

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Financial Statements and
Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Queensborough Community College Auxiliary
Enterprise Association, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Queensborough Community College Auxiliary Enterprise Association, Inc. (the Auxiliary) as of and for the years ended June 30, 2022 and 2021, 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 Queensborough Community College Auxiliary Enterprise Association, Inc. as of June 30, 2022 and 2021 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 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
January 4, 2023

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Management's Discussion and Analysis

June 30, 2022 and 2021

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Queensborough Community College (QCC) Auxiliary Enterprise Association, Inc.'s (the Auxiliary) financial position as of June 30, 2022 and 2021, and changes in its net assets 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 net assets increased by \$218,615 or 3%.
- Operating revenue increased by \$419,240 or 68%.
- Operating expenses increased by \$723,695 or 105%.

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 whether its financial health is improving.

Statements of Net Position

The following summarizes the Auxiliary's assets, liabilities and net assets 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	\$ 2,392,391	1,461,100	931,291	64%
Noncurrent assets	<u>4,806,752</u>	<u>5,477,394</u>	(670,642)	(12%)
Total assets	<u>7,199,143</u>	<u>6,938,494</u>	<u>260,649</u>	4%
Current liabilities	<u>294,156</u>	<u>252,122</u>	<u>42,034</u>	17%
Net assets:				
Net investment in capital assets	2,176,308	2,439,620	(263,312)	(11%)
Unrestricted	<u>4,728,679</u>	<u>4,246,752</u>	<u>481,927</u>	11%
Total net assets	\$ <u>6,904,987</u>	<u>6,686,372</u>	<u>218,615</u>	3%

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Management's Discussion and Analysis, Continued

At June 30, 2022, the Auxiliary's total assets increased by \$260,649 or 4%, compared to the previous year. This variance was primarily attributable to an increase of \$922,777 in accounts receivable primarily due to Higher Education Emergency Relief Fund (HEERF) reimbursements for fiscal year 2022 loss in revenue as a result of pandemic. There was also an increase of \$134,649 or 92% in prepaid expenses mainly attributable to salaries transfer to CUNY Research Foundation for cafeteria employees. This was partially offset by a decrease of \$126,135 or 14% in cash and equivalent as result of increase in payroll expenses for the new cafeteria.

The Auxiliary's current liabilities increased by \$42,034 or 17%, compared to the previous year. This was mainly due to accounts payable vouchers entered in CUNY first on June 30, 2022 and paid on July 1, 2022, as well as other expense accruals.

The following summarizes the Auxiliary's assets, liabilities and net assets as of June 30, 2021 and 2020, under the accrual basis of accounting:

	<u>2021</u>	<u>2020</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 1,461,100	1,168,834	292,266	25%
Noncurrent assets	<u>5,477,394</u>	<u>5,486,996</u>	<u>(9,602)</u>	(1%)
Total assets	<u>6,938,494</u>	<u>6,655,830</u>	<u>282,664</u>	4%
Current liabilities	<u>252,122</u>	<u>270,124</u>	<u>(18,002)</u>	(7%)
Net assets:				
Net investment in capital assets	2,439,620	2,695,501	(255,881)	(9%)
Unrestricted	<u>4,246,752</u>	<u>3,690,205</u>	<u>556,547</u>	15%
Total net assets	\$ <u>6,686,372</u>	<u>6,385,706</u>	<u>300,666</u>	5%

At June 30, 2021, the Auxiliary's total assets increased by \$282,664 or 4%, compared to the previous year. This variance was primarily attributable to an increase in amounts due from related parties of \$377,169 for CUNY support. There was also an increase of \$67,627 or 86% increase in prepaid expenses mainly due to the transfer to the CUNY Research Foundation to fund a new KHC employee utilizing legislative funds deposited to the Auxiliary. These increases were partially offset by a decrease of \$100,813 or 10% in cash and equivalents mainly as a result of \$102,000 payment of advertising expense to boost enrollment. There was also a decrease of \$40,493 or 67% in accounts receivable mainly as a result of the collection of \$50,000 funded by the Auxiliary in fiscal year 20 and reimbursed in fiscal year 21.

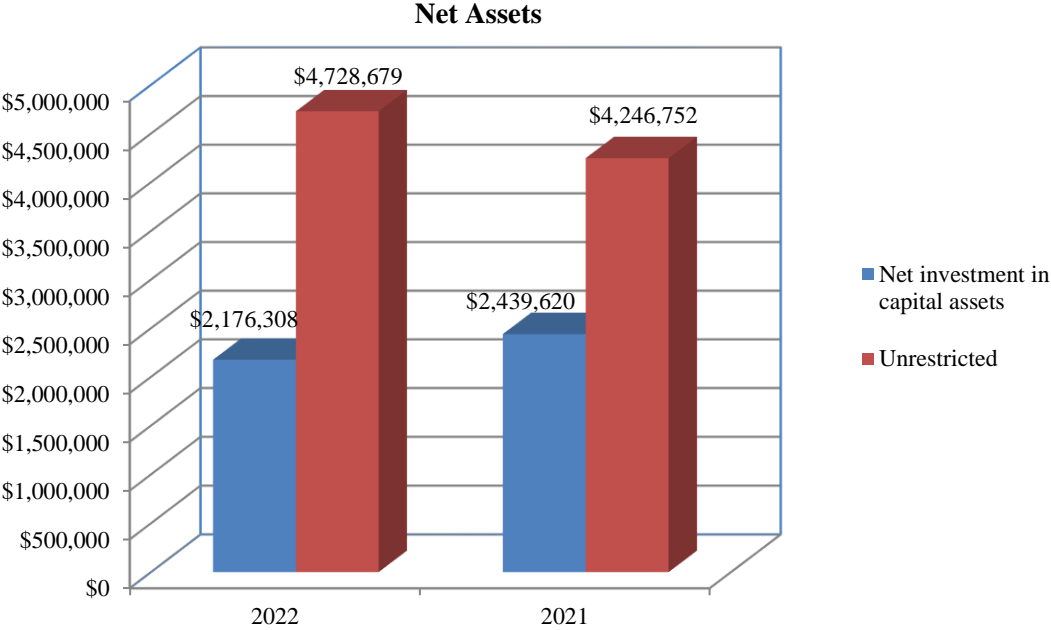
QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Management’s Discussion and Analysis, Continued

The Auxiliary’s current liabilities decreased by \$18,002 or 7%, compared to the previous year. This was mainly due to a decrease of \$17,403 or 36% in accounts payable as the Auxiliary settled liabilities with Metropolitan Foods whose contract expired and will no longer provide food services to the College.

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, 2022 and 2021 by category:



QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Management's Discussion and Analysis, Continued

Statements of Revenue, Expenses and Changes in Net Assets

The statements of revenue, expenses and changes in net assets 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, 2022 and 2021 are as follows:

Revenue

	<u>2022</u>	<u>2021</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 39,239	52,710	(13,471)	(26%)
Vending income	30,099	51,451	(21,352)	(41%)
Performing arts	225,343	11,061	214,282	1,937%
Kupferberg Holocaust Center	76,500	67,500	9,000	13%
Royalties	179,105	169,516	9,589	6%
Facility rentals	48,550	-	48,550	100%
Other	382,418	213,839	168,579	79%
Donated space and services	<u>53,605</u>	<u>49,542</u>	<u>4,063</u>	8%
Total operating revenue	<u>1,034,859</u>	<u>615,619</u>	<u>419,240</u>	68%
Nonoperating revenue:				
Other	58,722	818	57,904	7,079%
Investment income (loss)	(407,269)	246,518	(653,787)	(265%)
College support	<u>1,125,782</u>	<u>377,169</u>	<u>748,613</u>	198%
Total nonoperating revenue	<u>777,235</u>	<u>624,505</u>	<u>152,730</u>	24%
Total revenue	\$ <u>1,812,094</u>	<u>1,240,124</u>	<u>571,970</u>	46%

The Auxiliary's total revenue for fiscal year 2022 was \$1,812,094 representing an increase of \$571,970 or 46%, compared to the previous year. The Auxiliary operating revenue increased by \$419,240 or 68% primarily due to Performing Arts Center revenue increasing after the pandemic. Nonoperating revenue increased \$152,730 or 24% primarily due to HEERF reimbursement for fiscal year 2022 loss in revenue as a result of pandemic offset by an investment loss.

Bookstore commission decreased by \$13,471, or 26%, primarily as a result of the continued increased in competition from online providers. Parking fees remained at zero due to the campus not fully opening in fiscal year 2022. In addition, the suspension of campus activities resulted in a decrease of \$21,352, or 41%, in vending income. As the College gradually reopened, the negative impact of COVID-19 was partially offset by a rebound in revenue in some lines of business. There was a \$48,550 or 100% increase in facilities rental revenue as well as \$345,453 of income from the newly opened cafeteria which is reported as other income.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

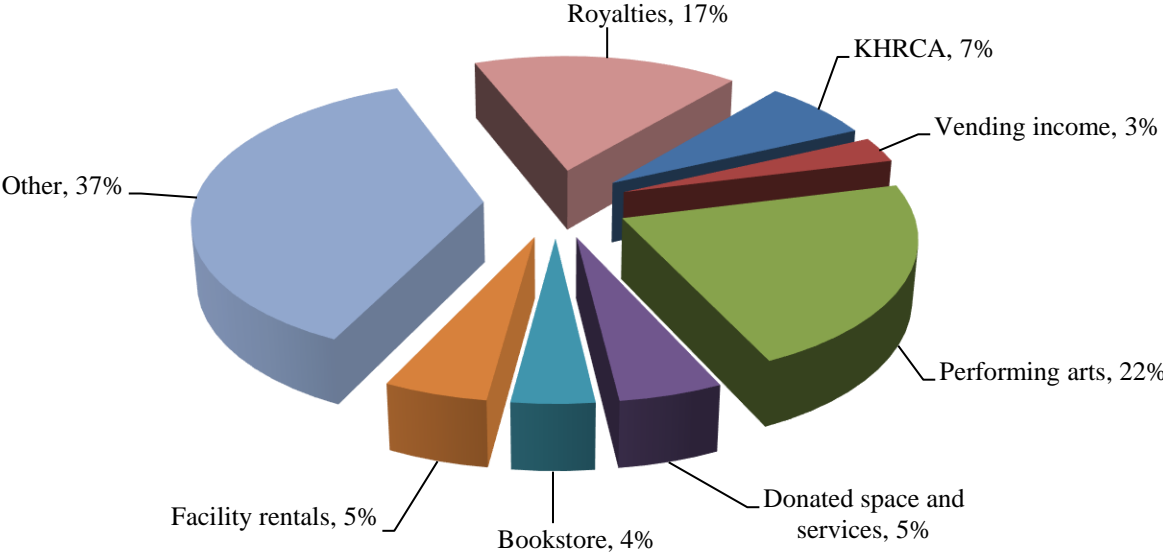
Management’s Discussion and Analysis, Continued

Bookstore commissions, performing arts, royalties and KHRCA represented 4%, 22%, 17% and 7% of total operating revenue, respectively, and accordingly, the Auxiliary is dependent upon this level of support to carry out its operation.

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, 2022:

Operating Revenue by Source



QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Management's Discussion and Analysis, Continued

The major components of revenue and expenses for the years ended June 30, 2021 and 2020 are as follows:

Revenue

	<u>2021</u>	<u>2020</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Commissions:				
Bookstore	\$ 52,710	134,405	(81,695)	(61%)
Cafeteria	-	17,500	(17,500)	(100%)
Vending income	51,451	190,381	(138,930)	(73%)
Parking fees	-	354,291	(354,291)	(100%)
Performing arts	11,061	165,227	(154,166)	(93%)
Kupferberg Holocaust Center	67,500	70,000	(2,500)	(4%)
Royalties	169,516	268,315	(98,799)	(37%)
Facility rentals	-	3,060	(3,060)	(100%)
Other	213,839	320,067	(106,228)	(33%)
Donated space and services	<u>49,542</u>	<u>49,542</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>615,619</u>	<u>1,572,788</u>	<u>(957,169)</u>	<u>(61%)</u>
Nonoperating revenue:				
Other	818	71,436	(70,618)	(99%)
Investment income	246,518	91,112	155,406	171%
CUNY support	<u>377,169</u>	<u>-</u>	<u>377,169</u>	100%
Total nonoperating revenue	<u>624,505</u>	<u>162,548</u>	<u>461,957</u>	284%
Total revenue	<u>\$ 1,240,124</u>	<u>1,735,336</u>	<u>(495,212)</u>	<u>(29%)</u>

The Auxiliary's total revenue for fiscal 2021 was \$1,240,124 representing a decrease of \$495,212 or 29%, compared to the previous year. The Auxiliary operating revenue decreased by \$957,169 or 61%. Nonoperating revenue increased \$461,957 or 284% due to the allocation of funding from CUNY. All lines of revenue suffered losses due to the pandemic.

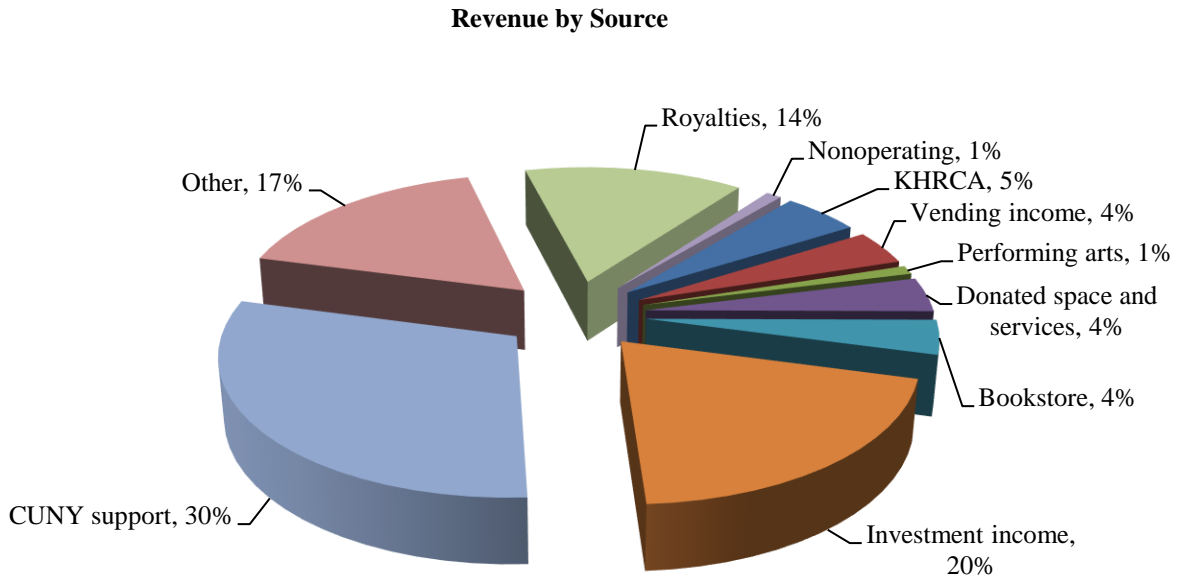
Overall, the suspension of campus activity due to COVID-19 and the conversion to a 100% distance learning modality had a negative effect on the Auxiliary recurring income opportunities and expenses. Bookstore commission decreased by \$81,695 or 61%, primarily as a result of the continued increase in competition from online providers. Cafeteria commission and parking fees were reduced to zero due to the closure of the campus. In addition, the suspension of campus activities resulted in a decrease of \$138,930 or 73%, in vending income commissions. Finally, beverage royalty revenue declined by \$98,799 or 37% as the Central Office has remitted less royalty income due to the pandemic sales losses.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Management's Discussion and Analysis, Continued

Bookstore commissions, royalties, investment and KHRCA represented 5%, 15%, 21% and 6% of total revenue, respectively, and accordingly, the Auxiliary is dependent upon this level of support to carry out its operation.

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, 2021



QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Management's Discussion and Analysis, Continued

Expenses

	<u>2022</u>	<u>2021</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 54,668	6,231	48,437	777%
Performing arts	186,550	166,026	20,524	12%
Facility rentals	53,084	46,650	6,434	14%
Art gallery	14,591	4,675	9,916	212%
Kupferberg Holocaust Center	96,626	10,038	86,588	863%
Management and general	741,071	196,706	544,365	277%
Depreciation	<u>263,312</u>	<u>255,881</u>	<u>7,431</u>	3%
Total operating expenses	<u>1,409,902</u>	<u>686,207</u>	<u>723,695</u>	105%
Nonoperating expenses:				
Advertising	67,637	102,035	(34,398)	(34%)
Graduation/commencement	67,536	5,750	61,786	1,075%
Contribution	-	95,000	(95,000)	(100%)
Other	<u>48,404</u>	<u>50,466</u>	<u>(2,062)</u>	(4%)
Total nonoperating expenses	<u>183,577</u>	<u>253,251</u>	<u>(69,674)</u>	(28%)
Total expenses	\$ <u>1,593,479</u>	<u>939,458</u>	<u>654,021</u>	70%

Total expenses for fiscal 2022 were \$1,593,479, an increase of \$654,021, or 70%, compared to the previous year.

Operating expenses were \$1,409,902, an increase of \$723,695, or 105%, compared to the previous year.

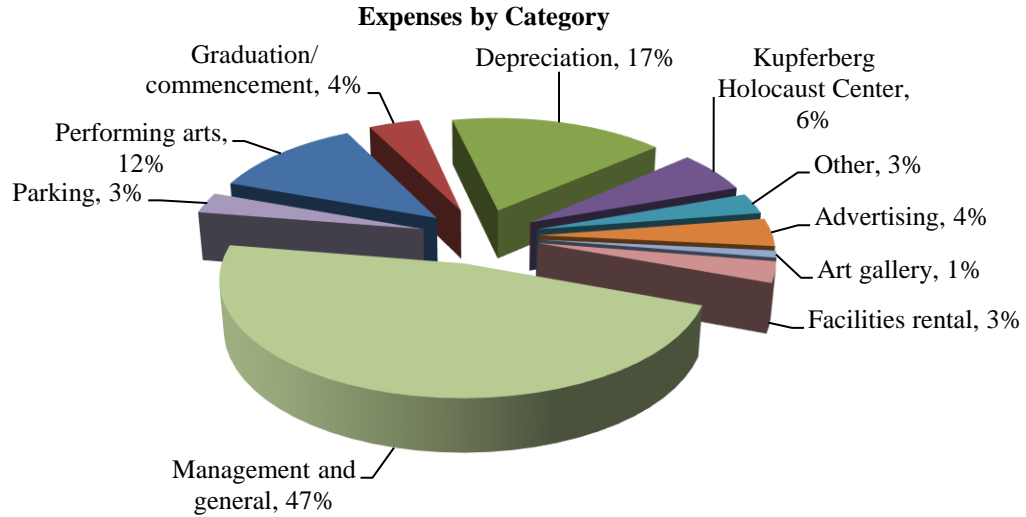
As the College gradually reopened, operating expenses increased in all business lines. There was an increase of \$48,437 or 777% in parking expenses primarily as a result of installing a new security system. KHC expenses also increased by \$86,588 or 863% mainly due to a \$56,000 increase in salaries and fringe to hire a full time employee and a \$22,000 increase in special events spending. Expenses for performing art center increased by \$20,254 or 12% as a result of increase in salaries and fringe expenses. Management and general expense also increased by \$544,365 or 277% mainly due to the opening of new cafeteria.

Nonoperating expenses were \$183,577, a decrease of \$69,674 or 28%, from the previous year. There was a decrease of \$34,398 or 34%, in advertising expenses and a decrease of \$95,000 or 100% in contribution to support scholarships. The decrease in nonoperating expenses was partially offset by a \$61,786 or 1,075% increase in graduation and commencement expenses as the College resumed an in person graduation and commencement ceremony.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Management's Discussion and Analysis, Continued

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



	<u>2021</u>	<u>2020</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Parking	\$ 6,231	247,026	(240,795)	(97%)
Performing arts	166,026	480,118	(314,092)	(65%)
Facility rentals	46,650	76,488	(29,838)	(39%)
Art gallery	4,675	-	4,675	100%
Kupferberg Holocaust Center	10,038	67,995	(57,957)	(85%)
Management and general	196,706	455,594	(258,888)	(57%)
Depreciation	<u>255,881</u>	<u>263,953</u>	<u>(8,072)</u>	(3%)
Total operating expenses	<u>686,207</u>	<u>1,591,174</u>	<u>(904,967)</u>	(57%)
Nonoperating expenses:				
Advertising	102,035	157,010	(54,975)	(35%)
Graduation/commencement	5,750	26,417	(20,667)	(78%)
Contributions	95,000	29,769	65,231	219%
Other	<u>50,466</u>	<u>164,324</u>	<u>(113,858)</u>	(69%)
Total nonoperating expenses	<u>253,251</u>	<u>377,520</u>	<u>(124,269)</u>	(33%)
Total expenses	\$ <u>939,458</u>	<u>1,968,694</u>	<u>(1,029,236)</u>	(52%)

Total expenses for fiscal 2021 were \$939,458, a decrease of \$1,029,236 or 52%, compared to the previous year.

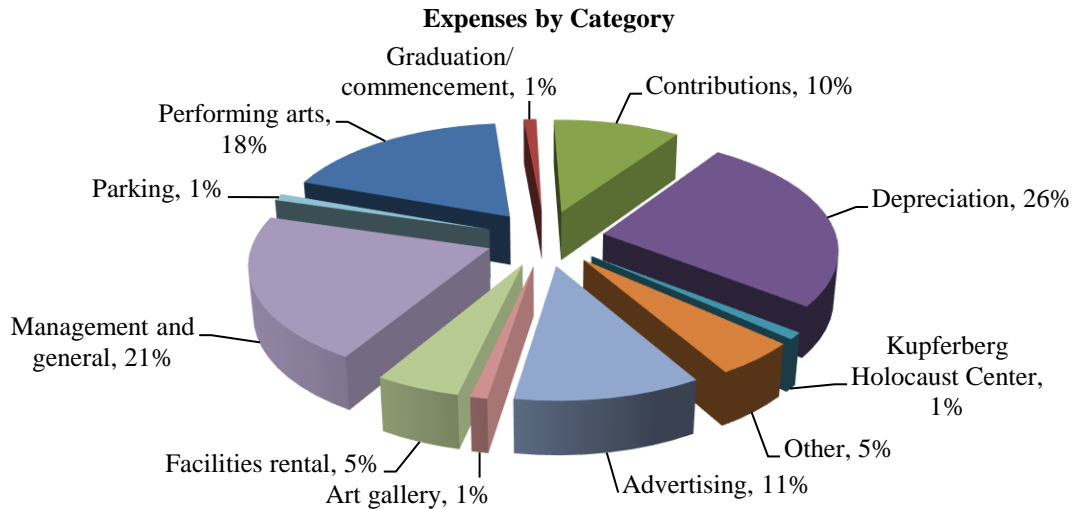
QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Management’s Discussion and Analysis, Continued

Operating expenses were \$686,207, a decrease of \$904,967 or 57% compared to the previous year. As a result of suspension of College activities, operating expenses decreased in all business lines except for the art gallery which has a modest increase of \$4,765. As the College was closed and parking lot largely vacant, it resulted in a \$240,795 or 97% decrease in expenses mainly related to maintenance and security guard services. Expenses for the performing art center decreased by \$314,092 or 65% as all shows were online and fewer shows were produced. Management and general expense also decreased by \$258,888 or 57% primarily due to the absence of approximately \$142,000 labor reimbursement for accountant services in fiscal year 21 compared to fiscal year 20. There were also an approximate \$25,000 decrease in administrative expenses, \$18,000 decrease in business meals and \$4,000 decrease in office supplies.

Nonoperating expenses were \$253,251, a decrease of \$124,269 or 33%, from the previous year. There were decreases of \$54,975 or 35% in advertising expenses and \$20,667 or 78% in graduation and commencement expense mainly attributable to the COVID-19 crisis.

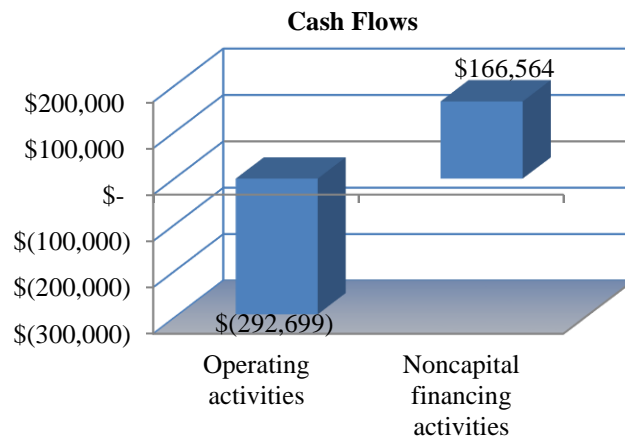
The following illustrates the Auxiliary’s expenses, by category, for the year ended June 30, 2021:



QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Management's Discussion and Analysis, Continued

Cash Flows

The statements of cash flows provide 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, 2022:



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.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Statements of Net Position
June 30, 2022 and 2021

	<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:			
Cash and equivalents		\$ 773,375	899,510
Commissions receivable		-	17,808
Accounts receivable - other		128,514	20,032
Due from related party		1,209,272	377,169
Prepaid expenses		<u>281,230</u>	<u>146,581</u>
Total current assets		2,392,391	1,461,100
Investments		2,630,444	3,037,774
Capital assets, net		<u>2,176,308</u>	<u>2,439,620</u>
Total assets		<u>7,199,143</u>	<u>6,938,494</u>
	<u>Liabilities</u>		
Current liabilities:			
Accounts payable and accrued expenses		75,422	31,067
Deposits held in custody for others, net		<u>218,734</u>	<u>221,055</u>
Total current liabilities		<u>294,156</u>	<u>252,122</u>
	<u>Net Position</u>		
Net investment in capital assets		2,176,308	2,439,620
Unrestricted		<u>4,728,679</u>	<u>4,246,752</u>
Total net position		<u>\$ 6,904,987</u>	<u>6,686,372</u>

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue:		
Commissions:		
Bookstore	\$ 39,239	52,710
Vending	30,099	51,451
Performing arts	225,343	11,061
Kupferberg Holocaust Center	76,500	67,500
Royalties	179,105	169,516
Facilities rental	48,550	-
Other	382,418	213,839
Donated space and services	<u>53,605</u>	<u>49,542</u>
Total operating revenue	<u>1,034,859</u>	<u>615,619</u>
Operating expenses:		
Parking	54,668	6,231
Performing arts	186,550	166,026
Facilities rental	53,084	46,650
Art gallery	14,591	4,675
Kupferberg Holocaust Center	96,626	10,038
Management and general	741,071	196,706
Depreciation	<u>263,312</u>	<u>255,881</u>
Total operating expenses	<u>1,409,902</u>	<u>686,207</u>
Loss from operations	<u>(375,043)</u>	<u>(70,588)</u>

(Continued)

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Statements of Revenue, Expenses and Changes in Net Position, Continued

	<u>2022</u>	<u>2021</u>
Nonoperating revenue (expenses):		
Other nonoperating revenue	\$ 58,722	818
Investment income (loss)	(407,269)	246,518
CUNY support	1,125,782	377,169
College related disbursements:		
Advertising	(67,637)	(102,035)
Graduation/commencement	(67,536)	(5,750)
Contributions	-	(95,000)
Other	<u>(48,404)</u>	<u>(50,466)</u>
Total nonoperating revenue, net	<u>593,658</u>	<u>371,254</u>
Change in net position	218,615	300,666
Net position at beginning of year	<u>6,686,372</u>	<u>6,385,706</u>
Net position at end of year	<u>\$ 6,904,987</u>	<u>6,686,372</u>

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Statements of Cash Flows
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from:		
Bookstore commissions	\$ 39,239	52,710
Vending commissions	30,099	51,451
Performing arts	225,343	11,061
Other	595,899	502,572
Cash payments to/for:		
Employees' salaries and benefits	(825,208)	(301,375)
Vendors and other disbursements	<u>(358,071)</u>	<u>(164,439)</u>
Net cash provided by (used in) operating activities	<u>(292,699)</u>	<u>151,980</u>
Cash flows from noncapital financing activities:		
CUNY support	293,679	-
College related disbursements	(135,173)	(202,785)
Deposits held in custody for others	(2,321)	(599)
Other nonoperating expenses, net	<u>10,379</u>	<u>(49,409)</u>
Net cash provided by (used in) noncapital financing activities	<u>166,564</u>	<u>(252,793)</u>
Net change in cash and equivalents	(126,135)	(100,813)
Cash and equivalents at beginning of year	<u>899,510</u>	<u>1,000,323</u>
Cash and equivalents at end of year	<u>\$ 773,375</u>	<u>899,510</u>

(Continued)

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.
Statements of Cash Flows, Continued

	<u>2022</u>	<u>2021</u>
Reconciliation of loss from operations to net cash provided by (used in) operating activities:		
Loss from operations	\$ (375,043)	(70,588)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation	263,312	255,881
Changes in:		
Commissions receivable	17,808	11,224
Accounts receivable - other	(108,482)	40,493
Prepaid expenses	(134,649)	(67,627)
Accounts payable and accrued expenses	<u>44,355</u>	<u>(17,403)</u>
Net cash provided by (used in) operating activities	<u>\$ (292,699)</u>	<u>151,980</u>

See accompanying notes to financial statements.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2022 and 2021

(1) Nature of Organization

The Queensborough Community College Auxiliary Enterprise Association, Inc. (the Auxiliary) is a nonprofit entity organized to support certain student activities and provide facilities and auxiliary services for the benefit of the campus community of Queensborough Community 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 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, 2022 and 2021, 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.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Receivables

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(e) Investments

Investments are reported at their fair values based on quoted market prices. Donated securities are recorded at fair value at the date of donation. Realized and unrealized gains and losses are included in the statements of revenue, expenses and changes in net position as changes in unrestricted net position, unless their use is restricted by explicit donor stipulations or by law.

(f) Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of contribution, if donated. In accordance with the Auxiliary's capital asset policy, capital assets are defined as any asset with a useful life of at least two years and a cost or value at the time of receipt of \$5,000 or more. 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 and equipment is five years and 15 years for improvements.

(g) Revenue Recognition

Operating revenue is primarily derived from ticket sales for performances held in the College's theater and agreements with certain unrelated organizations to provide the College with bookstore, cafeteria, photocopy, beverage vending services and fees charged for the use of parking and other College facilities. Fees that are collected prior to year-end, if any, relating to the subsequent year are recorded as unearned revenue.

(h) Commissions

Bookstore commissions represent income earned under a contract with an unrelated organization to operate and maintain the campus bookstore. The terms of the original contract, effective through July 31, 2015, provided the Auxiliary with annual commissions equal to the greater of a fixed amount of \$175,000 or an amount based on a percentage of the unrelated organization's sales at the campus bookstore. The terms of the original contract were extended for eight years to July 30, 2023.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Commissions, Continued

Vending commissions represent income earned under a contract with an unrelated organization for the sale of food and nonalcoholic beverages on the College's premises. Negotiations for a new contract are ongoing as of the date of these financial statements. The contract provided no commission for the year ended June 30, 2021.

A vending contract was signed with Canteen Vending Service Division as of June 9, 2014. The terms of the agreement began on January 1, 2015 with the terms being a total of five years ending December 31, 2019, and is now operating on a month-to-month basis.

(i) Royalties

Royalties represent agreements to provide locations for wireless providers with Sprint and Verizon; and pouring rights royalties from Pepsi-Cola Bottling Company of New York, Inc. The terms of the Sprint contract, which expired on November 18, 2022, will continue on a month to month basis until further contract negotiations. The terms of the Verizon agreement, which expired on March 22, 2019, will continue on a month to month basis until further contract negotiations. All wireless agreements provide that the fee each year shall be increased by an amount equal to 103% of the annual fee for the immediately preceding year. The terms of the Pepsi-Cola Bottling Company of New York, Inc. contract, which expires on July 1, 2023, provide the Auxiliary with an guaranteed annual royalty in the amount \$60,000 plus an annual donation to the QCC Fund, Inc., a related entity.

(j) 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 use of the space was valued at \$4,975 for the years ended June 30, 2022 and 2021. Donated services of \$48,630 and \$44,567 for the years ended June 30, 2022 and 2021, respectively, represent a portion of the accountant's salary and that of the Finance Manager attributable to functions performed by the Auxiliary, and is included in revenue and management and general expenses in the accompanying statements of revenue, expenses and changes in net position.

(k) 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.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(l) 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.

(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.

(n) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on the Auxiliary and its future results and financial position is not presently determinable.

(o) 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

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, 2022, \$515,588 of the Auxiliary's bank balance of \$765,588 was exposed to custodial credit risk as it was uninsured and uncollateralized. At June 30, 2021, \$745,616 of the Auxiliary's bank balance of \$995,616 was exposed to custodial credit risk as it was uninsured and uncollateralized.

(4) Investments

At June 30, 2022 and 2021, the Auxiliary had investments in the amount of \$2,630,444 and \$3,037,774, respectively.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Notes to Financial Statements, Continued

(4) Investments, Continued

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, 2022 and 2021, the Auxiliary's entire investment portfolio was not exposed to any custodial credit risk, as it was insured through the Securities Investor Protection Corporation in the amount of \$500,000 and through an insurance company, which provides an additional supplemental protection of up to \$49.5 million of cash loss per client.

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 asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 inputs must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's 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.

There have been no changes in the methodologies used during the years ended June 30, 2022 and 2021.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Notes to Financial Statements, Continued

(4) Investments, Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Auxiliary believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Auxiliary's assets at fair value as of June 30, 2022 and 2021:

<u>Assets at Fair Value as of June 30, 2022</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 17,801	-	-	17,801
Mutual funds	1,405,128	-	-	1,405,128
Equity securities	<u>1,207,515</u>	<u>-</u>	<u>-</u>	<u>1,207,515</u>
	<u>\$ 2,630,444</u>	<u>-</u>	<u>-</u>	<u>2,630,444</u>

<u>Assets at Fair Value as of June 30, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 3,999	-	-	3,999
Mutual funds	2,677,496	-	-	2,677,496
Equity securities	<u>356,279</u>	<u>-</u>	<u>-</u>	<u>356,279</u>
	<u>\$ 3,037,774</u>	<u>-</u>	<u>-</u>	<u>3,037,774</u>

(5) Capital Assets

At June 30, 2022 and 2021 capital assets consisted of the following:

	<u>2022</u>			
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Furniture and equipment	\$ 268,900	-	-	268,900
Parking lot improvements	2,882,377	-	-	2,882,377
Vehicles	199,492	-	-	199,492
Campus improvement	<u>436,788</u>	<u>-</u>	<u>-</u>	<u>436,788</u>
	3,787,557	-	-	3,787,557
Less accumulated depreciation	<u>(1,347,937)</u>	<u>(263,312)</u>	<u>-</u>	<u>(1,611,249)</u>
Capital assets, net	<u>\$ 2,439,620</u>	<u>(263,312)</u>	<u>-</u>	<u>2,176,308</u>

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Notes to Financial Statements, Continued

(5) Capital Assets, Continued

	2021			
	Beginning balance	Additions	Disposals	Ending balance
Furniture and equipment	\$ 268,900	-	-	268,900
Parking lot improvements	2,882,377	-	-	2,882,377
Vehicles	199,492	-	-	199,492
Campus improvement	<u>436,788</u>	<u>-</u>	<u>-</u>	<u>436,788</u>
	3,787,557	-	-	3,787,557
Less accumulated depreciation	<u>(1,092,056)</u>	<u>(255,881)</u>	<u>-</u>	<u>(1,347,937)</u>
Capital assets, net	<u>\$ 2,695,501</u>	<u>(255,881)</u>	<u>-</u>	<u>2,439,620</u>

(6) Deposits Held in Custody for Others

Deposits held in custody for others represent funds which are held by the Auxiliary on behalf of certain groups related to the College. These funds are payable on demand.

(7) Related Party Transactions

The Auxiliary entered into transactions with the Research Foundation of the City University of New York and certain other College entities related to reimbursement for payroll, healthcare and other fringe benefits provided to the Auxiliary. During the years ended June 30, 2022 and 2021, the Auxiliary paid the Research Foundation and other College entities \$690,560 and \$224,548, respectively, for these costs which covered administrative employees.

During the years ended June 30, 2022 and 2021, CUNY allocated \$1,125,782 and \$377,169, respectively, in funding to the Auxiliary. As of June 30, 2022 and 2021, a balance of \$1,209,272 and \$377,169 was owed to the Auxiliary.

(8) 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. 91 - Conduit Debt Obligations. Effective for fiscal years beginning after December 15, 2021.

Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Effective for fiscal years beginning after June 15, 2022.

QUEENSBOROUGH COMMUNITY COLLEGE
AUXILIARY ENTERPRISE ASSOCIATION, INC.

Notes to Financial Statements, Continued

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

Statement No. 96 - Subscription-Based Information Technology Arrangements. Effective for fiscal years beginning after June 15, 2022.

Statement No. 99 - Omnibus 2022. Effective for various periods through fiscal years beginning after June 30, 2023.