

**AUXILIARY SERVICES CORPORATION
OF SUNY CORTLAND**

**Financial Statements
as of June 30, 2016 and 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

**AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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INDEPENDENT AUDITOR'S REPORT

September 12, 2016

To the Board of Directors of
Auxiliary Services Corporation of SUNY Cortland:

Report on the Financial Statements

We have audited the accompanying financial statements of Auxiliary Services Corporation of SUNY Cortland (a New York State not-for-profit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Auxiliary Services Corporation of SUNY Cortland as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained on pages 15 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,690,820	\$ 5,474,244
Cash held for others - Agency	4,998,502	4,202,697
Accounts receivable, net	489,752	470,818
Student loans - Agency	3,030	3,580
Inventory	1,154,989	1,064,811
Prepaid expenses and other current assets	<u>285,412</u>	<u>273,794</u>
Total current assets	<u>12,622,505</u>	<u>11,489,944</u>
INVESTMENTS	<u>1,507,765</u>	<u>128,948</u>
INTANGIBLE ASSETS, net	<u>900</u>	<u>1,800</u>
FIXED ASSETS:		
Land, building and equipment	19,582,135	19,392,570
Less: Accumulated depreciation	<u>(9,156,545)</u>	<u>(8,011,457)</u>
	<u>10,425,590</u>	<u>11,381,113</u>
Total assets	<u>\$ 24,556,760</u>	<u>\$ 23,001,805</u>

(Continued)

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

STATEMENTS OF FINANCIAL POSITION

(Continued)

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 441,446	\$ 335,134
Current portion of postretirement benefits	100,800	92,400
Accrued expenses	609,218	843,349
Current portion of promises to give	280,000	280,000
Collections received in advance	82,177	108,095
Deposits held for others - Agency	<u>5,001,532</u>	<u>4,206,277</u>
Total current liabilities	6,515,173	5,865,255
POSTRETIREMENT BENEFITS, net of current portion	<u>970,763</u>	<u>815,847</u>
Total liabilities	<u>7,485,936</u>	<u>6,681,102</u>
NET ASSETS:		
Designated for working capital	1,675,277	1,582,434
Designated for capital assets	10,425,590	11,381,113
Designated for equipment replacement	2,413,035	2,193,891
Designated for uninsured losses	200,000	200,000
Designated for SUNY Cortland emergency operating reserve	797,125	722,113
Other unrestricted, undesignated	<u>1,559,797</u>	<u>241,152</u>
Total net assets	<u>17,070,824</u>	<u>16,320,703</u>
Total liabilities and net assets	<u>\$ 24,556,760</u>	<u>\$ 23,001,805</u>

The accompanying notes are an integral part of these statements.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	2016			
	Food Services	Campus Store	Ancillary Services	Total
Operating revenue:				
Sales	\$ 15,950,346	\$ 3,716,300	\$ 752,754	\$ 20,419,400
Other income - commissions on sales	<u>22,562</u>	<u>30,265</u>	<u>62,127</u>	<u>114,954</u>
Total operating revenue	<u>15,972,908</u>	<u>3,746,565</u>	<u>814,881</u>	<u>20,534,354</u>
Cost of goods sold:				
Beginning inventory	105,229	945,348	14,234	1,064,811
Purchases	3,572,190	2,809,557	128,357	6,510,104
Less: Ending inventory	<u>(107,491)</u>	<u>(1,031,188)</u>	<u>(16,310)</u>	<u>(1,154,989)</u>
Total cost of goods sold	<u>3,569,928</u>	<u>2,723,717</u>	<u>126,281</u>	<u>6,419,926</u>
Gross margin on sales	<u>12,402,980</u>	<u>1,022,848</u>	<u>688,600</u>	<u>14,114,428</u>
Operating expenses:				
Direct -				
Salaries and wages	4,380,779	413,527	163,033	4,957,339
Employee benefits	1,951,520	170,193	48,070	2,169,783
Depreciation and amortization	967,267	127,875	56,208	1,151,350
Utilities	944,434	101,844	45,719	1,091,997
Supplies and materials	397,713	21,274	23,019	442,006
Contracted services	87,499	95,746	7,701	190,946
Other direct operating expenses	<u>429,349</u>	<u>42,110</u>	<u>150,586</u>	<u>622,045</u>
	9,158,561	972,569	494,336	10,625,466
Administrative expenses	<u>1,576,384</u>	<u>404,124</u>	<u>82,639</u>	<u>2,063,147</u>
Total operating expenses	<u>10,734,945</u>	<u>1,376,693</u>	<u>576,975</u>	<u>12,688,613</u>
Change in net assets from operations	<u>\$ 1,668,035</u>	<u>\$ (353,845)</u>	<u>\$ 111,625</u>	<u>1,425,815</u>
Miscellaneous revenue				<u>102,221</u>
Change in net assets before other program expenses and contribution to SUNY Cortland College Foundation				1,528,036
Other College program expenses				(422,915)
Contribution to SUNY Cortland College Foundation				<u>(355,000)</u>
Change in net assets				<u>\$ 750,121</u>

The accompanying notes are an integral part of these statements.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	2015			
	Food Services	Campus Store	Ancillary Services	Total
Operating revenue:				
Sales	\$ 16,762,397	\$ 3,684,020	\$ 723,387	\$ 21,169,804
Other income - commissions on sales	<u>41,604</u>	<u>31,589</u>	<u>59,388</u>	<u>132,581</u>
Total operating revenue	<u>16,804,001</u>	<u>3,715,609</u>	<u>782,775</u>	<u>21,302,385</u>
Cost of goods sold:				
Beginning inventory	103,580	628,927	13,044	745,551
Purchases	4,329,196	2,996,162	116,831	7,442,189
Less: Ending inventory	<u>(105,229)</u>	<u>(945,348)</u>	<u>(14,234)</u>	<u>(1,064,811)</u>
Total cost of goods sold	<u>4,327,547</u>	<u>2,679,741</u>	<u>115,641</u>	<u>7,122,929</u>
Gross margin on sales	<u>12,476,454</u>	<u>1,035,868</u>	<u>667,134</u>	<u>14,179,456</u>
Operating expenses:				
Direct -				
Salaries and wages	4,428,849	396,135	155,051	4,980,035
Employee benefits	2,020,790	169,556	46,107	2,236,453
Depreciation and amortization	862,527	119,045	54,491	1,036,063
Utilities	864,114	98,610	39,900	1,002,624
Supplies and materials	786,322	23,800	24,581	834,703
Contracted services	84,381	93,553	9,588	187,522
Other direct operating expenses	<u>519,547</u>	<u>38,517</u>	<u>153,291</u>	<u>711,355</u>
	9,566,530	939,216	483,009	10,988,755
Administrative expenses	<u>1,543,625</u>	<u>373,997</u>	<u>74,017</u>	<u>1,991,639</u>
Total operating expenses	<u>11,110,155</u>	<u>1,313,213</u>	<u>557,026</u>	<u>12,980,394</u>
Change in net assets from operations	<u>\$ 1,366,299</u>	<u>\$ (277,345)</u>	<u>\$ 110,108</u>	<u>1,199,062</u>
Miscellaneous revenue				<u>28,645</u>
Change in net assets before other program expenses				1,227,707
Other College program expenses				(578,831)
Contribution to SUNY Cortland College Foundation				<u>(355,000)</u>
Change in net assets				<u>\$ 293,876</u>

The accompanying notes are an integral part of these statements.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

BALANCE - July 1, 2014	\$ 16,026,827
Change in net assets before other program expenses	1,227,707
Other College program expenses	(578,831)
Contribution to SUNY Cortland College Foundation	<u>(355,000)</u>
Change in net assets	<u>293,876</u>
BALANCE - June 30, 2015	16,320,703
Change in net assets before other program expenses	1,528,036
Other College program expenses	(422,915)
Contribution to SUNY Cortland College Foundation	<u>(355,000)</u>
Change in net assets	<u>750,121</u>
BALANCE - June 30, 2016	<u>\$ 17,070,824</u>

The accompanying notes are an integral part of these statements.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Food service activities receipts	\$ 15,972,908	\$ 16,804,001
Campus store activities receipts	3,746,565	3,715,609
Other auxiliary service activities receipts	770,029	900,035
Salaries and wages payments	(6,171,952)	(6,038,861)
Employee benefits payments	(2,765,531)	(2,582,142)
Payments to suppliers/vendors	(8,934,947)	(10,592,018)
Interest received	49,612	41,470
Other payments - program expenses	(422,915)	(578,831)
Other payments - contributions	(355,000)	(75,000)
	<u>1,888,769</u>	<u>1,594,263</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(345,985)	(2,489,638)
Proceeds from sale of property and equipment	2,850	-
Purchases of investments	(2,811,389)	-
Proceeds from sale of investments	1,482,331	813
	<u>(1,672,193)</u>	<u>(2,488,825)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	216,576	(894,562)
CASH AND CASH EQUIVALENTS - beginning of year	<u>5,474,244</u>	<u>6,368,806</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 5,690,820</u>	<u>\$ 5,474,244</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 750,121	\$ 293,876
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	1,302,408	1,208,008
Postretirement benefits	163,316	(55,139)
Loss (gain) on disposal of land, building and equipment	(2,850)	12,423
Loss (gain) on investments, net	(49,759)	402
Bad debt expense	(2,023)	(16,019)
Changes in:		
Accounts receivable	(16,911)	121,497
Inventory	(90,178)	(319,260)
Prepaid expenses and other current assets	(11,618)	(149,537)
Accounts payable	106,312	15,632
Accrued expenses	(234,131)	190,598
Collections received in advance	(25,918)	11,782
Promises to give	-	280,000
	<u>\$ 1,888,769</u>	<u>\$ 1,594,263</u>

The accompanying notes are an integral part of these statements.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

1. THE CORPORATION

Auxiliary Services Corporation of SUNY Cortland (the Corporation) provides auxiliary enterprise services for the State University College at Cortland, New York (the College). The primary program activities include campus dining services, administration of the college's bookstore and vending operations.

The Corporation operates under a contractual relationship with the State University of New York (SUNY). The contract limits the scope of services provided by the Corporation and restricts the amount earned from such services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States and are in compliance with the State University of New York Faculty Student Association Uniform Accounting and Reporting System as required by contract with SUNY.

Financial Reporting

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All of the Corporation's net assets were unrestricted as of June 30, 2016 and 2015.

Revenue Recognition

Revenue is recognized as services are performed.

Cash and Cash Equivalents

The Corporation has cash and cash equivalents that consist of bank deposit and money market accounts. The balances in the bank accounts may, at times, exceed federally insured limits. The amounts in money market accounts are not federally insured. The Corporation has obtained additional insurance from the bank to collateralize all deposits. The Corporation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Accounts Receivable

The Corporation provides services primarily for students of the College, and is reimbursed for these services by the College. Accounts for which no payments have been received for several months are considered delinquent and are written off after customary collection efforts have been exhausted. The Corporation records an allowance for uncollectible accounts in anticipation of future write-offs based on a review of specific accounts and historical experience. At June 30, 2016 and 2015, the allowance for uncollectible accounts was \$26,000.

Inventory

Inventory consists of food service and retail items carried at the lower of cost, determined on a first-in first-out basis, or market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value based on quoted market prices. The Corporation invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fixed Assets

Fixed assets are stated at cost or fair value at the date of donation. The Corporation capitalizes purchases in excess of \$2,500 with a useful life greater than one year. Leasehold improvements are amortized over the shorter of the asset life or remaining lease term. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from three to forty years.

Fair Value Measurement - Definition and Hierarchy

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Corporation. Unobservable inputs are inputs that reflect the Corporation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Corporation in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The valuation techniques used to measure fair value for the Corporation's investments were based on quoted market prices of the investments, consistent with the market approach. There were no changes to the valuation techniques during 2016 and 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Corporation is a New York not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Corporation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

The Corporation is subject to unrelated business income tax on income generated by catering activities. Cash paid for income taxes was approximately \$6,000 and \$2,000 in 2016 and 2015, respectively.

Taxes Collected and Remitted to Government Authorities

The Corporation has presented sales net of tax collected.

Collections Received in Advance

Collections received in advance represent amounts received prior to services being performed and consists of deposits received on connections accounts.

Allocation of Administrative Expenses

Administrative expenses are allocated pro rata to each of the auxiliary operations based on the space occupied and gross sales of each respective operation for the year then ended, exclusive of revenue from vending machine operations.

Agency Accounting

In addition to its primary function, the Corporation performs accounting and other services for student faculty programs and projects conducted by duly organized and recognized clubs, groups, and associations. In this capacity, the Corporation acts only as custodial and disbursing agent. All assets related to these programs and projects are restricted in the agency and student loan funds. Interest earned on these funds is credited to the Corporation in lieu of an administrative charge to the restricted fund for performance of the accounting and other services.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at June 30, 2016:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Money market funds	\$ 75,000	\$ -	\$ -	\$ 75,000
Domestic mutual funds	707,868	-	-	707,868
Fixed income mutual funds	457,844	-	-	457,844
International mutual funds	<u>267,053</u>	<u>-</u>	<u>-</u>	<u>267,053</u>
Total	<u>\$ 1,507,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,507,765</u>

3. FAIR VALUE MEASUREMENTS (Continued)

The following are measured at fair value on a recurring basis at June 30, 2015:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Money market funds	\$ 116,505	\$ -	\$ -	\$ 116,505
Corporate stocks	<u>12,443</u>	<u>-</u>	<u>-</u>	<u>12,443</u>
Total	<u>\$ 128,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,948</u>

4. INVESTMENTS

The fair value of investments held is as follows at June 30:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 75,000	\$ 116,505
Domestic mutual funds	707,868	-
Fixed income mutual funds	457,844	-
International mutual funds	267,053	-
Corporate stocks	<u>-</u>	<u>12,443</u>
Total	<u>\$ 1,507,765</u>	<u>\$ 128,948</u>

Investment and interest income from all sources is included in miscellaneous revenue in the accompanying statement of activities, consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 50,289	\$ 42,640
Custodial fees	(677)	(1,170)
Unrealized and realized gain (loss) on market value, net	<u>49,759</u>	<u>(402)</u>
Total	<u>\$ 99,371</u>	<u>\$ 41,068</u>

5. INTANGIBLE ASSETS

The Corporation has entered into two franchise agreements to operate various restaurants under a corporate trademark. These agreements expire at various dates through 2017. Initial franchise fees required as of June 30, 2016 and 2015 was \$14,500 and \$19,500, respectively. These initial franchise fees are being amortized over the terms of the franchise agreements, which range from five to 20 years. Accumulated amortization of franchise fees was \$13,600 and \$17,700 at June 30, 2016 and 2015, respectively. Additionally, the Corporation agreed to pay to the franchisors annual royalties of 5% to 8% of gross sales at these restaurants. Total royalties paid under the terms of these agreements were \$45,859 and \$82,300 in 2016 and 2015, respectively. Amortization expense was \$900 and \$1,200 in 2016 and 2015, respectively. Amortization expense is expected to be approximately \$600 and \$300 in 2017 and 2018, respectively.

6. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2016:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 16,000	\$ -	\$ 16,000
Leasehold improvements	12,511,262	4,330,476	8,180,786
Equipment	7,000,809	4,826,069	2,174,740
Construction in progress	<u>54,064</u>	<u>-</u>	<u>54,064</u>
Total	<u>\$ 19,582,135</u>	<u>\$ 9,156,545</u>	<u>\$ 10,425,590</u>

Fixed assets consisted of the following at June 30, 2015:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 16,000	\$ -	\$ 16,000
Leasehold improvements	12,422,932	3,623,675	8,799,257
Equipment	6,952,796	4,387,782	2,565,014
Construction in progress	<u>842</u>	<u>-</u>	<u>842</u>
Total	<u>\$ 19,392,570</u>	<u>\$ 8,011,457</u>	<u>\$ 11,381,113</u>

Depreciation expense during the years ended June 30, 2016 and 2015 was \$1,301,508 and \$1,206,808, respectively.

7. PROMISES TO GIVE

In 2016 and 2015, the Corporation made a promise to give the Foundation \$280,000 for student scholarships. As of June 30, 2016 and 2015, the Corporation owed \$280,000 to the Foundation relating to these promises.

8. RETIREMENT PLAN

The Corporation sponsors a defined contribution retirement plan that covers substantially all of its employees who meet certain eligibility requirements. The plan provides for payment of benefits based on each participant's account balance at retirement. The amounts allocated to the individual participants' accounts are fully vested. The Corporation's contribution to the Plan is determined by formulas within minimum and maximum limits as stipulated in the Plan. Retirement expense under this plan amounted to \$490,227 and \$482,782 for fiscal years 2016 and 2015, respectively.

9. POSTRETIREMENT MEDICAL BENEFITS

The Corporation offers postretirement medical benefits to retired employees who have met certain eligibility requirements. For employees hired prior to June 30, 1992 the eligibility requirements include reaching 55 years of age and completing 15 years of full time service with the Corporation. For those employees hired after June 30, 1992 and prior to January 1, 2005, the eligibility requirements include having 80 years of combined total age and full time service at time of retirement. The Board of Directors determines the amount of the benefit on an annual basis. Effective January 1, 2007, the benefit determined by the Board of Directors was \$140 per month. The Corporation has the right to amend or terminate the postretirement benefits at any time.

The value of the expected postretirement benefit obligation is determined by applying assumptions to historical cost data to estimate future annual incurred costs per employee and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death or withdrawal) between the valuation date and the expected date of payment.

The following table sets forth the amounts related to the postretirement plan recognized as of and for the years ended:

	<u>2016</u>	<u>2015</u>
Change in Accumulated Benefit Obligation:		
Accumulated benefit obligation at the beginning of year	\$ 908,247	\$ 963,386
Service cost	244,545	22,022
Benefits paid	<u>(81,229)</u>	<u>(77,161)</u>
Accumulated benefit obligation at the end of year	<u>\$ 1,071,563</u>	<u>\$ 908,247</u>
	<u>2016</u>	<u>2015</u>
Change in Plan Assets:		
Employer contributions	\$ 81,229	\$ 77,161
Benefits paid	<u>(81,229)</u>	<u>(77,161)</u>
Fair value of plan assets at the end of year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Funded Status:		
Funded status	\$ (1,071,563)	\$ (908,247)
Unrecognized net actuarial (gain) loss	<u>-</u>	<u>-</u>
Accrued benefit cost	<u>\$ (1,071,563)</u>	<u>\$ (908,247)</u>

Future postretirement benefits have been accrued in the financial statements using the following significant assumptions:

	<u>2016</u>	<u>2015</u>
Discount rate	5.00%	5.00%
Projected increase to premiums	0%	0%
Average length of benefit	13 years	13 years

9. POSTRETIREMENT MEDICAL BENEFITS (Continued)

Benefit Payments

The Corporation intends to fund the postretirement plan on a pay as incurred basis, which is approximately as follows:

2017	\$	100,800
2018		94,400
2019		89,905
2020		84,172
2021		82,928
2022 – 2026		320,943
2027 – 2031		203,695
2032 – 2036		78,931
2037 – 2041		14,324
Thereafter		<u>1,465</u>
	\$	<u>1,071,563</u>

Accrued postretirement benefits consist entirely of amounts representative of current employees and retirees who have met the specified eligibility requirements. For the years ended, June 30, 2016 and 2015 the Corporation incurred postemployment insurance costs for 53 retirees, amounting to \$81,229 and \$77,161, respectively.

10. LEASE OBLIGATION

The Corporation entered into a thirty-year agreement to lease land for the construction and operation of a parking lot commencing on July 1, 2006. At the end of the term, the land will revert back to the lessor. The annual base rent for this lease is \$16,500 per year. Semi-annual installments payable are due on the fifteenth day of July and January each year during the initial term and any exercised option terms.

As additional rent, the Corporation agrees to pay a share of revenues from the operation of the parking facility. The Corporation shall pay variable rent for years one through ten at 20% of gross revenue in excess of \$90,000 and 30% of gross revenue in excess of \$200,000. However, in no event will the variable rent be less than \$15,000 per year regardless of gross revenue.

For years eleven through twenty, the Corporation shall pay variable rent at 20% of gross revenue in excess of \$95,000, and 30% of gross revenue in excess of \$200,000. However, in no event will the rental be less than \$20,000 per year regardless of gross revenue.

For years twenty-one through thirty, the Corporation shall pay variable rent at 20% of gross revenue in excess of \$100,000, and 30% of gross revenue in excess of \$200,000. However, in no event will rental be less than \$25,000 per year regardless of gross revenue.

Variable rent payment shall be made no later than August 31 of each year and shall be based upon a certified report of operations. Future minimum annual lease payments are as follows:

<u>Years Ending June 30</u>	<u>Fixed Rent</u>	<u>Minimum Variable Rent</u>	<u>Total Minimum Rent</u>
2017 – 2026	\$ 16,500	\$ 20,000	\$ 36,500
2027 – 2036	\$ 16,500	\$ 25,000	\$ 41,500

Total rental expense under the terms of this lease was \$37,735 and \$31,500 for the years ended June 30, 2016 and 2015, respectively.

11. TRANSACTIONS WITH STATE UNIVERSITY OF NEW YORK

Contract

The Corporation provides certain specified services to the College pursuant to a contract with SUNY that expires on June 30, 2017. This contract required the Corporation to provide dining, campus store, vending, parking, administrative and accounting services, and other auxiliary services as may be requested by the College for the benefit of students, faculty and staff of the College.

Utilities and Space Assessments

Under the terms of the contract with SUNY, the Corporation is required to reimburse SUNY for utilities and space. Total utilities expense charged to the Corporation by SUNY was approximately \$1,140,000 and \$1,050,000 in 2016 and 2015, respectively.

12. DESIGNATED NET ASSETS

Working Capital

State guidelines require the Corporation to appropriate unrestricted net assets for working capital. The guidelines specify that the working capital reserve should be at least one twelfth, representing one month, of previous year's operating expenses.

Capital Assets

The Corporation has appropriated unrestricted net assets for the future replacement of corporate-owned fixed assets and future capital projects. State guidelines specify that the capital assets reserve should equal the cost of capital assets less accumulated depreciation, less any debt related to the capital assets.

As of June 30, 2016 and 2015, the Corporation was in compliance with all of these guidelines.

Equipment Replacement Reserve

The Corporation has established a reserve fund for the future replacement of equipment equal to 50% of accumulated depreciation on equipment.

Uninsured Losses

The Board of Directors has designated \$200,000 for the purpose of paying claims and legal costs, which might be incurred and not covered under existing insurance policies. The board designated net assets are not available for current program expenditures.

SUNY Cortland Emergency Operating Reserve

The Board of Directors has designated \$797,125 for the purpose of creating an emergency operating reserve for the College. This reserve is being funded at the end of each fiscal year in an amount equal to 10% of excess net revenues. The board designated net assets are not available for current program expenditures.

13. MANAGEMENT CONTRACT

The Corporation contracts with third parties to supply and operate all vending equipment on campus. The Corporation receives commission income from the third party based upon vending sales.

14. SUBSEQUENT EVENT

Subsequent events have been evaluated through September 12, 2016, which is the date the financial statements were available to be issued.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE A - STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Operating revenue -		
Food service gross revenue (Schedule B-1)	\$ 15,972,908	\$ 16,804,001
Cost of sales	<u>(3,569,928)</u>	<u>(4,327,547)</u>
Food service revenue, net	<u>12,402,980</u>	<u>12,476,454</u>
Campus store gross revenue (Schedule B-2)	3,746,565	3,715,609
Cost of sales	<u>(2,723,717)</u>	<u>(2,679,741)</u>
Campus store revenue, net	<u>1,022,848</u>	<u>1,035,868</u>
Ancillary operations gross revenue (Schedule B-3)	814,881	782,775
Cost of sales	<u>(126,281)</u>	<u>(115,641)</u>
Ancillary operations revenue, net	<u>688,600</u>	<u>667,134</u>
Total operating revenue, net	<u>14,114,428</u>	<u>14,179,456</u>
Operating expenses:		
Food service	9,158,561	9,566,530
Campus store	972,569	939,216
Ancillary operations	494,336	483,009
Administrative expenses (Schedule E)	<u>2,063,147</u>	<u>1,991,639</u>
Total operating expenses	<u>12,688,613</u>	<u>12,980,394</u>
Change in net assets from operations	<u>1,425,815</u>	<u>1,199,062</u>
Nonoperating revenue (expense):		
Miscellaneous revenue (Schedule D)	102,221	28,645
Program expenditures (Schedule C)	(422,915)	(578,831)
Contribution to SUNY Cortland College Foundation	<u>(355,000)</u>	<u>(355,000)</u>
Total nonoperating revenue	<u>(675,694)</u>	<u>(905,186)</u>
Change in net assets	750,121	293,876
Net assets, beginning of year	<u>16,320,703</u>	<u>16,026,827</u>
Net assets, end of year	<u>\$ 17,070,824</u>	<u>\$ 16,320,703</u>

The accompanying notes are an integral part of these schedules.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE B-1 - STATEMENTS OF ACTIVITIES FOOD SERVICE FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUE:		
Meal plan sales	\$ 14,389,773	\$ 14,987,005
Cash sales	1,560,573	1,775,392
Other revenue - commissions	<u>22,562</u>	<u>41,604</u>
Total revenue	<u>15,972,908</u>	<u>16,804,001</u>
COST OF GOODS SOLD:		
Beginning inventory	105,229	103,580
Purchases	3,572,190	4,329,196
Less: Ending inventory	<u>(107,491)</u>	<u>(105,229)</u>
Cost of goods sold	<u>3,569,928</u>	<u>4,327,547</u>
GROSS PROFIT	<u>12,402,980</u>	<u>12,476,454</u>
OPERATING EXPENSES:		
Salaries and wages	4,380,779	4,428,849
Employee benefits	1,951,520	2,020,790
Supplies and materials	397,713	786,322
Depreciation	967,267	862,527
Utilities	944,434	864,114
Contracted services	87,499	84,381
Other operating expenses	<u>429,349</u>	<u>519,547</u>
Total operating expenses	<u>9,158,561</u>	<u>9,566,530</u>
EXCESS OF REVENUE OVER OPERATING EXPENSES	3,244,419	2,909,924
ALLOCATION OF NET ADMINISTRATIVE EXPENSES	<u>(1,576,384)</u>	<u>(1,543,625)</u>
CHANGE IN NET ASSETS	<u>\$ 1,668,035</u>	<u>\$ 1,366,299</u>

The accompanying notes are an integral part of these schedules.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE B-2 - STATEMENTS OF ACTIVITIES CAMPUS STORE FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUE:		
Sales	\$ 3,716,300	\$ 3,684,020
Other revenue - commissions	<u>30,265</u>	<u>31,589</u>
Total revenue	<u>3,746,565</u>	<u>3,715,609</u>
COST OF GOODS SOLD:		
Beginning inventory	945,348	628,927
Purchases	2,809,557	2,996,162
Less: Ending inventory	<u>(1,031,188)</u>	<u>(945,348)</u>
Cost of goods sold	<u>2,723,717</u>	<u>2,679,741</u>
GROSS PROFIT	<u>1,022,848</u>	<u>1,035,868</u>
OPERATING EXPENSES:		
Salaries and wages	413,527	396,135
Employee benefits	170,193	169,556
Supplies and materials	21,274	23,800
Depreciation	127,875	119,045
Utilities	101,844	98,610
Contracted services	95,746	93,553
Other operating expenses	<u>42,110</u>	<u>38,517</u>
Total operating expenses	<u>972,569</u>	<u>939,216</u>
EXCESS OF REVENUE OVER OPERATING EXPENSES	50,279	96,652
ALLOCATION OF NET ADMINISTRATIVE EXPENSES	<u>(404,124)</u>	<u>(373,997)</u>
CHANGE IN NET ASSETS	<u>\$ (353,845)</u>	<u>\$ (277,345)</u>

The accompanying notes are an integral part of these schedules.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE B-3 - STATEMENTS OF ACTIVITIES ANCILLARY SERVICES FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUE:		
Total sales	\$ 752,754	\$ 723,387
Commissions received on sales and other revenue	<u>62,127</u>	<u>59,388</u>
Total revenue	<u>814,881</u>	<u>782,775</u>
COST OF GOODS SOLD:		
Beginning inventory	14,234	13,044
Purchases	128,357	116,831
Less: Ending inventory	<u>(16,310)</u>	<u>(14,234)</u>
Cost of goods sold	<u>126,281</u>	<u>115,641</u>
GROSS PROFIT	<u>688,600</u>	<u>667,134</u>
OPERATING EXPENSES:		
Salaries and wages	163,033	155,051
Employee benefits	48,070	46,107
Supplies and materials	23,019	24,581
Depreciation	56,208	54,491
Utilities	45,719	39,900
Contracted services	7,701	9,588
Other operating expenses	<u>150,586</u>	<u>153,291</u>
Total operating expenses	<u>494,336</u>	<u>483,009</u>
EXCESS OF REVENUE OVER OPERATING EXPENSES	194,264	184,125
ALLOCATION OF NET ADMINISTRATIVE EXPENSES	<u>(82,639)</u>	<u>(74,017)</u>
CHANGE IN NET ASSETS	<u>\$ 111,625</u>	<u>\$ 110,108</u>

The accompanying notes are an integral part of these schedules.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE C - COLLEGE PROGRAM EXPENSES FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

PROGRAM:	<u>2016</u>	<u>2015</u>
Admissions Recruitment Programs	\$ 41,126	\$ 29,688
Alcohol-Free "Connections" Coffee House	10,000	10,000
Alumni Laundry	103,754	108,219
Arbor Day Celebration	-	432
Artists as Researchers: Dowd Spkr Series	1,000	1,000
Asian & Middle Eastern Studies	1,959	1,966
Athletic Leadership	500	500
Brooks Museum Lecture Series	3,499	3,500
CALS Broadway Trips	1,150	1,500
CALS Lecture Grant Program	15,500	15,499
CALS Performing Arts Series	15,760	16,500
Chi Alpha Epsilon Induction	1,000	858
College Orchestra Receptions	695	677
Cortland Nights	15,850	15,887
Developing Multicultural Leadership	2,500	2,500
Early Childhood Program Training Series	600	600
Eastern/Central Europe	997	999
Eating Disorders Awareness Week	3,000	3,000
Educational Displays	-	144
Educational Opportunity Programs	16,494	13,000
Exploring International Culture: World First Learning	942	947
Fall Picnic	11,498	11,250
Family Weekend	1,305	2,000
Gender & Intercultural Studies/Nagel	1,200	1,200
Greek Life	986	291
Guess Who's Coming to Dinner	1,200	1,200
Homecoming Weekend	1,324	1,229
Interviewing Etiquette	-	750
Keep on Bikin' at SUNY Cortland	3,000	2,994
Leadership Development Programs	4,985	4,965
Louis Larson Lecture	-	1,000
Making History	1,772	2,125
Midnight Breakfast	600	600
Native American Film Festival	749	817
Nature Nook Presentation for Children	349	150
New Student Orientation	7,000	7,000
Non-Traditional Student Awareness	1,400	1,400
Paws for Stress Relief	2,588	2,588
Performing Arts - Professional Studies	1,000	1,000
Personal Growth & Global Awareness	12,077	12,077
President's Purpose of Charter	74,703	72,400
Rock & Blues Ensemble	950	-
Subtotal carried forward	365,012	354,452

(Continued)

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE C - COLLEGE PROGRAM EXPENSES FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

(Continued)

	<u>2016</u>	<u>2015</u>
Subtotal from Page 20	\$ 365,012	\$ 354,452
Scholar's Day	-	2,197
Sex Assault Prevention	1,500	-
Spring Fling	10,013	10,013
Student Diversity Conference	-	1,381
Tai Chi for Wellness	840	-
Teachers in Training	1,400	1,400
Teaching Assistant Appreciation	405	393
Transfer Welcome Events and Success Series	1,400	1,400
Welcome Week	3,000	2,756
Writing Artifact Trip	-	1,000
Other campus support	<u>39,345</u>	<u>203,839</u>
Total college program expenses	<u>\$ 422,915</u>	<u>\$ 578,831</u>

The accompanying notes are an integral part of these schedules.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE D - MISCELLANEOUS REVENUE FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
MISCELLANEOUS REVENUE:		
Interest and dividend income	\$ 50,289	\$ 42,640
Custodial fees	(677)	(1,170)
Gain (loss) on disposal of land, building and equipment	2,850	(12,423)
Unrealized gain (loss) on market value of investments	63,367	(402)
Realized loss on sale of investments	<u>(13,608)</u>	<u>-</u>
Total miscellaneous revenue	<u>\$ 102,221</u>	<u>\$ 28,645</u>

The accompanying notes are an integral part of these schedules.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE E - ADMINISTRATIVE OFFICE EXPENSES FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ADMINISTRATIVE EXPENSES:		
Salaries and wages	\$ 1,092,110	\$ 1,123,884
Employee benefits	647,436	416,090
Depreciation	151,060	171,945
Utilities	48,432	46,894
Office supplies and expenses	19,944	51,526
Auditing	23,000	25,200
Legal	11,506	10,217
Other operating expenses	<u>69,659</u>	<u>145,883</u>
Total administrative expenses	<u>\$ 2,063,147</u>	<u>\$ 1,991,639</u>
ADMINISTRATIVE EXPENSES ALLOCATIONS:		
Food service	\$ 1,576,384	\$ 1,543,625
Campus store	404,124	373,997
Ancillary services	<u>82,639</u>	<u>74,017</u>
Total administrative expenses allocated	<u>\$ 2,063,147</u>	<u>\$ 1,991,639</u>

Note: Administrative expenses are allocated on a pro rata basis to each operation based on space occupied and gross sales for the year then ended.

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE F - AGENCY ACCOUNTS ACTIVITY FOR THE YEAR ENDED JUNE 30, 2016

	Beginning Balance <u>July 01, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Balance <u>June 30, 2016</u>
Admissions Open House	\$ 2,834	\$ 250	\$ (995)	\$ 2,089
Adirondack Trail Blazers	-	5,760	(470)	5,290
ASC Family Fund	12,348	1,958	(280)	14,026
ASC Utilities Reimbursement	2,391,442	1,186,108	(213,210)	3,364,340
Brauer Geology Field Camp	34	5,200	(5,200)	34
C-Club General Fund	108,975	298,668	(268,385)	139,258
Center for Multicultural and Gender	430	-	-	430
Community Bike Project	64	-	-	64
Computer Officers Association	395,814	325,673	(361,950)	359,537
Study Abroad -				
Administration	12,145	143,501	(136,564)	19,082
American University in Cairo	7,554	-	-	7,554
Anglia Ruskin U.	-	9,820	(332)	9,488
Aust-Sunshine Co.	-	33,982	(33,573)	409
Ballarat	7,864	17,065	(17,764)	7,165
Beijing	24,818	1,103	(18,571)	7,350
Belize	18,438	76,017	(74,285)	20,170
Belize Art	9,717	10,093	(16,658)	3,152
Belize C.E.L.A	8,600	9,457	(12,604)	5,453
Belize Teachers Institute	(816)	993	-	177
Belize Zoo	11,624	-	(1,220)	10,404
Contingency	190	-	-	190
Cork	76,001	86,318	(120,534)	41,785
Costa Rica	113,320	141,108	(182,847)	71,581
Cuernavaca	26,091	24,883	(10,359)	40,615
Development Fund	3,284	43,450	(17,615)	29,119
Dublin	34,762	36,745	(14,126)	57,381
Fulda, Germany	16,059	6,189	(4,383)	17,865
Germany	19,248	7,395	(19,548)	7,095
Ghana	8,870	11,980	(8,950)	11,900
Griffith University	67,238	106,413	(105,601)	68,050
India Health	2,765	11,684	(12,258)	2,191
India St. Aloysius	3,264	11,772	(1,648)	13,388
Lancaster	14,231	4,834	(9,111)	9,954
Larochelle	25,369	1,970	(10,803)	16,536
London	30,235	187,860	(140,334)	77,761
London Dual Deg	635	618	(1,253)	-
National Outdoor Leadership Scholarship Projects	5,436	-	-	5,436
Public Relations	25,834	95,226	(110,137)	10,923
Salamanca	4,793	14,801	(17,957)	1,637
Sunshine Coast Student	98,943	192,404	(255,237)	36,110
Thailand	190,519	209,360	(322,331)	77,548
	<u>1,822</u>	<u>41</u>	<u>-</u>	<u>1,863</u>
Subtotal carried forward	3,780,794	3,320,699	(2,527,093)	4,574,400

(Continued)

AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

SCHEDULE F - AGENCY ACCOUNTS ACTIVITY FOR THE YEAR ENDED JUNE 30, 2016

(Continued)

	Beginning Balance <u>July 01, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Balance <u>June 30, 2016</u>
Subtotal from Page 23	3,780,794	3,320,699	(2,527,093)	4,574,400
Turkey	2,517	-	(2,028)	489
Venezuela	9,776	-	-	9,776
Conference Clearing House	-	121,404	(121,404)	-
Cortland State Emergency Squad	4,407	2,200	-	6,607
Employee Assistance Program	1,440	-	(451)	989
Habitat for Humanity - Guatemala	9,986	-	-	9,986
Leatha Mikitiuk Memorial Award	-	798	(250)	548
Residence Life Conference	8,705	49,899	(55,190)	3,414
Special Conference Account	454	-	-	454
Sponsored Activities	73,107	84,802	(46,748)	111,161
Sports Clubs	224,519	419,032	(436,485)	207,066
Student Counseling	3,596	-	(35)	3,561
Student Loan Account	39,496	-	-	39,496
Summer Job Fair	5,442	-	-	5,442
SUNY Cortland Gospel Choir	4,800	620	(312)	5,108
SUNY Deans of Arts & Sciences	813	-	-	813
SUNY Student Conduct Assoc.	14,010	-	(14,010)	-
Tutorial Outreach Program	<u>1,718</u>	<u>550</u>	<u>(741)</u>	<u>1,527</u>
Total agency	4,185,580	4,000,004	(3,204,747)	4,980,837
Other accounts payable	<u>20,697</u>	<u>10,641</u>	<u>(10,643)</u>	<u>20,695</u>
Total agency accounts	<u>\$ 4,206,277</u>	<u>\$ 4,010,645</u>	<u>\$ (3,215,390)</u>	<u>\$ 5,001,532</u>

The accompanying notes are an integral part of these schedules.