

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Financial Statements and
Supplementary Information

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Herbert H. Lehman College Auxiliary
Enterprise Corporation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc. (the Auxiliary) as of and for the years ended June 30, 2013 and 2012, 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 audits 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 Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc. as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 2 to the financial statements, the Auxiliary adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position," and GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities."

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 10, 2014

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis

June 30, 2013 and 2012

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc.'s (the Auxiliary) financial position as of June 30, 2013, 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 total net position increased \$161,462 or 24% from the previous year.
- Operating revenue increased by \$35,785 or 3% compared to the previous year. The major components of this increase occurred within Other Income and was due to a new contract for the MotorCycle Safety School and new income from the Lehman Studios rentals. In addition increases are noted in Bookstore revenue as a result of a new contract with Columbia University. Nonoperating revenue increased by \$2,794 or 30% due to greater investment returns.
- Operating expenses decreased \$111,564 or 11% from the previous year.

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 its financial health.

New Accounting Pronouncements

For the year ended June 30, 2013, the Auxiliary adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."
- GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis

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

Statements of Net Position

The following summarizes the Auxiliary's assets, liabilities, and net position as of June 30, 2013 and 2012, under the accrual basis of accounting:

	<u>2013</u>	<u>2012</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 410,815	\$ 364,408	\$ 46,407	13%
Noncurrent assets	<u>619,747</u>	<u>663,691</u>	<u>(43,944)</u>	(7%)
Total assets	<u>1,030,562</u>	<u>1,028,099</u>	<u>2,463</u>	1%
Liabilities:				
Current liabilities	144,815	260,207	(115,392)	(44%)
Noncurrent liabilities	<u>40,045</u>	<u>83,652</u>	<u>(43,607)</u>	(52%)
Total liabilities	<u>184,860</u>	<u>343,859</u>	<u>(158,999)</u>	(46%)
Net position:				
Net investment in capital assets	482,337	537,970	(55,633)	(10%)
Unrestricted	<u>363,365</u>	<u>146,270</u>	<u>217,095</u>	148%
Total net position	<u>\$ 845,702</u>	<u>\$ 684,240</u>	<u>\$ 161,462</u>	24%

At June 30, 2013, the Auxiliary's total assets increased by \$2,463 or 1%, compared to the previous year. The majority of this variance was related to an increase in prepaid expenses of \$54,659, primarily due to the payment of Research Foundation salaries in 2013 to cover the first quarter of fiscal year 2014. This increase was offset by a decrease in capital assets and other assets of \$52,196.

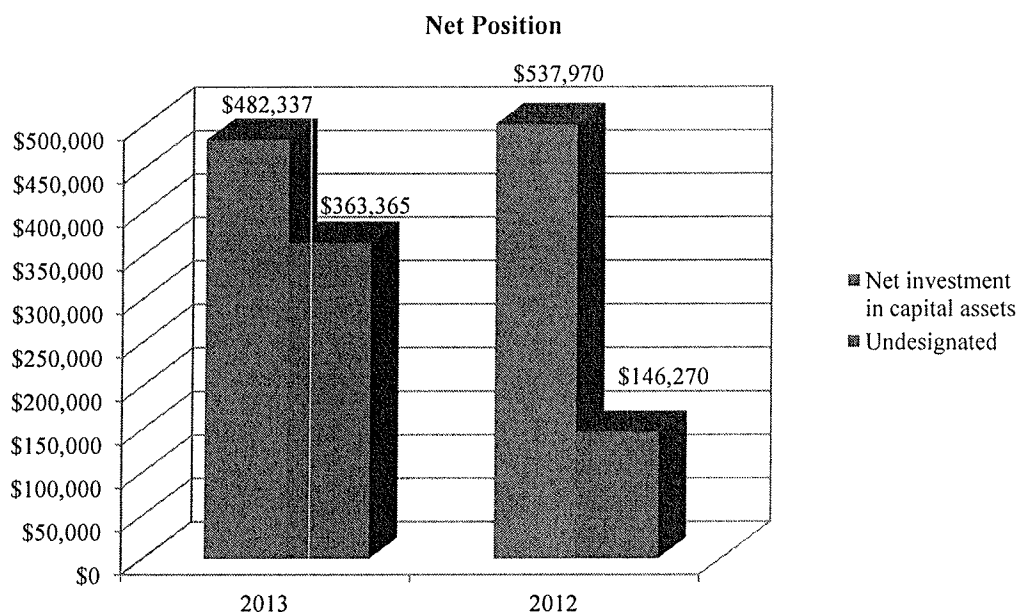
At June 30, 2013, the Auxiliary's total current liabilities decreased by \$115,392 or 44%, compared to the previous year. The major components of this variance were related to a decrease in accounts payable and accrued expenses of \$94,082 and deposits held in custody for others of \$21,310, largely due to the timing of cash disbursements and funds being used by the custodians of these accounts.

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

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis

The following illustrates the Auxiliary's net position at June 30, 2013 and 2012, by category:



Statements of Revenue, Expenses and Changes in Net Position

The statements of revenue, expenses and changes in net position presents 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, 2013 and 2012, are as follows:

Revenue

	<u>2013</u>	<u>2012</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 233,802	\$ 219,762	\$ 14,040	6%
Cafeteria and vending	238,102	244,069	(5,967)	(2%)
Royalties	13,995	2,693	11,302	420%
Parking fees	357,880	392,106	(34,226)	(9%)
Facility rentals	163,134	152,310	10,824	7%
Performing arts	187,436	169,834	17,602	10%
Housing program	174,240	170,205	4,035	2%
Other income	58,857	38,682	20,175	52%
Bad debt recovery	-	2,000	(2,000)	(100%)
Donated space	<u>1,549</u>	<u>1,549</u>	<u>-</u>	<u>-</u>
Total operating revenue	\$ <u>1,428,995</u>	\$ <u>1,393,210</u>	\$ <u>35,785</u>	3%

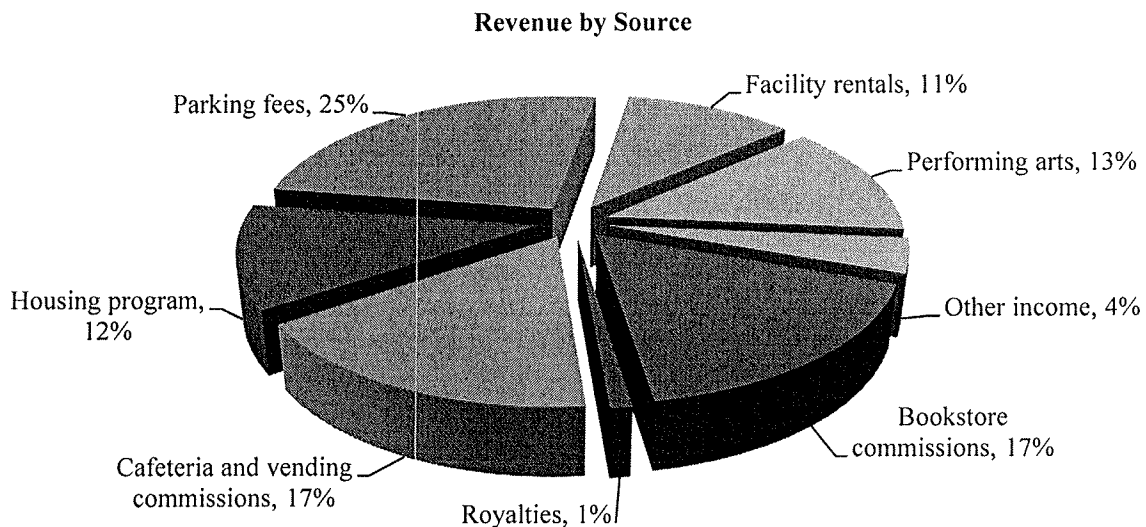
HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Management's Discussion and Analysis

	<u>2013</u>	<u>2012</u>	<u>Dollar change</u>	<u>Percent change</u>
Nonoperating revenue:				
Investment income (loss)	\$ 11,831	\$ (1,088)	\$ 12,919	1,187%
Other income	<u>340</u>	<u>10,465</u>	<u>(10,125)</u>	<u>(97%)</u>
Total nonoperating revenue	<u>12,171</u>	<u>9,377</u>	<u>2,794</u>	<u>30%</u>
Total revenue	<u>\$ 1,441,166</u>	<u>\$ 1,402,587</u>	<u>\$ 38,579</u>	<u>3%</u>

The Auxiliary's total revenue for the year ended June 30, 2013 amounted to \$1,441,166, an increase of \$38,579 or 3%, compared to the previous year. The major components of this variance were related to increases in other income, performing arts, and bookstore which are \$20,175, \$17,602, and \$14,040, respectively. The other income increased largely due to additional revenue received for MotorCycle Safety School and Lehman Studios. The increase in Performing arts revenues is largely due an increase in High School graduations held at the facility. The increase in Bookstore revenue is a result of a new service implemented for the benefit of Columbia University. These increases were offset by revenue decreases in parking decals and special events.

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

The following illustrates the Auxiliary's revenues, by source, for the year ended June 30, 2013:



HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Management's Discussion and Analysis

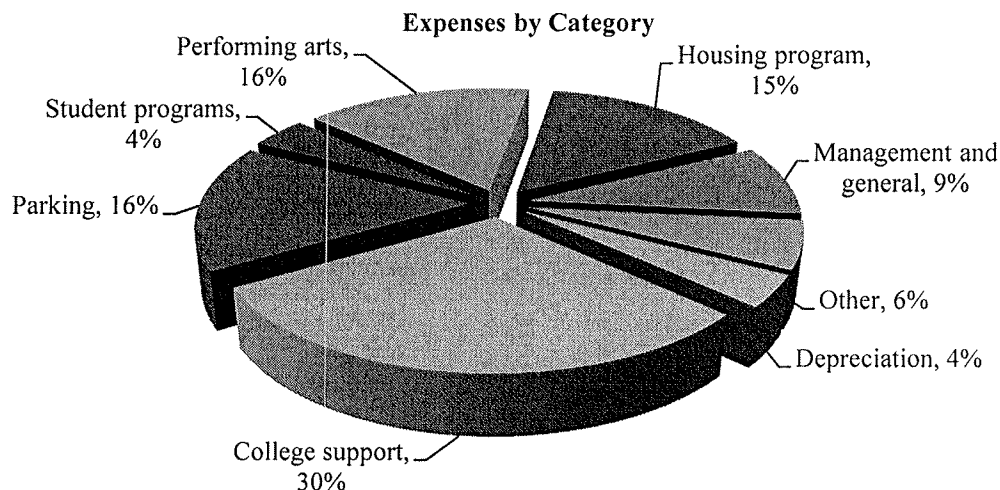
Expenses

	<u>2013</u>	<u>2012</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 200,573	\$ 215,685	\$ (15,112)	(7%)
Student programs	54,316	46,801	7,515	16%
Performing arts	203,395	196,564	6,831	3%
Housing program	200,339	200,853	(514)	(1%)
Other	75,880	76,585	(705)	(1%)
Donated space	1,549	1,549	-	-
Management and general	114,409	221,050	(106,641)	(48%)
Depreciation	<u>44,845</u>	<u>47,783</u>	<u>(2,938)</u>	(6%)
Total operating expenses	895,306	1,006,870	(111,564)	(11%)
Nonoperating expenses - College support	<u>384,398</u>	<u>378,485</u>	<u>5,913</u>	2%
Total expenses	\$ <u>1,279,704</u>	\$ <u>1,385,355</u>	\$ <u>(105,651)</u>	(8%)

Total expenses for the year ended June 30, 2013 amounted to \$1,279,704, a decrease of \$105,651 or 8%, compared to the previous year. The major component of this variance was related to a decrease in management and general of \$106,641. Management and general decreased largely due to no expenses related to buildings and grounds overtime and a reduction of hours and the number of hired students. The decrease was offset by the increase in student programs of \$7,515.

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

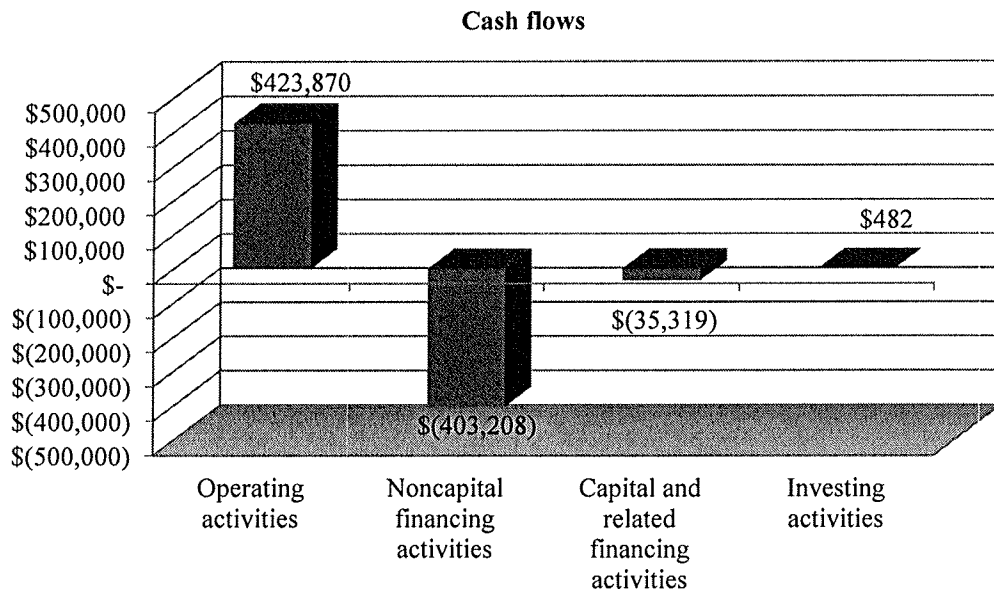
The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2013:



HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Management's Discussion and Analysis

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement assists users to assess the Auxiliary's ability to generate net cash flows, meet its obligations as they come due, and its dependency on external financing. The following summarizes the Auxiliary's cash flows for the year ended June 30, 2013:



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.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Statements of Net Position

June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and equivalents	\$ 117,509	131,684
Accounts receivable, net of allowance for doubtful accounts of \$97,588 in 2013 and 2012	227,911	221,988
Prepaid expenses and other assets	<u>65,395</u>	<u>10,736</u>
Total current assets	<u>410,815</u>	<u>364,408</u>
Noncurrent assets:		
Investments, at fair value	137,410	125,721
Capital assets, net	<u>482,337</u>	<u>537,970</u>
Total noncurrent assets	<u>619,747</u>	<u>663,691</u>
Total assets	<u>1,030,562</u>	<u>1,028,099</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	74,407	168,489
Deposits held in custody for others	24,301	45,611
Current portion of lease obligation	<u>46,107</u>	<u>46,107</u>
Total current liabilities	144,815	260,207
Noncurrent liabilities:		
Security deposit	20,833	18,333
Capital lease obligation, excluding current portion	<u>19,212</u>	<u>65,319</u>
Total liabilities	<u>184,860</u>	<u>343,859</u>
 <u>Net Position</u>		
Net investment in capital assets	482,337	537,970
Unrestricted	<u>363,365</u>	<u>146,270</u>
Total net position	<u>\$ 845,702</u>	<u>684,240</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 233,802	219,762
Cafeteria and vending	238,102	244,069
Royalties	13,995	2,693
Parking fees	357,880	392,106
Facility rentals	163,134	152,310
Performing arts	187,436	169,834
Housing program	174,240	170,205
Other income	58,857	38,682
Bad debt recovery	-	2,000
Donated space	1,549	1,549
	<u>1,428,995</u>	<u>1,393,210</u>
Total operating revenue		
Operating expenses:		
Parking	200,573	215,685
Student programs	54,316	46,801
Performing arts	203,395	196,564
Housing program	200,339	200,853
Other	75,880	76,585
Donated services	1,549	1,549
Management and general	114,409	221,050
Depreciation	44,845	47,783
	<u>895,306</u>	<u>1,006,870</u>
Total operating expenses		
Income from operations	<u>533,689</u>	<u>386,340</u>
Nonoperating revenue (expenses):		
Investment income (loss)	11,831	(1,088)
Other income	340	10,465
College support	(384,398)	(378,485)
	<u>(372,227)</u>	<u>(369,108)</u>
Total nonoperating revenue (expenses), net		
Increase in net position	161,462	17,232
Net position at beginning of year	<u>684,240</u>	<u>667,008</u>
Net position at end of year	<u>\$ 845,702</u>	<u>684,240</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Statements of Cash Flows
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 229,246	246,693
Cafeteria and vending commissions	230,143	247,101
Royalties	11,694	2,693
Facility rentals	163,549	149,610
Parking fees	354,355	389,623
Bad debt recovery	-	2,000
Other	432,535	344,471
Cash payments to/for:		
Salaries and employee benefits	(134,761)	(104,209)
Vendors	(171,928)	(115,327)
Other	<u>(690,963)</u>	<u>(761,668)</u>
Net cash provided by operating activities	<u>423,870</u>	<u>400,987</u>
Cash flows from noncapital financing activities:		
Change in deposits held in custody for others	(21,310)	11,598
Proceeds from security deposits	2,500	-
College support	<u>(384,398)</u>	<u>(378,485)</u>
Net cash used in noncapital financing activities	<u>(403,208)</u>	<u>(366,887)</u>
Cash flows from capital and related financing activities:		
(Purchases) disposals of capital assets	10,788	(13,484)
Repayment of capital lease	<u>(46,107)</u>	<u>(27,196)</u>
Net cash used in capital and related financing activities	<u>(35,319)</u>	<u>(40,680)</u>
Cash flows from investing activities:		
Investment income and withdrawals	142	87
Other income received	<u>340</u>	<u>10,465</u>
Net cash provided by investing activities	<u>482</u>	<u>10,552</u>
Net increase (decrease) in cash and equivalents	(14,175)	3,972
Cash and equivalents at beginning of year	<u>131,684</u>	<u>127,712</u>
Cash and equivalents at end of year	<u>\$ 117,509</u>	<u>131,684</u>

(Continued)

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Cash Flows, Continued

	<u>2013</u>	<u>2012</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 533,689	386,340
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation expense	44,845	47,783
Changes in:		
Accounts receivable	(5,923)	(9,470)
Prepaid expenses and other assets	(54,659)	31,395
Accounts payable and accrued expenses	<u>(94,082)</u>	<u>(55,061)</u>
Net cash provided by operating activities	<u>\$ 423,870</u>	<u>400,987</u>
Supplemental schedule of cash flow information:		
Donated space	<u>\$ 1,549</u>	<u>1,549</u>
Donated rent	<u>\$ 1,549</u>	<u>1,549</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Nature of Organization

The Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc. (the Auxiliary) is a nonprofit corporation organized to support certain student activities and provide facilities and auxiliary services for the benefit of the campus of Herbert H. Lehman 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), applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Boards (FASB) statements and interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those requirements conflict with or contradict GASB pronouncements.

For financial reporting purposes, the Auxiliary is considered to be a special-purpose government 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 component unit of the University, as defined by GASB.

(b) New Accounting Pronouncements

For the year ended June 30, 2013, the Auxiliary adopted the provisions of the following GASB Statements:

- GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."
- GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) New Accounting Pronouncements, Continued

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

(c) Net Position

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

Net investment in capital assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt, 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, 2013, the Auxiliary had no restricted net position.

(d) Cash and Equivalents

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

(e) Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of contribution, if donated. In accordance with the Auxiliary's capital asset policy, capital assets are defined as any asset with a useful life of at least two years and a cost or value at the time of receipt of \$1,000 or more for computer hardware and \$5,000 or more for all other equipment; and \$25,000 or more for building improvements. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The estimated useful life of furniture, fixtures and equipment is five years and the estimated useful life of building improvements is 25 years.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Investments

The Auxiliary records its investments at fair value based on quoted market prices, with changes in fair value of investments recorded in the statements of revenue, expenses and changes in net position.

(g) Revenue Recognition

Operating revenue is recognized in the period earned and is primarily derived from agreements with third-party vendors that provide bookstore, cafeteria, vending, copier, facility rental and other services. Fees that are collected prior to year-end, if any, relating to the subsequent year are recorded as unearned revenue.

(h) Donated Space and Services

The Auxiliary operates on the campus of the College and, utilizes office space and certain services made available to it. The cost savings associated with such arrangements are recorded as donated space and services and are recognized as revenue and expenses in the accompanying financial statements based on the fair value of such facilities and services (note 7).

(i) Functional Expenses

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

(j) Use of Estimates

The preparation of financial statements in conformity 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Commissions

Bookstore, cafeteria and vending commissions represent income earned under contracts with third-party vendors who operate and maintain the campus bookstore, cafeteria, and vending services, respectively.

(l) Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentations.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(m) Subsequent Events

The Auxiliary has evaluated events after June 30, 2013, and through March 10, 2014, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(n) 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. The Auxiliary is no longer subject to tax examination for the years ended June 30, 2009, and prior.

(3) Cash and Equivalents and Investments

(a) Custodial Credit Risk - Deposits

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, 2013, none of the Auxiliary's bank balance of \$152,540 was exposed to custodial credit risk as such balances were within the FDIC deposit insurance limits.

(b) Custodial Credit Risk - 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, 2013, the Auxiliary's entire investment portfolio balance of \$137,410 was exposed to custodial credit risk, as it was uninsured and uncollateralized. The Auxiliary's investments are held by CUNY in an investment pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the Committee). Several investment advisory firms are engaged to assist the Committee in its investment pool portfolio management, which is comprised of cash and cash equivalents, corporate bonds, equities, mutual funds, U.S. agency mortgage-backed securities, short-term treasury bills, U.S. government bonds and foreign bonds.

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Notes to Financial Statements, Continued

(6) Capital Lease Obligation

The Auxiliary entered into a three year lease agreement with Siemens on December 29, 2011 for parking security equipment at interest rate of 2.44%. This lease obligation and the related equipment have been capitalized for financial reporting purposes. The following is the summary of equipment under capital lease obligations at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cost of equipment	\$ 138,321	138,321
Less accumulated depreciation	<u>(27,724)</u>	<u>(13,862)</u>
Net capitalized equipment	\$ <u>110,597</u>	<u>124,459</u>

Depreciation for the leased equipment amounted to \$27,724 for the year ended June 30, 2013. The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2013:

2014	\$ 49,484	
2015	<u>20,618</u>	
Total minimum lease payments	70,102	
Less amount representing interest	<u>(4,783)</u>	
Capital lease obligation	65,319	
Less current portion of the lease obligation	<u>(46,107)</u>	
Capital lease obligation, excluding current portion	\$ <u>19,212</u>	

(7) Donated Space

The Auxiliary utilizes certain facilities provided by the College. The estimated fair values of facilities are included in the accompanying statements of revenue, expenses and changes in net assets. Donated space for the years ended June 30, 2013 and 2012 amounted to \$1,549.

(8) Related Party Transactions

The Auxiliary has funded various College expenses including campus ceremonies, equipment and maintenance, and music expenses. These expenses are included within college support in the accompanying statements of revenue, expenses and changes in net assets. College support for the years ended June 30, 2013 and 2012 amounted to \$384,398 and \$378,485, respectively. The Auxiliary is occasionally required to transfer funds to/from other College-related entities during the course of the year for payroll reimbursement and other costs, if any.

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Notes to Financial Statements, Continued

(8) Related Party Transactions, Continued

The Auxiliary has invested \$137,410 and \$125,721 as of June 30, 2013 and 2012, respectively, in the CUNY Investment Pool (note 3) which is under the control of the Committee, a related party.

(9) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 66 - "Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62" improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. Statements No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" and No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement amends Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning July 1, 2013 for the Auxiliary. This statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 67 - "Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25" replaces existing standards for financial reporting and note disclosure for most pension plans that are administered through trusts or equivalent arrangements. The statement specifies the required approach for measuring the pension liability of all employers and nonemployer contributing entities participating in a pension plan and details required note disclosures for financial reporting. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning July 1, 2013 for the Auxiliary. This statement is not expected to have a material effect on the financial statements of the Auxiliary.

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Notes to Financial Statements, Continued

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

- GASB Statement No. 68 - “Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27” replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. The requirements of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning July 1, 2014 for the Auxiliary. This statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 69 - “Government Combinations and Disposals of Government Operations” establishes accounting and financial reporting standards for government mergers, acquisitions and disposals. The statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning July 1, 2014 for the Auxiliary. This statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 70 - “Accounting and Financial Reporting for Nonexchange Financial Guarantees” improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning July 1, 2013 for the Auxiliary. This statement is not expected to have a material effect on the financial statements of the Auxiliary.