

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Financial Statements and
Supplementary Information

June 30, 2012 and 2011

(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.:

We have audited the accompanying statements of net assets of Herbert H. Lehman Auxiliary Enterprise Corporation, Inc. (the Auxiliary) as of June 30, 2012 and 2011, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Auxiliary's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herbert H. Lehman Auxiliary Enterprise Corporation, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 6 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
February 8, 2013

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis

June 30, 2012 and 2011

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, 2012 and 2011, and changes in its net assets 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 assets were relatively unchanged with a modest increase of 3% or \$17,232.
- Operating revenue increased by 21% or \$244,975 compared to the previous year. The major component of the increase was bookstore commissions resulting from a new contract signed with Follet Higher Education Group. Non-operating revenue decreased by 88% or \$67,290 due to poor investment return.
- Operating expenses were relatively flat with a decrease of \$5,338.

Financial Position

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

Statements of Net Assets

The following summarizes the Auxiliary's assets, liabilities, and net assets as of June 30, 2012 and 2011, under the accrual basis of accounting:

	<u>2012</u>	<u>2011</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 364,408	382,361	(17,953)	(5%)
Noncurrent assets	<u>663,691</u>	<u>560,543</u>	<u>103,148</u>	18%
Total assets	\$ <u>1,028,099</u>	<u>942,904</u>	<u>85,195</u>	9%
Liabilities:				
Current liabilities	260,207	257,563	2,644	1%
Noncurrent liabilities	<u>83,652</u>	<u>18,333</u>	<u>65,319</u>	356%
Total liabilities	\$ <u>343,859</u>	<u>275,896</u>	<u>67,963</u>	25%
Net assets:				
Invested in capital assets	537,970	433,647	104,323	24%
Unrestricted	<u>146,270</u>	<u>233,361</u>	<u>(87,091)</u>	(37%)
Total net assets	\$ <u>684,240</u>	<u>667,008</u>	<u>17,232</u>	3%

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

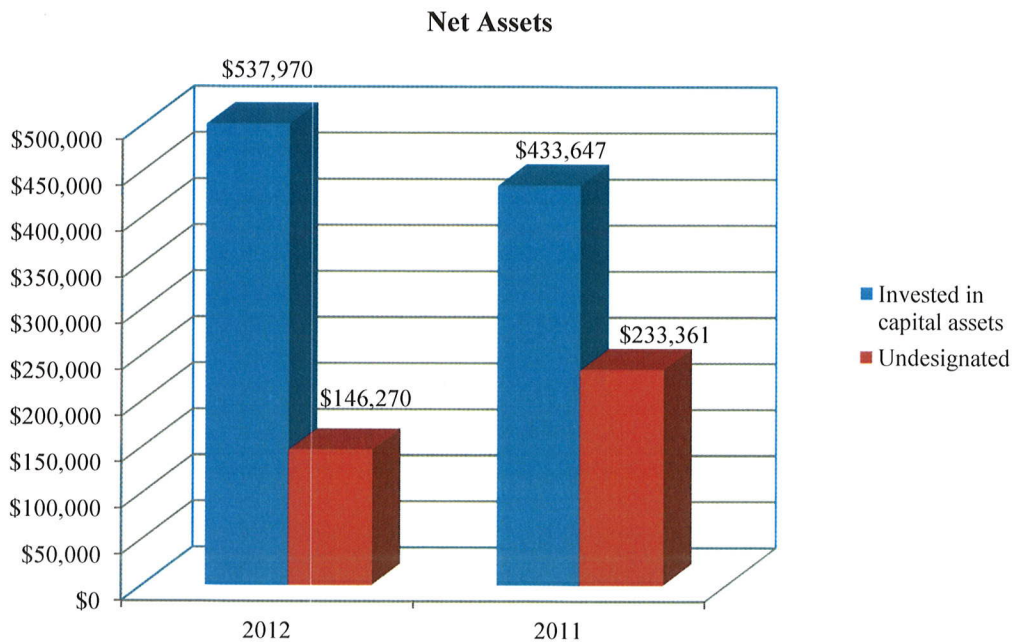
Management's Discussion and Analysis, Continued

At June 30, 2012, the Auxiliary's total assets increased by \$85,195 or 9%, compared to the previous year. The majority of this variance was related to an increase in capital assets of \$104,293, primarily due to the purchase of parking gate equipment and computer equipment. This increase was offset by a decrease in prepaid expenses and other assets of \$31,395.

At June 30, 2012, the Auxiliary's total current liabilities increased by \$2,644 or 1%, compared to the previous year. Accounts payable and accrued expenses decreased \$55,061, largely due to the timing of cash disbursements. This decrease is offset by an increase in deposits held in custody for others of \$11,598 and current portion of capital lease obligation of \$46,107. The increase in deposits held in custody for others was largely due to an increase in multi-media centers and deposits within the custodial accounts.

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

The following illustrates the Auxiliary's net assets at June 30, 2012 and 2011, by category:



Statements of Revenue, Expenses and Changes in Net Assets

The statements of revenue, expenses and changes in net assets 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, 2012 and 2011, are as follows:

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ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

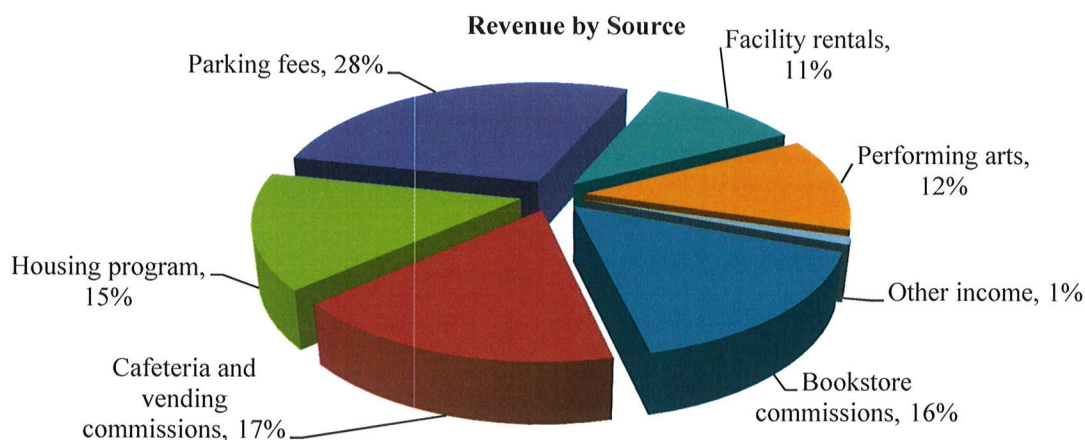
Revenue

	<u>2012</u>	<u>2011</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 219,762	113,246	106,516	94%
Cafeteria and vending	244,069	252,617	(8,548)	(3%)
Parking fees	392,106	308,470	83,636	27%
Facility rentals	152,310	120,121	32,189	27%
Performing arts	169,834	159,208	10,626	7%
Housing program and other income	211,580	193,024	18,556	10%
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>1,393,210</u>	<u>1,148,235</u>	<u>244,975</u>	<u>21%</u>
Nonoperating revenue:				
Investment income (loss)	(1,088)	68,414	(69,502)	(102%)
Other income	<u>10,465</u>	<u>8,253</u>	<u>2,212</u>	<u>27%</u>
Total nonoperating revenue	<u>9,377</u>	<u>76,667</u>	<u>(67,290)</u>	<u>(88%)</u>
Total revenue	\$ <u>1,402,587</u>	<u>1,224,902</u>	<u>177,685</u>	<u>15%</u>

The Auxiliary's total revenue for the year ended June 30, 2012 amounted to \$1,402,587, an increase of \$177,685 or 15%, compared to the previous year. The major components of this variance were related to increases in bookstore, parking fees and facility rentals income of \$106,516, \$83,636 and \$32,189, respectively. The parking fees increased largely due to a 28% growth in the special event parking program.

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, 2012:



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ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

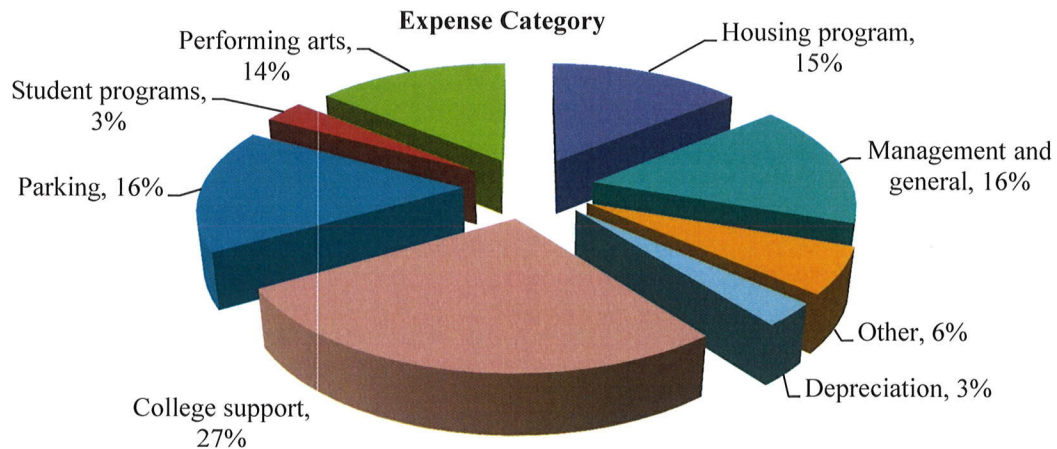
Expenses

	<u>2012</u>	<u>2011</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 215,685	382,381	(166,696)	(44%)
Student programs	46,801	37,449	9,352	25%
Performing arts	196,564	176,035	20,529	12%
Housing program	200,853	189,374	11,479	6%
Other	76,585	57,878	18,707	32%
Donated space	1,549	1,549	-	-
Management and general	221,050	121,939	99,111	81%
Depreciation	<u>47,783</u>	<u>45,603</u>	<u>2,180</u>	5%
Total operating expenses	1,006,870	1,012,208	(5,338)	(1%)
Nonoperating expenses - College support	<u>378,485</u>	<u>359,531</u>	<u>18,954</u>	5%
Total expenses	\$ <u>1,385,355</u>	<u>1,371,739</u>	<u>13,616</u>	1%

Total expenses for the year ended June 30, 2012 amounted to \$1,385,355, an increase of \$13,616 or 1%, compared to the previous year. The major components of this variance were related to an increase in management and general of \$99,111 and other expense of \$18,707. Management and general increased largely due to the reclassification of salary expense for the Campus Activities "Director" position. Student programs increased due to the rollout of CUNY first Student Financials; additional students were hired for training and communications. The increase in other expense was due to an increase in space rental to NYC Church of Christ, and rentals for location shoots. This resulted in an increase in rental maintenance, and other cleanup cost. The increase was offset by the decrease in parking of \$166,696.

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, 2012:

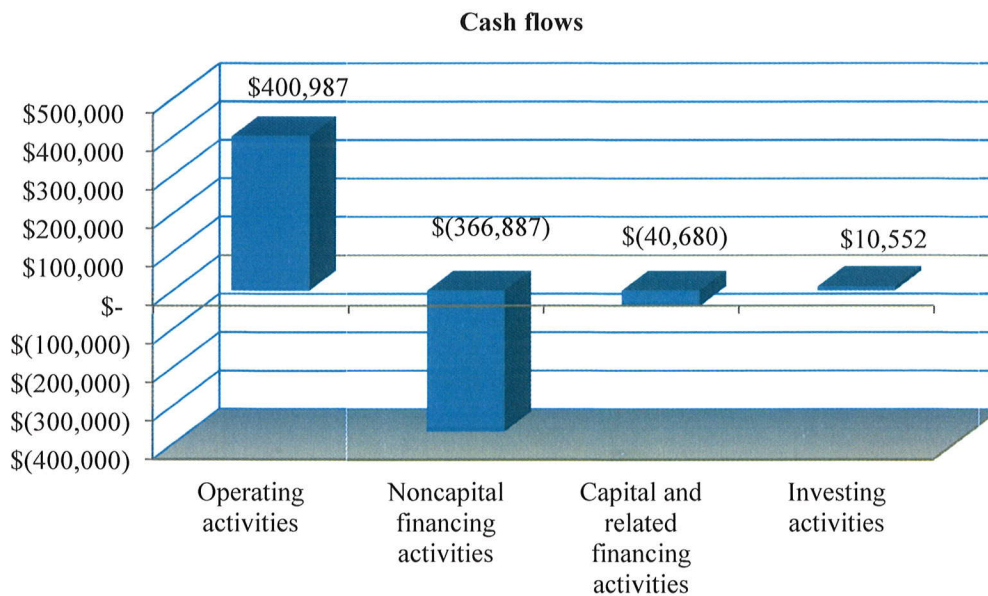


HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Management's Discussion and Analysis, Continued

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the 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, 2012:



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 Assets
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and equivalents	\$ 131,684	127,712
Accounts receivable, net of allowance for doubtful accounts of \$97,588 and 2012 and \$30,691 in 2011	221,988	212,518
Prepaid expenses and other assets	10,736	42,131
Total current assets	364,408	382,361
Noncurrent assets:		
Investments, at fair value	125,721	126,896
Capital assets, net	537,970	433,647
Total noncurrent assets	663,691	560,543
Total assets	\$ 1,028,099	942,904
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	168,489	223,550
Deposits held in custody for others	45,611	34,013
Current portion of lease obligation	46,107	-
Total current liabilities	260,207	257,563
Noncurrent liabilities:		
Security deposit	18,333	18,333
Capital lease obligation, excluding current portion	65,319	-
Total liabilities	\$ 343,859	275,896
<u>Net Assets</u>		
Invested in capital assets	537,970	433,647
Unrestricted	146,270	233,361
Total net assets	\$ 684,240	667,008

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Revenue, Expenses and Changes in Net Assets
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 219,762	113,246
Cafeteria and vending	244,069	252,617
Parking fees	392,106	308,470
Facility rentals	152,310	120,121
Performing arts	169,834	159,208
Housing program and other income	211,580	193,024
Bad debt recovery	2,000	-
Donated space	1,549	1,549
Total operating revenue	<u>1,393,210</u>	<u>1,148,235</u>
Operating expenses:		
Parking	215,685	382,381
Student programs	46,801	37,449
Performing arts	196,564	176,035
Housing program	200,853	189,374
Other	76,585	57,878
Donated services	1,549	1,549
Management and general	221,050	121,939
Depreciation	47,783	45,603
Total operating expenses	<u>1,006,870</u>	<u>1,012,208</u>
Income from operations	<u>386,340</u>	<u>136,027</u>
Nonoperating revenue (expenses):		
Investment income (loss)	(1,088)	68,414
Other income	10,465	8,253
College support	(378,485)	(359,531)
Total nonoperating revenue (expenses), net	<u>(369,108)</u>	<u>(282,864)</u>
Increase (decrease) in net assets	17,232	(146,837)
Net assets at beginning of year	<u>667,008</u>	<u>813,845</u>
Net assets at end of year	<u>\$ 684,240</u>	<u>667,008</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.
Statements of Cash Flows
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 246,693	113,246
Cafeteria and vending commissions	247,101	252,617
Facility rentals	149,610	120,121
Parking fees	389,623	306,685
Bad debt recovery	2,000	-
Other	347,164	347,338
Cash payments to/for:		
Salaries and employee benefits	(104,209)	(152,629)
Vendors	(115,327)	(343,132)
Other	(761,668)	(476,473)
Net cash provided by operating activities	<u>400,987</u>	<u>167,773</u>
Cash flows from noncapital financing activities:		
Change in deposits held in custody for others	11,598	1,777
College support	(378,485)	(359,531)
Net cash used in noncapital financing activities	<u>(366,887)</u>	<u>(357,754)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(13,484)	(464,300)
Repayment of capital lease	(27,196)	-
Net cash used in capital and related financing activities	<u>(40,680)</u>	<u>(464,300)</u>
Cash flows from investing activities:		
Investment income and withdrawals	87	350,349
Other income received	10,465	8,253
Net cash provided by investing activities	<u>10,552</u>	<u>358,602</u>
Net increase (decrease) in cash and equivalents	3,972	(295,679)
Cash and equivalents at beginning of year	<u>127,712</u>	<u>423,391</u>
Cash and equivalents at end of year	<u>\$ 131,684</u>	<u>127,712</u>

(Continued)

See accompanying notes to financial statements.

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

	<u>2012</u>	<u>2011</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 386,340	136,027
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation expense	47,783	45,603
Changes in:		
Accounts receivable	(9,470)	(3,420)
Prepaid expenses and other assets	31,395	(1,472)
Accounts payable and accrued expenses	<u>(55,061)</u>	<u>(8,965)</u>
Net cash provided by operating activities	<u>\$ 400,987</u>	<u>167,773</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, 2012 and 2011

(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

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.

The significant GASB standards followed by the Auxiliary are summarized below:

- GASB Statement No. 34 - "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments." This statement establishes the presentation format for general-purpose governments and requires that the financial statements consist of management's discussion and analysis, basic financial statements and required supplementary information.
- GASB Statement No. 35 - "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities." This statement establishes accounting and financial reporting standards for public colleges and universities and their component units within the financial reporting guidelines of GASB Statement No. 34. In accordance with this statement, the Auxiliary presents a statement of net assets; a statement of revenue, expenses and changes in net assets; and a statement of cash flows. The objectives of this statement are to enhance the understandability and usefulness of the external reports issued by public colleges and universities and their component units.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

- GASB Statement No. 37 - “Basic Financial Statements - and Management’s Discussion and Analysis for State and Local Governments: Omnibus.” Among other things, this statement clarifies the minimum requirements of management’s discussion and analysis and eliminates the requirement to capitalize construction-period interest for governmental activities as promulgated by GASB Statement No. 34. GASB Statement No. 37 was implemented simultaneously with GASB Statement No. 34.
- GASB Statement No. 38 - “Certain Financial Statement Note Disclosures.” Among other things, this statement establishes and modifies disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions and disaggregation of receivable and payable balances. GASB Statement No. 38 was implemented simultaneously with GASB Statement No. 34.
- GASB Statement No. 40 - “Deposits and Investment Risk Disclosures.” This statement establishes and modifies disclosure requirements related to the following investment and deposit risks:
 - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.
 - Custodial credit risk:
 - Deposits - risk that the Auxiliary will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party in the event of failure of a depository financial institution.
 - Investments - risk that the entity will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party in the event of failure of the counterparty (the party that pledges collateral or that sells investments to or buys investments from the entity) of a transaction.
 - Concentration of credit risk is the risk of loss attributed to the magnitude of the Auxiliary’s investment in a single institution or issuer.
 - Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair market value of the investment or deposit.
 - Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of the investment or deposit.

(a) Net Assets

The Auxiliary’s resources are classified into the following net asset categories:

Invested 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.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(a) Net Assets, Continued

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

Restricted - expendable - Net assets 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 assets, including net assets designated by actions, if any, of the Auxiliary's Board of Directors.

At June 30, 2012, the Auxiliary had no restricted net assets.

(b) Cash and Equivalents

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

(c) 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.

(d) 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 assets.

(e) 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 deferred revenue.

(f) 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 6).

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(g) 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 assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(h) 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.

(i) 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.

(j) Subsequent Events

The Auxiliary has evaluated events after June 30, 2012, and through February 8, 2013, 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.

(k) Income Taxes

The Auxiliary is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The Auxiliary has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Auxiliary presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Auxiliary has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Auxiliary are subject to examination by taxing authorities. The Auxiliary is no longer subject to tax examination for the years ended June 30, 2008, 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, 2012, none of the Auxiliary's bank balance of \$120,175 was exposed to custodial credit risk as such balances were within the FDIC deposit insurance limits.

HERBERT H. LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION, INC.

Notes to Financial Statements, Continued

(3) Cash and Equivalents and Investments, Continued

(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, 2012, the Auxiliary's entire investment portfolio balance of \$125,721 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.

(4) Capital Assets

At June 30, 2012 and 2011, capital assets consisted of the following:

	2012			
	Beginning balance	Additions	Disposals	Ending balance
Equipment	\$ 212,941	13,484	-	226,425
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>
	862,241	152,106	-	1,014,347
Less accumulated depreciation	<u>(428,594)</u>	<u>(47,783)</u>	<u>-</u>	<u>(476,377)</u>
	<u>\$ 433,647</u>	<u>104,323</u>	<u>-</u>	<u>537,970</u>
	2011			
	Beginning balance	Additions	Disposals	Ending balance
Equipment	\$ 212,941	-	-	212,941
Cafeteria renovations	-	464,300	-	464,300
Parking lot improvements	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
	397,941	464,300	-	862,241
Less accumulated depreciation	<u>(382,991)</u>	<u>(45,603)</u>	<u>-</u>	<u>(428,594)</u>
	<u>\$ 14,950</u>	<u>418,697</u>	<u>-</u>	<u>433,647</u>

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Notes to Financial Statements, Continued

(5) Deposits Held in Custody for Others

At June 30, 2012 and 2011, the Auxiliary held \$45,611 and \$34,013, 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.

(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, 2012:

Cost of equipment	\$ 138,321
Less accumulated depreciation	<u>(13,832)</u>
Net capitalized equipment	\$ <u>124,489</u>

Depreciation for the leased equipment amounted to \$13,832 for the year ended June 30, 2012. The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2012:

2013	\$ 49,484
2014	49,484
2015	<u>20,618</u>
Total minimum lease payments	119,586
Less amount representing interest	<u>(8,160)</u>
Capital lease obligation	111,426
Less current portion of the lease obligation	<u>(46,107)</u>
Capital lease obligation, excluding current portion	\$ <u>65,319</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, 2012 and 2011 amounted to \$1,549.

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Notes to Financial Statements, Continued

(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, 2012 and 2011 amounted to \$378,485 and \$359,531, 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 \$125,721 and \$126,896 as of June 30, 2012 and 2011, 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. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement incorporates into the GASB's authoritative literature the applicable guidance issued before November 30, 1989 from FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. The requirements of the statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning July 1, 2012 for the Auxiliary. This statement is not expected to have a material effect on the financial statements of the Auxiliary.
- GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows and inflows are the consumption and acquisition of net assets by a governmental entity that is applicable to a future reporting period. 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. The requirements of this statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning July 1, 2012 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. 65 - "Items Previously Reported as Assets and Liabilities" establishes 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 and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as changes in the determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations. 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. 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.

(10) Subsequent Event

Hurricane Sandy came to the New York City area on Sunday, October 28, 2012 and resulted in classes and other college related activities being cancelled from Monday, October 29 through Thursday, November 1, 2012. Costs of clean up for all locations, including capital improvements, required due to storm damage are expected to be covered either by insurance by the Dormitory Authority of the State of New York (DASNY) for those buildings under DASNY coverage or by the Federal Emergency Management Agency.