

THE LEHMAN COLLEGE ART GALLERY, INC.

Financial Statements
for year ended
June 30, 2000



PANNELL
KERR
FORSTER PC

Certified Public Accountants

420 Lexington Avenue
New York, NY 10170

Telephone (212) 867-8000
Telefax (212) 687-4346

Independent Auditor's Report

To the Board of Directors
The Lehman College Art Gallery, Inc.

We have audited the accompanying balance sheet of the Lehman College Art Gallery, Inc. as of June 30, 2000 and 1999, and the related statements of revenues and expenditures - general fund, changes in fund balances and cash flows - general fund for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lehman College Art Gallery, Inc. at June 30, 2000 and 1999, and the revenues and expenditures of the general fund and changes in fund balances and cash flows of the general fund for the years then ended in conformity with generally accepted accounting principles.

Pannell Kerr Forster PC

August 22, 2000

THE LEHMAN COLLEGE ART GALLERY, INC.
Statement of Revenues and Expenditures - General Fund

	Year Ended June 30	
	<u>2000</u>	<u>1999</u>
Revenues		
Allocation from Lehman College Grant Overhead Account (note 2)	\$ 63,000	\$ 60,000
Allocation from the Herbert H. Lehman College Auxiliary Enterprises Corporation, Inc. (note 2)	12,500	12,500
Public support	28,480	47,150
Corporate donations	7,750	19,400
Foundations	32,100	18,500
Memberships and general donations	3,650	3,630
Interest and dividends	9,375	5,836
Krasdale Gallery	-	7,083
District 9	23,950	33,500
Institute of Museum and Library Services Grant	34,700	31,700
National Endowment for the Humanities	41,411	12,094
National Endowment of the Arts	-	5,000
Unrealized (loss) on investments (note 2)	(2,819)	-
Other	3,139	2,532
Total revenues	<u>257,236</u>	<u>258,925</u>
Expenditures		
Payroll and related (note 5)	201,191	174,990
Exhibition	15,318	21,199
Education	15,341	26,298
Security	8,354	8,443
Insurance	2,055	2,123
Mail	2,505	1,818
Professional fees	4,675	5,700
Miscellaneous	7,239	8,725
Total expenditures	<u>256,678</u>	<u>249,296</u>
Excess of revenues over expenditures	<u>\$ 558</u>	<u>\$ 9,629</u>

See notes to financial statements

THE LEHMAN COLLEGE ART GALLERY, INC.

Statement of Changes in Fund Balances

	General Fund	Edith and Herbert Lehman Endowment Fund (note 3)	Robert Lehman Endowment Fund (note 4)
Fund balances - June 30, 1999, as previously reported	\$ 15,805	\$ 25,000	\$ 50,000
Adjustment to prior years' administrative costs (note 2)	<u>51,809</u>	<u>-</u>	<u>-</u>
Fund balances - June 30, 1999, as restated	67,614	25,000	50,000
Excess of revenues over expenditures	<u>558</u>	<u>-</u>	<u>-</u>
Fund balances - June 30, 2000	<u>\$ 68,172</u>	<u>\$ 25,000</u>	<u>\$ 50,000</u>
Fund balances - June 30, 1998, as previously reported	\$ 10,522	\$ 25,000	\$ 50,000
Adjustment to prior years' administrative costs (note 2)	<u>47,463</u>	<u>-</u>	<u>-</u>
Fund balances - June 30, 1998, as restated	57,985	25,000	50,000
Excess of revenues over expenditures (note 2)	<u>9,629</u>	<u>-</u>	<u>-</u>
Fund balances - June 30, 1999	<u>\$ 67,614</u>	<u>\$ 25,000</u>	<u>\$ 50,000</u>

See notes to financial statements

THE LEHMAN COLLEGE ART GALLERY, INC.

Statement of Cash Flows - General Fund

	Year Ended June 30	
	2000	1999
Cash flows from operating activities		
Excess of revenues over expenditures	\$ 558	\$ 9,629
Adjustments to reconcile excess of revenues over expenditures to net cash provided (used) by operating activities		
Unrealized loss on investments	2,819	-
Changes in certain activities		
Receivable	546	(2,000)
Prepaid expenses	(38,954)	43
Accounts payable and accrued expenses	310	1,094
Due (to) from the Research Foundation of The City University of New York	50,650	(21,223)
Deferred revenue	(22,968)	49,588
Total adjustments	(7,597)	27,502
Net cash provided (used) by operating activities	(7,039)	37,131
Cash flows from investing activities		
Investment purchases	(91,367)	-
Cash transfers from other funds	75,000	-
Net cash (used) by investing activities	(16,367)	-
Increase (decrease) in cash	(23,406)	37,131
Cash, beginning of year	135,489	98,358
Cash, end of year	\$ 112,083	\$ 135,489

See notes to financial statements

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements
June 30, 2000

Note 1 - Organization

On April 28, 1986, the Board of Trustees of the City University of New York authorized the incorporation of the Lehman College Art Gallery, Inc. (Corporation) pursuant to the provisions of section 216 of the Education Law and section 404, subdivision (d) of the Not-for-Profit Corporation Law of the State of New York. The purpose of the Corporation is to encourage and promote the creation of the visual arts; and to plan, develop, and promote cultural and educational activities among the students and faculty of Herbert H. Lehman College (the College) and the residents of the Greater New York Metropolitan Area. The financial statements are an integral part of the City University of New York.

The Corporation was organized exclusively for charitable and educational purposes and shall not carry on any activities not permitted to be carried on by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Note 2 - Significant accounting policies

Prior period adjustment

The Corporation has restated its previously issued June 30, 1999 financial statements to reflect an adjustment related to prior years' administrative costs totaling \$51,809. Management of the Corporation has recently determined that there was a mistake of fact in calculating the amount due the Research Foundation of The City University of New York for administering the Corporation's payroll. As a result of this adjustment, the payroll and related expenses for the year ended June 30, 1999 were reduced by \$4,346 and prior years' expense was reduced by crediting the fund balance as of June 30, 1998 for \$47,463. The related due to Research Foundation liability was reduced by \$51,809 as of June 30, 1999. There was no adjustment requirement to the June 30, 2000 revenues or expenses.

Investments

The Corporation reports the carrying value of its investments at their fair value. Following is a summary of the Corporation's investments at June 30, 2000.

	<u>Fair Value</u>
Federal Home Loan Mortgage notes	
7.250% due 12/21/09	\$ 9,745
6.450% due 06/07/04	4,883
6.205% due 06/23/03	9,785
Federal National Mortgage Association notes	
6.510% due 07/10/08	9,481
7.060% due 08/14/07	9,760
7.250% due 11/17/06	9,863
6.210% due 01/26/06	9,565
6.030% due 04/05/04	9,658
5.750% due 03/15/02	9,810
5.670% due 07/21/00	5,998
Total at fair value	<u>\$ 88,548</u>

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements (continued)
June 30, 2000

Revenue

The Corporation derives revenues mainly from contributions from members and other sources. Annual allocations of \$63,000 and \$60,000 for fiscal years 2000 and 1999, respectively, for Art Gallery salaries were made from the Lehman College Grant Overhead Account. Allocations from the Herbert H. Lehman College Auxiliary Enterprises Corporation, Inc. (Auxiliary Enterprises) were made to cover certain operating expenses. These amounts totaled \$12,500 in both fiscal years 2000 and 1999, which included \$2,500 per year from the Auxiliary Enterprises campus ceremonies. Deferred revenues represent funds received in advance which are designated for future art shows.

Note 3 - Edith and Herbert Lehman Endowment Fund

In November 1985, the Corporation received \$25,000 representing a gift from the Edith and Herbert Lehman Foundation, Inc. to establish an endowment fund for the Lehman College Art Gallery, Inc. This grant is to be held intact and only the income will be used for the gallery.

Note 4 - Robert Lehman Endowment Fund

In April 1986, the Corporation received \$50,000 representing a gift from the Robert Lehman Foundation, Inc. to be held in perpetuity in a separate fund named "Robert Lehman Endowment Fund of the Herbert H. Lehman College Art Gallery". Income earned on the fund principal shall be applied solely for the expenses of special exhibitions in the Art Gallery or, with the permission of the Foundation, to the support of the educational activities of the College in the field of visual arts.

Note 5 - Payroll and related

The Corporation's payroll and benefits are paid directly by the Research Foundation of The City University of New York and are reimbursed by the Corporation. At June 30, 2000, prepaid expenses in the accompanying balance sheet, includes \$38,929 paid to the Research Foundation applicable to the first quarter of fiscal 2001 payroll and benefits. In addition, the Research Foundation receives a 7-1/4% fee for managing the Corporation's payroll. Fees earned for fiscal 2000 and 1999 totaled \$9,296 and \$7,776, respectively.