BRONX COMMUNITY COLLEGE AUXILIARY ENTERPRISES CORPORATION

Financial Statements and
Supplementary Information

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

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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, 2019 and 2018, and the related notes to financial statements, which collectively comprise the Auxiliary's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Bronx Community College Auxiliary Enterprises Corporation as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other 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
October 18, 2019

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Management's Discussion and Analysis

June 30, 2019

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of Bronx Community College Auxiliary Enterprises Corporation's (the Auxiliary) financial position as of June 30, 2019, and changes in its net position for the year then ended. Since this MD&A is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying audited financial statements and related notes.

Financial Highlights

- The Auxiliary's net position increased by $5,850 or 1%.
- Operating revenue decreased by $242,200 or 23%.
- Operating expenses decreased by $213,314 or 40%.

Financial Position

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

Statements of Net Position

The following summarizes the Auxiliary's assets, liabilities and net position as of June 30, 2019 and 2018, under the accrual basis of accounting:

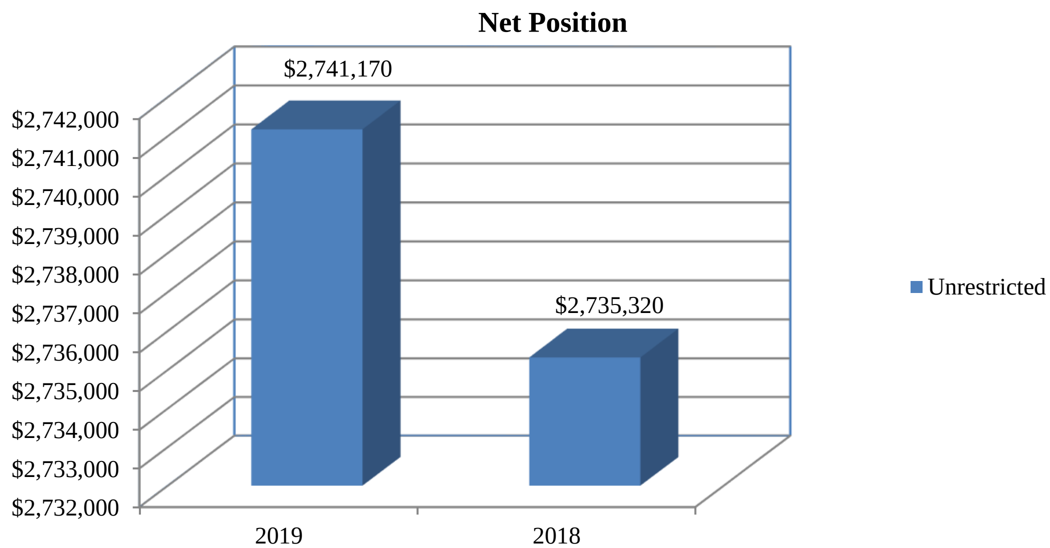
	2019	2018	Dollar change	Percent change
Assets	$ 3,286,485	3,295,801	(9,316)	(1%)
Liabilities	545,315	560,481	(15,166)	(3%)
Net position	$ 2,741,170	2,735,320	5,850	1%

At June 30, 2019, the Auxiliary's total net position increased by $5,850 or 1%, compared to the previous year. This variance was primarily caused by an increase in investments of $708,098, and decreases in accounts payable and accrued expenses, and due to BCC of $103,238 and $62,031, respectively. These changes were offset by decreases in cash and equivalents, and accounts receivable of $634,723 and $88,246, respectively, and an increase in deposits held in custody for others of $150,103.

At June 30, 2019, the Auxiliary's total current liabilities decreased by $15,166 or 3%, compared to the previous year. The major components of this variance were related to decreases in accounts payable and accrued expenses, and due to BCC of $103,238 and $62,031, respectively. These were offset by an increase in deposits held in custody for others of $150,103.

There were no other significant or unexpected changes in the Auxiliary's assets and liabilities.

The following illustrates the Auxiliary's net position at June 30, 2019 and 2018 by category:



Statements of Revenue, Expenses and Changes in Net Position

The statements of revenue, expenses and changes in net position present the operating results of the Auxiliary, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2019 and 2018 are as follows:

Revenue

		2019	2018	Dollar change	Percent change
Operating revenue:					
Commissions:					
Bookstore	$	104,235	51,189	53,046	104%
Vending		201,050	225,522	(24,472)	(11%)
Cafeteria		160,000	160,000	-	-
Rental income		113,913	380,040	(266,127)	(70%)
Parking fees		164,769	164,080	689	1%
Royalties		44,696	50,669	(5,973)	(12%)
Donated services		23,862	23,817	45	1%
Other		4,056	3,464	592	17%
Total operating revenue		816,581	1,058,781	(242,200)	(23%)
Nonoperating revenue - interest income		8,099	2,977	5,122	172%
Total revenue	$	824,680	1,061,758	(237,078)	(22%)

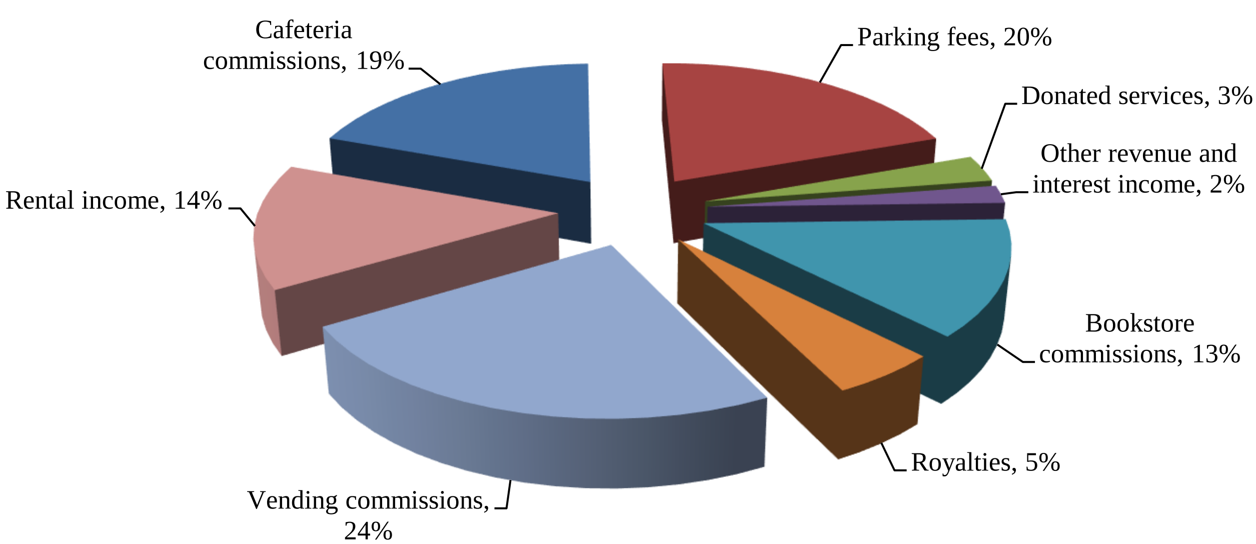
The Auxiliary's total revenue for the year ended June 30, 2019 amounted to $824,680, a decrease of $237,078 or 22%, compared to the previous year. The primary reason for this decrease was the decrease in film rental income of $266,127; there were also decreases in vending commissions and royalties of $24,472 and $5,973, respectively. These decreases were offset by increases in bookstore commissions, parking fees and interest income of $53,046, $689 and $5,122, respectively.

Bookstore commissions, royalties, cafeteria commissions, parking fees, vending commissions and rental income represented 13%, 5%, 19%, 20%, 24% and 14% 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, 2019:

Revenue by Source



Expenses

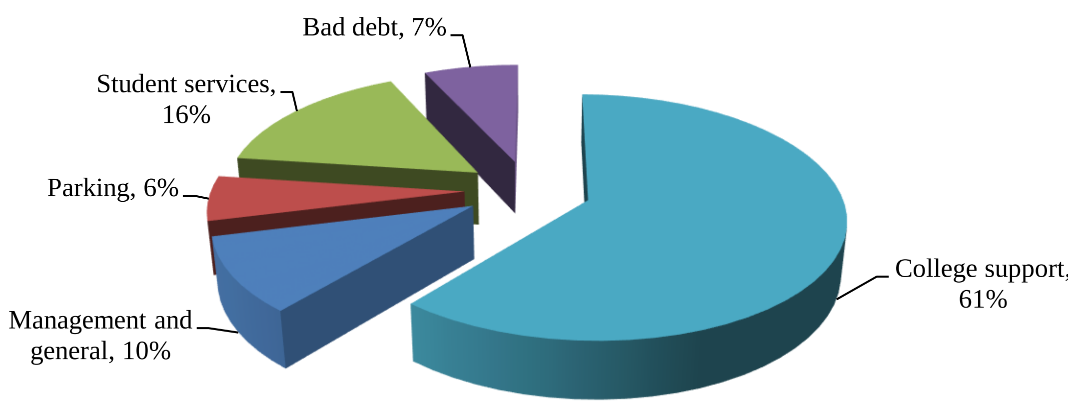
	2019	2018	Dollar change	Percent change
Operating expenses:				
Parking	$ 51,012	115,288	(64,276)	(56%)
Student services	128,765	117,660	11,105	9%
Management and general	78,219	96,091	(17,872)	(19%)
Bad debt	57,729	200,000	(142,271)	(71%)
Total operating expenses	315,725	529,039	(213,314)	(40%)
Nonoperating expenses - College support	503,105	244,509	258,596	106%
Total expenses	$ 818,830	773,548	45,282	6%

The Auxiliary's total expenses for the year ended June 30, 2019 amounted to $818,830, an increase of $45,282 or 6%, compared to the previous year. The major components of this variance were related to increases in student services and college support of $11,105 and $258,596, respectively. These were offset by decreases in parking, management and general and bad debt of $64,276, $17,872 and $142,271, respectively. The increase in college support was due to additional funding for multiple special projects approved by the Auxiliary's Board to support the College's operations.

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

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

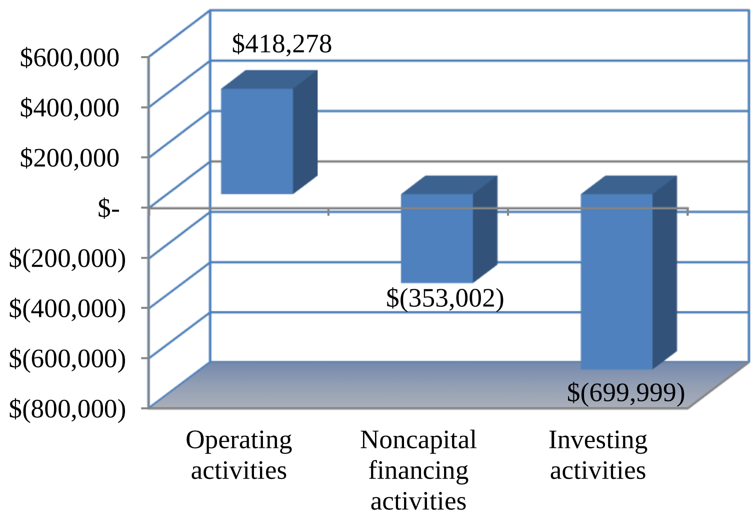
Expenses by Category



Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement assists users in assessing the Auxiliary's ability to generate net cash flows, meet its obligations as they come due, and its dependency on external financing. The following summarizes the Auxiliary's cash flows for the year ended June 30, 2019:

Cash Flows



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, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and equivalents	$ 1,209,401	1,844,124
Investments, at fair value	1,870,933	1,162,835
Accounts receivable, net of allowance of $254,358 in 2019 and $200,000 in 2018	197,632	285,878
Prepaid expenses	2,687	2,964
Inventory	5,832	-
Total assets	3,286,485	3,295,801
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	98,365	201,603
Due to BCC	15,000	77,031
Deposits held in custody for others	431,950	281,847
Total liabilities	545,315	560,481
Net Position		
Unrestricted	$ 2,741,170	2,735,320

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, 2019 and 2018

	2019	2018
Operating revenue:		
Commissions:		
Bookstore	$ 104,235	51,189
Vending	201,050	225,522
Cafeteria	160,000	160,000
Rental income	113,913	380,040
Parking fees	164,769	164,080
Royalties	44,696	50,669
Donated services	23,862	23,817
Other	4,056	3,464
Total operating revenue	816,581	1,058,781
Operating expenses:		
Parking	51,012	115,288
Student services	128,765	117,660
Management and general	78,219	96,091
Bad debt	57,729	200,000
Total operating expenses	315,725	529,039
Income from operations	500,856	529,742
Nonoperating revenue (expenses):		
Interest income	8,099	2,977
College support	(503,105)	(244,509)
Total nonoperating expenses, net	(495,006)	(241,532)
Change in net position	5,850	288,210
Net position at beginning of year	2,735,320	2,447,110
Net position at end of year	$ 2,741,170	2,735,320

See accompanying notes to financial statements.

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

	2019	2018
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	$ 103,813	49,154
Cafeteria and vending commissions	391,546	289,119
Rental income	113,913	380,040
Parking fees	159,380	164,080
Royalties	44,696	50,669
Other	4,056	3,593
Cash payments to/for:		
Parking expenses	(111,558)	(61,330)
Other	(287,568)	(100,266)
Net cash provided by operating activities	418,278	775,059
Cash flows from noncapital financing activities:		
Change in deposits held in custody for others	150,103	(39,105)
Payments for College support	(503,105)	(244,509)
Net cash used in noncapital financing activities	(353,002)	(283,614)
Cash flows from investing activities:		
Interest income	8,099	2,977
Purchases of investments	(708,098)	(2,977)
Net cash used in investing activities	(699,999)	-
Net change in cash and equivalents	(634,723)	491,445
Cash and equivalents at beginning of year	1,844,124	1,352,679
Cash and equivalents at end of year	$ 1,209,401	1,844,124

(Continued)

See accompanying notes to financial statements.

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

		2019	2018
Reconciliation of income from operations to net cash provided by operating activities:			
Income from operations	$	500,856	529,742
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Bad debt		57,729	200,000
Changes in:			
Accounts receivable		30,517	(98,309)
Prepaid expenses		277	(258)
Inventory		(5,832)	-
Accounts payable and accrued expenses		(103,238)	90,919
Due to BCC		(62,031)	52,965
Net cash provided by operating activities	$	418,278	775,059
Supplemental schedule of cash flow information:			
Donated services revenue	$	23,862	23,817
Donated services expense	$	23,862	23,817

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, 2019, 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. Changes in the valuation allowance have not been material to the financial statements.

(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, 2019 and 2018, the estimated fair value of donated services amounted to $23,862 and $23,817, 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.

(3) Cash and Equivalents

Custodial credit risk of deposits is the risk that the Auxiliary's deposits may not be returned in the event of a bank failure. At June 30, 2019, $1,036,708 of the Auxiliary's CitiBank bank balance of $1,286,708 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, 2019, the Auxiliary's entire investment portfolio balance of $1,870,933 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, 2019.

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, 2019 and 2018:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 1,870,933	-	-	1,870,933

	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

(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 $45,378 and $115,000 for the years ended June 30, 2019 and 2018, respectively. The related party payable to the College amounted to $15,000 and $77,031 at June 30, 2019 and 2018, respectively.

(6) Deposits Held in Custody for Others

At June 30, 2019 and 2018, the Auxiliary held $431,950 and $281,847, 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 $44,696 and $50,669 in allocations from the University in 2019 and 2018, respectively.

(8) Accounting Standards Issued But Not Yet Implemented

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

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

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

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

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

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