(5%)

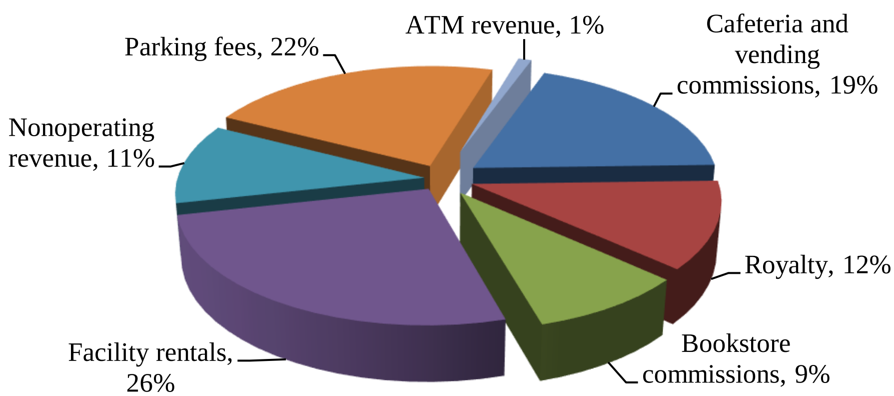
The Auxiliary's total revenue for the year ended June 30, 2017 amounted to $940,956, a decrease of $50,429 or 5%, compared to the previous year. The major component of this variance was due to a decrease in cafeteria revenue and closure of campus bookstore resulting in decreased revenue.

For the year ended June 30, 2017, cafeteria and vending commissions, parking fees and facility rentals represented 19%, 22% and 26% of total revenue, respectively. Accordingly, the Auxiliary is dependent upon this level of operational support.

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

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

Revenue by Source



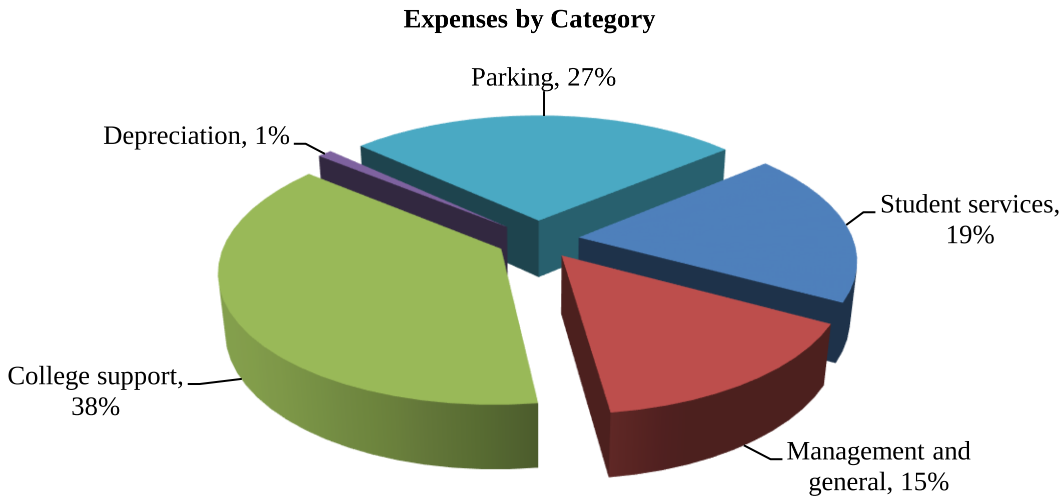
Expenses

		2017	2016	Dollar change	Percent change
Operating expenses:					
Parking	$	267,617	285,276	(17,659)	(6%)
Student services		186,453	196,787	(10,334)	(5%)
Management and general		145,165	112,525	32,640	29%
Depreciation		16,819	-	16,819	100%
Total operating expenses		616,054	594,588	21,466	4%
Nonoperating expenses - College support		371,119	132,283	238,836	181%
Total expenses	$	987,173	726,871	260,302	36%

Total expenses for the year ended June 30, 2017 were $987,173, an increase of $260,302 or 36%, compared to the previous year. This variance was due to an increase in College support.

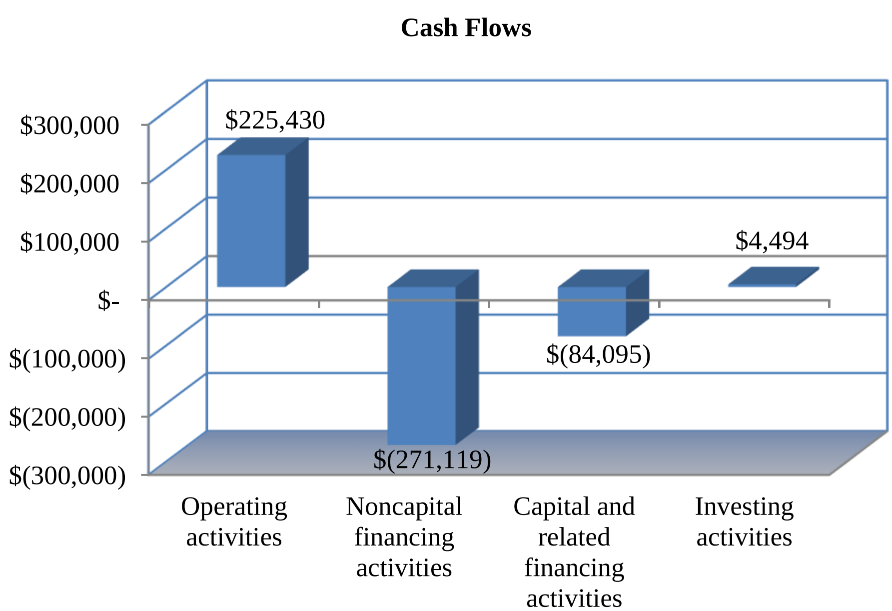
There were no other significant or unexpected changes in the Auxiliary's expenses.

The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 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 upon maturity, 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.

BROOKLYN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Statements of Net Position

June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and equivalents	$ 1,241,632	1,366,922
Commissions receivable	46,252	46,872
Accounts receivable - other, net of allowance for doubtful account of $30,000 in 2017	42,406	82,842
Prepaid expenses and other assets	12,156	6,190
Total current assets	1,342,446	1,502,826
Noncurrent assets - capital assets, net	67,276	-
Total assets	1,409,722	1,502,826
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	34,110	80,997
Unearned revenue	11,250	11,250
Total current liabilities	45,360	92,247
Net Position		
Net investment in capital assets	67,276	-
Unrestricted	1,297,086	1,410,579
	$ 1,364,362	1,410,579

See accompanying notes to financial statements.

BROOKLYN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Statements of Revenue, Expenses and Changes in Net Position

Years ended June 30, 2017 and 2016

	2017	2016
Operating revenue:		
Commissions:		
Bookstore	$ 83,572	116,138
Cafeteria and vending	176,583	189,454
Parking fees	206,466	220,929
Facility rentals	248,302	248,501
Royalty	108,584	102,191
ATM revenue	11,400	11,400
Other	1,555	100
Total operating revenue	836,462	888,713
Operating expenses:		
Parking	267,617	285,276
Student services	186,453	196,787
Management and general	145,165	112,525
Depreciation	16,819	-
Total operating expenses	616,054	594,588
Income from operations	220,408	294,125
Nonoperating revenue (expenses):		
Interest income	4,494	2,672
Contributions	100,000	100,000
College support:		
College activities	(309,986)	(69,772)
Facilities construction	(13,500)	(51,655)
Orientation project	(26,654)	(9,866)
Technology project	(20,139)	-
Other	(840)	(990)
Total nonoperating revenue (expenses), net	(266,625)	(29,611)
Increase (decrease) in net position	(46,217)	264,514
Net position at beginning of year	1,410,579	1,146,065
Net position at end of year	$ 1,364,362	1,410,579

See accompanying notes to financial statements.

BROOKLYN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	$ 88,879	114,249
Cafeteria and vending commissions	171,896	192,562
Parking fees	206,466	220,929
Facility rentals	260,838	246,597
Royalty	108,584	102,191
ATM revenue	9,300	11,400
Other	31,555	100
Cash payments to/for:		
Employees' salaries and benefits	(257,118)	(275,359)
Vendors	(249,805)	(159,902)
Dues and fees	(113,275)	(110,635)
Other	(31,890)	(1,890)
Net cash provided by operating activities	225,430	340,242
Cash flows from noncapital financing activities:		
Contributions	100,000	100,000
College support	(371,119)	(132,283)
Net cash used in noncapital financing activities	(271,119)	(32,283)
Cash flows from capital and related financing activities - purchase of capital assets	(84,095)	-
Cash flows from investing activities - interest income	4,494	2,672
Net increase (decrease) in cash and equivalents	(125,290)	310,631
Cash and equivalents at beginning of the year	1,366,922	1,056,291
Cash and equivalents at end of the year	$ 1,241,632	1,366,922

(Continued)

See accompanying notes to financial statements.

BROOKLYN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Statements of Cash Flows, Continued

		2017	2016
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$	220,408	294,125
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation		16,819	-
Increase in allowance for doubtful accounts		30,000	-
Changes in:			
Commissions receivable		620	1,219
Accounts receivable - other		10,436	(1,904)
Prepaid expenses and other assets		(5,966)	157
Accounts payable and accrued expenses		(46,887)	46,645
Net cash provided by operating activities	$	225,430	340,242

See accompanying notes to financial statements.

(1) Nature of Organization

The Brooklyn College Auxiliary Enterprise Corporation (the Auxiliary) is a not-for-profit organization created for the principal purpose of developing and cultivating educational, social, cultural, and recreational activities among students of Brooklyn College (the College) of the City University of New York (CUNY or the University).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

(b) Accounting Pronouncements

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

- GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

- GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities." This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities.

- 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.

(2) Summary of Significant Accounting Policies, Continued

(b) Accounting Pronouncements, Continued

- 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 is required to report information regarding its financial position and activities according to the following classes of net position:

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.

The Auxiliary had no restricted net position in 2017 and 2016.

(d) Cash and Equivalents

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

(e) Accounts Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management gas used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(2) Summary of Significant Accounting Policies, Continued

(f) Capital Assets

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

(g) Revenue Recognition

Revenue is recognized in the period earned and is primarily derived from agreements with certain third-party organizations to provide the College with bookstore and cafeteria services, as well as other food services and fees charged for the use of parking facilities.

Revenue collected prior to year end, if any, relating to the summer and fall semesters of the subsequent year, are recorded as unearned revenue.

(h) Commissions

Bookstore commissions represent income earned under a contract with a third-party vendor, who operates and maintains the campus bookstore. The terms of the contract provide the Auxiliary with annual commissions equal to the greater of a fixed amount or an amount based on a percentage of sales. The contract expired on June 30, 2012. This agreement was extended during August 2012 for a one year period expiring on June 30, 2013. The contract was renewed for a three year term and expired on June 30, 2016. Total bookstore commissions earned during the years ended June 30, 2017 and 2016 amounted to $83,572 and $116,138, respectively. The commissions earned during the year ended June 30, 2017 represent commissions on liquidation of the bookstore inventory.

Cafeteria and vending commissions represent income earned under a contract with a third-party vendor for the sale of food and nonalcoholic beverages on the College's premises. The terms of the contract provide the Auxiliary with annual commissions based on a percentage of sales. During May 2013, this contract was extended for a one year period expiring May 10, 2014. The contract was renewed for a five year term commencing on July 8, 2014 and expiring on July 7, 2019. Total cafeteria and vending commissions earned during the years ended June 30, 2017 and 2016 amounted to $176,583 and $189,454, respectively.

(i) Donated Space and Services

The Auxiliary operates on the campus of the College and utilizes office space and certain services made available to it. The cost savings associated with any such arrangements are not reflected in the accompanying financial statements because neither the Auxiliary nor the College have a clearly measurable and objective basis for determining such values.

(2) Summary of Significant Accounting Policies, Continued

(j) Royalty Income

As of July 1, 2013, the University entered into a ten-year CUNY-wide pouring rights contract with Pepsi-Cola Bottling Company of New York, Inc. regarding the supply and distribution of certain beverages for consumption at the University. This contract replaces all previous pouring rights contracts, whether with Coke or Pepsi, and including those with college auxiliary enterprise corporations.

(k) 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.

(l) 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.

(m) Subsequent Events

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

(n) Income Taxes

The Auxiliary is exempt from 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, 2017, $1,031,741 of the Auxiliary's bank balance of $1,281,741 was exposed to custodial credit risk as it was uninsured and uncollateralized.

(4) Accounts Receivable - Other

As of June 30, 2017 and 2016 accounts receivable - other included funds in the amount of $68,984 that will be provided to the College for storm damage sustained during October 2012 which is expected to be reimbursed by FEMA. During the year ended June 30, 2017, the Auxiliary recorded a $30,000 allowance for doubtful accounts related to this receivable.

(5) Capital Assets

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

	Beginning balance	Additions	Disposals	Ending balance
Equipment	$ -	84,095	-	84,095
Less accumulated depreciation	-	(16,819)	-	(16,819)
	$ -	67,276	-	67,276

(6) Unrestricted Net Position Designated by the Board

During 1993, the Auxiliary received a reimbursement of approximately $130,000 from the Dormitory Authority of the State of New York for expenses relating to dining facilities made in prior years. The Board of Directors of the Auxiliary agreed to set aside this reimbursement to be used at the discretion of the President of the College to support student-centered operations, such as the dining facilities. During the years ended June 30, 2017 and 2016, the Auxiliary did not incur any related expenses, and, accordingly, unrestricted net position at June 30, 2017 and 2016 include approximately $371,119 and $132,283, respectively, designated by the Board of the Auxiliary to support student-centered operations.

Additionally, unrestricted net position at June 30, 2017 and 2016 include approximately $10,664 and $10,055, respectively, designated by the Board to fund costs related to the operation and maintenance of the parking lots on the premises of the College, as required by action of the Board of Trustees of CUNY.

(7) 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.

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

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

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

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

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