

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 11
Financial Statements:	
Statements of Net Position	12
Statements of Revenue, Expenses and Changes in Net Position	13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 21

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Bronx Community College Auxiliary
Enterprises Corporation:

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Auxiliary's financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the net position of Bronx Community College Auxiliary Enterprises Corporation as of June 30, 2023 and 2022 and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Auxiliary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Auxiliary's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Auxiliary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 16, 2023

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Management's Discussion and Analysis

June 30, 2023 and 2022

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, 2023 and 2022, and changes in its net position for the years 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 \$347,875 or 13%.
- Operating revenue increased by \$70,990 or 29%.
- Operating expenses decreased by \$53,427 or 20%.

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 are indicators 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, 2023 and 2022, under the accrual basis of accounting:

	<u>2023</u>	<u>2022</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets	\$ <u>3,105,524</u>	<u>3,344,695</u>	(<u>239,171</u>)	(7%)
Liabilities	<u>684,640</u>	<u>575,936</u>	<u>108,704</u>	19%
Unrestricted net position	\$ <u>2,420,884</u>	<u>2,768,759</u>	(<u>347,875</u>)	(13%)

At June 30, 2023, the Auxiliary's assets decreased by \$239,171 or 7%, compared to the previous year. The majority of this variance was attributable to a decrease in cash and equivalents of \$388,945 resulting from net cash used in noncapital financing activities for college support.

At June 30, 2023, the Auxiliary's total liabilities increased by \$108,704 or 19%, compared to the previous year. The major components of this variance were related to increases in accounts payable and accrued expenses, due to related parties and deposits held in custody for others of \$44,051, \$36,037 and \$28,616, respectively.

**BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

Management's Discussion and Analysis, Continued

The following summarizes the Auxiliary's assets, liabilities and net position as of June 30, 2022 and 2021, under the accrual basis of accounting:

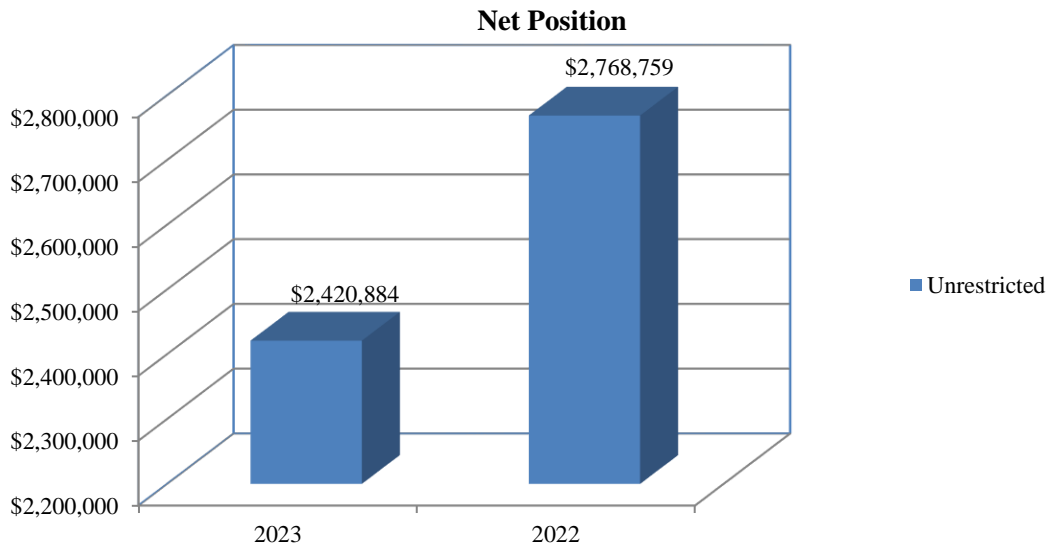
	<u>2022</u>	<u>2021</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets	\$ <u>3,344,695</u>	<u>3,565,802</u>	<u>(221,107)</u>	(6%)
Liabilities	<u>575,936</u>	<u>639,664</u>	<u>(63,728)</u>	(10%)
Unrestricted net position	\$ <u>2,768,759</u>	<u>2,926,138</u>	<u>(157,379)</u>	(5%)

At June 30, 2022, the Auxiliary's assets decreased by \$221,107 or 6%, compared to the previous year. The majority of this variance was attributable to a decrease in cash and equivalents of \$206,789 resulting from a loss from operations and net cash used in noncapital financing activities, as well as a decrease in accounts receivable of \$16,374.

At June 30, 2022, the Auxiliary's total liabilities decreased by \$63,728 or 10%, compared to the previous year. The major components of this variance were related to decreases in accounts payable and accrued expenses and deposits held in custody for others of \$58,929 and \$27,379, respectively. These changes were offset by an increase in due to related parties for others of \$22,580.

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, 2023 and 2022 by category:



BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Management's Discussion and Analysis, Continued

Statements of Revenue, Expenses and Changes in Net Position

The statements of revenue, expenses and changes in net position present the operating results of the Auxiliary, as well as nonoperating revenue and expenses, if any. The major components of revenue for the years ended June 30, 2023 and 2022 are as follows:

Revenue

	<u>2023</u>	<u>2022</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 19,965	32,486	(12,521)	(39%)
Vending	78,272	43,708	34,564	79%
Other	-	109	(109)	(100%)
Rental income	17,800	-	17,800	100%
Parking fees	59,321	65,415	(6,094)	(9%)
Royalties	1,615	1,495	120	8%
Donated services	35,916	27,901	8,015	29%
Other	<u>100,298</u>	<u>71,083</u>	<u>29,215</u>	41%
Total operating revenue	313,187	242,197	70,990	29%
Nonoperating revenue - interest income	<u>40,563</u>	<u>2,056</u>	<u>38,507</u>	1,873%
Total revenue	\$ <u>353,750</u>	<u>244,253</u>	<u>109,497</u>	45%

The Auxiliary's total revenue for the year ended June 30, 2023 amounted to \$353,750, an increase of \$109,497 or 45%, compared to the previous year. The majority of this variance was attributable to increases in vending commission income, interest income, and other income of \$34,564, \$38,507, and \$29,215, respectively; there was also decreases in bookstore commission income and parking fees of \$12,521, and \$6,094, respectively.

Bookstore commissions, vending commissions, parking fees, other income and royalties, interest income, donated services income and rental income represented 6%, 22%, 17%, 29%, 11%, 10% and 5% of total revenue, respectively. Accordingly, the Auxiliary is dependent upon this level of support to carry out its operations.

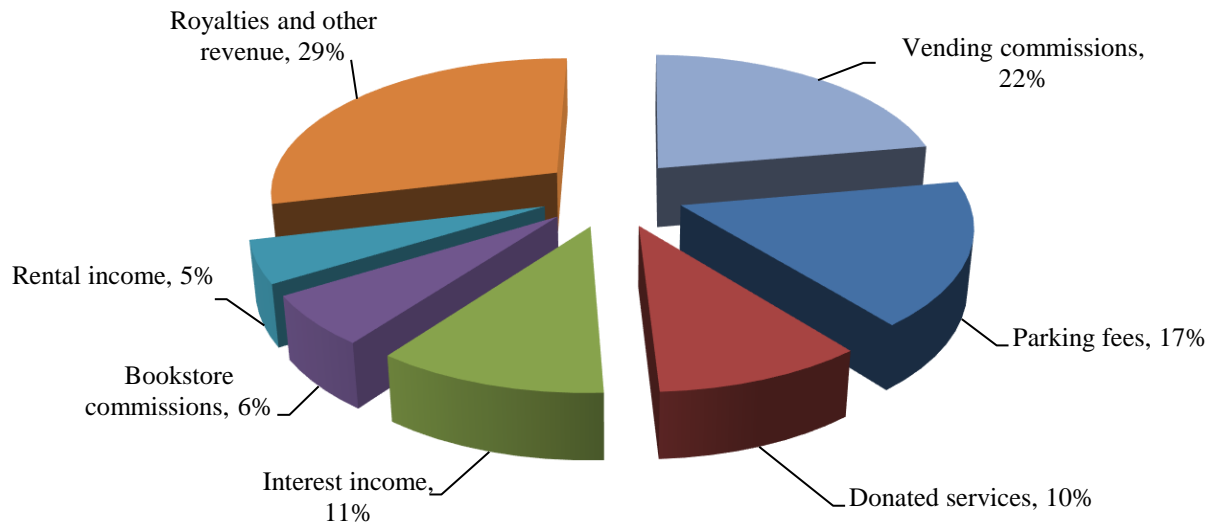
There were no other significant or unexpected changes in the Auxiliary's revenue.

**BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

Management's Discussion and Analysis, Continued

The following illustrates the Auxiliary's revenue, by source, for the year ended June 30, 2023:

Revenue by Source



The major components of revenue for the years ended June 30, 2022 and 2021 are as follows:

Revenue

	<u>2022</u>	<u>2021</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 32,486	319,879	(287,393)	(90%)
Vending	43,708	4,218	39,490	936%
Other	109	-	109	100%
Rental income	-	44,300	(44,300)	(100%)
Parking fees	65,415	20,059	45,356	226%
Royalties	1,495	1,236	259	21%
Donated services	27,901	27,002	899	3%
Other	<u>71,083</u>	<u>6,767</u>	<u>64,316</u>	950%
Total operating revenue	242,197	423,461	(181,264)	(43%)
Nonoperating revenue - interest income	<u>2,056</u>	<u>2,968</u>	<u>(912)</u>	(31%)
Total revenue	\$ <u>244,253</u>	<u>426,429</u>	<u>(182,176)</u>	(43%)

**BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

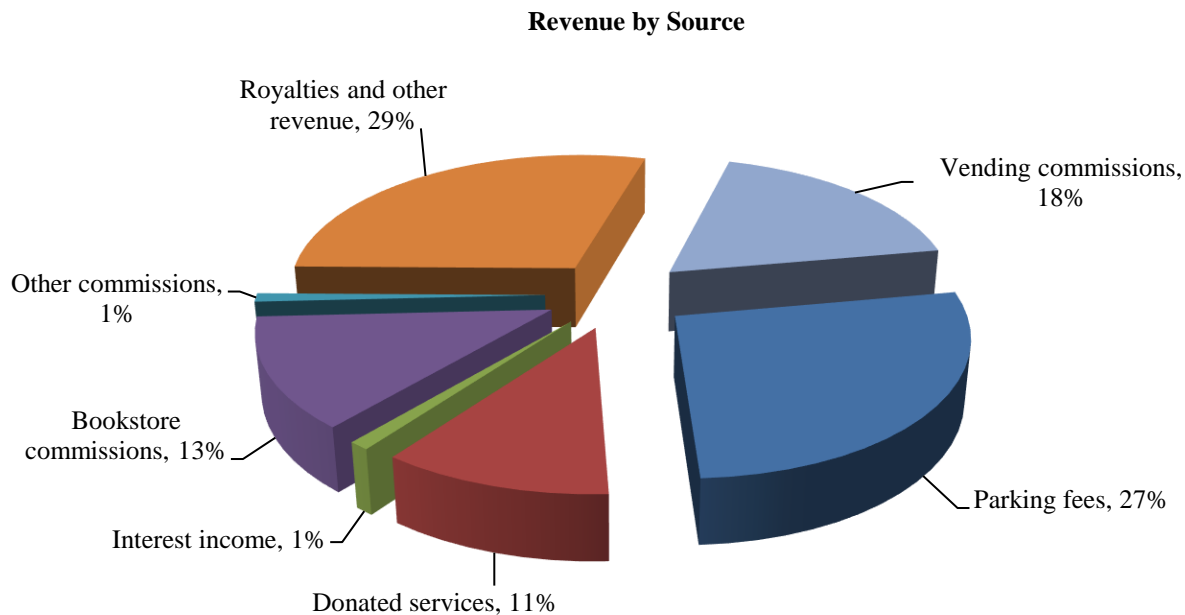
Management's Discussion and Analysis, Continued

The Auxiliary's total revenue for the year ended June 30, 2022 amounted to \$244,253, a decrease of \$182,176 or 43%, compared to the previous year. The majority of this variance was attributable to decreases in bookstore commission income and rental income of \$287,393 and \$44,300 respectively; there was also a decrease in interest income of \$912. These decreases were offset by increases in vending commissions, parking fees, and other income of \$39,490, \$45,356, and \$64,316, respectively.

Bookstore commissions, vending commissions, parking fees, other income and donated services income represented 13%, 18%, 27%, 29%, and 11% 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, 2022:



**BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

Management's Discussion and Analysis, Continued

The major components of expenses for the years ended June 30, 2023 and 2022 are as follows:

Expenses

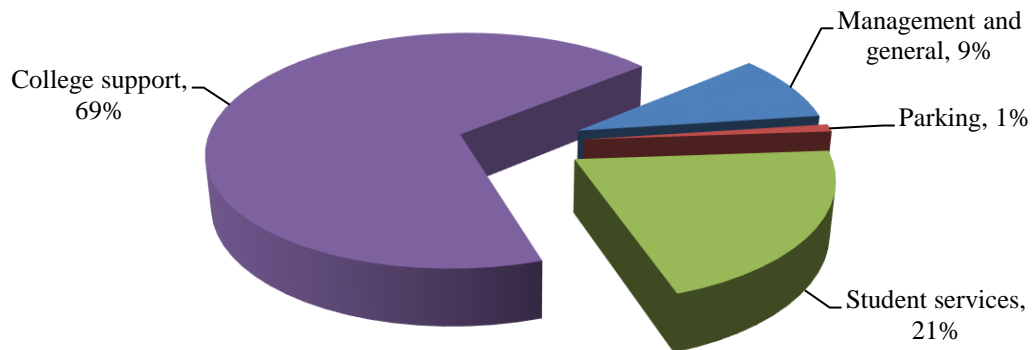
	<u>2023</u>	<u>2022</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 8,898	4,218	4,680	111%
Student services	148,522	106,707	41,815	39%
Management and general	<u>61,990</u>	<u>161,912</u>	<u>(99,922)</u>	(62%)
Total operating expenses	219,410	272,837	(53,427)	(20%)
Nonoperating expenses - College support	<u>482,215</u>	<u>128,795</u>	<u>353,420</u>	274%
Total expenses	\$ <u>701,625</u>	<u>401,632</u>	<u>299,993</u>	75%

The Auxiliary's total expenses for the year ended June 30, 2023 amounted to \$701,625, an increase of \$299,993 or 75%, compared to the previous year. The major component of this relates to increases in College support of \$353,420.

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, 2023:

Expenses by Category



**BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

Management's Discussion and Analysis, Continued

The major components of expenses for the years ended June 30, 2022 and 2021 are as follows:

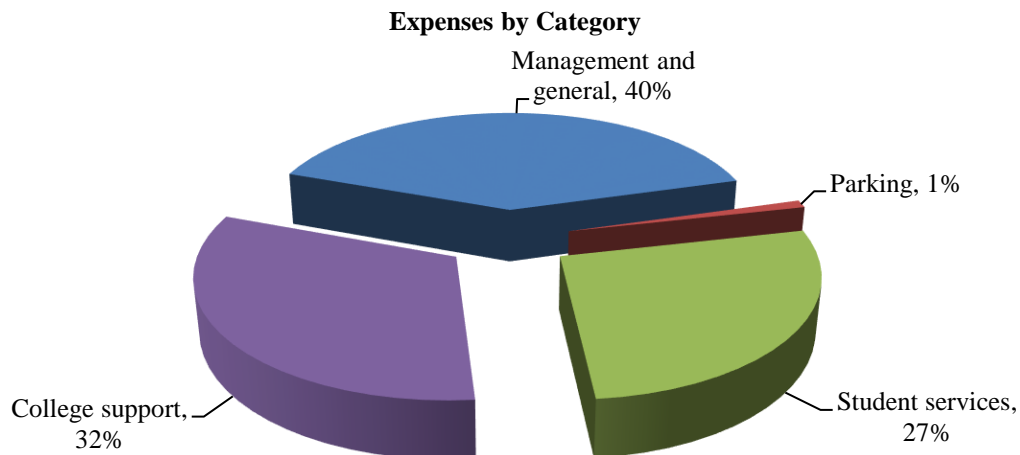
Expenses

	<u>2022</u>	<u>2021</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 4,218	794	3,424	431%
Student services	106,707	85,460	21,247	25%
Management and general	<u>161,912</u>	<u>50,191</u>	<u>111,721</u>	223%
Total operating expenses	272,837	136,445	136,392	99%
Nonoperating expenses - College support	<u>128,795</u>	<u>57,862</u>	<u>70,933</u>	123%
Total expenses	\$ <u>401,632</u>	<u>194,307</u>	<u>207,325</u>	107%

The Auxiliary's total expenses for the year ended June 30, 2022 amounted to \$401,632, an increase of \$207,325 or 107%, compared to the previous year. The major components of this variance were related to increases in parking, student services, management and general and College support of \$3,424, \$21,247, \$111,721 and \$70,933, respectively.

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, 2022:

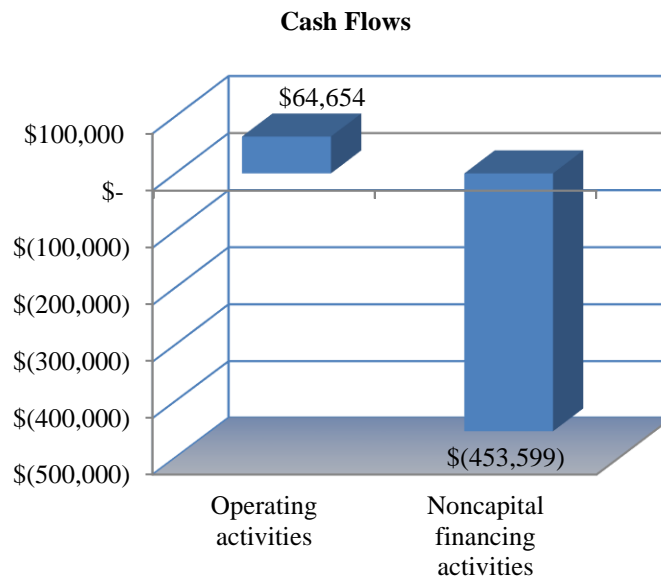


**BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION**

Management's Discussion and Analysis, Continued

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement assists users in assessing the Auxiliary's ability to generate net cash flows, meet its obligations as they come due, and its dependency on external financing. The following summarizes the Auxiliary's cash flows for the year ended June 30, 2023:



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, 2023 and 2022

	<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:			
Cash and equivalents		\$ 1,014,666	1,403,611
Investments, at fair value		1,936,362	1,895,799
Accounts receivable		146,312	37,202
Prepaid expenses		605	504
Inventory		<u>7,579</u>	<u>7,579</u>
Total assets		<u>3,105,524</u>	<u>3,344,695</u>
	<u>Liabilities</u>		
Current liabilities:			
Accounts payable and accrued expenses		81,231	37,180
Due to related parties		62,617	26,580
Deposits held in custody for others		<u>540,792</u>	<u>512,176</u>
Total liabilities		<u>684,640</u>	<u>575,936</u>
	<u>Net Position</u>		
Unrestricted		<u>\$ 2,420,884</u>	<u>2,768,759</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 19,965	32,486
Vending	78,272	43,708
Cafeteria	-	109
Rental income	17,800	-
Parking fees	59,321	65,415
Royalties	1,615	1,495
Donated services	35,916	27,901
Other	<u>100,298</u>	<u>71,083</u>
Total operating revenue	<u>313,187</u>	<u>242,197</u>
Operating expenses:		
Parking	8,898	4,218
Student services	148,522	106,707
Management and general	<u>61,990</u>	<u>161,912</u>
Total operating expenses	<u>219,410</u>	<u>272,837</u>
Income (loss) from operations	<u>93,777</u>	<u>(30,640)</u>
Nonoperating revenue (expenses):		
Interest income	40,563	2,056
College support	<u>(482,215)</u>	<u>(128,795)</u>
Total nonoperating expenses, net	<u>(441,652)</u>	<u>(126,739)</u>
Change in net position	(347,875)	(157,379)
Net position at beginning of year	<u>2,768,759</u>	<u>2,926,138</u>
Net position at end of year	<u><u>\$ 2,420,884</u></u>	<u><u>2,768,759</u></u>

See accompanying notes to financial statements.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION
Statements of Cash Flows
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 19,965	32,486
Cafeteria and vending commissions	(30,838)	59,111
Rental income	17,800	-
Parking fees	59,321	66,495
Royalties	1,615	1,495
Other	100,298	71,083
Cash payments to/for:		
Parking expenses	(8,898)	(4,218)
Other	<u>(94,609)</u>	<u>(277,067)</u>
Net cash provided by (used in) operating activities	<u>64,654</u>	<u>(50,615)</u>
Cash flows from noncapital financing activities:		
Change in deposits held in custody for others	28,616	(27,379)
Payments for College support	<u>(482,215)</u>	<u>(128,795)</u>
Net cash used in noncapital financing activities	<u>(453,599)</u>	<u>(156,174)</u>
Cash flows from investing activities:		
Interest income	40,563	2,056
Purchases of investments	<u>(40,563)</u>	<u>(2,056)</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net change in cash and equivalents	(388,945)	(206,789)
Cash and equivalents at beginning of year	<u>1,403,611</u>	<u>1,610,400</u>
Cash and equivalents at end of year	<u>\$ 1,014,666</u>	<u>1,403,611</u>

(Continued)

See accompanying notes to financial statements.

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

	<u>2023</u>	<u>2022</u>
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:		
Income (loss) from operations	\$ 93,777	(30,640)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities - changes in:		
Accounts receivable	(109,110)	16,374
Prepaid expenses	(101)	-
Accounts payable and accrued expenses	44,051	(58,929)
Due to related parties	<u>36,037</u>	<u>22,580</u>
Net cash provided by (used in) operating activities	<u>\$ 64,654</u>	<u>(50,615)</u>

See accompanying notes to financial statements.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements

June 30, 2023 and 2022

(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, 2023 and 2022, 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.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(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 attempted 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) Fair Value Measurements and Disclosures

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 can 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.

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 within the fair value hierarchy is based on the lowest level of any input 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 on June 30, 2023 and 2022.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Fair Value Measurements and Disclosures, Continued

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.

(g) 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 a percentage of course material sales thereafter. The agreement also provides the Auxiliary with annual commissions based on a percentage of sales of general merchandise and non-course materials. The contract was renewed through December 31, 2024.

The vending agreement, entered into on January 1, 2015 for a five-year term through December 31, 2020, provided the Auxiliary with monthly royalty payments and annual commissions based on the greater of an annual minimum commission or a percentage of sales. This contract was renewed until April 30, 2025.

The cafeteria and catering agreement, entered into on September 15, 2022 for a five-year term through June 30, 2027, provided the Auxiliary with annual commissions based on the greater of an annual minimum commission or a percentage of sales.

(h) Donated 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 financial statements based on the fair value of such services (note 5).

(i) Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of revenue, expenses and changes in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Use of Estimates

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

(k) Subsequent Events

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

(l) Income Taxes

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

(3) Cash and Equivalents

Custodial credit risk of deposits is the risk that the Auxiliary's deposits may not be returned in the event of a bank failure. At June 30, 2023, \$770,180 of the Auxiliary's CitiBank bank balance of \$1,020,180 was exposed to custodial credit risk, as it was uninsured and uncollateralized. At June 30, 2022, \$1,163,960 of the Auxiliary's CitiBank bank balance of \$1,413,960 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, 2023 and 2022, the Auxiliary's entire investment portfolio balance of \$1,936,362 and \$1,895,799, respectively, was exposed to custodial credit risk, as it was uninsured and uncollateralized.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(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 Auxiliary's investment portfolio consists of money market funds, which are considered to be level 1 investments.

(5) Donated Services

The Auxiliary utilizes certain professional services provided by the College. The estimated fair values of professional services are included in the accompanying statements of revenue, expenses and changes in net position. Professional services for the years ended June 30, 2023 and 2022 amounted to the following:

	<u>2023</u>	<u>2022</u>
Professional services	\$ <u>35,916</u>	<u>27,901</u>

(6) Related Party Transactions

The College paid for expenses related to the Auxiliary's athletic program for which it is reimbursed. These expenses amounted to \$62,617 and \$26,580 for the years ended June 30, 2023 and 2022, respectively, and make up the balance of the related party payable.

(7) Deposits Held in Custody for Others

At June 30, 2023 and 2022, the Auxiliary had \$540,792 and \$512,176, respectively, of deposits held in custody for others; these funds are held on behalf of certain groups and organizations related to the College.

(8) 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 \$1,615 and \$1,495 in allocations from the University in 2023 and 2022, respectively.

BRONX COMMUNITY COLLEGE AUXILIARY
ENTERPRISES CORPORATION

Notes to Financial Statements, Continued

(9) Accounting Standards Issued But Not Yet Implemented

GASB has issued the following pronouncements which will be implemented in the years required.
The effects of the implementation of these pronouncements are not known at this time.

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 15, 2023.

Statement No. 101 - Compensated Absences. Effective for fiscal years beginning after December 15, 2023.