

LEHMAN COLLEGE AUXILIARY
ENTERPRISE CORPORATION

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lehman College Auxiliary Enterprise Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lehman College Auxiliary Enterprise Corporation (the Auxiliary) as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the Auxiliary's financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Auxiliary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Auxiliary's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 27, 2023

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Management's Discussion and Analysis

June 30, 2023 and 2022

The intent of Management Discussion and Analysis (MD&A) is to provide readers with a comprehensive overview of Lehman College Auxiliary Enterprise Corporation's (the Auxiliary) financial position as of June 30, 2023 and 2022, and changes in net position for the years then ended. Since this MD&A is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying audited financial statements and related notes.

Financial Highlights

- The Auxiliary's total net position on June 30, 2023, was \$3,816,218, a decrease of \$51,261 or 1% from the prior fiscal year.
- Operating revenue totaled \$1,132,407, an increase of \$420,506 or 59% from the prior fiscal year.
- Nonoperating revenue totaled \$23,606, a decrease of \$994,739 or 98% from the prior fiscal year.
- Operating expenses totaled \$1,207,274, an increase of \$167,062 or 16% from the prior fiscal year.

Financial Position

The Auxiliary's net position, the difference between assets and liabilities, is one way to measure the Auxiliary's financial health. Over time, increases and decreases in the Auxiliary's net position is one indicator of its long term fiscal stability.

Statements of Net Position

The following summarizes the Auxiliary's assets, liabilities and net position at June 30, 2023 and 2022, under the accrual basis of accounting:

	<u>2023</u>	<u>2022</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 3,989,527	4,068,921	(79,394)	(2%)
Noncurrent assets	<u>286,126</u>	<u>316,822</u>	<u>(30,696)</u>	(10%)
Total assets	<u>4,275,653</u>	<u>4,385,743</u>	<u>(110,090)</u>	(3%)
Liabilities:				
Current liabilities	441,570	447,740	(6,170)	(1%)
Noncurrent liabilities	<u>2,500</u>	<u>23,333</u>	<u>(20,833)</u>	(89%)
Total liabilities	<u>444,070</u>	<u>471,073</u>	<u>(27,003)</u>	(6%)
Deferred inflows of resources - leases	<u>15,365</u>	<u>47,191</u>	<u>(31,826)</u>	(67%)

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Management's Discussion and Analysis, Continued

	<u>2023</u>	<u>2022</u>	<u>Dollar change</u>	<u>Percent change</u>
Net position:				
Net investment in capital assets	\$ 29,326	56,135	(26,809)	(48%)
Unrestricted	<u>3,786,892</u>	<u>3,811,344</u>	<u>(24,452)</u>	(1%)
Total net position	\$ <u>3,816,218</u>	<u>3,867,479</u>	<u>(51,261)</u>	(1%)

At June 30, 2023, the Auxiliary's total assets decreased by \$110,090, or 3%, from the prior fiscal year. This variance represents a decrease in current assets of \$79,394 and noncurrent assets of \$30,696.

At June 30, 2023, the Auxiliary's total liabilities decreased \$27,003 or 6%, compared to the prior fiscal year. This is attributable to a \$78,358 decrease in due to related parties partially offset by a \$67,812 increase in accounts payable.

Presented for comparison purposes are the Auxiliary's assets, liabilities and net position as of June 30, 2022 and 2021, under the accrual basis of accounting:

	<u>2022</u>	<u>2021</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 4,068,921	3,143,129	925,792	29%
Noncurrent assets	<u>316,822</u>	<u>490,862</u>	<u>(174,040)</u>	(35%)
Total assets	<u>4,385,743</u>	<u>3,633,991</u>	<u>751,752</u>	21%
Liabilities:				
Current liabilities	447,740	347,947	99,793	29%
Noncurrent liabilities	<u>23,333</u>	<u>23,333</u>	-	-
Total liabilities	<u>471,073</u>	<u>371,280</u>	<u>99,793</u>	27%
Deferred inflows of resources - leases	<u>47,191</u>	<u>74,362</u>	<u>(27,171)</u>	(37%)
Net position:				
Net investment in capital assets	56,135	188,655	(132,520)	(70%)
Unrestricted	<u>3,811,344</u>	<u>2,999,694</u>	<u>811,650</u>	27%
Total net position	\$ <u>3,867,479</u>	<u>3,188,349</u>	<u>679,130</u>	21%

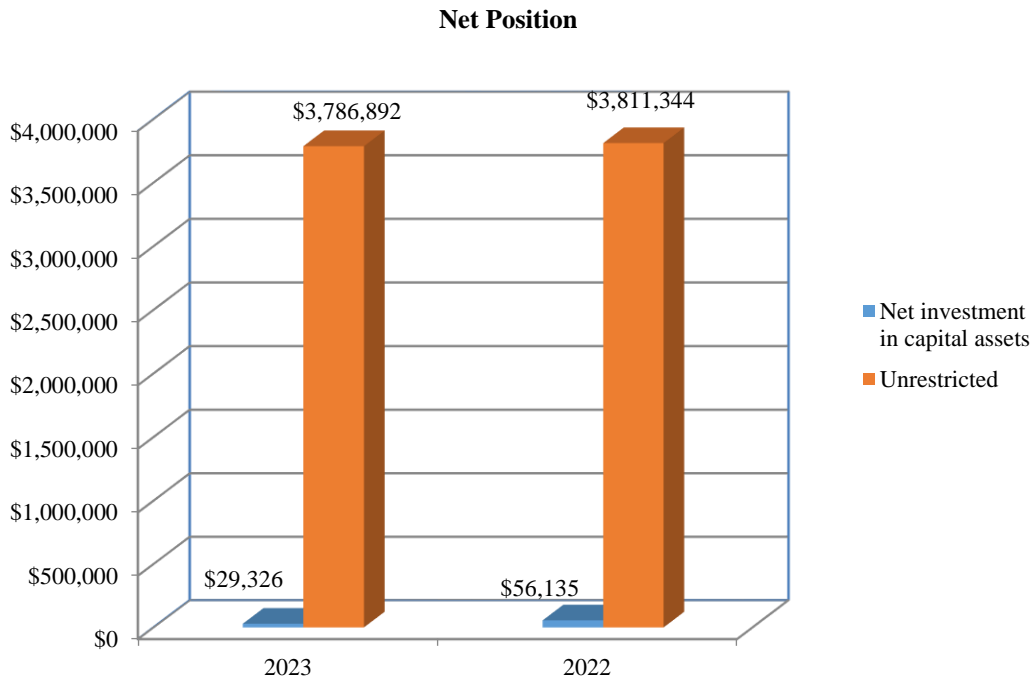
LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Management's Discussion and Analysis, Continued

At June 30, 2022, the Auxiliary's total assets increased by \$751,752 or 21%, from the prior fiscal year. This variance represented an increase in current assets of \$925,792 and a decrease in noncurrent assets of \$174,040. The increase in current assets was largely attributable to an increase in cash and equivalents from the receipt of fiscal year 2021 CUNY support monies, which reimbursed the Auxiliary for revenue losses experienced as a result the COVID-19 pandemic.

At June 30, 2022, the Auxiliary's total liabilities increased \$99,793 or 27%, compared to the prior fiscal year. This was attributable to an \$121,900 increase in accounts payable and accrued expenses offset by a \$22,825 decrease in due to related parties.

The following illustrates the Auxiliary's net position at June 30, 2023 and 2022, by category:



LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Management's Discussion and Analysis, Continued

Statements of Revenue, Expenses and Changes in Net Position

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

Revenue

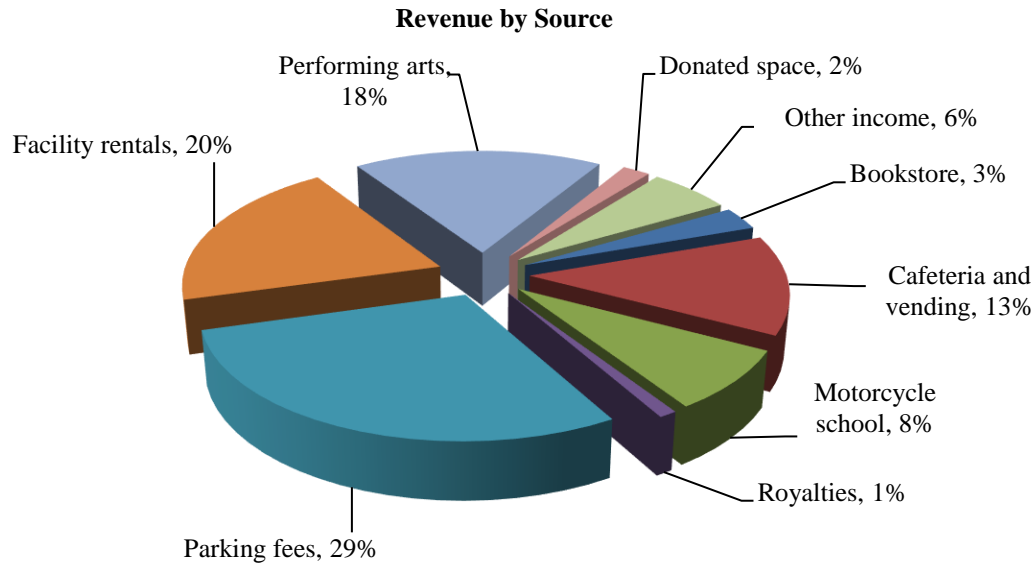
	<u>2023</u>	<u>2022</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 30,095	48,225	(18,130)	(38%)
Cafeteria and vending	147,471	62,250	85,221	137%
Royalties	14,434	12,822	1,612	13%
Parking fees	322,826	168,540	154,286	92%
Facility rentals	224,795	56,398	168,397	299%
Performing arts	200,397	71,215	129,182	181%
Housing program	3,776	143,190	(139,414)	(97%)
Motorcycle school	95,626	128,920	(33,294)	(26%)
Donated space	18,922	20,341	(1,419)	(7%)
Other income	<u>74,065</u>	<u>-</u>	<u>74,065</u>	100%
Total operating revenue	<u>1,132,407</u>	<u>711,901</u>	<u>420,506</u>	59%
Nonoperating revenue:				
Investment income (loss)	23,606	(19,538)	43,144	221%
CUNY support	<u>-</u>	<u>1,037,883</u>	<u>(1,037,883)</u>	(100%)
Total nonoperating revenue	<u>23,606</u>	<u>1,018,345</u>	<u>(994,739)</u>	(98%)
Total revenue	\$ <u>1,156,013</u>	<u>1,730,246</u>	<u>(574,233)</u>	(33%)

The Auxiliary's total revenue, including operating and nonoperating, for the year ended June 30, 2023, was \$1,156,013, a decrease of \$574,233 or 33% from the prior fiscal year. Contributing to this was the loss of \$1,037,883 in CUNY support, as the Auxiliary began generating its own revenue due to the subsiding of the COVID-19 pandemic.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Management’s Discussion and Analysis, Continued

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



Presented for comparison purposes are the major components of revenue for the years ended June 30, 2022 and 2021:

Revenue

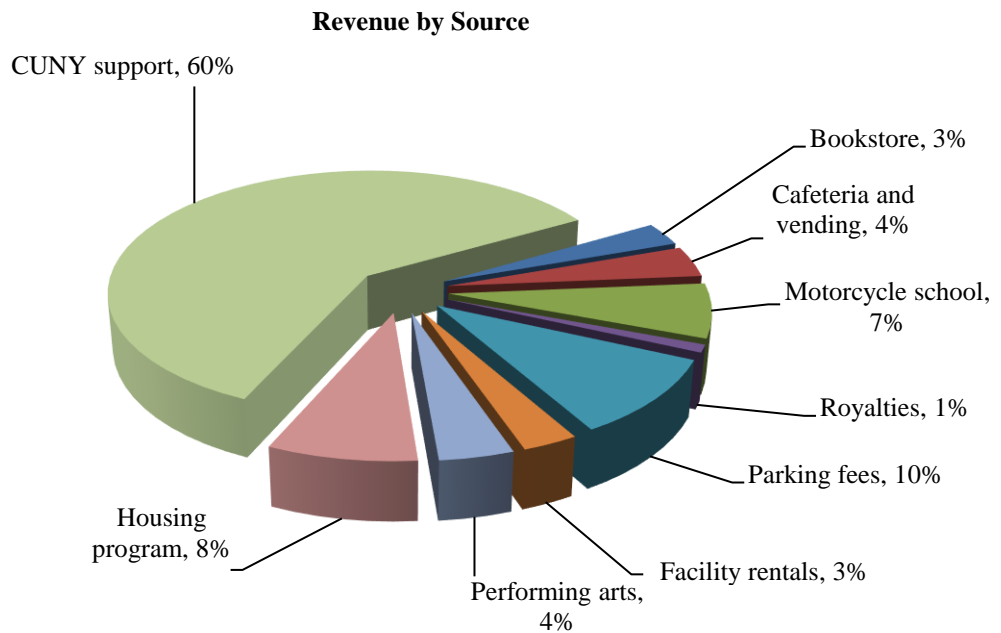
	<u>2022</u>	<u>2021</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 48,225	35,862	12,363	34%
Cafeteria and vending	62,250	4,598	57,652	1,254%
Royalties	12,822	8,988	3,834	43%
Parking fees	168,540	6,263	162,277	2,591%
Facility rentals	56,398	13,819	42,579	308%
Performing arts	71,215	11,350	59,865	527%
Housing program	143,190	85,402	57,788	68%
Motorcycle school	128,920	112,636	16,284	14%
Donated space	<u>20,341</u>	<u>18,468</u>	<u>1,873</u>	10%
Total operating revenue	<u>711,901</u>	<u>297,386</u>	<u>414,515</u>	139%
Nonoperating revenue:				
Investment income (loss)	(19,538)	43,707	(63,245)	(145%)
CUNY support	<u>1,037,883</u>	<u>1,801,514</u>	<u>(763,631)</u>	(42%)
Total nonoperating revenue	<u>1,018,345</u>	<u>1,845,221</u>	<u>(826,876)</u>	(45%)
Total revenue	<u>\$ 1,730,246</u>	<u>2,142,607</u>	<u>(412,361)</u>	(19%)

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Management's Discussion and Analysis, Continued

The Auxiliary's total revenue, including operating and nonoperating, for the year ended June 30, 2022, was \$1,730,246, a decrease of \$412,361 or 19% from the prior fiscal year. Driving this were increases in all of the Auxiliary's revenue generating activities as the College began returning to campus in fiscal year 2022 after being full remote in fiscal year 2021 due to the COVID-19 pandemic. Partially offsetting these increases was a decline in investment income due to decreases in market value of the Auxiliary's investments and a reduction in CUNY support as the Auxiliary was able to begin resuming many of its revenue generating activities.

The following illustrates the Auxiliary's operating revenue, by source, for the year ended June 30, 2022:



LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Management's Discussion and Analysis, Continued

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

Expenses

	<u>2023</u>	<u>2022</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 265,198	193,325	71,873	37%
Facility rentals	72,123	24,747	47,376	191%
Performing arts	274,854	156,972	117,882	75%
Housing program	92,244	254,015	(161,771)	(64%)
Donated space	18,922	20,341	(1,419)	(7%)
Management and general	426,074	241,285	184,789	77%
Depreciation	26,809	149,527	(122,718)	(82%)
Bad debt	<u>31,050</u>	<u>-</u>	<u>31,050</u>	100%
Total operating expenses	1,207,274	1,040,212	167,062	16%
Nonoperating expenses - College support	<u>-</u>	<u>10,904</u>	<u>(10,904)</u>	(100%)
Total expenses	\$ <u>1,207,274</u>	<u>1,051,116</u>	<u>156,158</u>	15%

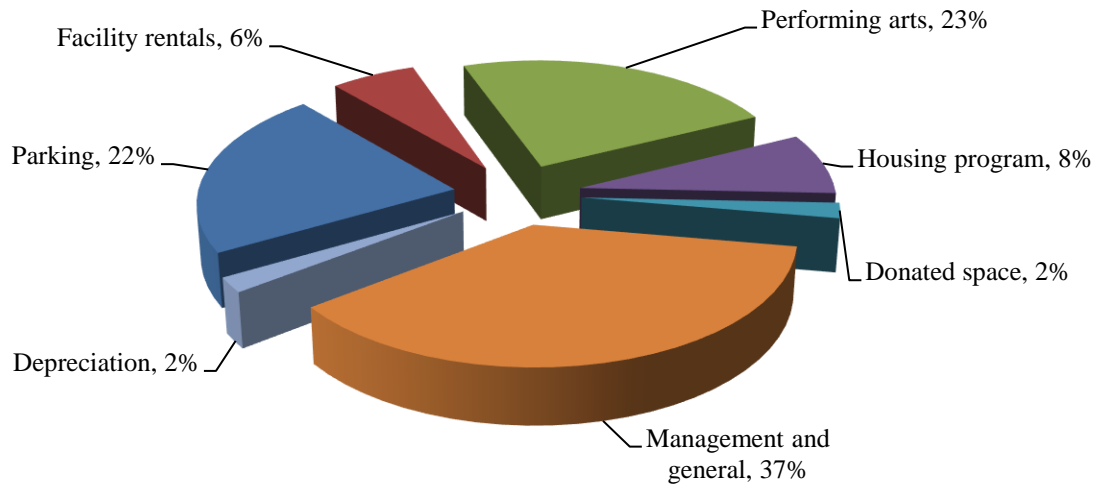
Total operating expenses for the year ended June 30, 2023, were \$1,207,274, an increase of \$156,158 or 15%, compared to the previous fiscal year. These increases were due to the Auxiliary resuming normal operations after the end of the COVID-19 pandemic. Decreases are noted in housing and depreciation due to the closing of the dorms and the disposal of certain assets that were no longer needed for cafeteria operations.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Management's Discussion and Analysis, Continued

The following illustrates the Auxiliary's total expenses, by category, for the year ended June 30, 2023:

Expenses by Category



Presented for comparison purposes are the major components of expenses for the years ended June 30, 2022 and 2021:

Expenses

	<u>2022</u>	<u>2021</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 193,325	310,615	(117,290)	(38%)
Facility rentals	24,747	22,248	2,499	11%
Performing arts	156,972	101,982	54,990	54%
Housing program	254,015	241,770	12,245	5%
Donated space	20,341	18,468	1,873	10%
Management and general	241,285	155,098	86,187	56%
Depreciation	<u>149,527</u>	<u>74,169</u>	<u>75,358</u>	102%
Total operating expenses	1,040,212	924,350	115,862	13%
Nonoperating expenses - College support	<u>10,904</u>	<u>81,004</u>	<u>(70,100)</u>	(87%)
Total expenses	\$ <u>1,051,116</u>	<u>1,005,354</u>	<u>45,762</u>	5%

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

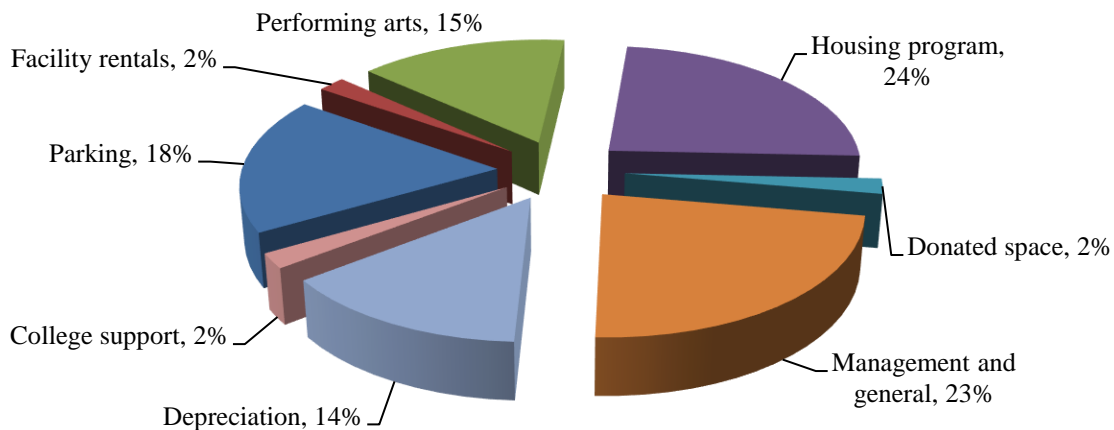
Management's Discussion and Analysis, Continued

Total expenses, operating and nonoperating, for the year ended June 30, 2022 were \$1,051,116, an increase of \$45,762 or 5%, compared to the previous fiscal year. Increases were noted in all categories as the College returned to campus and resumed Auxiliary operations. The decline in parking expenses is due to the reclassification of certain administrative salaries from parking to management and general.

As with revenue, the Auxiliary's revenues increased during the fiscal year as the College returned to campus and was able to resume its revenue generating activities.

The following illustrates the Auxiliary's total expenses, by category, for the year ended June 30, 2022:

Expenses by Category



Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the fiscal year and assists users in assessing the Auxiliary's ability to maintain cash needed to meet its obligations and its dependency on external financing. On June 30, 2023, the Auxiliary's cash totaled \$3,401,038, an increase of \$1,056,296 from June 30, 2022. This is due to net cash provided by operating activities of \$17,264, net cash provided by noncapital financing activities of \$1,037,883 and net cash provided by investing activities of \$1,149. The Auxiliary currently has sufficient cash flow to maintain its obligations and does not have to rely on external financing to meet any of its obligations.

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 or an increase in rates.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION
Statements of Net Position
June 30, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and equivalents	\$ 3,401,038	2,344,742
Accounts receivable, net of allowance for doubtful accounts of \$128,330 in 2023 and 2022	67,613	352,295
Due from CUNY	192,357	1,037,883
Lease receivable, current portion (note 6)	17,386	29,805
Prepaid expenses and other assets	44,448	44,448
Investments in CUNY investment pool, short-term (note 4)	<u>266,685</u>	<u>259,748</u>
Total current assets	<u>3,989,527</u>	<u>4,068,921</u>
Noncurrent assets:		
Investments in CUNY investment pool, long-term (note 4)	256,800	243,301
Capital assets, net (note 5)	29,326	56,135
Lease receivable, net of current portion (note 6)	<u>-</u>	<u>17,386</u>
Total noncurrent assets	<u>286,126</u>	<u>316,822</u>
Total assets	<u>4,275,653</u>	<u>4,385,743</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	239,060	171,248
Due to related parties (note 9)	166,360	244,718
Deferred income	4,376	-
Deposits held in custody for others (note 7)	<u>31,774</u>	<u>31,774</u>
Total current liabilities	441,570	447,740
Noncurrent liabilities - security deposits	<u>2,500</u>	<u>23,333</u>
Total liabilities	<u>444,070</u>	<u>471,073</u>
Deferred inflows of resources - leases	<u>15,365</u>	<u>47,191</u>
<u>Net Position</u>		
Net investment in capital assets	29,326	56,135
Unrestricted	<u>3,786,892</u>	<u>3,811,344</u>
Total net position	<u>\$ 3,816,218</u>	<u>3,867,479</u>

See accompanying notes to financial statements.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION
 Statements of Revenue, Expenses and Changes in Net Position
 Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 30,095	48,225
Cafeteria and vending	147,471	62,250
Royalties	14,434	12,822
Parking fees	322,826	168,540
Facility rentals	224,795	56,398
Performing arts	200,397	71,215
Housing program	3,776	143,190
Motorcycle school	95,626	128,920
Donated space (note 8)	18,922	20,341
Other income	74,065	-
Total operating revenue	<u>1,132,407</u>	<u>711,901</u>
Operating expenses:		
Parking	265,198	193,325
Facility rentals	72,123	24,747
Performing arts	274,854	156,972
Housing program	92,244	254,015
Donated space	18,922	20,341
Management and general	426,074	241,285
Depreciation	26,809	149,527
Bad debt	31,050	-
Total operating expenses	<u>1,207,274</u>	<u>1,040,212</u>
Loss from operations	<u>(74,867)</u>	<u>(328,311)</u>
Nonoperating revenue (expense):		
Investment income (loss)	23,606	(19,538)
CUNY support	-	1,037,883
College support	-	(10,904)
Total nonoperating revenue, net	<u>23,606</u>	<u>1,007,441</u>
Change in net position	(51,261)	679,130
Net position at beginning of year	<u>3,867,479</u>	<u>3,188,349</u>
Net position at end of year	<u>\$ 3,816,218</u>	<u>3,867,479</u>

See accompanying notes to financial statements.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 23,396	64,986
Cafeteria and vending commissions	125,987	89,610
Royalties commissions	14,434	12,822
Parking fees	453,544	50,200
Facility rentals	224,795	56,398
Performing arts	277,790	87,447
Housing program	3,776	66,169
Motorcycle school	94,922	154,328
Cash payments to/for:		
Salaries and employee benefits	(132,353)	(130,361)
Vendors	(629,806)	(173,590)
Performing arts	(274,854)	(156,972)
Housing program	(92,244)	(254,015)
Facility rentals	(72,123)	(24,747)
Net cash provided by (used in) operating activities	<u>17,264</u>	<u>(157,725)</u>
Cash flows from noncapital financing activities:		
Decrease in deposits held in custody for others	-	718
CUNY support	1,037,883	1,668,849
College support	-	(10,904)
Net cash provided by noncapital financing activities	<u>1,037,883</u>	<u>1,658,663</u>
Cash flows from capital and related financing activities -		
purchase of capital assets	-	17,007
Cash flows from investing activities - investment income (loss)	<u>1,149</u>	<u>(20,650)</u>
Net change in cash and equivalents	1,056,296	1,497,295
Cash and equivalents at beginning of year	<u>2,344,742</u>	<u>847,447</u>
Cash and equivalents at end of year	<u>\$ 3,401,038</u>	<u>2,344,742</u>

(Continued)

See accompanying notes to financial statements.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION
Statements of Cash Flows, Continued

	<u>2023</u>	<u>2022</u>
Reconciliation of loss from operations to net cash provided by (used in) operating activities:		
Loss from operations	\$ (74,867)	(328,311)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation	26,809	149,527
Bad debt	31,050	-
Changes in:		
Accounts receivable	253,632	(109,600)
Due from CUNY	(192,357)	-
Prepaid expenses and other assets	-	31,584
Accounts payable and accrued expenses	67,812	121,900
Due to related parties	(78,358)	(22,825)
Deferred income	4,736	-
Security deposits	<u>(20,833)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 17,624</u>	<u>(157,725)</u>

See accompanying notes to financial statements.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Notes to Financial Statements

June 30, 2023 and 2022

(1) Nature of Organization

The Lehman College Auxiliary Enterprise Corporation (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 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 discreetly 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 positions, including net positions designated by actions, if any, of the Auxiliary's Board of Directors.

On June 30, 2023 and 2022, the Auxiliary had no restricted net position.

(c) Cash and Equivalents

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

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Accounts Receivable

Accounts receivable are stated as 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.

(e) Investments

The Auxiliary has investments 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) that amounted to \$523,485 and \$503,049 on June 30, 2023 and 2022, respectively. 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, U.S. government bonds and foreign bonds. Realized and unrealized gains and losses are included in the statements of revenue, expenses and changes in net position.

(f) Fair Value Measurement and Disclosures

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Auxiliary has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2023 and 2022, the Auxiliary's CUNY investment pool are Level 1 assets.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(g) 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 five years and a cost or value at the time of receipt of \$5,000 or more for all computer 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.

(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, and vending, facility rentals, fees for parking 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 8).

(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.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

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.

(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. On June 30, 2023, \$3,150,537 of the Auxiliary's bank balance of \$3,400,537 was exposed to custodial credit risk as such balances were not within the FDIC deposit insurance limits. At June 30, 2022, \$2,094,788 of the Auxiliary's bank balance of \$2,344,788 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, 2023 and 2022, the Auxiliary's entire investment portfolio balance of \$523,485 and \$503,049, respectively, was exposed to custodial credit risk, as it was uninsured and uncollateralized.

(4) Investments in CUNY Investment Pool and Related Investment Income

The Auxiliary's investments in the CUNY investment pool are comprised of assets which are pooled and invested by and under the control of the Committee. Pooled investments include equity and fixed income securities. Investments as of June 30, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Investments in CUNY investment pool, short term	\$ 266,685	259,748
Investments in CUNY investment pool, long-term	<u>256,800</u>	<u>243,301</u>
	\$ <u>523,485</u>	<u>503,049</u>

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Notes to Financial Statements, Continued

(4) Investments in CUNY Investment Pool and Related Investment Income, Continued

The following table summarizes the activity of investments during the years ended June 30, 2023 and 2022:

Balance at June 30, 2021	\$ 523,699
Interest and dividends	5,491
Realized gains	6,626
Unrealized losses	<u>(32,767)</u>
Balance at June 30, 2022	503,049
Interest and dividends	10,017
Realized gains	1,776
Unrealized gains	<u>8,643</u>
Balance at June 30, 2023	\$ <u>523,485</u>

A summary of investment income (loss) from the CUNY investment pool for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 10,017	5,491
Realized gains	1,776	6,626
Unrealized gains (losses)	<u>8,643</u>	<u>(32,767)</u>
Total	\$ <u>20,436</u>	<u>(20,650)</u>

(5) Capital Assets

At June 30, 2023 and 2022, capital assets consisted of the following:

	<u>2023</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u> <u>balance</u>
Equipment	\$ 381,042	-	-	381,042
Cafeteria renovations	464,300	-	(114,489)	349,811
Parking gate	293,718	-	-	293,718
Parking lot improvements	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
	1,324,060	-	(114,489)	1,209,571
Less accumulated depreciation	<u>(1,267,925)</u>	<u>(26,809)</u>	<u>114,489</u>	<u>(1,180,245)</u>
	\$ <u>56,135</u>	<u>(26,809)</u>	<u>-</u>	<u>29,326</u>

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Notes to Financial Statements, Continued

(5) Capital Assets, Continued

	2022			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>balance</u>
Equipment	\$ 364,035	17,007	-	381,042
Cafeteria renovations	464,300	-	-	464,300
Parking gate	293,718	-	-	293,718
Parking lot improvements	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
	1,307,053	17,007	-	1,324,060
Less accumulated depreciation	<u>(1,118,398)</u>	<u>(149,527)</u>	<u>-</u>	<u>(1,267,925)</u>
	<u>\$ 188,655</u>	<u>(132,520)</u>	<u>-</u>	<u>56,135</u>

(6) Lease Receivable

The Auxiliary entered into a license agreement to lease space to the Motorcycle Safety School, Inc. for the purpose of using college premises to conduct motorcycle safety training classes. Under the agreement, the Auxiliary receives 12 equal monthly installments in each fiscal year covered by an agreement commencing January 31, 2019, and concluding January 31, 2024. As of June 30, 2023 and 2022, Leases, the present value of the lease receivable, measured using an implicit rate of 0.58% was \$17,386 and \$47,191, respectively. The following is the amortization schedule for the lease receivable:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ <u>17,386</u>	<u>195</u>	<u>17,581</u>

The following is the amortization schedule for the deferred inflows of resources:

Year ending <u>June 30,</u>	<u>Total</u>
2024	\$ <u>15,365</u>

(7) Deposits Held in Custody for Others

On June 30, 2023 and 2022, the Auxiliary held \$31,774 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.

LEHMAN COLLEGE AUXILIARY ENTERPRISE CORPORATION

Notes to Financial Statements, Continued

(8) 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, 2023 and 2022 amounted to \$18,922 and \$20,341, respectively.

(9) Related Party Transactions

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 \$523,485 and \$503,049 at June 30, 2023 and 2022, respectively, in the CUNY investment pool (note 4), which is under the control of the Committee, a related party.

At June 30, 2023 and 2022, the Auxiliary owed \$166,360 and \$244,718, respectively, to other Lehman College entities. These amounts are included in due to related parties on the statements of net position.

(10) Accounting Standards Issued but Not Yet Implemented

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

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

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