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**Office of Finance and Business  
Policies and Procedures Compendium**

# **Financial Management Guidelines- Auxiliary Enterprises**

## **Related Department(s):**

Accounting

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## **Link(s):**

[http://www2.cuny.edu/wp-content/uploads/sites/4/media-assets/Auxiliary\\_Enterprise\\_Corp\\_and\\_Boards.pdf](http://www2.cuny.edu/wp-content/uploads/sites/4/media-assets/Auxiliary_Enterprise_Corp_and_Boards.pdf)

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**Office of Budget and Finance  
Financial Management Guidelines**

**Auxiliary Enterprise Corporations and Boards**

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## **I. PURPOSE AND SCOPE OF POLICY**

The purpose of this policy is to establish guidelines regarding the auxiliary enterprise corporations and boards that support The City University of New York ("CUNY" or the "University").

## **II. OVERVIEW**

The auxiliary enterprise corporations and boards (each an "Auxiliary") are entities and fund groups created for the principal purpose of benefiting the students, faculty, staff, alumni and other members of the community of the various CUNY colleges by providing non-instructional "auxiliary enterprises" and by otherwise supporting the educational mission of the college and the University. Each Auxiliary supports a particular college. Examples of "auxiliary enterprises" that an Auxiliary may provide include:

- Retail food service, catering and vending operations;
- "Pouring rights" contracts and similar arrangements;
- Bookstores;
- Copy machines, laundry centers, and similar operations;
- Student housing;
- Sports, health and recreation facilities;
- Parking operations;
- Childcare centers; and
- Performing arts centers.

The Auxiliaries are intended to be self-supporting; any revenues generated are expected to be sufficiently cover the costs. However, an Auxiliary may elect to subsidize some services provided that certain criterion detailed in the Budgeting section (see below) are met.

## **III. AUTHORITY**

By resolution of June 27, 1983, the University's Board of Trustees authorized the establishment of an Auxiliary at each CUNY college campus and under each college's name. Some Auxiliaries were established prior to this date pursuant to individual Board of Trustees resolutions.

Pursuant to Section 16.10 (a) of the Bylaws of the University's Board of Trustees ("CUNY Bylaws"), an Auxiliary shall have responsibility for the oversight, supervision and review of college auxiliary enterprises.

## **IV. STRUCTURE, GOVERNANCE AND DISSOLUTION**

### **A. Structure**

With the exception of the board at Hunter College, each Auxiliary is organized as a New York not-for-profit corporation or unincorporated association legally separate

from the University, and is tax-exempt under §501(c)(3) of the Internal Revenue Code. The Hunter College Auxiliary is a fund group of that college.

Section 16.10 (b) of the CUNY Bylaws describes the composition of an Auxiliary as follows:

- b) The auxiliary enterprise board shall be considered approved for the purposes of this article if it consists of at least eleven (11) members, its governing documents are approved by the College President and the following requirements are met:
  1. The governing board is composed of the College President or his/her designee as chair, plus an equal number of students and the combined total of faculty and administrative members.
  2. The administrative members are appointed by the College President.
  3. The faculty members are appointed by the College President from a panel whose size is twice the number of seats to be filled and the panel is elected by the appropriate college faculty governance body.
  4. The student members are the student government president(s) and other elected students and the student seats are allocated on the basis which will provide representation to each government, where more than one exists, as nearly as practicable, in proportion to the student enrollment by headcount from the respective constituencies.
  5. The auxiliary enterprise board structure provides for a budget and contract committee composed of a combined total of faculty and administrative members that is one more than the number of student members. The budget and contract committee shall be empowered to develop all contract and budget allocation proposals subject to the review and approval of the auxiliary enterprise board.
  6. The governing documents of the auxiliary enterprise board have been reviewed by the CUNY's general counsel and approved by the CUNY Board of Trustees.

#### **B. Governance**

Each Auxiliary's board of directors shall review its certificate of incorporation and by-laws at least every five years to ensure they are suitable for the Auxiliary's current operations. As noted above, the governing documents of each Auxiliary, including any amendments to the certificate of incorporation or by-laws, are subject to CUNY Board of Trustee approval.

The composition of an Auxiliary's board, including its membership, committee structure, and adherence to term limits if any, shall be in full compliance with the requirements set forth by the University's Board of Trustees, the certificate of incorporation and the by-laws.

Each Auxiliary's board shall conduct its business, including meetings, elections of officers, other voting, and the keeping of minutes and other records, in full compliance with its by-laws and the New York Not-For-Profit Corporation Law (N-PCL). It shall maintain on file all official minutes of meetings, signed by the individual officially writing the minutes.

Each Auxiliary's board shall maintain a current corporate resolution authorizing certain individuals to act on behalf of the Auxiliary between board meetings for executing documents and conducting other business.

### **C. Dissolution**

Each Auxiliary (with the exception of the Hunter College Auxiliary) shall include in its certificate of incorporation or articles of association a clause requiring that in the event of its dissolution, the Auxiliary's assets shall be distributed to another appropriate not-for-profit corporation, or the University, for the benefit of the college that the Auxiliary was created to support.

### **V. LEGAL AND TAX COMPLIANCE**

Each incorporated Auxiliary shall meet all requirements of the N-PCL. Each shall maintain its corporate status on a current basis through filings as required by the New York State Secretary of State.

Each Auxiliary shall meet all applicable registration and reporting requirements of New York charities pursuant to the New York Estates, Powers and Trust Law and the New York Executive Law, and all other applicable New York State statutes and regulations.

Each Auxiliary shall make all required filings with the Internal Revenue Service (IRS) and the New York State Department of Taxation and Finance. An Auxiliary shall determine whether any of its income represents unrelated business income. If required, it shall file form 990-T with its annual federal informational tax returns (the Form 990), and shall pay any federal tax owed. If subject to New York unrelated business income tax, it shall also file NYS Form CT-13 and pay any tax owed.

Each Auxiliary shall follow all other applicable tax laws promulgated by the IRS or New York State, including those related to payroll and vendor payments (Form 1099).

Each separately organized Auxiliary shall make available for public inspection its requests to the IRS for tax-exempt status, its IRS "determination" letters as a 501(c)(3) organization, and its federal informational tax returns (Form 990) for the past three years. It shall provide copies of these documents to those who request them, as required by law.

Each Auxiliary shall comply with all other local, state and federal laws applicable to its organization and activities.

## **VI. INSURANCE**

Each Auxiliary should obtain directors and officers liability insurance and comprehensive general liability insurance, in such amounts determined by the board to be reasonable and appropriate. Each Auxiliary's board should routinely review total amounts for all forms of insurance to provide sufficient and appropriate coverage. Further, an Auxiliary should obtain insurance for any special events sponsored by it and not otherwise covered by the Auxiliary's general liability policy.

## **VII. MEMORANDUM OF UNDERSTANDING**

Each Auxiliary shall enter into a written agreement (or memorandum of understanding) with its affiliated college, which clearly defines their respective roles, relationships and expectations, including a listing of those services a particular Auxiliary is authorized to provide. This agreement shall be approved by University's Office of the General Counsel and Vice Chancellor for Legal Affairs.

### **A. Use of Facilities**

An Auxiliary may occupy, operate, and use college facilities and property separately or jointly with its related college as identified by the written agreement between the college and the Auxiliary. The Auxiliary shall use the facilities and property only for those services and functions that are consistent with the written agreement and applicable current or future policies, rules, and regulations of the CUNY Board of Trustees and the college.

### **B. Provision of Services**

An Auxiliary may, by prior written agreement, reimburse its related college for certain expenditures incurred by the college as a result of activities of the Auxiliary. The college should invoice the Auxiliary for such expenditures, indicating items charged and the method of determining costs.

The college may also provide certain services, at no cost, to the Auxiliary, which may include office space, telephones, custodial and facilities maintenance services, equipment and information systems service and advice, personnel and related assistance and other similar services. The Auxiliary should record the value of these services on the financial statements as donated services, please refer to Appendix A for further information.

## **VIII. PERSONNEL**

Each Auxiliary should, after review of appropriate comparability data, set compensation standards, including salary ranges and fringe benefits, for its employees. Where feasible, compensation standards, with specified minimum and maximum pay ranges, shall be comparable to positions at the affiliated college and at Auxiliaries supporting other University colleges, with similar responsibilities.

No Auxiliary shall discriminate in employment or in its programs and activities on the basis of race, color, creed, national origin, ethnicity, ancestry, religion, age, sex, sexual

orientation, gender identity, marital status, legally registered domestic partnership status, disability, predisposing genetic characteristics, alienage, citizenship, military or veteran status, or status as a victim of domestic violence.

## **IX. FINANCIAL MANAGEMENT**

The board of directors of an Auxiliary is responsible for developing and managing its budgets and operating plans, monitoring its fiscal status and complying with applicable federal, state, and local laws, and the University's and its affiliated college's rules and regulations. Periodically, each Auxiliary's financial functions should be reviewed and approved by the chief financial officer of the Auxiliary and its affiliated college.

Pursuant to Section 16.11 of the CUNY Bylaws, the college president has the authority to disapprove an Auxiliary allocation or expenditure, which in the president's opinion contravenes federal, state or local law or any bylaw or policy of the University or any policy, regulation, or order of the college. The college president must consult with the CUNY General Counsel and Vice Chancellor for Legal Affairs regarding any such disapproval, and communicate his or her decision to the Auxiliary.

### **A. Budgeting**

Pursuant to Section 16.10(a) of the CUNY Bylaws, the budget and contract committee of each Auxiliary shall annually develop an operating budget that sets formal financial goals. Budgets shall include the total financial operation of the entity and be prepared on the basis of historical data, projected short-range trends, and long-range financial objectives. Prices, fees, and rates should be established to fully fund the total financial obligations of the entity. All budgets shall be reviewed and approved by the Auxiliary's board of directors prior to expenditure or execution.

The revenue generating activities operated by the Auxiliary should be self-supporting, that is, the revenues generated from the activities should be at least equal to the cost incurred in running the operations. Activities providing a beneficial service to the affiliated college, but which are not self-supporting because of the need to keep prices, fees and rates at levels affordable to the college community, may be subsidized by other Auxiliary funding sources. An Auxiliary shall evaluate its revenue generating activities annually to ensure that each activity continues to provide a beneficial service to the affiliated college. This review shall be initiated by the chief financial officer of the Auxiliary and be submitted to the Auxiliary's board of directors as part of the annual operating budget process.

### **B. Cash and Treasury Management**

The Auxiliary shall follow prudent cash management and treasury policies.

#### *i. Cash and Investments*

Any cash that is scheduled to be used in the current year shall be invested in short-term investments such as U.S. Treasury bills, money market accounts, certificates of deposits or the University's short-term investment program. Funds that can be invested for a longer period may be invested in the University investment pool

operated through the Office of the University Controller.

*ii. Transfers*

An Auxiliary's board of directors shall approve any transfers outside of the budget between the Auxiliary and other entities, including its affiliated college.

**C. Procurement**

Each Auxiliary shall follow sound purchasing practices. At a minimum this means trying to secure the lowest price for goods and services and contacting multiple vendors. *HOW TO DO AN RFP: A Manual for Separately-Incorporated Auxiliary Enterprise Corporations* issued by counsel for the CUNY Related Entities Group provides helpful procurement guidance.

Under the N-PCL, the board of an incorporated Auxiliary has a duty to ensure that the Auxiliary acts prudently and uses good business judgment and fiscal responsibility. As a charitable organization, an Auxiliary's activities must be generally in support of CUNY and particularly in support of its affiliated college. Auxiliaries also need to be aware that as entities closely related to a public institution like CUNY, their activities will be subject to heightened scrutiny.

Each Auxiliary shall take steps to ensure fairness in all contracts, including for incorporated Auxiliaries, abiding by Section 715 of the N-PCL. Business transactions involving an Auxiliary and the personal or business affairs of a director, officer, or employee shall be approved in advance by resolution at a stated meeting of the Auxiliary's board of directors. In addition, directors, officers, and employees of an Auxiliary shall disqualify themselves from making, participating in making, or in any way attempting to use their official positions to influence a decision in which they have or would have financial interest. Certain members of proposal evaluation committees or Auxiliary boards, including CUNY faculty and staff who serve on the committee and/or board in their role as faculty or staff members, will also be subject to New York State's ethics laws.

**D. Accounting**

Each Auxiliary shall maintain a centralized financial system that provides an accrual basis accounting system. Each Auxiliary is required to process all financial transactions through the system and to prepare uniform statements and reports.

*i. Relevant Accounting Guidance*

Each Auxiliary's accounting policies shall conform to accounting principles generally accepted in the United States of America (GAAP) and applicable Governmental Accounting Standards Board (GASB) pronouncements.

Each Auxiliary is responsible for implementing all new GASB pronouncements.

*ii. Capital Assets*

Any equipment purchased with Auxiliary funds meeting the University's capitalization threshold shall be tagged and included as Auxiliary property in the University's fixed assets system (INSITE) in a timely manner. The affiliated college's property manager should be responsible for the inventory of these assets on an annual basis.



The Auxiliary should follow the University's capitalization policy (i.e., all equipment \$5,000 or greater, except computer hardware of \$1,000 or greater, should be capitalized) to ensure accurate and consistent reporting of the assets. The Auxiliary may also decide to track items under these thresholds, if they deem them as sensitive items (i.e., they are susceptible to theft).

## **X. FINANCIAL REPORTING**

For financial reporting purposes, the Auxiliary is considered to be a special-purpose government engaged only in business-type activities. GASB describes business-type activities as activities financed, in whole or in part, by fees charged to external parties for goods and services.

Each Auxiliary shall prepare annual financial statements in conformity with GAAP and GASB and have an audit conducted by an independent certified public accounting firm in accordance with GAAS (generally accepted auditing standards). The Office of the University Controller is responsible for selecting and contracting with an audit firm to perform the annual audit.

Pursuant to Section 16.13 of the CUNY Bylaws, each Auxiliary shall fully disclose all financial information with respect to auxiliary enterprises to its membership, to the affiliated college and to that college's student government. The books and records, financial condition, operating results, and program activities of an Auxiliary is also be subject to periodic review by the University's Office of the Internal Audit and Management Services and outside regulatory bodies to the extent allowed by law. Each Auxiliary should provide copies of all audit reports from whatever source, including the certified financial statements and management letter, to the president of its affiliated college and the University's Office of the University Controller and Office of Internal Audit and Management Services.

Refer to Appendix A for financial statement reporting categories.

## **XI. POLICIES AND PROCEDURES**

The affiliated college's Business Office shall assist an Auxiliary in the implementation of the fiscal policies and procedures affecting the Auxiliary and the establishment of effective and efficient financial procedures that comply with the policies and procedures established by the college and University.

## **XII. INTERNAL CONTROLS**

Each Auxiliary is responsible for establishing and maintaining adequate internal controls. Some of these controls include maintaining segregation of duties between the cash receipts and disbursements functions, preparing timely bank reconciliations, requiring dual signatories on checks above \$2,500, and maintaining segregation duties between the accounts payable and purchasing, and payroll and human resource functions. When adequate segregation cannot be implemented, adequate supervision must be maintained.

### **XIII. TRANSITION**

An Auxiliary structured or engaged in activities inconsistent with the guidelines contained herein must conform to the guidelines within one year from the effective date of publication. Any exception must be approved by the college president and the CUNY Chancellor or designee.

### **XIV. RECORDS RETENTION**

Each Auxiliary shall adopt a records retention and disposition policy consistent with that issued by the University.

### **XV. GUIDANCE**

Where applicable, this section contains links and/or references to the authorities governing this policy:

New York Not-for-Profit Corporation Law – <http://public.leginfo.state.ny.us>  
Internal Revenue Service – [www.irs.gov](http://www.irs.gov)  
New York State Charities Bureau - [www.oag.state.ny.us/charities/charities.html](http://www.oag.state.ny.us/charities/charities.html)  
American Institute of Certified Public Accountants – [www.aicpa.org](http://www.aicpa.org)  
National Association of College and University Business Officers – [www.nacubo.org](http://www.nacubo.org)  
Governmental Accounting Standards Board – [www.gasb.org](http://www.gasb.org)  
Bylaws of the Board of Trustees of The City University of New York  
CUNY Capital Asset Policy  
HOW TO DO AN RFP: A Manual for Separately-Incorporated Auxiliary Enterprise Corporations

### **XVI. UPDATE AND PERIODIC REVIEW**

The CUNY Office of the University Controller will be responsible for the periodic review and revision of this policy, as well as ensuring that all appropriate parties are informed of the guidelines stated above.

## **APPENDIX A**

### **Financial Reporting Classifications**

The following section describes the manner in which revenues, expenses, assets, liabilities and net assets should be reported in the Auxiliarys' audited financial statements. Since reporting is done on two levels, with individually prepared and audited financial statements which are then "rolled up" to a combining University-wide report, it is essential to maintain consistency in reporting.

The categories listed on the next several pages are designed to include all known activities appropriate to Auxiliary operations. As the University and the Auxiliaries expand and change, and regulations are revised, it may be necessary to expand and change this structure as well. Any changes should be coordinated through the Office of the University Controller

The description column contains examples, and does not include all items that could be contained in each category. If the category "other" represents more than 5% of its respective category (other revenues, other operating expenses, etc.) this may indicate that a new category should be established. Please contact the Office of the University Controller if this occurs.

#### *Statement of Net Assets*

The Statement of Net Assets shall focus on the Auxiliary as a whole and shall report the amounts of its assets, liabilities and net assets. Assets and liabilities shall be aggregated into reasonable homogenous groups. As required by GASB 34, the Statement of Net Assets is presented in classified format, meaning that short and long-term assets and liabilities are segregated.

All assets and liabilities that will be converted to cash or otherwise used within the fiscal year following the financial statement date are considered current, all others are noncurrent. Examples of current assets include receivables, which are due to be collected in the next fiscal year, and prepaid expenses, which will be expensed within the next fiscal year. Examples of current liabilities include accounts payable and accrued expenses, which will be paid in the next fiscal year, and deferred revenue, which will be earned in the next fiscal year.

Examples of noncurrent assets include investments, which are purchased with long-term objectives, and capital assets, which according to CUNY capitalization policy, have useful lives of at least two years. Examples of noncurrent liabilities include security deposits held under terms of contracts with expiration dates greater than one year from the financial statement date.

| <b>Current Assets</b>           | <b>Descriptions and Examples</b>   |
|---------------------------------|--|
| Cash and cash equivalents       | Highly liquid assets with maturities of 90 days or less including demand deposits, savings accounts, letters of credit, overnight repurchase agreements, and money market accounts.                                    |
| Commissions receivable          | Receivables from commission-based agreements including, but not limited to food service, parking, and vending.   |
| Due from related parties        | Receivables from any CUNY-affiliated entity, including college associations, college foundations, performing arts centers, child care centers and the Research Foundation of The City University of New York (RFCUNY). |
| Accounts and other receivables  | Receivables from sources that are not included in other receivable categories.   |
| Allowance for doubtful accounts | Estimated amount of uncollectible receivables. For each category of receivable, a separate allowance should be maintained.   |
| Investments                     | Funds held in fixed and equity securities, including bonds and stocks with maturities greater than 90 days, purchased with a short-term objective.   |
| Prepaid expenses                | Payments in advance for such items as insurance, subscriptions and rent.   |
| Other current assets            | Current assets that do not fit into the other available categories.  |

| <b>Noncurrent Assets</b> | <b>Descriptions and Examples</b>   |
|--------------------------|--|
| Investments              | Funds held in fixed and equity securities, including bonds and stocks with maturities greater than 90 days, purchased with a long-term objective.  |
| Capital assets, net      | <p>Assets with a useful life of at least two years and a cost or value at the time of receipt of \$1,000 or more for computer equipment, and \$5,000 or more for noncomputer related equipment.</p> <p>Categories of capital assets include land, land improvements, buildings, building improvements, infrastructure, and infrastructure improvements, construction in progress, equipment, and works of art and historical treasures.</p> <p>Capital assets are presented net of depreciation on the face of the financial statements. With the exception of land, construction in progress, and works of art and historical treasures, capital assets are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years.</p> |
| Accumulated depreciation | Cumulative depreciation pertaining to a group of assets from the time the assets were placed in service until the date of the financial statement.   |
| Other noncurrent assets  | Non-current assets that do not fit into the other available categories.  |

| <b>Current Liabilities</b>            | <b>Descriptions and Examples</b>  |
|---------------------------------------|---|
| Accounts payable and accrued expenses | Accounts payable consist of balances owed to others for goods, supplies or services. Accrued expenses consist of expenses incurred but not paid at the financial statement date.                                  |
| Deferred revenue                      | Payments (cash) received prior to the close of the year, but not yet earned.  |
| Deposits held in custody for others   | Funds held by the entity on behalf of other individuals, groups and organizations expected to be settled within one year.   |
| Due to related parties                | Fund due to any CUNY-affiliated entity, including college associations, college foundations, performing arts centers, child care centers and the Research Foundation of The City University of New York (RFCUNY). |
| Security deposits                     | Amounts held in the event of default or damages from students, vendors, or others, which are refundable within one year.  |
| Other current liabilities             | Liabilities that do not fit into the other available categories.  |

| <b>Noncurrent Liabilities</b> | <b>Descriptions and Examples</b>   |
|-------------------------------|--|
| Security deposits             | Amounts held in the event of default or damages from students, vendors, or others, which are refundable in periods exceeding one year. |
| Other noncurrent liabilities  | Long-term liabilities that do not fit into the other available categories.   |

| <b>Net Assets</b>                               | <b>Descriptions and Examples</b>   |
|---|--|
| Unrestricted                                    | Net assets derived from operating and nonoperating activities and have no external restrictions.                                     |
| Invested in capital assets, net of related debt | Net assets attributable to the acquisition, construction, repair, or improvements to capital assets, net of related debt, if any.    |
| Restricted expendable                           | Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Auxiliary or by the passage of time. |
| Restricted nonexpendable                        | Net assets subject to externally imposed restrictions requiring the Auxiliary to maintain them in perpetuity.                        |

*Statement of Revenue, Expenses and Changes in Net Assets*

A statement of revenues, expenses and changes in net assets reports the amount of the changes in net assets for the period.

Operating revenues are those that serve the Auxiliary's principle purpose and generally result from exchange transactions.

| <b>Operating Revenues by Major Category/ Subcategory</b> | <b>Descriptions and Examples</b>   |
|--|--|
| Commissions:   | Income received under contractual agreements with vendors operating the campus bookstore, cafeteria, vending, and other services.  |
| o Bookstore  | Commissions earned from contracts with bookstore operators.  |
| o Cafeteria  | Commissions earned from contracts with food service operators.   |
| o Vending  | Commissions earned from contracts with vending operators.  |
| o Other  | Commissions earned from contracts other than those listed above.   |
| Parking fees   | Gross revenues from parking fees and fines.  |
| Facility Fees  | <p>Include facility rentals include classrooms, gymnasiums, athletic fields, parking lots and performing arts centers, and related equipment and services.</p> <p>On the face of the financial statement, all categories of rental are combined. However, due to the taxability of certain rental transactions, where equipment or services are provided with site rentals, a value must be placed on each component of the rental. Supporting records should include the information necessary to identify each rental component.</p> |
| Food service income                                      | Gross revenue from Auxiliary-managed food service enterprises.   |
| Royalties  | Revenue received for use of trademarks and logos, including pouring rights agreements, and some telephone communications agreements.   |
| Performing arts  | Revenues from ticket sales for auxiliary-managed performing arts centers. If the auxiliary is receiving revenues for performing arts for college-managed centers, then the associated revenues should be recorded as a donation to the auxiliary.  |
| Childcare grants   | Grants (exchange transactions) received from federal, state, or local agencies to support childcare centers.   |
| Childcare fees   | Fees collected from individuals for childcare services.  |
| Management service fees                                  | Fees charged to manage funds held on deposit for others and for other services provided.   |

| <b>Operating Revenues by Major Category/ Subcategory</b> | <b>Descriptions and Examples</b>  |
|--|---|
| Donated services, space and equipment                    | Space, supplies and services paid for by the colleges, or other related entities, and used by the Auxiliary, are recognized as revenue. The measurement is determined by a number of factors, including value of space, supplies and personnel services.<br><br>See category entitled Donated Services below for further details. |
| Other  | All sources of operating revenue not included in the other classifications. If any category is greater than 5% of total revenues, please notify the Controller's Office.  |

Operating Expenses - Expenses are typically recorded by functional classifications, or primary purposes categories. Expenses should be properly classified so that analysis can be performed for each expense category to determine whether revenues sufficiently cover expenses.

The following group of expenses are either directly associated with revenue streams or represents funds used to support the Auxiliary. Each category includes all expenses necessary to deliver services, including, but not limited to personal services, contract labor, supplies and equipment, transportation, management, administration, insurance, and the value of donated services.

| <b>Operating Expenses by Major Category /Subcategory</b> | <b>Descriptions and Examples</b>  |
|--|---|
| Parking  | Expenses for providing parking operations including management expenses, personnel services, security, repairs and maintenance and supplies.  |
| Performing arts  | Expenses for operating performing arts centers, including management fees, personnel services, repairs and maintenance, and supplies.   |
| Childcare  | Expenses for providing childcare services including management fees, personnel services, food, repairs and maintenance, and supplies.   |
| Student programs and services                            | Expenses for the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. |
| o Student development                                    | Expenses for student leadership training and development.   |
| o Athletics and recreation                               | Expenses for providing athletics, recreation and sports programs.   |
| o Student disability and other insurance                 | Student disability and other insurance expense.   |
| o Student publications                                   | Expenses related to producing student newspapers and other publications.  |
| o Student programs                                       | Expenses for student events and programs.   |

| <b>Operating Expenses by Major Category / Subcategory</b> | <b>Descriptions and Examples</b>  |
|---|---|
| College programs and activities                           | Expenses benefiting the college's operations.   |
| o Graduation/ Commencement                                | Expenses associated with graduation ceremonies and related events, including caps and gowns, speaker fees, space rental, catering, supplies, etc.                           |
| o Institutional initiatives                               | Expenses for the purpose of supporting college initiatives of various types; these are typically one-time expenses for specific goals.                                      |
| o Library supplies  | Expenses for the support of college libraries.  |
| o Community service programs                              | Expenses to support community services through public service, such as disaster relief.   |
| o Academic support  | Expenses for faculty development.   |
| o Scholarships and fellowships                            | Expenses for scholarships and fellowships in the form of grants to students, resulting from selection by the Auxiliary's board of directors or designee.                    |
| o Social and cultural development                         | Expenses supporting programs focusing on music, art and other social and cultural development.  |
| o Recruitment and advertising                             | Student recruitment and advertising expense.  |
| Rent  | Expenses related to space rentals.  |
| Food service  | Expenses for operating Auxiliary-managed food services including food, management fees, personnel services, repairs and maintenance, and supplies.                          |
| Depreciation expense                                      | Expense related to the portion or cost of a capital asset prorated over the estimated useful life of the asset.   |
| Management and general                                    | Expenses necessary for the management of the Auxiliary, including legal and accounting fees, insurance, bad debt expense, personnel services and supplies.                  |
| Other   | Expenses that do not fit into categories described above. If any category is greater than 5% of total operating expenses, please notify the University Controller's Office. |

Nonoperating revenues (expenses) include activities that have the characteristic of non-exchange transactions such as contributions and investment income.

| <b>Non-operating Revenues</b>                                 | <b>Descriptions and Examples</b>  |
|---|---|
| Investment income, net of management fees                     | Includes income earned from fixed and equity securities, net of management fees.  |
| Net appreciation (depreciation) in fair value of investments. | Represents the realized and unrealized gains and/or losses on investments.        |
| Gifts and contributions                                       | Gifts (non-exchange, non-reciprocal transactions) received to support the entity. |
| College support   | Amounts provided by the Auxiliary to support its affiliated college's operations. |



*Statement of Cash Flows*

Each Auxiliary should also produce a Statement of Cash Flows using the direct method as part of its annual audited financial statement.

*Donated Services*

Chief among gifts-in-kind (donated services) received by Auxiliaries are supplies, contributed services, and use of facilities.

Supplies - The value of donated supplies is recorded as gift (donated supplies) revenue. Gifted supplies are recorded at the amount that the Auxiliary would normally have to pay for the items.

Facilities - If an Auxiliary is given the use of a building or other facilities either at cost or at a substantially reduced cost, the value of the gift (donated space) should be recognized in the financial statements as both gift revenue (donated space) and an expense. The value to be used should be the fair rental value of facilities that the Auxiliary would otherwise acquire if the contributed facilities were not available.

Services - The value of donated services should be recognized as both a contribution and an expense. The expense would be reported in the program/function category appropriate to the nature and purpose of the services provided.

Each Auxiliary must develop policies and procedures to ensure that appropriate documentation is available to substantiate any recognitions and for subsequent audit review.