I. INFORMATION ITEMS: (Executive Session)

A. Discussion pursuant to Section 105, Article 7 of the Public Officers Law, regarding matters related to a potential appointment of a corporation

B. Presentation of the KPMG FY 2018 Management Letter

II. ACTION ITEMS:

A. Approval of the Minutes of the Meeting of January 30, 2019

B. Presentation and Approval of the Fiscal Year 2018 Uniform Guidance Report
The meeting was called to order by Committee Chair Kevin Kim at 4:05 p.m.

The following people were present:

**Committee Members:**
- Hon. Kevin D. Kim, Chair
- Hon. Henry T. Berger
- Hon. Jill O’Donnell-Tormey
- Prof. John Verzani, faculty representative

**Ex-officio:**
- Hon. Barry F. Schwartz

**Trustee Staff:**
- Senior Advisor to the Chancellor and Secretary of the Board Gayle M. Horwitz
- Interim General Counsel and Senior Vice Chancellor Pamela S. Silverblatt
- Ms. Teisha Mitchell

**Observer:**
- Prof. Ned Benton

**University Staff:**
- Senior Vice Chancellor and Chief Financial Officer Matthew Sapienza
- Interim Chief Operating Officer Marc V. Shaw
- Deputy General Counsel Jane Sovern
- University Executive Director of Internal Audit and Management Services Gordon Taylor
- Associate General Counsel Edward Jayetileke

The agenda items were considered and acted upon in the following order:

I. **ACTION ITEMS:**

A. **APPROVAL OF THE MINUTES OF THE MEETING OF APRIL 3, 2018, JUNE 4, 2018, AND OCTOBER 30, 2018.** Moved by Committee Chair Kim and seconded by Trustee Henry Berger, the minutes were approved as submitted. Committee Chair Kim abstained.

Committee Chair Kim moved to go into Executive Session at 4:06 p.m. The motion was seconded by Trustee Jill O’Donnell-Tormey.

**CONVENING OF EXECUTIVE SESSION:**
Committee Chair Kim called for an Executive Session pursuant to Section 105, Article 7, of the Public Officers Law, for the purpose of discussing confidential financial audit matters of the University. The Committee met in Executive Session from 4:07 p.m. to 5:19 p.m.

The Committee reconvened in Public Session. Committee Chair Kim moved to adjourn the meeting. The motion was seconded by Trustee Berger and the meeting was adjourned 5:20 p.m.
December 131 2018

Audit Committee of the Board of Trustees
City University of New York
New York New York

Ladies and Gentlemen:

We have audited the financial statements of The City University of New York (the University) as of June 30 2018 and for the year then ended and have issued our report thereon under date of November 16, 2018. Under our professional standards! "We are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of the Audit Committee, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Audit Committee of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control. However, our required communications will be provided to you in writing, regarding any significant deficiencies in internal control identified during our audit and will be provided to you under separate cover.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the University are described in Note 2 to the financial statements.
As discussed in Note 2(b) to the financial statements, as of July 1, 2017, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The effect of adoption of GASB 75 resulted in a decrease in the University's net position at June 30, 2017 of approximately $699.6 million.

Unusual Transactions

There have been no unusual transactions that we are aware of that need to be disclosed to you.

Qualitative Aspects of Accounting Practices

We have discussed with the Audit Committee and management our judgments about the quality, not just the acceptability, of the University's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the University's accounting policies and their application, and the understandability and completeness of the University's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the University to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

With respect to the University's financial statements, estimates and assumptions include the allowances for uncollectible receivables, the valuation of marketable and alternative investments, actuarial assumptions (OPEB and Pension), the valuation of interest rate swaps, depreciation expense, and the allocation of expenses to functional classifications. We evaluated management's analyses of these estimates, and determined them to be reasonable in relation to the financial statements as a whole.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements

In connection with our audit of the University's financial statements, we have discussed with management one financial statement misstatement that has not been corrected in the University's books and records as of and for the year ended June 30, 2018. We have reported the misstatement to management on a Schedule of Uncorrected Audit Misstatements and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatement is immaterial to the financial statements taken as a whole. Attached is a copy of the summary that has been provided to, and discussed with, management.

Corrected Misstatements

In connection with our audit of the University's financial statements, we have not identified any significant financial statement misstatements related to accounts and disclosures that have been corrected in the University's books and records as of and for the year ended June 30, 2018 and have communicated that matter to management.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' report on the University's financial statements.
Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2018.

Significant Issues Discussed, or Subject to Correspondence with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with you and management each year prior to our retention by you as the University’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1. Engagement letter (previously provided);

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all relationships between our firm and the University and persons in a financial reporting oversight role at the University and provide confirmation that we are independent accountants with respect to the University.

We are not aware of any relationships between our firm and the University other than the professional services provided to the University identified in our engagement letters. In addition to our audit of the University’s financial statements, we also provide permissible tax compliance services for the University.

Confirmation of Audit Independence

We hereby confirm that as of December 13, 2018, we are independent accountants with respect to the University under relevant professional and regulatory standards.

********

This letter to the Audit Committee is intended solely for the information and use of the Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP
November 1.6, 2018

KPMG LLP
345 Park Avenue
New York, New York 10154

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the business-type activities, the aggregate discretely presented component units, and the related notes to the financial statements of The City University of New York· (the University) as of and for the year ended June 30, 2018, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of November 16, 2018:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 4, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

   a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.

   b. Additional Information that you have requested from us for the purpose of the audit;

   c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

   d. All minutes of the meetings of the Board of Trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees or others concerning noncompliance with laws and regulations in any jurisdiction, or deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.
4. We have disclosed to you, in writing, all known instances of non-compliance or suspected non-
compliance with laws and regulations whose effects should be considered when preparing financial
statements.

5. All material transactions have been recorded in the accounting records and are reflected in the
financial statements.

6. There are no side agreements or other arrangements (either written or oral).

7. All events subsequent to the date of the statement of net position and through the date of this letter
for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and
disclosed in accordance with paragraphs 96 - 113 of Governmental Accounting Standards Board
(GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained
in Pre-November 30, 1989 FASB and A/CPA Pronouncements.

9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose
effects should be considered when preparing the financial statements.

10. The uncorrected financial statement misstatement included in the attachment is immaterial to the
financial statements taken as a whole. In addition, the inconsistent presentation of pension expense
as compared to OPEB expense is not considered to be material as OPEB expense represents
approximately 3% of total operating expenses.

11. We acknowledge our responsibility for the design, implementation, and maintenance of programs
and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the
design, implementation, and maintenance of internal control relevant to the preparation and fair
presentation of the financial statements and to provide reasonable assurance against the possibility
of misstatements that are material to the financial statements whether due to error or fraud. We
understand that the term "fraud" is defined as an intentional act by one or more individuals among
management, those charged with governance, employees, or third parties, involving the use of
deception that results in a misstatement in financial statements that are the subject of an audit.

12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or
operation of internal control over financial reporting of which we are aware, which could adversely
affect the University's ability to initiate, authorize, record, process, or report financial data. We have
applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the
definitions in AU-C Section 265.07, Communicating Internal Control Related Matters Identified in an
Audit.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may
be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud affecting the University involving:
   a. Management
   b. Employees who have significant roles in internal control, or
   c. Others where the fraud could have a material effect on the financial statements.
15. We have disclosed to you all information that we are aware of regarding allegations of fraud or suspected fraud affecting the University’s financial statements—communicated by employees, former employees, regulators, or others.

16. We have no knowledge of any officer or trustee of the University, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

17. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

18. We have disclosed to you the identity of our related parties and all the related party relationships and transactions of which we are aware.

19. The following have been properly recorded or disclosed in the financial statements:
   a. Related party relationships and transactions of which we are aware in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.
   b. Guarantees, whether written or oral, under which the University is contingently liable.
   c. The existence of and transactions with Joint ventures and other related organizations.

20. The University has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

21. The University has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

22. The University’s reporting entity includes all entities that are component units of the University. Such component units have been properly presented as either blended or discrete.

23. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the University’s current period financial statements, and the expected impact of each such policy and practice on future periods’ financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

24. We acknowledge our responsibility for the presentation of the required supplementary information which includes, the Schedule of Employer Contributions, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Changes in Total OPEB Liability and Related Ratios, in accordance with the applicable criteria and prescribed guidelines established by the Governmental Accounting Standards Board and:
   a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.
b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.

25. We acknowledge our responsibility for the presentation of the required supplementary information which includes, management's discussion and analysis, in accordance with the applicable criteria and prescribed guidelines established by the Governmental Accounting Standards Board and:

a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.

c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.

26. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

27. In accordance with Government Auditing Standards, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

28. We agree with the findings of specialists in evaluating the post-retirement obligation and the net pension liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the basic financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

29. We believe the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other post-employment benefits and to determine information related to the University's funding progress related to such benefits for financial reporting purposes are appropriate in the University's circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

30. The University has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.

31. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (nonspendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.
32. The University has identified and properly reported all of its derivative instruments and any related
defered outflows of resources or deferred inflows of resources related to hedging derivative
instruments in accordance with GASB Statement No. 53, Accounting and Financial Reporting for
Derivative Instruments. The University complied with the requirements of GASB Statement No. 53
related to the determination of hedging derivative instruments and the application of hedge
accounting. Further, the University has disclosed all material Information about its derivative and
hedging arrangement in accordance with GASB Statement No. 53.

33. The estimate of fair value of derivative instruments is in compliance with GASB Statement No. 53.
For derivative Instruments with fair values that are based on other than quoted market prices, the
University has disclosed the methods and significant assumptions used to estimate those fair
values.

34. For each defined benefit pension plan in which the University is a participating employer,-

   a. The net pension liability, related deferred outflows of resources, deferred inflows of
      resources, and pension expense has been properly measured and recorded as of the
      measurement date in accordance with the provisions of GASB Statement No. 68,
      Accounting and Financial Reporting for Pensions.

   b. All relevant plan provisions in force as of the measurement date have been properly
      reflected in the measurement of the net pension liability and pension expense.

   c. We believe the actuarial assumptions and methods used to measure the net pension liability
      and pension expense are appropriate in the circumstances and the related actuarial
      valuation was prepared in conformity with U.S. generally accepted accounting principles.

   d. The participants’ data provided to the actuary for purpose of determining the net pension
      liability and pension expense is accurate and complete.

   e. The basis for our proportion of the collective pension amounts is appropriate and consistent
      with the manner in which contributions to the pension plan are determined.

   f. The net pension liability, deferred outflows of resources, deferred inflows of resources, and
      pension expense have been properly allocated to proprietary and fiduciary funds based on
      each fund’s direct and Indirect (for example, through a fringe benefit cost recovery rate)
      payment of employer contributions relative to total employer contributions of the University
      as a whole.

35. The projected employer contributions in the discount rate calculation are prepared in accordance
with paragraphs 37-39 of GASB Statement 75.

36. KPMG LLP assisted management in drafting the financial statements and notes. In accordance
with Government Auditing Standards, we confirm that we have reviewed, approved, and accept
responsibility for the financial statements and notes.

37. We confirm that all relevant information relating to the facts and circumstances which are the
subject of investigations conducted by the New York State Inspector General have been disclosed
by us to the audit committee, to the Investigating team, and to you. We also confirm that, where
necessary, we have taken, or are taking, timely and appropriate remedial action.
38. There are no representations provided in connection with your audit of the financial statements as of June 30, 2017 and for the year then ended that requires modification.

Very truly yours,

The City University of New York

Vi
Interim Chancellor

Matthew Sapienza
Senior Vice Chancellor and Chief Financial Officer

Christina Chlappa
University Executive Deputy Chief Financial Officer

Sara Pappas Montero
University Executive Controller
The City University of New York  
Schedule of Uncorrected Audit Misstatements  
6/30/2018  
(in thousands)

<table>
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<th>#</th>
<th>Accounts and description</th>
<th>Dr.</th>
<th>Cr.</th>
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<tr>
<td>1</td>
<td>Pension expense</td>
<td>$</td>
<td>9,741</td>
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|   | Net pension liability     |     | $ 9,741 |

An error was noted by the City of New York, Office of the Actuary (OA), related to the NYCERS plan, and communicated via email to participating employers, in which certain pension groups (which include certain CUNY employees) were excluded from the census data used by the OA to calculate the net pension liability and related expense that each participating employer would need to include in their financial statements. CUNY's proportionate share as communicated was $9,024,000. The additional $717,170 relates to a recalculation performed by KPMG due to differences noted in the Fiduciary Net Position of the ERS plan between the City of NY CAFR and the audited GASB 68 report as of and for the year ended June 30, 2018. The difference only relates to the Senior Colleges of CUNY.
RESOLVED: That the Board of Trustees of the City University of New York approves the Fiscal Year 2018 Uniform Guidance Report as presented by the University’s external auditor, KPMG.

EXPLANATION: The Audit Committee, as part of its responsibilities, must review the Uniform Guidance Report as presented by the external auditors. The Uniform Guidance report is an annual audit report on compliance for major federal programs; on internal controls over compliance; and on the supplementary schedule of expenditures of federal awards. This year’s report is primarily related to federal financial aid. The Uniform Guidance is required to be filed with the federal government by March 31st annually. The University’s auditors, KPMG, are issuing an Unmodified (i.e. “Clean”) Opinion with no findings.
The City University of New York
Uniform Guidance Audit Results

June 30, 2018
Uniform Guidance Audit – 2018 Results

— We have completed our audit of the University’s major Federal program, the Student Financial Assistance Cluster.

— We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

— We conducted our audit of compliance over the major program in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

— Our report on the University’s compliance over its major program is unmodified.

— There were no audit findings or questioned costs identified.

Pending Matters:

— Concurring review is in progress.

— Final down-to-date procedures (e.g. reading of Board of Trustees and Committee minutes of meetings held in February, receipt of the signed management representation letter, receipt of the final due diligence letter regarding legal matters from the University’s Office of the General Counsel)
Uniform Guidance Audit - Objectives

The objectives of the Uniform Guidance Audit are as follows:

— Determine whether the schedule of expenditures of Federal awards is presented fairly, in all material respects, in relation to CUNY’s financial statements.

— Using a risk-based assessment process promulgated by the Uniform Guidance, select one or more major programs for testing.

— Obtain an understanding of the internal control over compliance for each major program, assess control risk, and perform tests of those controls.

— Determine whether CUNY complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to Federal awards that may have a direct and material affect on the major program – material noncompliance.
Uniform Guidance Audit – Procedures

— Major Program: Student Financial Assistance Cluster (inclusive of Pell, Direct Loans, FWS, FSEOG, TEACH, Perkins, Nursing Student Loans)

— The following compliance and internal control procedures were performed at all of the CUNY schools/campuses during the audit:

  – Cash management – Requests and draw downs of funds by University
  – Eligibility – The eligibility of students to receive Federal awards
  – Reporting – Review reports submitted by University for accuracy and timeliness
  – Special tests and provisions:
    — Separate Funds – Review procedures performed for maintenance of separate accounts for each Federal program
    — Verification – Review procedures performed and documents obtained
    — Disbursements to and on behalf of students – Calculation, reporting, and timeliness of disbursements
    — Return of Title IV funds – Calculation and timeliness of refunds
    — Enrollment Reporting – Reporting and timeliness of student status changes
    — Borrower data transmission and reconciliation – Review procedures performed and reconciliations prepared
    — Institutional Eligibility – Determine that the colleges are eligible to receive Federal awards
This presentation to the Audit Committee is intended solely for the information and use of the Audit Committee and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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THE CITY UNIVERSITY OF NEW YORK

Basic Financial Statements, Management’s Discussion and Analysis, Other Required Supplementary Information and Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

(With Independent Auditors’ Reports Thereon)
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Independent Auditors’ Report

The Board of Trustees
The City University of New York:

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of The City University of New York (the University), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements as listed in the table of contents.

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

Auditors’ Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 29 of the 85 discretely presented component units, which represent approximately 91%, 91%, and 64%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 29 discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the 29 discretely presented component units were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ 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 opinions.
Opinions

In our opinion, based on our report and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of The City University of New York as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 2(b) to the financial statements, as of July 1, 2017, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages 3 through 18 and the schedules of employer contributions, proportionate share of the net pension liability and changes in total OPEB liability and related ratios as of June 30, 2018 on pages 73, 74 and 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2018 on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University’s internal control over financial reporting and compliance.

November 16, 2018

(signed) KPMG LLP
THE CITY UNIVERSITY OF NEW YORK
Supplementary Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

<table>
<thead>
<tr>
<th>Federal grantor/pass-through grantor/program or cluster title</th>
<th>Federal CFDA number</th>
<th>Pass-through CFDA number</th>
<th>Federal expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Student Financial Assistance Cluster:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Education:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Pell Grant Program (including administrative cost</td>
<td>84.063</td>
<td></td>
<td>$632,756,747</td>
</tr>
<tr>
<td>allowance of $732,580)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Direct Student Loan Program (note 4)</td>
<td>84.268</td>
<td></td>
<td>$291,008,455</td>
</tr>
<tr>
<td>Federal Perkins Loan Program (including administrative cost</td>
<td>84.038</td>
<td></td>
<td>$38,554,120</td>
</tr>
<tr>
<td>allowance of $1,249,980) (note 4)</td>
<td>84.007</td>
<td></td>
<td>$11,050,169</td>
</tr>
<tr>
<td>Federal Supplemental Educational Opportunity Grants (note 3)</td>
<td>84.033</td>
<td></td>
<td>$7,630,393</td>
</tr>
<tr>
<td>Federal Work-Study Program (note 3)</td>
<td>84.379</td>
<td></td>
<td>$94,501</td>
</tr>
<tr>
<td>Teacher Education Assistance for College and Higher Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants (TEACH Grants)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Student Financial Assistance Cluster</strong></td>
<td>93.364</td>
<td></td>
<td>253,821</td>
</tr>
<tr>
<td><strong>U.S. Department of Agriculture:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child and Adult Care Food Program:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through New York State, Department of Health:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hostos Community College Children's Center, Inc.</td>
<td>10.558</td>
<td>4800</td>
<td>32,551</td>
</tr>
<tr>
<td>Bronx Community College Association, Inc.</td>
<td>10.558</td>
<td>9658</td>
<td>67,345</td>
</tr>
<tr>
<td>Fiorello H. LaGuardia Community College Early Childhood</td>
<td>10.558</td>
<td>3577</td>
<td>69,303</td>
</tr>
<tr>
<td>Learning Center Programs, Inc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>College of Staten Island Association, Inc.</td>
<td>10.558</td>
<td>3502001, 3502002, 3502003</td>
<td>21,956</td>
</tr>
<tr>
<td><strong>Total Child and Adult Care Food Program</strong></td>
<td></td>
<td></td>
<td>191,155</td>
</tr>
<tr>
<td><strong>U.S. Department of Justice:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through Voces Latinas Corporation:</td>
<td>16.524</td>
<td>2015-WL-AX-0026</td>
<td>24,315</td>
</tr>
<tr>
<td>Legal Assistance for Victims</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Department of Health and Human Services:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through the City of New York Administration for</td>
<td>93.575</td>
<td>20131406828</td>
<td>116,151</td>
</tr>
<tr>
<td>Children's Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Care and Development Block Grant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Department of Homeland Security:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through New York State, Department of Homeland</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security and Emergency Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Grants – Public Assistance (Presidentially</td>
<td>97.036</td>
<td>PA-02NY-4085-PW-01677(1)</td>
<td>2,552</td>
</tr>
<tr>
<td>Declared Disasters)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Grants – Public Assistance (Presidentially Declared</td>
<td>97.036</td>
<td>PA-02NY-4085-PW-00884(0)</td>
<td>6,300</td>
</tr>
<tr>
<td>Disasters)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Disaster Grants - Public Assistance</strong></td>
<td></td>
<td></td>
<td>8,852</td>
</tr>
<tr>
<td><strong>Total expenditures of federal awards</strong></td>
<td></td>
<td></td>
<td>$981,688,679</td>
</tr>
</tbody>
</table>

See accompanying notes to supplementary schedule of expenditures of federal awards.
THE CITY UNIVERSITY OF NEW YORK
Notes to Supplementary Schedule Expenditures of Federal Awards
Year ended June 30, 2018

(1) Basis of Presentation
The accompanying supplementary schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The City University of New York (the University), except as noted below, and has been prepared on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal awards received by the University but administered by the Research Foundation of The City University of New York (RF-CUNY) are not included in the accompanying Schedule because RF-CUNY files a separate report for the federal awards it administers on behalf of the University.

(2) Summary of Significant Accounting Policies for Federal Program Expenditures

(a) Student Financial Assistance Cluster
The student financial assistance cluster includes those awards that provide general student financial assistance. They include the Federal Pell Grant (Pell), Teacher Education Assistance for College and Higher Education Grants (TEACH), Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study (FWS) Programs. The University also receives awards to make loans to eligible students under the Federal Perkins Loan Program and Nursing Student Loan Program. In addition, federally guaranteed loans are issued to students of the University under the Federal Direct Student Loan Program.

(b) Other Grant Expenditures
Expenditures for other federal awards are determined using the cost principles and procedures set forth in OMB Uniform Guidance, Cost Principles. Under these principles, certain expenditures are not allowable or are limited as to reimbursement.

Expenditures consist of direct and indirect costs. Direct costs are those that can be specifically identified with a particular sponsored project. Indirect costs are the costs of services and resources that benefit sponsored projects as well as nonsponsored projects and activities.

The University and federal agencies use an indirect cost rate to charge facility and administrative costs to particular sponsored projects. The rate is the result of a number of cost allocation procedures that the University uses to allocate its facility and administrative costs to both sponsored and nonsponsored activities. The rate that the University uses to charge indirect costs to federally sponsored projects is subject to review and approval by the U.S. Department of Health and Human Services. The University did not elect to use the 10% deminimus indirect cost rate for the year ended June 30, 2018, as permitted by Uniform Guidance.
THE CITY UNIVERSITY OF NEW YORK
Notes to Supplementary Schedule Expenditures of Federal Awards
Year ended June 30, 2018

(3) Institutional Share – FSEOG and FWS
Under the terms of the FSEOG Program, the University is required to match 25% of the costs of grants to students. Similarly, under the terms of the FWS Program, the University is required to match 25% of the costs of student wages earned. For the year ended June 30, 2018, the University met its matching requirements for FSEOG and FWS with unrestricted expenditures of $3,671,202 and $2,543,504, respectively.

(4) Federal Student Loan Programs
The University is responsible for certain aspects of the Federal Perkins Loan and Nursing Student Loan Programs. During the year ended June 30, 2018, the University made new loans of $125,112 under the Federal Perkins Loan Program. During the year ended June 30, 2018, the University did not make any loans under the Nursing Student Loan Program. The University’s basic financial statements include the programs’ net position and transactions. The ending balances of loans outstanding under these programs at June 30, 2018 are presented below:

<table>
<thead>
<tr>
<th>Student Loan Programs:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Perkins Loan Program (CFDA # 84.038)</td>
<td>$ 32,096,610</td>
</tr>
<tr>
<td>Nursing Student Loan Program (CFDA # 93.364)</td>
<td>253,821</td>
</tr>
<tr>
<td></td>
<td>$ 32,350,431</td>
</tr>
</tbody>
</table>

The beginning balances of loans outstanding under these programs at July 1, 2017 were $37,179,028 and $253,821 for the Federal Perkins Loan and Nursing Student Loan Programs, respectively.

With respect to the Federal Direct Student Loan Program, the University is only responsible for the performance of certain administrative duties; therefore, the net position and transactions for this program are not included in the University’s basic financial statements, and it is not practicable to determine the balance of loans outstanding to students of the University under this program at June 30, 2018.

(5) Disaster Grants – Public Assistance
In 2018, 2017, 2016 and 2015, the University incurred expenditures as a result of the October 2012 Hurricane Sandy. In 2018, the University received approval of disaster relief assistance of $8,852 from the Federal Emergency Management Agency (FEMA). The amount reported on the Schedule for the year ended June 30, 2018 represents costs incurred for projects approved in 2018. The amount does not include expenditures incurred that have been covered by insurance proceeds. During 2018, the University did not receive reimbursement on any of the amounts incurred.

(6) Passed-through to Subrecipients
The University did not pass any amounts through to subrecipients for the year ended June 30, 2018.
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Trustees
The City University of New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of The City University of New York (the University) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 16, 2018, which contained unmodified opinions on those financial statements. That report includes an emphasis of matter paragraph regarding the University's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. That report also includes a reference to other auditors who audited the financial statements of 29 of the 85 discretely presented component units. The financial statements of those 29 discretely presented component units were not audited in accordance with Government Auditing Standards.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters did not include the Research Foundation of The City University of New York, a blended component unit of The City University of New York. We have issued a separate report on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for this entity. The findings, if any, included in that report are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal
control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 16, 2018

(signed) KPMG LLP
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
The City University of New York:

Report on Compliance for Each Major Federal Program
We have audited The City University of New York’s (the University's) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the University's major federal program for the year ended June 30, 2018. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's financial statements include the operations of the Research Foundation of The City University of New York (the Foundation), a blended component unit of the University, which received federal awards that are not included in the University’s supplementary schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of the Foundation because we have separately reported on the Foundation in accordance with the Uniform Guidance. The findings, if any, included in that report are not included herein.

Management's Responsibility
Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors’ Responsibility
Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the University’s compliance.

Opinion on Each Major Federal Program
In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.
Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.
Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of The City University of New York as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise The City University of New York’s basic financial statements. We issued our report thereon dated November 16, 2018, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Date

\[(signed) KPMG LLP\]
THE CITY UNIVERSITY OF NEW YORK
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

(1) Summary of Auditors’ Results
(a) Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: Unmodified

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
   • Material weaknesses: No
   • Significant deficiencies: None reported

(c) Noncompliance material to the financial statements: No

(d) Internal control deficiencies over major program disclosed by the audit:
   • Material weaknesses: No
   • Significant deficiencies: None reported

(e) Type of report issued on compliance for major program: Unmodified

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): None

(g) Major program:
   • Student Financial Assistance Cluster (CFDA numbers 84.063, 84.268, 84.038, 84.007, 84.033, 84.379 and 93.364)

(h) Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

(i) Auditee qualified as a low-risk auditee: Yes

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards
None.

(3) Findings and Questioned Costs Relating to Federal Awards
None.