BRONX COMMUNITY COLLEGE AUXILIARY ENTERPRISES CORPORATION

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

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EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Bronx Community College Auxiliary
Enterprises Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Community College Auxiliary Enterprises Corporation (the Auxiliary) as of and for the years ended June 30, 2018 and 2017, 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 Bronx Community College Auxiliary Enterprises Corporation as of June 30, 2018 and 2017, 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

Williamsville, New York
November 14, 2018

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Management's Discussion and Analysis

June 30, 2018

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of Bronx Community College Auxiliary Enterprises Corporation's (the Auxiliary) financial position as of June 30, 2018, 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 increased by $288,210 or 12%.
- Operating revenue increased by $378,572 or 56%.
- Operating expenses increased by $204,333 or 63%.

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, 2018 and 2017, under the accrual basis of accounting:

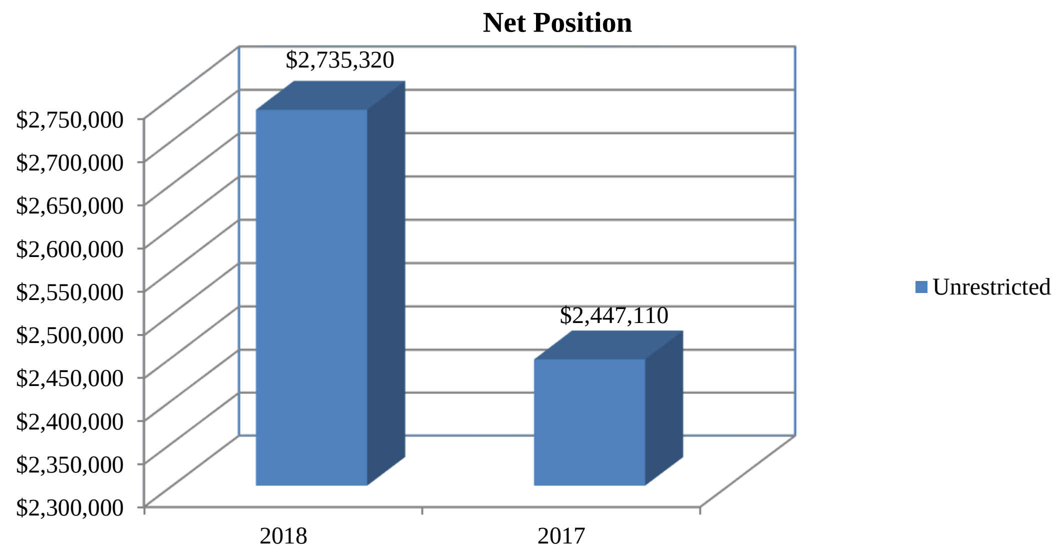
	2018	2017	Dollar change	Percent change
Assets	$ 3,295,801	2,902,812	392,989	14%
Liabilities	560,481	455,702	104,779	23%
Net position	$ 2,735,320	2,447,110	288,210	12%

At June 30, 2018, the Auxiliary's total net position increased by $288,210 or 12%, compared to the previous year. This variance was primarily caused by increases in cash and equivalents, and accounts receivable of $491,455 and $98,309, respectively, and a decrease in deposits held in custody for others of $39,105. These were off-set by increases in accounts payable and accrued expenses, and due to BCC of $90,919 and $52,965, respectively, and the write-off of bad debts of $200,000.

At June 30, 2018, the Auxiliary's total current liabilities increased by $104,779 or 23%, compared to the previous year. The major components of this variance were related to increases in accounts payable and accrued expenses, and due to BCC of $90,919 and $52,965, respectively. These were off-set by a decrease in deposits held in custody for others of $39,105.

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, 2018 and 2017 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, 2018 and 2017 are as follows:

Revenue

	2018	2017	Dollar change	Percent change
Operating revenue:				
Commissions:				
Bookstore	$ 51,189	51,420	(231)	1%
Vending	225,522	230,197	(4,675)	(2%)
Cafeteria	160,000	160,000	-	-
Rental income	380,040	-	380,040	100%
Parking fees	164,080	164,016	64	1%
Royalties	50,669	48,583	2,086	4%
Donated services	23,817	22,926	891	4%
Other	3,464	3,067	397	13%
Total operating revenue	1,058,781	680,209	378,572	56%
Nonoperating revenue - interest income	2,977	2,411	566	23%
Total revenue	$ 1,061,758	682,620	379,138	56%

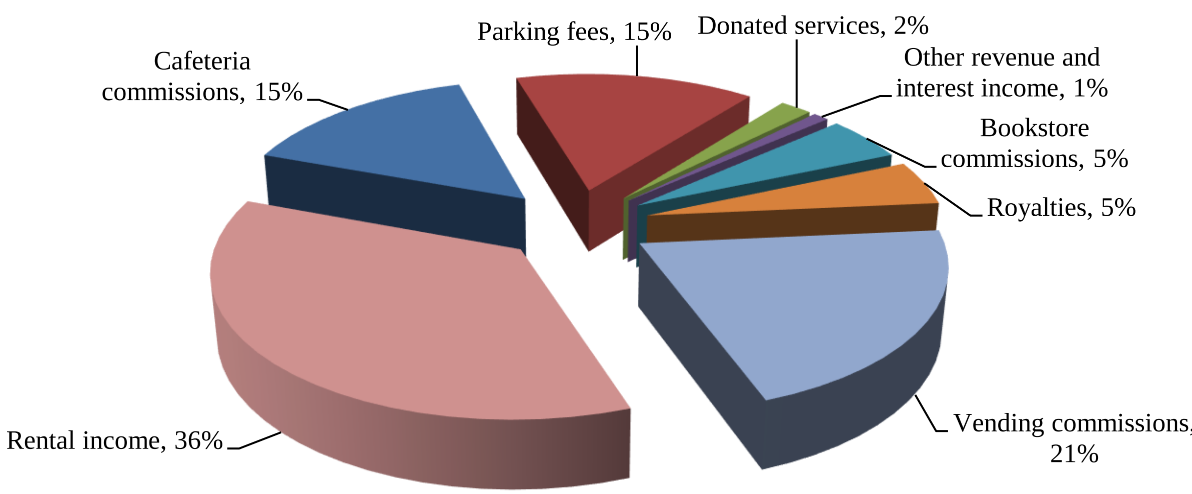
The Auxiliary's total revenue for the year ended June 30, 2018 amounted to $1,061,758, an increase of $379,138 or 56%, compared to the previous year. The primary reason for this increase was the inclusion of film rental income of $380,040 in the current fiscal year; there was also an increase in pouring rights royalties of $2,086. These increases were off-set by a decrease in vending commissions of $4,675.

Bookstore commissions, royalties, cafeteria commissions, parking fees, vending commissions and rental income represented 5%, 5%, 15%, 15%, 21% and 36% 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.

The following illustrates the Auxiliary's revenue, by source, for the year ended June 30, 2018:

Revenue by Source



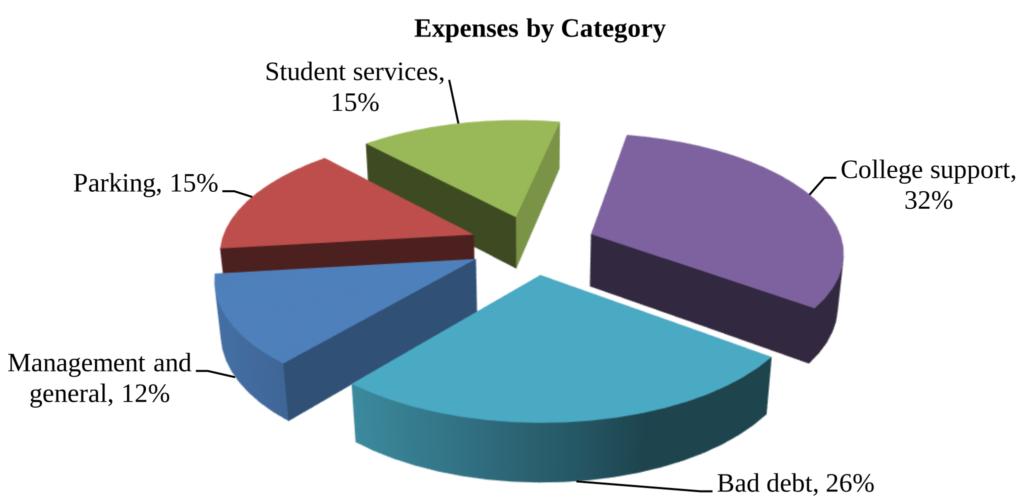
Expenses

	2018	2017	Dollar change	Percent change
Operating expenses:				
Parking	$ 115,288	93,358	21,930	23%
Student services	117,660	98,400	19,260	20%
Management and general	96,091	132,948	(36,857)	(28%)
Bad debt	200,000	-	200,000	100%
Total operating expenses	529,039	324,706	204,333	63%
Nonoperating expense - College support	244,509	31,698	212,811	671%
Total expenses	$ 773,548	356,404	417,144	117%

The Auxiliary's total expenses for the year ended June 30, 2018 amounted to $773,548, an increase of $417,144 or 117%, compared to the previous year. The major components of this variance were related to increases in parking, student services, bad debt and college support of $21,930, $19,260, $200,000 and $212,811, respectively. These were off-set by a decrease in management and general expenses of $36,857. The increase in bad debt expenses was due to establishing a valuation allowance for the Auxiliary's cafeteria and catering receivables during the current fiscal year. The increase in college support expenses was due to additional funding for the athletics program and repairs to the nursing department's facilities.

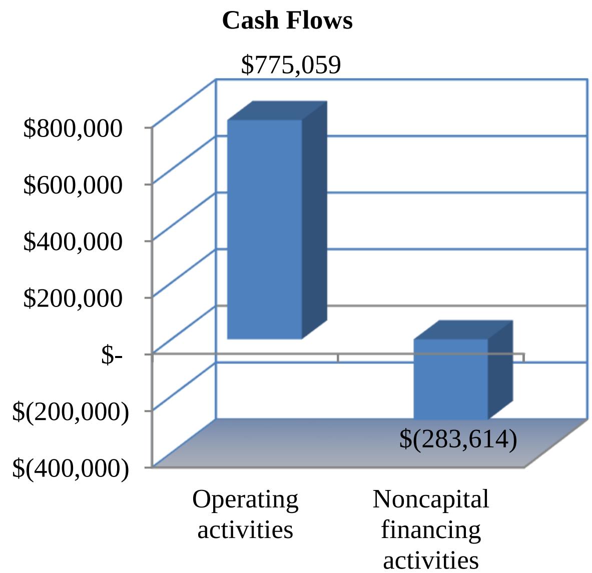
There were no other significant or unexpected changes in the Auxiliary's expenses.

The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2018:



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, 2018:



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.

BRONX COMMUNITY COLLEGE AUXILIARY ENTERPRISES CORPORATION

Statements of Net Position

June 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and equivalents	$ 1,844,124	1,352,679
Investments, at fair value	1,162,835	1,159,858
Accounts receivable, net of allowance of $200,000 in 2018	285,878	387,569
Prepaid expenses	2,964	2,706
Total assets	3,295,801	2,902,812
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	201,603	110,684
Due to BCC	77,031	24,066
Deposits held in custody for others	281,847	320,952
Total liabilities	560,481	455,702
Net Position		
Unrestricted	$ 2,735,320	2,447,110

See accompanying notes to financial statements.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2018 and 2017

	2018	2017
Operating revenue:		
Commissions:		
Bookstore	$ 51,189	51,420
Vending	225,522	230,197
Cafeteria	160,000	160,000
Rental income	380,040	-
Parking fees	164,080	164,016
Royalties	50,669	48,583
Donated services	23,817	22,926
Other	3,464	3,067
Total operating revenue	1,058,781	680,209
Operating expenses:		
Parking	115,288	93,358
Student services	117,660	98,400
Management and general	96,091	132,948
Bad debt	200,000	-
Total operating expenses	529,039	324,706
Income from operations	529,742	355,503
Nonoperating revenue (expense):		
Interest income	2,977	2,411
College support	(244,509)	(31,698)
Total nonoperating revenue (expense), net	(241,532)	(29,287)
Increase in net position	288,210	326,216
Net position at beginning of year	2,447,110	2,120,894
Net position at end of year	$ 2,735,320	2,447,110

See accompanying notes to financial statements.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Cash Flows
Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	$ 49,154	58,400
Cafeteria and vending commissions	289,119	351,639
Rental income	380,040	-
Parking fees	164,080	164,491
Royalties	50,669	48,583
Other	3,593	2,938
Cash payments to/for:		
Parking expenses	(61,330)	(172,902)
Other	(100,266)	(147,534)
Net cash provided by operating activities	775,059	305,615
Cash flows from noncapital financing activities:		
Change in deposits held in custody for others	(39,105)	(12,305)
Payments for College support	(244,509)	(31,698)
Net cash used in noncapital financing activities	(283,614)	(44,003)
Cash flows from investing activities:		
Interest income	2,977	2,411
Purchases of investments	(2,977)	(2,411)
Net cash used in investing activities	-	-
Net increase in cash and equivalents	491,445	261,612
Cash and equivalents at beginning of year	1,352,679	1,091,067
Cash and equivalents at end of year	$ 1,844,124	1,352,679

(Continued)

See accompanying notes to financial statements.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Cash Flows, Continued

		2018	2017
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$	529,742	355,503
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Bad debt		200,000	-
Changes in:			
Accounts receivable		(98,309)	(1,391)
Prepaid expenses		(258)	(420)
Accounts payable and accrued expenses		90,919	20,757
Due to BCC		52,965	(68,834)
Net cash provided by operating activities	$	775,059	305,615
Supplemental schedule of cash flow information:			
Donated services revenue	$	23,817	22,926
Donated services expense	$	23,817	22,926

See accompanying notes to financial statements.

(1) Nature of Organization

The Bronx Community College Auxiliary Enterprises Corporation (the Auxiliary) is a nonprofit entity created for the principal purpose of developing and cultivating educational, social, cultural, and recreational activities among students of Bronx Community 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) Net Position

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

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

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

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

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

At June 30, 2018, the Auxiliary had no net investment in capital assets or restricted net position.

(c) Cash and Equivalents

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

(2) Summary of Significant Accounting Policies, Continued

(d) Investments

Investments are recorded at fair value, with changes in fair value, if any, reported in the statements of revenue, expenses and changes in net position.

(e) Accounts Receivable and Bad Debt

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

(f) Revenue Recognition

Operating revenues primarily consist of commissions and fees derived from agreements with certain unrelated organizations to provide the College with bookstore, cafeteria, and vending services, income from film space rentals and charges assessed for the use of parking facilities, and are recognized when earned.

The virtual bookstore agreement, entered into on December 31, 2016 for a five-year term through December 31, 2021, provides the Auxiliary with an annual guaranteed minimum commission plus a percentage of course material sales during the initial term (24 months) and then converts to a percentage of course material sales after the initial term. The agreement also provides the Auxiliary with annual commissions based on a percentage of sales of general merchandise and non-course materials.

The bookstore agreement, which expired on September 30, 2017, provided the Auxiliary with annual commissions based on a percentage of the unrelated organization's sales at the campus bookstore.

The vending agreement, entered into on January 1, 2015 for a five-year term through December 31, 2019, provides the Auxiliary with monthly royalty payments and annual commissions based on the greater of an annual minimum commission or a percentage of sales.

The cafeteria and catering agreement, which expires on June 30, 2021, provides the Auxiliary with annual commissions based on the greater of an annual minimum commission or a percentage of sales.

(g) Donated Services

The Auxiliary operates on the campus of the College and utilizes certain services made available to it. The estimated cost savings associated with such an arrangement are recorded as donated services and are recognized as revenue and expenses in the accompanying financial statements based on the fair value of such services. For the years ended June 30, 2018 and 2017, the estimated fair value of donated services amounted to \$23,817 and \$22,926, respectively.

(2) Summary of Significant Accounting Policies, Continued

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Reclassifications

Reclassifications have been made to certain 2017 balances in order to conform them to the 2018 presentation.

(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, 2018, $1,650,069 of the Auxiliary's bank balance of $1,900,069 was exposed to custodial credit risk, as it was uninsured and uncollateralized.

(4) Investments

Custodial credit risk as it relates to investments is the risk that in the event of failure of the counterparty of a transaction, the Auxiliary will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty. At June 30, 2018, the Auxiliary's entire investment portfolio balance of $1,162,835 was exposed to custodial credit risk, as it was uninsured and uncollateralized.

(4) Investments, Continued

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Auxiliary has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Auxiliary believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Auxiliary's assets at fair value as of June 30, 2018 and 2017:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 1,162,835	-	-	1,162,835

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 1,159,858	-	-	1,159,858

(5) Related Party Transactions

The College provides security and bursar services related to the Auxiliary's parking activity operations for which it is reimbursed. These services amounted to $115,000 for the years ended June 30, 2018 and 2017. The related party payable to the College amounted to $77,031 and $24,066 at June 30, 2018 and 2017, respectively.

(6) Deposits Held in Custody for Others

At June 30, 2018 and 2017, the Auxiliary held $281,847 and $320,952, respectively, of deposits held in custody for others; these funds are held on behalf of certain groups and organizations related to the College.

(7) Royalty Agreement

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 $50,669 and $48,583 in allocations from the University in 2018 and 2017, respectively.

(8) 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, establishes 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.

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

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.

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions 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. 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.