

**AUXILIARY SERVICES CORPORATION  
OF SUNY CORTLAND**

**Financial Statements  
as of June 30, 2017 and 2016  
Together with  
Independent Auditor's Report**

**AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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## INDEPENDENT AUDITOR'S REPORT

September 15, 2017

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, 2017 and 2016, 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.

### ***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, 2017 and 2016, 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.

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## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **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 in Schedules A through F 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, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,863,372	\$ 5,690,820
Cash held for others - Agency	5,699,652	4,998,502
Accounts receivable, net	459,383	489,752
Student loans - Agency accounts receivable	-	3,030
Inventory	1,185,365	1,154,989
Prepaid expenses and other current assets	<u>968,090</u>	<u>285,412</u>
Total current assets	<u>11,175,862</u>	<u>12,622,505</u>
<b>INVESTMENTS</b>	<u>2,112,595</u>	<u>1,507,765</u>
<b>INTANGIBLE ASSETS, net</b>	<u>-</u>	<u>900</u>
<b>FIXED ASSETS:</b>		
Land, building and equipment	23,072,825	19,582,135
Less: Accumulated depreciation	<u>(9,787,445)</u>	<u>(9,156,545)</u>
	<u>13,285,380</u>	<u>10,425,590</u>
Total assets	<u>\$ 26,573,837</u>	<u>\$ 24,556,760</u>

(Continued)

# AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

## STATEMENTS OF FINANCIAL POSITION

(Continued)

JUNE 30, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 402,336	\$ 441,446
Current portion of postretirement benefits	107,520	100,800
Accrued expenses	636,438	609,218
Current portion of promises to give	280,000	280,000
Collections received in advance	83,276	82,177
Deposits held for others - Agency	<u>5,699,652</u>	<u>5,001,532</u>
Total current liabilities	7,209,222	6,515,173
POSTRETIREMENT BENEFITS, net of current portion	<u>1,050,964</u>	<u>970,763</u>
Total liabilities	<u>8,260,186</u>	<u>7,485,936</u>
<b>NET ASSETS:</b>		
Designated for working capital	1,592,378	1,675,277
Designated for capital assets	13,285,380	10,425,590
Designated for equipment replacement	2,151,155	2,413,035
Designated for uninsured losses	200,000	200,000
Designated for SUNY Cortland emergency operating reserve	920,220	797,125
Other unrestricted, undesignated	<u>164,518</u>	<u>1,559,797</u>
Total net assets	<u>18,313,651</u>	<u>17,070,824</u>
Total liabilities and net assets	<u>\$ 26,573,837</u>	<u>\$ 24,556,760</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, 2017

	2017			
	Food Services	Campus Store	Ancillary Services	Total
Operating revenue:				
Sales	\$ 16,071,063	\$ 3,778,319	\$ 726,056	\$ 20,575,438
Other income - commissions on sales	<u>32,817</u>	<u>38,969</u>	<u>76,501</u>	<u>148,287</u>
Total operating revenue	<u>16,103,880</u>	<u>3,817,288</u>	<u>802,557</u>	<u>20,723,725</u>
Cost of goods sold:				
Beginning inventory	107,491	1,031,188	16,310	1,154,989
Purchases	3,434,562	2,688,946	99,749	6,223,257
Less: Ending inventory	<u>(109,538)</u>	<u>(1,057,578)</u>	<u>(18,249)</u>	<u>(1,185,365)</u>
Total cost of goods sold	<u>3,432,515</u>	<u>2,662,556</u>	<u>97,810</u>	<u>6,192,881</u>
Gross margin on sales	<u>12,671,365</u>	<u>1,154,732</u>	<u>704,747</u>	<u>14,530,844</u>
Operating expenses:				
Direct -				
Salaries and wages	4,537,538	421,152	144,175	5,102,865
Employee benefits	1,906,023	180,948	43,145	2,130,116
Depreciation and amortization	906,420	88,441	26,535	1,021,396
Utilities	834,889	137,412	48,938	1,021,239
Supplies and materials	413,071	17,666	21,362	452,099
Contracted services	96,101	96,735	8,814	201,650
Other direct operating expenses	<u>413,117</u>	<u>47,988</u>	<u>133,985</u>	<u>595,090</u>
	9,107,159	990,342	426,954	10,524,455
Administrative expenses	<u>1,650,677</u>	<u>449,216</u>	<u>81,456</u>	<u>2,181,349</u>
Total operating expenses	<u>10,757,836</u>	<u>1,439,558</u>	<u>508,410</u>	<u>12,705,804</u>
Change in net assets from operations	<u>\$ 1,913,529</u>	<u>\$ (284,826)</u>	<u>\$ 196,337</u>	1,825,040
Miscellaneous revenue				<u>216,288</u>
Change in net assets before other program expenses and contribution to SUNY Cortland College Foundation				2,041,328
Other College program expenses				(443,501)
Contribution to SUNY Cortland College Foundation				<u>(355,000)</u>
Change in net assets				<u>\$ 1,242,827</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	22,562	30,265	62,127	114,954
Total operating revenue	15,972,908	3,746,565	814,881	20,534,354
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	(107,491)	(1,031,188)	(16,310)	(1,154,989)
Total cost of goods sold	3,569,928	2,723,717	126,281	6,419,926
Gross margin on sales	12,402,980	1,022,848	688,600	14,114,428
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	429,349	42,110	150,586	622,045
	9,158,561	972,569	494,336	10,625,466
Administrative expenses	1,634,861	417,840	85,446	2,138,147
Total operating expenses	10,793,422	1,390,409	579,782	12,763,613
Change in net assets from operations	\$ 1,609,558	\$ (367,561)	\$ 108,818	1,350,815
Miscellaneous revenue				177,221
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				(355,000)
Change in net assets				\$ 750,121

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, 2017 AND 2016

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BALANCE - July 1, 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	17,070,824
Change in net assets before other program expenses	2,041,328
Other College program expenses	(443,501)
Contribution to SUNY Cortland College Foundation	<u>(355,000)</u>
Change in net assets	<u>1,242,827</u>
BALANCE - June 30, 2017	<u>\$ 18,313,651</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Food service activities receipts	\$ 16,103,880	\$ 15,972,908
Campus store activities receipts	3,817,288	3,746,565
Ancillary service activities receipts	834,025	770,029
Salaries and wages payments	(6,224,221)	(6,171,952)
Employee benefits payments	(2,608,272)	(2,765,531)
Payments to suppliers/vendors	(9,576,758)	(9,009,947)
Interest received	127,225	49,612
Other receipts - sponsorship fees	75,000	75,000
Other payments - program expenses	(443,501)	(422,915)
Other payments - contributions	<u>(355,000)</u>	<u>(355,000)</u>
Net cash flow from operating activities	<u>1,749,666</u>	<u>1,888,769</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of land, building and equipment	(4,134,480)	(345,985)
Proceeds from sale of land, building and equipment	2,550	2,850
Purchases of investments	(445,184)	(2,811,389)
Proceeds from sale of investments	<u>-</u>	<u>1,482,331</u>
Net cash flow from investing activities	<u>(4,577,114)</u>	<u>(1,672,193)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(2,827,448)	216,576
CASH AND CASH EQUIVALENTS - beginning of year	<u>5,690,820</u>	<u>5,474,244</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,863,372</u>	<u>\$ 5,690,820</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,242,827	\$ 750,121
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	1,127,457	1,302,408
Postretirement benefits	86,921	163,316
Loss (gain) on disposal of land, building and equipment	145,583	(2,850)
Gain on market value of investments, net	(159,646)	(49,759)
Bad debt expense	(1,023)	(2,023)
Changes in:		
Accounts receivable	31,392	(16,911)
Inventory	(30,376)	(90,178)
Prepaid expenses and other current assets	(682,678)	(11,618)
Accounts payable	(39,110)	106,312
Accrued expenses	27,220	(234,131)
Collections received in advance	<u>1,099</u>	<u>(25,918)</u>
Net cash flow from operating activities	<u>\$ 1,749,666</u>	<u>\$ 1,888,769</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, 2017 AND 2016

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### 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, 2017 and 2016.

#### **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, 2017 and 2016, 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 40 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 2017 and 2016.

## 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 \$4,000 and \$6,000 in 2017 and 2016, 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.

### Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

## 3. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at June 30, 2017:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Money market funds	\$ 100,048	\$ -	\$ -	\$ 100,048
Domestic mutual funds	1,028,092	-	-	1,028,092
Fixed income mutual funds	581,309	-	-	581,309
International mutual funds	<u>403,146</u>	<u>-</u>	<u>-</u>	<u>403,146</u>
Total	<u>\$ 2,112,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,112,595</u>

### 3. FAIR VALUE MEASUREMENTS (Continued)

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>

### 4. INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 100,048	\$ 75,000
Domestic mutual funds	1,028,092	707,868
Fixed income mutual funds	581,309	457,844
International mutual funds	<u>403,146</u>	<u>267,053</u>
Total	<u>\$ 2,112,595</u>	<u>\$ 1,507,765</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>2017</u>	<u>2016</u>
Interest and dividend income	\$ 127,225	\$ 50,289
Custodial fees	-	(677)
Gain on market value, net	<u>159,646</u>	<u>49,759</u>
Total	<u>\$ 286,871</u>	<u>\$ 99,371</u>

### 5. INTANGIBLE ASSETS

The Corporation had two franchise agreements to operate various restaurants under a corporate trademark. These agreements expired during 2017. Initial franchise fees were fully amortized by June 30, 2017. 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 \$48,819 and \$45,859 in 2017 and 2016, respectively. Amortization expense was \$900 in 2017 and 2016.

## 6. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2017:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 16,000	\$ -	\$ 16,000
Leasehold improvements	12,940,011	5,007,101	7,932,910
Equipment	6,729,052	4,780,344	1,948,708
Construction in progress	<u>3,387,762</u>	<u>-</u>	<u>3,387,762</u>
Total	<u>\$ 23,072,825</u>	<u>\$ 9,787,445</u>	<u>\$ 13,285,380</u>

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	12,511,263	4,330,476	8,180,787
Equipment	7,000,809	4,826,069	2,174,740
Construction in progress	<u>54,063</u>	<u>-</u>	<u>54,063</u>
Total	<u>\$ 19,582,135</u>	<u>\$ 9,156,545</u>	<u>\$ 10,425,590</u>

Depreciation expense during the years ended June 30, 2017 and 2016 was \$1,126,557 and \$1,301,508, respectively.

## 7. PROMISES TO GIVE

In 2017 and 2016, the Corporation made a promise to give the Foundation \$280,000 for student scholarships. As of June 30, 2017 and 2016, 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 \$476,824 and \$490,227 for fiscal years 2017 and 2016, 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>2017</u>	<u>2016</u>
<b>Change in Accumulated Benefit Obligation:</b>		
Accumulated benefit obligation at the beginning of year	\$ 1,071,563	\$ 908,247
Service cost	169,481	244,545
Benefits paid	<u>(82,560)</u>	<u>(81,229)</u>
Accumulated benefit obligation at the end of year	<u>\$ 1,158,484</u>	<u>\$ 1,071,563</u>
	<u>2017</u>	<u>2016</u>
<b>Change in Plan Assets:</b>		
Employer contributions	\$ 82,560	\$ 81,229
Benefits paid	<u>(82,560)</u>	<u>(81,229)</u>
Fair value of plan assets at the end of year	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of Funded Status:</b>		
Funded status	\$ (1,158,484)	\$ (1,071,563)
Unrecognized net actuarial (gain) loss	<u>-</u>	<u>-</u>
Accrued benefit cost	<u>\$ (1,158,484)</u>	<u>\$ (1,071,563)</u>

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

	<u>2017</u>	<u>2016</u>
Discount rate	5.00%	5.00%
Projected increase to premiums	0%	0%
Average length of benefit	14 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:

2018	\$	107,520
2019		102,400
2020		96,000
2021		92,880
2022		87,075
2023 – 2027		342,536
2028 – 2032		220,609
2033 – 2037		91,319
2038 – 2042		16,680
Thereafter		<u>1,465</u>
	\$	<u>1,158,484</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, 2017 and 2016 the Corporation incurred postemployment insurance costs for 58 retirees, amounting to \$82,560 and \$81,229, respectively.

## 10. LEASE OBLIGATION

The Corporation entered into a 30-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 paid 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 was the variable rent less than \$15,000 per year regardless of gross revenue.

For years 11 through 20, 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 21 through 30, 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>
2018 – 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 \$45,992 and \$37,735 for the years ended June 30, 2017 and 2016, 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 expired 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. The contract is currently being renegotiated.

### **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 \$1,174,000 and \$1,140,000 in 2017 and 2016, 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 years' 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, 2017 and 2016, 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 45% 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 \$920,220 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 EVENTS**

Subsequent events have been evaluated through September 15, 2017, 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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets:		
Operating revenue -		
Food service gross revenue (Schedule B-1)	\$ 16,103,880	\$ 15,972,908
Cost of sales	<u>(3,432,515)</u>	<u>(3,569,928)</u>
Food service revenue, net	<u>12,671,365</u>	<u>12,402,980</u>
Campus store gross revenue (Schedule B-2)	3,817,288	3,746,565
Cost of sales	<u>(2,662,556)</u>	<u>(2,723,717)</u>
Campus store revenue, net	<u>1,154,732</u>	<u>1,022,848</u>
Ancillary services gross revenue (Schedule B-3)	802,557	814,881
Cost of sales	<u>(97,810)</u>	<u>(126,281)</u>
Ancillary operations revenue, net	<u>704,747</u>	<u>688,600</u>
Total operating revenue, net	<u>14,530,844</u>	<u>14,114,428</u>
Operating expenses:		
Food service	9,107,159	9,158,561
Campus store	990,342	972,569
Ancillary operations	426,954	494,336
Administrative expenses (Schedule E)	<u>2,181,349</u>	<u>2,138,147</u>
Total operating expenses	<u>12,705,804</u>	<u>12,763,613</u>
Change in net assets from operations	<u>1,825,040</u>	<u>1,350,815</u>
Nonoperating revenue (expense):		
Miscellaneous revenue (Schedule D)	216,288	177,221
Program expenditures (Schedule C)	(443,501)	(422,915)
Contribution to SUNY Cortland College Foundation	<u>(355,000)</u>	<u>(355,000)</u>
Total nonoperating revenue	<u>(582,213)</u>	<u>(600,694)</u>
Change in net assets	1,242,827	750,121
Net assets, beginning of year	<u>17,070,824</u>	<u>16,320,703</u>
Net assets, end of year	<u>\$ 18,313,651</u>	<u>\$ 17,070,824</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, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
REVENUE:		
Meal plan sales	\$ 14,471,950	\$ 14,389,773
Cash sales	1,599,113	1,560,573
Other revenue - commissions	<u>32,817</u>	<u>22,562</u>
Total revenue	<u>16,103,880</u>	<u>15,972,908</u>
COST OF GOODS SOLD:		
Beginning inventory	107,491	105,229
Purchases	3,434,562	3,572,190
Less: Ending inventory	<u>(109,538)</u>	<u>(107,491)</u>
Cost of goods sold	<u>3,432,515</u>	<u>3,569,928</u>
GROSS PROFIT	<u>12,671,365</u>	<u>12,402,980</u>
OPERATING EXPENSES:		
Salaries and wages	4,537,538	4,380,779
Employee benefits	1,906,023	1,951,520
Supplies and materials	413,071	397,713
Depreciation	906,420	967,267
Utilities	834,889	944,434
Contracted services	96,101	87,499
Other operating expenses	<u>413,117</u>	<u>429,349</u>
Total operating expenses	<u>9,107,159</u>	<u>9,158,561</u>
EXCESS OF REVENUE OVER OPERATING EXPENSES	3,564,206	3,244,419
ALLOCATION OF NET ADMINISTRATIVE EXPENSES	<u>(1,650,677)</u>	<u>(1,634,861)</u>
CHANGE IN NET ASSETS	<u>\$ 1,913,529</u>	<u>\$ 1,609,558</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUE:		
Sales	\$ 3,778,319	\$ 3,716,300
Other revenue - commissions	<u>38,969</u>	<u>30,265</u>
Total revenue	<u>3,817,288</u>	<u>3,746,565</u>
COST OF GOODS SOLD:		
Beginning inventory	1,031,188	945,348
Purchases	2,688,946	2,809,557
Less: Ending inventory	<u>(1,057,578)</u>	<u>(1,031,188)</u>
Cost of goods sold	<u>2,662,556</u>	<u>2,723,717</u>
GROSS PROFIT	<u>1,154,732</u>	<u>1,022,848</u>
OPERATING EXPENSES:		
Salaries and wages	421,152	413,527
Employee benefits	180,948	170,193
Supplies and materials	17,666	21,274
Depreciation	88,441	127,875
Utilities	137,412	101,844
Contracted services	96,735	95,746
Other operating expenses	<u>47,988</u>	<u>42,110</u>
Total operating expenses	<u>990,342</u>	<u>972,569</u>
EXCESS OF REVENUE OVER OPERATING EXPENSES	164,390	50,279
ALLOCATION OF NET ADMINISTRATIVE EXPENSES	<u>(449,216)</u>	<u>(417,840)</u>
CHANGE IN NET ASSETS	<u>\$ (284,826)</u>	<u>\$ (367,561)</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, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
REVENUE:		
Sales	\$ 726,056	\$ 752,754
Other revenue - commissions	<u>76,501</u>	<u>62,127</u>
Total revenue	<u>802,557</u>	<u>814,881</u>
COST OF GOODS SOLD:		
Beginning inventory	16,310	14,234
Purchases	99,749	128,357
Less: Ending inventory	<u>(18,249)</u>	<u>(16,310)</u>
Cost of goods sold	<u>97,810</u>	<u>126,281</u>
GROSS PROFIT	<u>704,747</u>	<u>688,600</u>
OPERATING EXPENSES:		
Salaries and wages	144,175	163,033
Employee benefits	43,145	48,070
Supplies and materials	21,362	23,019
Depreciation	26,535	56,208
Utilities	48,938	45,719
Contracted services	8,814	7,701
Other operating expenses	<u>133,985</u>	<u>150,586</u>
Total operating expenses	<u>426,954</u>	<u>494,336</u>
EXCESS OF REVENUE OVER OPERATING EXPENSES	277,793	194,264
ALLOCATION OF NET ADMINISTRATIVE EXPENSES	<u>(81,456)</u>	<u>(85,446)</u>
CHANGE IN NET ASSETS	<u>\$ 196,337</u>	<u>\$ 108,818</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, 2017 AND 2016

PROGRAM:	<u>2017</u>	<u>2016</u>
Admissions Recruitment Programs	\$ 42,139	\$ 41,126
Alcohol-Free "Connections" Coffee House	10,000	10,000
Alumni Laundry	117,150	103,754
Artists as Researchers: Dowd Speaker Series	1,000	1,000
Asian & Middle Eastern Studies	2,064	1,959
Athletic Leadership	-	500
Brooks Museum Lecture Series	3,494	3,499
CALS Broadway Trips	1,500	1,150
CALS Lecture Grant Program	15,491	15,500
CALS Performing Arts Series	13,713	15,760
Chi Alpha Epsilon Induction	1,000	1,000
College Orchestra Receptions	690	695
Cortland Nights	15,721	15,850
Developing Multicultural Leadership	2,500	2,500
Early Childhood Program Training Series	60	600
Eastern/Central Europe	990	997
Eating Disorders Awareness Week	3,000	3,000
Educational Opportunity Programs	13,000	16,494
Exploring International Culture: World First Learning	949	942
Fall Picnic	11,250	11,498
Family Weekend	2,000	1,305
Gender & Intercultural Studies/Nagel	1,200	1,200
Greek Life	488	986
Guess Who's Coming to Dinner	1,111	1,200
Homecoming Weekend	1,500	1,324
International Dialogue	1,000	-
Interviewing Etiquette	750	-
Julian Gordon Lecture	2,000	-
Keep on Bikin' at SUNY Cortland	3,000	3,000
Leadership Development Programs	4,879	4,985
Making History	2,500	1,772
Mayan Heritage Workshop	250	-
Midnight Breakfast	600	600
Native American Film Festival	806	749
Nature Nook Presentation for Children	350	349
New Student Orientation	7,000	7,000
Non-Traditional Student Awareness	1,400	1,400
President's Purpose of Charter	75,299	74,703
Rock & Blues Ensemble	-	950
Paws for Stress Relief	2,584	2,588
Performing Arts - Professional Studies	-	1,000
Personal Growth & Global Awareness	<u>12,077</u>	<u>12,077</u>
Subtotal carried forward	376,505	365,012

(Continued)

# AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

## SCHEDULE C - COLLEGE PROGRAM EXPENSES FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

(Continued)

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	<u>2017</u>	<u>2016</u>
Subtotal from Page 19	\$ 376,505	\$ 365,012
Sex Assault Prevention	1,500	1,500
Spring Fling	10,013	10,013
Student Diversity Conference	2,500	-
Student Orientation	1,000	-
Tai Chi for Wellness	-	840
Teachers in Training	1,400	1,400
Teaching Assistant Appreciation	386	405
Transfer Welcome Events and Success Series	1,393	1,400
Welcome Week	3,000	3,000
Other campus support	<u>45,804</u>	<u>39,345</u>
Total college program expenses	<u>\$ 443,501</u>	<u>\$ 422,915</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, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
MISCELLANEOUS REVENUE:		
Interest and dividend income	\$ 127,225	\$ 50,289
Custodial fees	-	(677)
Loss on disposal of land, building and equipment	(145,583)	2,850
Sponsorship fees	75,000	75,000
Gain on market value of investments, net	<u>159,646</u>	<u>49,759</u>
 Total miscellaneous revenue	 <u>\$ 216,288</u>	 <u>\$ 177,221</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

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	<u>2017</u>	<u>2016</u>
ADMINISTRATIVE EXPENSES:		
Salaries and wages	\$ 1,101,207	\$ 1,092,110
Employee benefits	612,446	647,436
Depreciation	106,061	151,060
Utilities	152,568	48,432
Office supplies and expenses	27,601	19,944
Auditing	22,500	23,000
Legal	14,745	11,506
Other operating expenses	<u>144,221</u>	<u>144,659</u>
Total administrative expenses	<u>\$ 2,181,349</u>	<u>\$ 2,138,147</u>
ADMINISTRATIVE EXPENSES ALLOCATIONS:		
Food service	\$ 1,650,677	\$ 1,634,861
Campus store	449,216	417,840
Ancillary services	<u>81,456</u>	<u>85,446</u>
Total administrative expenses allocated	<u>\$ 2,181,349</u>	<u>\$ 2,138,147</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, 2017

	Beginning Balance <u>July 01, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Balance <u>June 30, 2017</u>
Admissions Open House	\$ 2,089	\$ 3,424	\$ (346)	\$ 5,167
Adirondack Trail Blazers	5,290	14,635	(16,006)	3,919
ASC Family Fund	14,026	1,644	(3,626)	12,044
ASC Utilities Reimbursement	3,364,340	1,230,109	(232,022)	4,362,427
Brauer Geology Field Camp	34	242	(110)	166
C-Club General Fund	139,258	369,903	(381,331)	127,830
Center for Multicultural and Gender	430	-	-	430
Community Bike Project	64	-	-	64
Computer Officers Association	359,537	360,425	(566,055)	153,907
Study Abroad -				
Administration	19,082	54,883	(70,777)	3,188
American University in Cairo	7,554	-	(7,554)	-
Anglia Ruskin U.	9,488	30,735	(16,688)	23,535
Aust-Sunshine Co.	409	14,803	(2,387)	12,825
Ballarat	7,165	4,832	(6,836)	5,161
Beijing	7,350	6,717	(6,559)	7,508
Belize	20,170	60,073	(73,150)	7,093
Belize Art	3,152	11,449	(13,947)	654
Belize C.E.L.A	5,453	14,526	(11,093)	8,886
Belize Teachers Institute	177	-	(177)	-
Belize Zoo	10,404	-	(2,934)	7,470
Contingency	190	-	(190)	-
Cork	41,785	124,511	(111,561)	54,735
Costa Rica	71,581	95,232	(108,792)	58,021
Cuernavaca	40,615	12,833	(33,049)	20,399
Development Fund	29,119	163,004	(154,011)	38,112
Dublin	57,381	6,439	(40,115)	23,705
Fulda, Germany	17,865	18,669	(15,400)	21,134
Germany	7,095	8,865	(7,776)	8,184
Ghana	11,900	-	(11,900)	-
Griffith University	68,050	74,665	(95,431)	47,284
India Health	2,191	17,067	(16,488)	2,770
India St. Aloysius	13,388	19,108	(15,263)	17,233
Lancaster	9,954	9,208	(5,361)	13,801
Larochelle	16,536	5,925	(9,135)	13,326
London	77,761	115,044	(108,698)	84,107
National Outdoor Leadership Scholarship Projects	5,436	-	(5,436)	-
	10,923	26,499	(11,945)	25,477
Public Relations	1,637	24,009	(25,607)	39
Salamanca	36,110	146,800	(163,347)	19,563
Sunshine Coast Student Teaching	77,548	248,802	(187,848)	138,502
Thailand	1,863	-	(1,863)	-
Subtotal carried forward	4,574,400	3,295,080	(2,540,814)	5,328,666

(Continued)

## AUXILIARY SERVICES CORPORATION OF SUNY CORTLAND

### SCHEDULE F - AGENCY ACCOUNTS ACTIVITY FOR THE YEAR ENDED JUNE 30, 2017

(Continued)

	Beginning Balance <u>July 01, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Balance <u>June 30, 2017</u>
Subtotal from Page 23	4,574,400	3,295,080	(2,540,814)	5,328,666
Turkey	489	-	(489)	-
Venezuela	9,776	-	(9,776)	-
Conference Clearing House	-	83,113	(83,113)	-
Cortland State Emergency Squad	6,607	2,310	(431)	8,486
Employee Assistance Program	989	565	-	1,554
Habitat for Humanity - Guatemala	9,986	-	-	9,986
Leatha Mikitiuk Memorial Award	548	659	(500)	707
Residence Life Conference	3,414	53,990	(51,833)	5,571
Special Conference Account	454	-	-	454
Sponsored Activities	111,161	20,293	(27,261)	104,193
Sports Clubs	207,066	432,110	(409,102)	230,074
Student Counseling	3,561	1,600	(2,977)	2,184
Student Loan Account	39,496	-	(39,496)	-
Summer Job Fair	5,442	-	(5,442)	-
SUNY Cortland Gospel Choir	5,108	-	(1,549)	3,559
SUNY Deans of Arts & Sciences	813	2,100	(1,800)	1,113
Tutorial Outreach Program	<u>1,527</u>	<u>880</u>	<u>(585)</u>	<u>1,822</u>
Total agency	4,980,837	3,892,700	(3,175,168)	5,698,369
Other accounts payable	<u>20,697</u>	<u>14,489</u>	<u>(33,903)</u>	<u>1,283</u>
Total agency accounts	<u>\$ 5,001,534</u>	<u>\$ 3,907,189</u>	<u>\$ (3,209,071)</u>	<u>\$ 5,699,652</u>

The accompanying notes are an integral part of these schedules.