

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1 - 2 |
| Management's Discussion and Analysis | 3 - 9 |
| Financial Statements: | |
| Statements of Net Position | 10 |
| Statements of Revenue, Expenses and Changes in Net Position | 11 - 12 |
| Statements of Cash Flows | 13 - 14 |
| Notes to Financial Statements | 15 - 22 |

* * * * *

INDEPENDENT AUDITORS' REPORT

The Board of Directors
John Jay College of Criminal Justice
Auxiliary Services Corporation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of John Jay College of Criminal Justice Auxiliary Services Corporation, Inc. (the Auxiliary) as of and for the years ended June 30, 2018 and 2017, and the related notes to financial statements, which collectively comprise the Auxiliary's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of John Jay College of Criminal Justice Auxiliary Services Corporation, Inc. as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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 4, 2018

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Management's Discussion and Analysis

June 30, 2018

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of John Jay College of Criminal Justice Auxiliary Services Corporation, Inc.'s (the Auxiliary) financial position as of June 30, 2018, and changes in its net position for the year then ended. Since this MD&A is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying audited financial statements and related notes.

Financial Highlights

- The Auxiliary's net position increased by \$1,594,306 or 86%.
- Operating revenue increased by \$693,455 or 10%.
- Operating expenses increased by \$133,702 or 3%.

Financial Position

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

Statements of Net Position

The following summarizes the Auxiliary's assets, liabilities and net position as of June 30, 2018 and 2017, under the accrual basis of accounting:

| | <u>2018</u> | <u>2017</u> | <u>Dollar change</u> | <u>Percent change</u> |
|----------------------------------|---------------------|------------------|--------------------------|---------------------------|
| Assets: | | | | |
| Current assets | \$ 4,703,558 | 2,645,489 | 2,058,069 | 78% |
| Noncurrent assets | <u>20,440</u> | <u>25,346</u> | <u>(4,906)</u> | (19%) |
| Total assets | <u>4,723,998</u> | <u>2,670,835</u> | <u>2,053,163</u> | 77% |
| Liabilities | <u>1,273,123</u> | <u>814,266</u> | <u>458,857</u> | 56% |
| Net position: | | | | |
| Net investment in capital assets | 20,440 | 25,346 | (4,906) | (19%) |
| Unrestricted | <u>3,430,435</u> | <u>1,831,223</u> | <u>1,599,212</u> | 87% |
| Total net position | \$ <u>3,450,875</u> | <u>1,856,569</u> | <u>1,594,306</u> | 86% |

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Management's Discussion and Analysis, Continued

At June 30, 2018, the Auxiliary's overall total net position increased by \$1,594,306 or 86% compared to the previous year. This increase was mainly due to an increase in overall revenue of \$718,914 or 10%, as described in the statements of revenue, expenses and changes in net assets below.

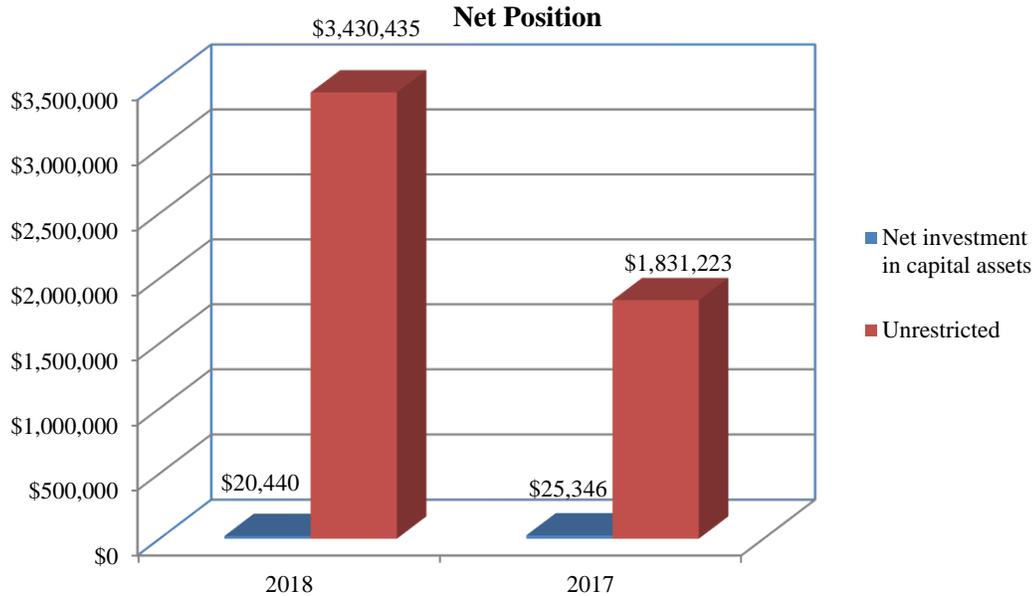
The increase in current assets at June 30, 2018 was \$2,058,069 or 78%. This was mainly due to an increase in cash and equivalents resulting from receipts for rental activity and seat deposits close to the end of the fiscal year.

The decrease in capital assets at June 30, 2018 of \$4,906 or 19% resulted from the net effect of new equipment purchases in addition to the recognition of the annual depreciation charge consistent with the City University of New York's fixed assets policy.

Total liabilities increased by \$458,857 or 56%, due to the timing of payments for accounts payable and accrued expenses, reimbursements due to related parties and an increase in unearned revenue.

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

The following illustrates the Auxiliary's net position at June 30, 2018 and 2017 by category:



JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES 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 present the operating results of the Auxiliary, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2018 and 2017 are as follows:

Revenue

| | <u>2018</u> | <u>2017</u> | <u>Dollar change</u> | <u>Percent change</u> |
|-------------------------------------|---------------------|------------------|--------------------------|---------------------------|
| Operating revenue: | | | | |
| Commissions: | | | | |
| Bookstore | \$ 55,148 | 18,776 | 36,372 | 194% |
| Food services | 232,235 | 276,658 | (44,423) | (16%) |
| Wireless services | 105,595 | 96,946 | 8,649 | 9% |
| Vending services | 189,768 | 168,578 | 21,190 | 13% |
| Royalties | 153,297 | 131,422 | 21,875 | 17% |
| Rental income | 3,491,154 | 2,918,945 | 572,209 | 20% |
| Other income - housing | 2,866,544 | 2,940,925 | (74,381) | (3%) |
| Other income - theater | 929 | 5,518 | (4,589) | (83%) |
| Other income - other facilities | 71,884 | 71,342 | 542 | 1% |
| Other income - career center | 65,296 | - | 65,296 | 100% |
| Donated services | <u>454,423</u> | <u>363,708</u> | <u>90,715</u> | 25% |
| Total operating revenue | 7,686,273 | 6,992,818 | 693,455 | 10% |
| Nonoperating revenue - other income | <u>43,818</u> | <u>18,359</u> | <u>25,459</u> | 139% |
| Total revenue | \$ <u>7,730,091</u> | <u>7,011,177</u> | <u>718,914</u> | 10% |

The Auxiliary's total revenue for the year ended June 30, 2018 was \$7,730,091, an increase of \$718,914 or 10% compared to the prior year. The increase in revenue is mainly due to increases in bookstore commissions of \$36,372 or 194%, wireless services of \$8,649 or 9%, vending services of \$21,190 or 13%, royalties of \$21,875 or 17%, rental income of \$572,209 or 20%, other income - career center (newly added operations) of \$65,296 or 100%, donated services of \$90,715 or 25%, and other nonoperating revenue of \$25,459 or 139%. Effective January 1, 2018 the Auxiliary transferred operations of the College's Career and Professional Development Center. The Center is responsible for providing support services to students for internships, professional development and job fairs.

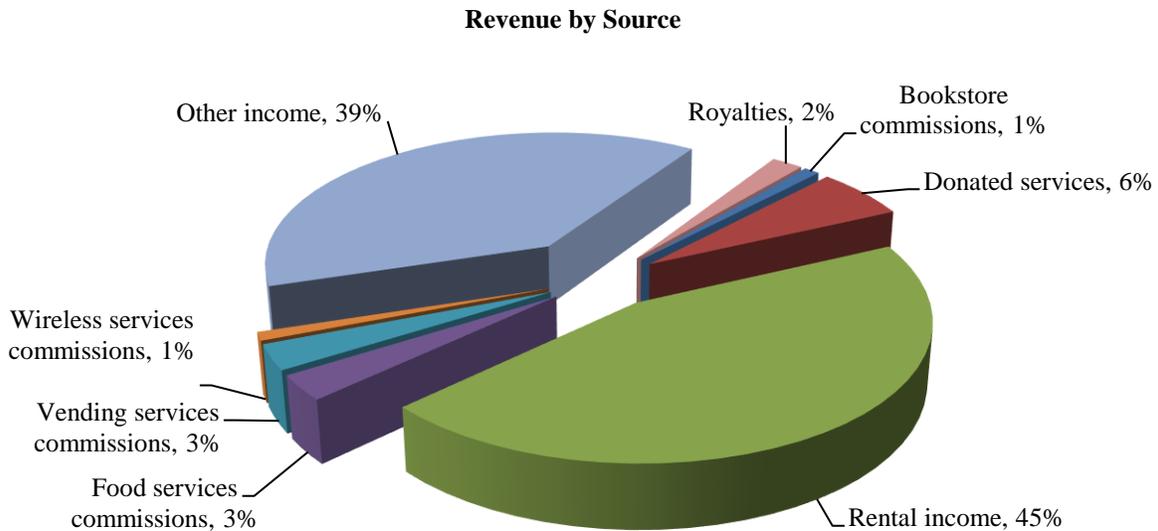
JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Management's Discussion and Analysis, Continued

There were decreases in receipts for food services commissions of \$44,423 or 16%, housing revenue of \$74,381 or 3%, and other income - theater of \$4,589 or 83%. Food services commissions are based on an annual guaranteed amount of \$185,000 and a fixed percentage on retail and catering sales. Additional revenue is collected on sales exceeding the guaranteed minimum. Housing revenue depends on the number of beds contracted to students by room type during the fiscal year. The theater's other income is a result of miscellaneous revenue collected during the fiscal year.

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

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



JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Management's Discussion and Analysis, Continued

Expenses

| | <u>2018</u> | <u>2017</u> | <u>Dollar</u> <u>change</u> | <u>Percent</u> <u>change</u> |
|-----------------------------|---------------------|------------------|--------------------------------|---------------------------------|
| Operating expenses: | | | | |
| Theater operations | \$ 1,491,942 | 1,198,357 | 293,585 | 25% |
| Other facilities rentals | 709,794 | 679,428 | 30,366 | 4% |
| Career center | 33,328 | - | 33,328 | 100% |
| Housing | 2,282,984 | 2,553,507 | (270,523) | (11%) |
| Management and general | 144,964 | 127,725 | 17,239 | 13% |
| Bad debt | 43,945 | 10,913 | 33,032 | 303% |
| Depreciation | <u>10,273</u> | <u>13,598</u> | <u>(3,325)</u> | (24%) |
| Total operating expenses | <u>4,717,230</u> | <u>4,583,528</u> | <u>133,702</u> | 3% |
| Nonoperating expenses: | | | | |
| Institutional initiatives | 851,860 | 907,917 | (56,057) | (6%) |
| Student scholarships | 318,720 | 288,312 | 30,408 | 11% |
| Community service programs | - | 55,037 | (55,037) | (100%) |
| College support | 200,000 | - | 200,000 | 100% |
| Other | <u>47,975</u> | <u>45,432</u> | <u>2,543</u> | 6% |
| Total nonoperating expenses | <u>1,418,555</u> | <u>1,296,698</u> | <u>121,857</u> | 9% |
| Total expenses | <u>\$ 6,135,785</u> | <u>5,880,226</u> | <u>255,559</u> | 4% |

The Auxiliary's total expenses for the fiscal year ended June 30, 2018 were \$6,135,785, an increase of \$255,559 or 4% compared to the previous year. There were increases in theater operations of \$293,585 or 25%, other facilities of \$30,366 or 4%, other rentals of \$33,328 or 100%, management and general of \$17,239 or 13%, bad debt of \$33,032 or 303%, student scholarships of \$30,408 or 11% and College support of \$200,000 or 100%.

The increases in the theater operations and other facilities rentals are due to increased personnel and other costs directly related to additional contracts for rental services. Career center increased as a result of new operations for career services. Management and general increased as a result of credit card fees associated with student seat and housing deposits, and donated services. The increase in bad debt is due to a write-off of uncollected receipts from athletics impacted by a credit adjustment to the allowance for bad debt. Actual bad debt written off for athletics was \$78,945, and the bad debt allowance was reduced by \$35,000 based on an assessment of outstanding invoices from rental agreements. Additional scholarships were issued during the fiscal year as a result of students meeting certain qualifying requirements. During the fiscal year, the College requested support for its financial plan, which explains the increase in College support expense.

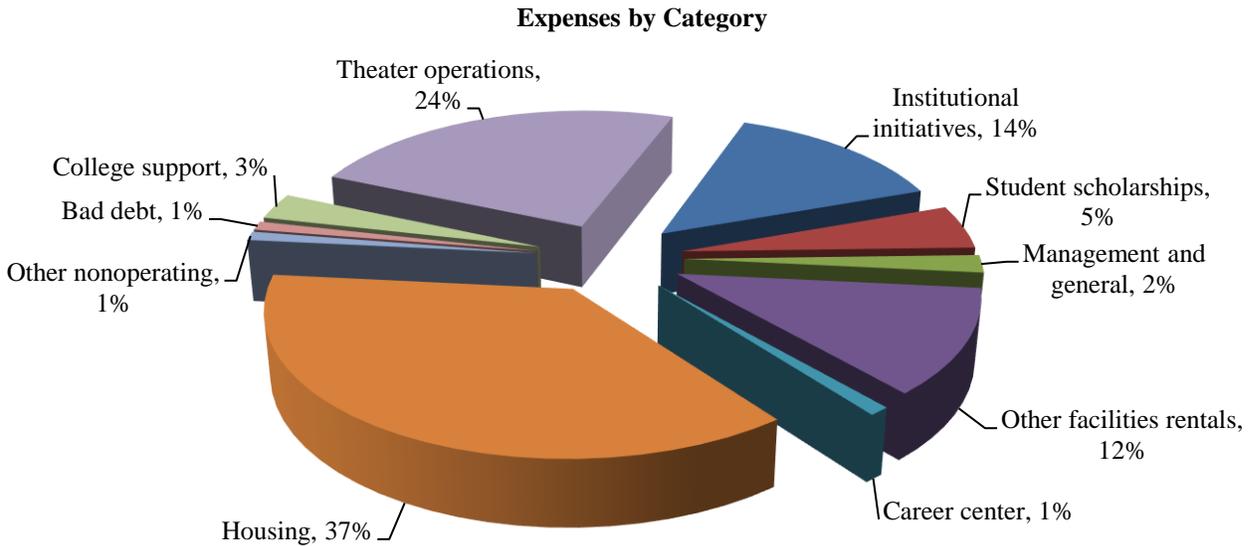
JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Management's Discussion and Analysis, Continued

There were decreases in expenses for housing of \$270,523 or 11%, depreciation of \$3,325 or 24%, institutional initiatives of \$56,057 or 6%, and community services programs of \$55,037 or 100%. As mentioned above in revenue, housing payments relate to the number of beds contracted for students. Despite a new purchase for the student dining area, depreciation decreased through application of the University's fixed asset policy. The decrease in institutional initiatives is a result of reduced spending for legal services for foreign faculty, strategic initiatives for recruitment, and searches for key personnel. During the fiscal year, the Auxiliary transferred its community service (public service) allocation to the John Jay College Foundation, Inc. to support the College's new America Center, resulting in the decrease in community service programs.

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

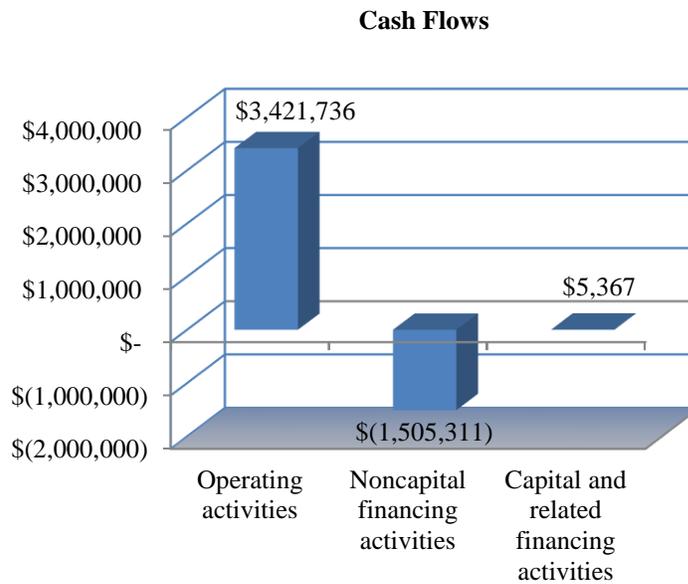
The following illustrates the Auxiliary's expenses, by category, for the year ended June 30, 2018:



JOHN JAY COLLEGE OF CRIMINAL JUSTICE
 AUXILIARY SERVICES 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 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, 2018:



Economic Factors That May Affect the Future

Student enrollment is related to revenue received from operations of certain services provided by third-party contractors. Revenue derived from utilization of the College's Theater, facilities and other spaces are critical in supporting the activities of the Auxiliary. Changes in these revenue categories will shape the future of the organization.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Statements of Net Position

June 30, 2018 and 2017

| <u>Assets</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|------------------|
| Current assets: | | |
| Cash and equivalents | \$ 3,858,486 | 1,936,694 |
| Commissions receivable | 80,588 | 102,738 |
| Due from related parties | 240,918 | 178,633 |
| Prepaid expenses and other assets, net | <u>523,566</u> | <u>427,424</u> |
| Total current assets | 4,703,558 | 2,645,489 |
| Noncurrent assets - capital assets, net | <u>20,440</u> | <u>25,346</u> |
| Total assets | <u>4,723,998</u> | <u>2,670,835</u> |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 438,062 | 235,836 |
| Due to related parties | 655,051 | 524,006 |
| Unearned revenue | <u>180,010</u> | <u>54,424</u> |
| Total current liabilities | <u>1,273,123</u> | <u>814,266</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 20,440 | 25,346 |
| Net position - unrestricted | <u>3,430,435</u> | <u>1,831,223</u> |
| Total net position | <u>\$ 3,450,875</u> | <u>1,856,569</u> |

See accompanying notes to financial statements.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|------------------|------------------|
| Operating revenue: | | |
| Commissions: | | |
| Bookstore | \$ 55,148 | 18,776 |
| Food services | 232,235 | 276,658 |
| Wireless services | 105,595 | 96,946 |
| Vending services | 189,768 | 168,578 |
| Total commissions | <u>582,746</u> | <u>560,958</u> |
| Royalties | 153,297 | 131,422 |
| Rental income - theater | 1,525,275 | 1,289,304 |
| Rental income - other facilities | 1,965,879 | 1,629,641 |
| Other income - housing | 2,866,544 | 2,940,925 |
| Other income - theater | 929 | 5,518 |
| Other income - other facilities | 71,884 | 71,342 |
| Other income - career center | 65,296 | - |
| Donated services | 454,423 | 363,708 |
| Total operating revenue | <u>7,686,273</u> | <u>6,992,818</u> |
| Operating expenses: | | |
| Theater operations | 1,491,942 | 1,198,357 |
| Other facilities rentals | 709,794 | 679,428 |
| Career center | 33,328 | - |
| Housing | 2,282,984 | 2,553,507 |
| Management and general | 144,964 | 127,725 |
| Bad debt expense - other | 43,945 | 3,696 |
| Bad debt expense - theater | - | 7,217 |
| Depreciation | 10,273 | 13,598 |
| Total operating expenses | <u>4,717,230</u> | <u>4,583,528</u> |
| Income from operations | <u>2,969,043</u> | <u>2,409,290</u> |

(Continued)

See accompanying notes to financial statements.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.
Statements of Revenue, Expenses and Changes in Net Position, Continued

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|-------------------------|
| Nonoperating revenue (expenses): | | |
| Other income | \$ 43,818 | 18,359 |
| College support: | | |
| Institution initiatives | (851,860) | (907,917) |
| Student scholarships | (318,720) | (288,312) |
| Community service programs | - | (55,037) |
| College support | (200,000) | - |
| Other income | <u>(47,975)</u> | <u>(45,432)</u> |
| Total nonoperating revenue (expenses), net | <u>(1,374,737)</u> | <u>(1,278,339)</u> |
| Increase in net position | 1,594,306 | 1,130,951 |
| Net position at beginning of year | <u>1,856,569</u> | <u>725,618</u> |
| Net position at end of year | <u><u>\$ 3,450,875</u></u> | <u><u>1,856,569</u></u> |

See accompanying notes to financial statements.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Statements of Cash Flows
Years ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Cash receipts from: | | |
| Bookstore commissions | \$ 55,148 | 18,776 |
| Food services commissions | 254,386 | 295,500 |
| Wireless services commissions | 103,284 | 116,523 |
| Vending services commissions | 189,768 | 168,578 |
| Royalties | 153,297 | 131,421 |
| Rental income | 3,520,280 | 2,665,789 |
| Other income - housing | 2,850,584 | 2,863,592 |
| Other income - theater | 929 | - |
| Other income - other facilities | 279,032 | 131,060 |
| Other income - career center | 65,296 | - |
| Cash payments to/for: | | |
| Employees' salaries and benefits | (1,408,538) | (1,255,238) |
| Vendors | <u>(2,641,730)</u> | <u>(2,958,240)</u> |
| Net cash provided by operating activities | <u>3,421,736</u> | <u>2,177,761</u> |
| Cash flows from noncapital financing activities: | | |
| Other income | 43,818 | 18,359 |
| Institutional initiatives | (983,315) | (985,323) |
| Student scholarships | (317,839) | (367,628) |
| Community service programs | - | (55,537) |
| College support | (200,000) | - |
| Other | <u>(47,975)</u> | <u>(48,081)</u> |
| Net cash used in noncapital financing activities | <u>(1,505,311)</u> | <u>(1,438,210)</u> |
| Cash flows from capital and related financing activities - | | |
| purchase of capital assets | <u>5,367</u> | <u>-</u> |
| Net increase in cash and equivalents | 1,921,792 | 739,551 |
| Cash and equivalents at beginning of year | <u>1,936,694</u> | <u>1,197,143</u> |
| Cash and equivalents at end of year | <u>\$ 3,858,486</u> | <u>1,936,694</u> |

(Continued)

See accompanying notes to financial statements.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.
Statements of Cash Flows, Continued

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|------------------|
| Reconciliation of income from operations to net cash provided by operating activities: | | |
| Income from operations | \$ 2,969,043 | 2,409,290 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | 10,273 | 13,598 |
| Bad debt expense | 43,945 | 10,913 |
| Changes in: | | |
| Commissions receivable | 22,150 | 36,107 |
| Prepaid expenses and other assets | (98,004) | (309,422) |
| Accounts payable and accrued expenses | 160,904 | 44,812 |
| Due to/from related parties, net | 187,839 | (54,511) |
| Unearned revenue | <u>125,586</u> | <u>26,974</u> |
| Net cash provided by operating activities | <u>\$ 3,421,736</u> | <u>2,177,761</u> |
| Supplemental schedule of cash flow information: | | |
| Donated services revenue | <u>\$ 454,423</u> | <u>363,708</u> |
| Theater operations | 302,632 | 237,220 |
| Facilities | 41,675 | 25,507 |
| Management and general | <u>110,116</u> | <u>100,981</u> |
| Donated services expenses | <u>\$ 454,423</u> | <u>363,708</u> |

See accompanying notes to financial statements.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(1) Nature of Organization

The John Jay College of Criminal Justice Auxiliary Services Corporation, Inc. (the Auxiliary) is a nonprofit corporation created for the purpose of supporting, developing and cultivating educational, social, cultural, and recreational activities among students, faculty and staff of the John Jay College of Criminal Justice (the College) of the City University of New York (CUNY or the University).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Auxiliary's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and applicable Governmental Accounting Standards Board (GASB) pronouncements.

For financial reporting purposes, the Auxiliary is considered to be a special-purpose entity engaged only in business-type activities. GASB defines business-type activities as activities financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP, as prescribed by GASB. For financial reporting purposes, the Auxiliary is also considered to be a discretely presented component unit of the University, as defined by GASB.

(b) Net Position

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

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

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

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

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

At June 30, 2018, the Auxiliary had no restricted net position.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(c) Cash and Equivalents

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

(d) Receivables

Receivables 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 receivables. Changes in the valuation allowance have not been material to the financial statements.

(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 \$5,000 or more for computer and all other equipment. 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.

(f) Donated Services

The Auxiliary operates on the campus of the College and, utilizes personnel services made available to it. The cost savings associated with such arrangements are recorded as donated services and are recognized as revenue and expenses in the accompanying financial statements based on the fair value of such facilities and services (note 8).

(g) Unearned Revenue

Unearned revenue represents amounts collected prior to fiscal year end relating to subsequent fiscal years.

(h) Revenue Recognition

Operating revenues are recognized in the period earned and are primarily derived from agreements with third-party vendors that provide bookstore, food services, vending and other services, as well as facility rentals and Theater operations. Bookstore, food services, vending, and wireless services commissions represent income earned under contracts with third-party vendors who operate and maintain the campus bookstore, food services, vending machines and wireless services, respectively. The terms of these contracts follow:

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Revenue Recognition, Continued

- Bookstore commissions represent income earned from the City University of New York's centralized agreement for operation of an internet-based ('virtual') bookstore. This contract is effective December 12, 2016, for five years ending December 31, 2021, with an additional three-year, then two-year, renewal periods in the University's best interest. The Auxiliary's share of commissions will be determined by the University's formula and the corporation's share of total annual gross sales. The Auxiliary will receive an annual discount coupon each year of the agreement. The University and the corporation received a one-time signing bonus during fiscal year 2018. Commissions are based on a guaranteed minimum payment on gross sales of text and non-text course material during the first and second 12-month periods of the agreement, in addition to a fixed a percentage of gross sales exceeding \$20 million in these 12-month periods. Thereafter, commissions are determined on a fixed percentage of gross sales of text, non-text course materials, general merchandise and non-course materials.
- Food services commissions represent income earned on the sale of food, catering and sale of nonalcoholic beverages on campus and sale of merchandise. The Auxiliary receives an annual commission equal to the greater of a guaranteed amount or an amount based on a percentage of annual sales. The contract is for five years, effective September 7, 2014 and ending September 6, 2019.
- Wireless services commissions represent an annual license fee paid in equal monthly installments. One contract requires the license fee to increase annually at a fixed percentage based on the annual fees paid for the preceding year. The other two agreements are at a fixed monthly fee. Two of these three third-party contracts expired on May 31, 2018 and March 29, 2018, respectively, and one will expire June 18, 2019. One contract renews automatically upon expiration unless notice is given to terminate by the Auxiliary, while the other two agreements renew at the Auxiliary's option for two and three additional five-year terms, respectively.
- Vending services commissions are determined on a centralized agreement managed through the City University of New York, effective January 1, 2015 and ending December 31, 2019. CUNY receives an annual commission equal or greater to a fixed amount or an amount based on a percentage of annual gross sales. The Auxiliary's commissions are determined by the University's formula and the Corporation's share of total annual gross sales. CUNY has the right to renew this contract for an additional 3 year period, followed by an additional 2 year period. The University received a one-time signing bonus and a monthly royalty payment regardless of sales upon signing the agreement. These payments were distributed to the Auxiliary through the University's formula.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Revenue Recognition, Continued

- Royalties are comprised of two exclusive City University of New York's centralized arrangements with third-party vendors to (1) provide beverage services ('pouring rights') and (2) commercialize or license the College's trademarks. The pouring rights agreement is for ten years effective July 1, 2013. It can be mutually extended between the University and the third-party vendor. Royalties are distributed based on previous year's sales volume. The University exercised its three year extension on the licensing agreement which will expire December 31, 2018. The University receives an 80 percent share of the total licensing revenue and royalties are distributed to the Colleges on a determined percentage of the total licensing revenue collected.

(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 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.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Notes to Financial Statements, Continued

(3) Cash and Equivalents

Custodial credit risk of deposits is the risk that the Auxiliary's deposits may not be returned in the event of a bank failure. At June 30, 2018, \$3,673,730 of the Auxiliary's bank balance of \$3,923,730 was exposed to custodial credit risk. The Auxiliary does not have a deposit policy.

(4) Commissions Receivable

At June 30, 2018 and 2017, the commissions receivable balance consists of food services commissions amounting to \$80,588 and \$102,738, respectively.

(5) Prepaid Expenses and Other Assets

At June 30, 2018 and 2017, prepaid expenses and other assets consist of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|-------------------|------------------|
| Rental income receivable - theater | \$ 244,314 | 78,679 |
| Other receivables | <u>347,877</u> | <u>442,727</u> |
| | 592,191 | 521,406 |
| Less allowance for doubtful accounts | <u>(75,000)</u> | <u>(110,000)</u> |
| | 517,191 | 411,406 |
| Prepaid expenses | <u>6,375</u> | <u>16,018</u> |
| | <u>\$ 523,566</u> | <u>427,424</u> |

(6) Related Party Transactions

The Auxiliary had amounts due to the College at June 30, 2018 and 2017 which consist of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|-------------------|----------------|
| Theater | \$ 346,623 | 291,303 |
| Other facilities | 45,346 | 56,946 |
| Student housing | - | 67,600 |
| Student seat deposits | 207,150 | 53,000 |
| Student Activities Association | 55,932 | 55,041 |
| Institutional initiatives | <u>-</u> | <u>116</u> |
| | <u>\$ 655,051</u> | <u>524,006</u> |

There were outstanding receipts due from related parties at June 30, 2018 and 2017 totaling \$240,918 and \$178,633, respectively, for student housing payments and other expense reimbursements.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Notes to Financial Statements, Continued

(7) Capital Assets

At June 30, 2018 and 2017, capital assets consisted of the following:

| | 2018 | | | |
|-------------------------------|------------------------------|------------------|------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending balance</u> |
| Equipment | \$ 67,992 | 5,367 | - | 73,359 |
| Less accumulated depreciation | (42,646) | (10,273) | - | (52,919) |
| Capital assets, net | \$ <u>25,346</u> | <u>(4,906)</u> | <u>-</u> | <u>20,440</u> |
| | 2017 | | | |
| | <u>Beginning balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending balance</u> |
| Equipment | \$ 95,169 | - | (27,177) | 67,992 |
| Less accumulated depreciation | (56,175) | (13,598) | 27,127 | (42,646) |
| Capital assets, net | \$ <u>38,994</u> | <u>(13,598)</u> | <u>(50)</u> | <u>25,346</u> |

(8) Donated Services

The Auxiliary utilizes certain professional services provided by the College. The estimated fair values of those services amounted to \$110,116 and \$100,981 for the years ended June 30, 2018 and 2017, respectively. The College also contributed \$344,307 and \$262,727 in personnel costs for the years ended June 30, 2018 and 2017, respectively. These are included as both revenue and expenses in the accompanying statements of revenue, expenses and changes in net position.

(9) Accounting Standards Issued Not Yet Implemented

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Notes to Financial Statements, Continued

(9) Accounting Standards Issued Not Yet Implemented, Continued

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

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

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the Auxiliary. This Statement is not expected to have a material effect on the financial statements of the Auxiliary.

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

JOHN JAY COLLEGE OF CRIMINAL JUSTICE
AUXILIARY SERVICES CORPORATION, INC.

Notes to Financial Statements, Continued

(9) Accounting Standards Issued Not Yet Implemented, Continued

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