

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Financial Statements and
Supplementary Information

June 30, 2014 and 2013

(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, 2014 and 2013, 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 Herbert H. Lehman College Auxiliary Enterprise Corporation, Inc. as of June 30, 2014 and 2013, 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 Matters

Required Supplementary Information

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

Toski & Co., CPAs, P.C.

Williamsville, New York
November 20, 2014

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis

June 30, 2014 and 2013

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, 2014, and changes in 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 \$322,755 or 38% from the prior fiscal year.
- Operating revenue totaled \$1,667,607 and increased \$238,612 or 17% from the prior fiscal year.
- Operating expenses totaled \$979,878 and increased \$84,572 or 9% from the prior fiscal year.

Statement of Net 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 an Auxiliary's long term fiscal stability.

Statement of Net Position

The following summarizes the Auxiliary's assets, liabilities, and net position as of June 30, 2014 and 2013, under the accrual basis of accounting:

	<u>2014</u>	<u>2013</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 788,417	410,815	377,602	92%
Noncurrent assets	<u>667,399</u>	<u>619,747</u>	<u>47,652</u>	<u>8%</u>
Total assets	<u>1,455,816</u>	<u>1,030,562</u>	<u>425,254</u>	<u>41%</u>
Liabilities:				
Current liabilities	266,526	144,815	121,711	84%
Noncurrent liabilities	<u>20,833</u>	<u>40,045</u>	<u>(19,212)</u>	<u>(48%)</u>
Total liabilities	<u>287,359</u>	<u>184,860</u>	<u>102,499</u>	<u>55%</u>
Net position:				
Net investment in capital assets	508,788	482,337	26,451	5%
Unrestricted	<u>659,669</u>	<u>363,365</u>	<u>296,304</u>	<u>82%</u>
Total net position	<u>\$ 1,168,457</u>	<u>845,702</u>	<u>322,755</u>	<u>38%</u>

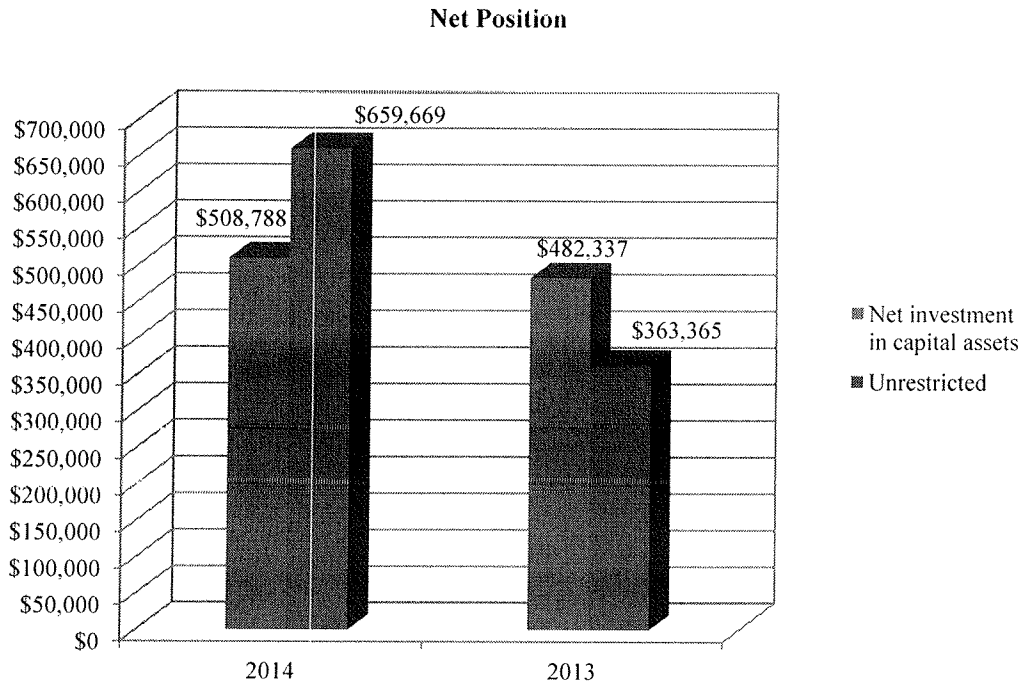
HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

At June 30, 2014, the Auxiliary's total assets increased by \$425,254 or 41%, compared to the previous fiscal year. This variance was related to an increase in current assets of \$377,602 and noncurrent assets of \$47,652.

At June 30, 2014, the Auxiliary's total current liabilities increased by \$121,711 or 84%, compared to the prior fiscal year. The major components of this variance were related to an increase in accounts payable and accrued expenses of \$61,902, and deposits held in custody for others of \$55,605. This was largely due to the timing of payments and disbursements from these accounts.

The following illustrates the Auxiliary's net position at June 30, 2014 and 2013, by category:



HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

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 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, 2014 and 2013, are as follows:

Revenue

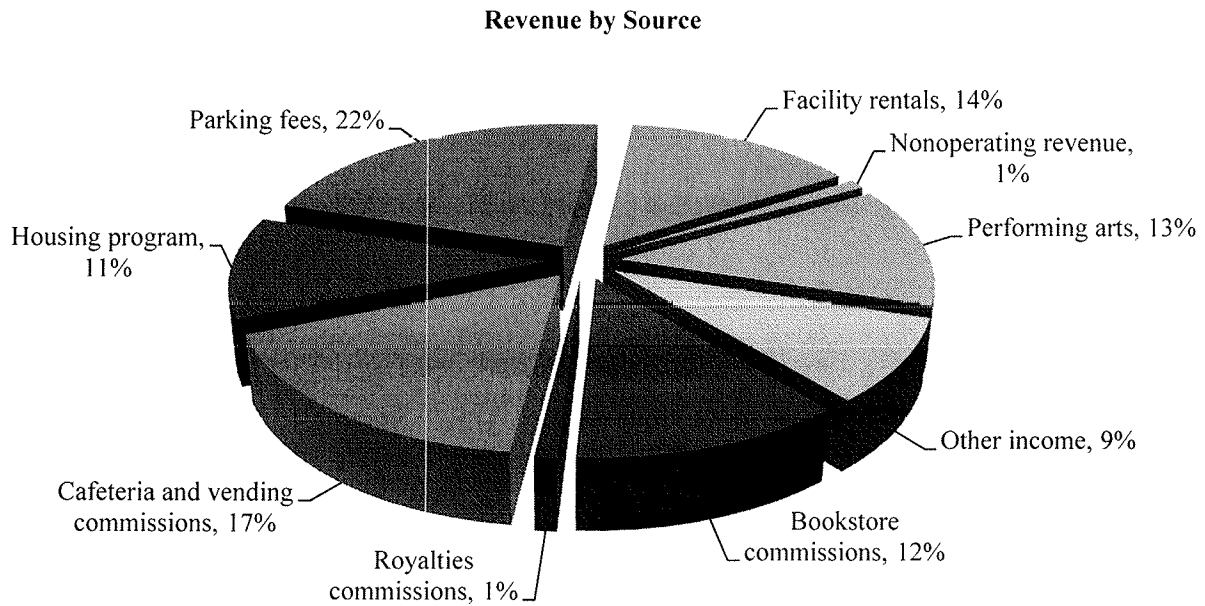
	<u>2014</u>	<u>2013</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 204,275	233,802	(29,527)	(13%)
Cafeteria and vending	289,709	238,102	51,607	22%
Royalties	8,366	13,995	(5,629)	(40%)
Parking fees	377,892	357,880	20,012	6%
Facility rentals	234,689	163,134	71,555	44%
Performing arts	218,366	187,436	30,930	17%
Housing program	181,835	174,240	7,595	4%
Other income	147,426	58,857	88,569	150%
Bad debt recovery	3,500	-	3,500	100%
Donated space	<u>1,549</u>	<u>1,549</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>1,667,607</u>	<u>1,428,995</u>	<u>238,612</u>	<u>17%</u>
Nonoperating revenue:				
Investment income	21,433	11,831	9,602	81%
Other income	<u>220</u>	<u>340</u>	<u>(120)</u>	<u>(35%)</u>
Total nonoperating revenue	<u>21,653</u>	<u>12,171</u>	<u>9,482</u>	<u>78%</u>
Total revenue	\$ <u>1,689,260</u>	<u>1,441,166</u>	<u>248,094</u>	<u>17%</u>

The Auxiliary's total revenue for the year ended June 30, 2014 was \$1,689,260, an increase of \$248,094 or 17%, compared to the prior fiscal year. Driving this were increases in cafeteria and vending commissions, parking fees, facility rentals, performing arts, housing program and other income. The largest percentage increase, 150%, was in other income and was a result of the first full year operation of a contract with the Motorcycle Safety School and an additional photo shoot at Lehman Studios. Another area with a significant increase, 81% was in investment income due to increased returns on the Auxiliary's investments. The increase in facility rentals was due to an increase in on campus photo shoots. The decrease in bookstore commission revenue (13%), was due to a decrease in the number of courses and types of books sold by Columbia University through their contract with the Lehman College Bookstore. The 40% decline in royalties was due to a decrease in sales of online College merchandise.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

The following illustrates the Auxiliary's revenues, by source, for the year ended June 30, 2014:



Expenses

	<u>2014</u>	<u>2013</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 212,050	200,573	11,477	6%
Student programs	59,197	54,316	4,881	9%
Performing arts	228,290	203,395	24,895	12%
Housing program	211,924	200,339	11,585	6%
Other	92,884	75,880	17,004	22%
Donated space	1,549	1,549	-	-
Management and general	120,423	114,409	6,014	5%
Depreciation	<u>53,561</u>	<u>44,845</u>	<u>8,716</u>	<u>19%</u>
Total operating expenses	979,878	895,306	84,572	9%
Nonoperating expenses - College support	<u>386,627</u>	<u>384,398</u>	<u>2,229</u>	<u>1%</u>
Total expenses	\$ <u>1,366,505</u>	<u>1,279,704</u>	<u>86,801</u>	<u>7%</u>

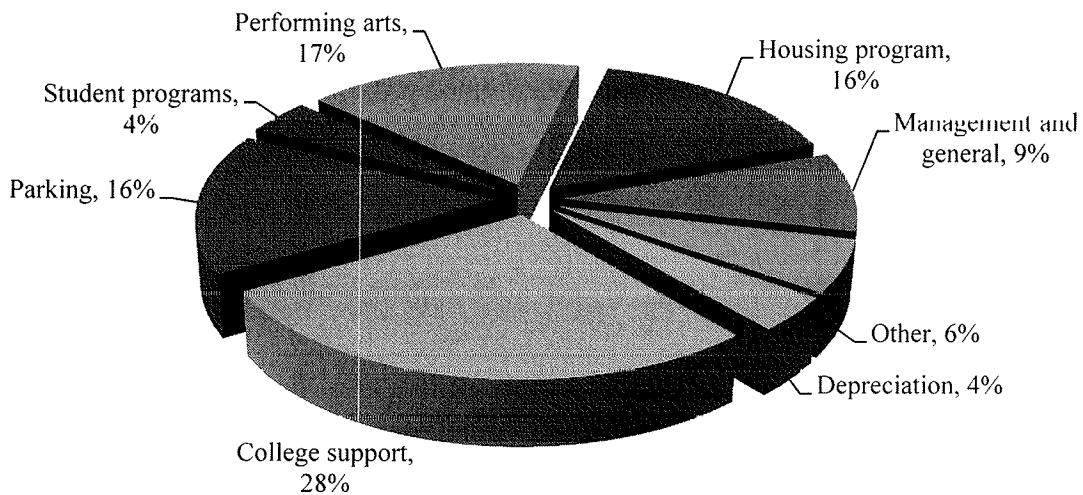
HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

Total expenses for the year ended June 30, 2014 were \$1,366,505, an increase of \$86,801 or 7%, compared to the previous fiscal year. The major components of this variance were from expenses relating to other, depreciation and performing arts. The two largest increases were in other expenses and performances, respectively, and reflected increased personnel and material costs. Depreciation increased 19% due to the acquisition of new assets by the Auxiliary.

The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2014:

Expenses by Category



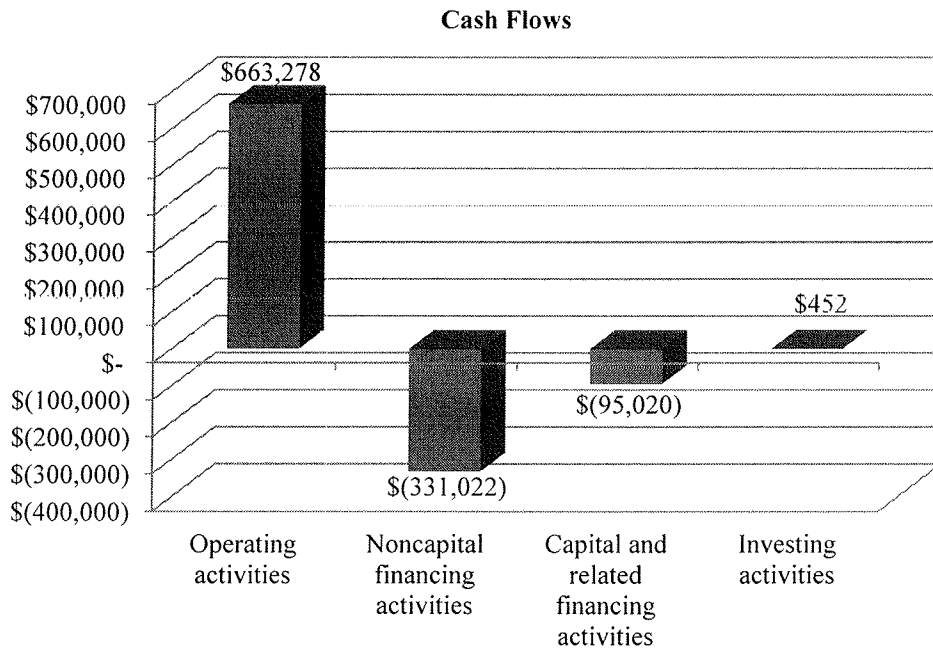
HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the fiscal year. This statement assists users in assessing the Auxiliary's ability to maintain the cash flows necessary to meet its obligations and its dependency on external financing. Net cash from operating activities increased \$239,408 from the prior fiscal year.

The following summarizes the Auxiliary's cash flows for the year ended June 30, 2014:



Economic Factors That May Affect the Future

There are no known economic factors that may influence the future. The Auxiliary depends on user fees and commissions to fund its expenditures. Decreases in revenue would be offset by a corresponding decrease in expenditures.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Net Position
June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and equivalents	\$ 355,197	117,509
Accounts receivable, net of allowance for doubtful accounts of \$109,088 in 2014 and \$97,588 2013	360,690	227,911
Prepaid expenses and other assets	<u>72,530</u>	<u>65,395</u>
Total current assets	<u>788,417</u>	<u>410,815</u>
Noncurrent assets:		
Investments, at fair value	158,611	137,410
Capital assets, net	<u>508,788</u>	<u>482,337</u>
Total noncurrent assets	<u>667,399</u>	<u>619,747</u>
Total assets	<u>1,455,816</u>	<u>1,030,562</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	136,309	74,407
Deposits held in custody for others	79,906	24,301
Current portion of capital lease obligations	<u>50,311</u>	<u>46,107</u>
Total current liabilities	<u>266,526</u>	<u>144,815</u>
Noncurrent liabilities:		
Security deposit	20,833	20,833
Capital lease obligations, excluding current portion	<u>-</u>	<u>19,212</u>
Total noncurrent liabilities	<u>20,833</u>	<u>40,045</u>
Total liabilities	<u>287,359</u>	<u>184,860</u>
 <u>Net Position</u>		
Net investment in capital assets	508,788	482,337
Unrestricted	<u>659,669</u>	<u>363,365</u>
Total net position	<u>\$ 1,168,457</u>	<u>845,702</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 204,275	233,802
Cafeteria and vending	289,709	238,102
Royalties	8,366	13,995
Parking fees	377,892	357,880
Facility rentals	234,689	163,134
Performing arts	218,366	187,436
Housing program	181,835	174,240
Other income	147,426	58,857
Bad debt recovery	3,500	-
Donated space	1,549	1,549
	<u>1,667,607</u>	<u>1,428,995</u>
Total operating revenue		
Operating expenses:		
Parking	212,050	200,573
Student programs	59,197	54,316
Performing arts	228,290	203,395
Housing program	211,924	200,339
Other	92,884	75,880
Donated space	1,549	1,549
Management and general	120,423	114,409
Depreciation	53,561	44,845
	<u>979,878</u>	<u>895,306</u>
Total operating expenses		
Income from operations	<u>687,729</u>	<u>533,689</u>
Nonoperating revenue (expenses):		
Investment income	21,433	11,831
Other income	220	340
College support	(386,627)	(384,398)
	<u>(364,974)</u>	<u>(372,227)</u>
Total nonoperating expenses, net		
Increase in net position	322,755	161,462
Net position at beginning of year	845,702	684,240
Net position at end of year	<u>\$ 1,168,457</u>	<u>845,702</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Cash Flows
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 201,320	229,246
Cafeteria and vending commissions	284,781	230,143
Royalties commissions	7,653	11,694
Facility rentals	234,343	163,549
Parking fees	382,665	354,355
Bad debt recovery	3,500	-
Other income	419,019	432,535
Cash payments to/for:		
Salaries and employee benefits	(71,282)	(134,761)
Vendors	(9,093)	(171,928)
Other	<u>(789,628)</u>	<u>(690,963)</u>
Net cash provided by operating activities	<u>663,278</u>	<u>423,870</u>
Cash flows from noncapital financing activities:		
Change in deposits held in custody for others	55,605	(21,310)
Proceeds from security deposits	-	2,500
College support	<u>(386,627)</u>	<u>(384,398)</u>
Net cash used in noncapital financing activities	<u>(331,022)</u>	<u>(403,208)</u>
Cash flows from capital and related financing activities:		
(Purchases) disposals of capital assets	(80,012)	10,788
Repayment of capital lease obligations	(87,572)	(46,107)
Proceeds from capital lease obligations	<u>72,564</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(95,020)</u>	<u>(35,319)</u>
Cash flows from investing activities:		
Investment income	232	142
Other income	<u>220</u>	<u>340</u>
Net cash provided by investing activities	<u>452</u>	<u>482</u>
Net increase (decrease) in cash and equivalents	237,688	(14,175)
Cash and equivalents at beginning of year	<u>117,509</u>	<u>131,684</u>
Cash and equivalents at end of year	<u>\$ 355,197</u>	<u>117,509</u>

(Continued)

See accompanying notes to financial statements.

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

	<u>2014</u>	<u>2013</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 687,729	533,689
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation expense	53,561	44,845
Changes in:		
Accounts receivable	(132,779)	(5,923)
Prepaid expenses and other assets	(7,135)	(54,659)
Accounts payable and accrued expenses	<u>61,902</u>	<u>(94,082)</u>
Net cash provided by operating activities	<u>\$ 663,278</u>	<u>423,870</u>
Supplemental schedule of cash flow information:		
Donated space revenue	<u>\$ 1,549</u>	<u>1,549</u>
Donated space expense	<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, 2014 and 2013

(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) and applicable Governmental Accounting Standards Board (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 discretely presented 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. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.
- GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities." This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(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, 2014, 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) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from 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 accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

(f) Capital Assets

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

(g) 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.

(h) 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.

(i) Donated Space

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

(j) 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.

(k) 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.

(l) 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.

(m) Subsequent Events

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

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(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, 2010, 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, 2014, \$127,250 of the Auxiliary's bank balance of \$377,250 was exposed to custodial credit risk as such balances were not 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, 2014, the Auxiliary's entire investment portfolio balance of \$158,611 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.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(4) Capital Assets

At June 30, 2014 and 2013, capital assets consisted of the following:

	2014			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Equipment	\$ 201,066	7,447	-	208,513
Cafeteria renovations	464,300	-	-	464,300
Parking gate	138,622	72,565	-	211,187
Parking lot improvements	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
	988,988	80,012	-	1,069,000
Less accumulated depreciation	<u>(506,651)</u>	<u>(53,561)</u>	<u>-</u>	<u>(560,212)</u>
	<u>\$ 482,337</u>	<u>26,451</u>	<u>-</u>	<u>508,788</u>
	2013			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Equipment	\$ 226,425	-	(25,359)	201,066
Cafeteria renovations	464,300	-	-	464,300
Parking gate	138,622	-	-	138,622
Parking lot improvements	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
	1,014,347	-	(25,359)	988,988
Less accumulated depreciation	<u>(476,377)</u>	<u>(44,845)</u>	<u>14,571</u>	<u>(506,651)</u>
	<u>\$ 537,970</u>	<u>(44,845)</u>	<u>(10,788)</u>	<u>482,337</u>

(5) Deposits Held in Custody for Others

At June 30, 2014 and 2013, the Auxiliary held \$79,906 and \$24,301, respectively, which related to deposits held in custody for others, and is comprised of funds which are held on behalf of various other groups and organizations related to the College.

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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 an 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cost of equipment	\$ 138,231	138,321
Less accumulated depreciation	<u>(41,586)</u>	<u>(27,724)</u>
Net capitalized equipment	\$ <u>96,645</u>	<u>110,597</u>

Depreciation for the leased equipment amounted to \$13,862 for the year ended June 30, 2014. The following is a schedule by year of future minimum payments required under the lease together with their present value as of June 30, 2014:

2015	\$ 20,619
Less amount representing interest	<u>(1,407)</u>
Capital lease obligation	19,212
Less current portion of capital lease obligation	<u>(19,212)</u>
Capital lease obligation, excluding current portion	\$ <u> -</u>

The Auxiliary entered into a fourteen month lease agreement with Siemens on October 30, 2013 for parking security equipment at an interest rate of 3.55%. 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, 2014:

Cost of equipment	\$ 72,565
Less accumulated depreciation	<u>(7,256)</u>
Net capitalized equipment	\$ <u>65,309</u>

Depreciation for the leased equipment amounted to \$7,256 for the year ended June 30, 2014. The following is a schedule by year of future minimum payments required under the lease together with their present value as of June 30, 2014:

2015	\$ 32,243
Less amount representing interest	<u>(1,144)</u>
Capital lease obligation	31,099
Less current portion of capital lease obligation	<u>(31,099)</u>
Capital lease obligation, excluding current portion	\$ <u> -</u>

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Notes to Financial Statements, Continued

(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 position. Donated space for the years ended June 30, 2014 and 2013 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 position. College support for the years ended June 30, 2014 and 2013 amounted to \$386,627 and \$384,398, 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.

The Auxiliary has invested \$158,611 and \$137,410 as of June 30, 2014 and 2013, 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. 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.

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Notes to Financial Statements, Continued

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

- GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date" addresses an issue regarding application of the transition provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions." This statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the Auxiliary implements GASB Statement No. 68. This statement is not expected to have a material effect on the financial statements of the Auxiliary.