

THE LEHMAN COLLEGE ART GALLERY, INC.

Financial Statements
for year ended
June 30, 2001



Certified Public Accountants
A Professional Corporation

420 Lexington Avenue • New York, NY 10170
Telephone: (212) 867-8000 • Telefax: (212) 687-4346
E-mail: info@pkfny.com • www.pkfnewyork.com
Member of PKF International Limited

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, 2001 and 2000, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2001 and 2000, 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 accounting principles generally accepted in the United States of America.



Certified Public Accountants
A Professional Corporation

August 9, 2001

THE LEHMAN COLLEGE ART GALLERY, INC.

Balance Sheet

| | General Fund | | Edith and Herbert Lehman Endowment Fund | | Robert Lehman Endowment Fund | |
|---------------------|-------------------|-------------------|--|------------------|---------------------------------|------------------|
| | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| | \$ 133,453 | \$ 112,083 | \$ - | \$ - | \$ - | \$ - |
| | 107,439 | 88,548 | - | - | - | - |
| | 1,664 | 1,454 | - | - | - | - |
| | 56,116 | 39,531 | - | - | - | - |
| | - | - | 25,000 | 25,000 | 50,000 | 50,000 |
| Total assets | \$ 298,672 | \$ 241,616 | \$ 25,000 | \$ 25,000 | \$ 50,000 | \$ 50,000 |

Assets

Cash
 Investments, at fair value, cost (\$110,437 in 2001 and \$91,367 in 2000) (note 2)
 Accrued interest receivable
 Prepaid expenses (note 5)
 Due from General Fund

Liabilities and Fund Balances

| | | | | | | |
|---|-------------------|-------------------|------------------|------------------|------------------|------------------|
| Liabilities | \$ 17,645 | \$ 3,332 | \$ - | \$ - | \$ - | \$ - |
| Accounts payable and accrued expenses Due to the Research Foundation of The City University of New York | 43,747 | 39,242 | - | - | - | - |
| Due to Endowment Funds | 75,000 | 75,000 | - | - | - | - |
| Deferred revenue | 58,425 | 55,870 | - | - | - | - |
| Total liabilities | 194,817 | 173,444 | - | - | - | - |
| Fund balances | 103,855 | 68,172 | 25,000 | 25,000 | 50,000 | 50,000 |
| Total liabilities and fund balances | \$ 298,672 | \$ 241,616 | \$ 25,000 | \$ 25,000 | \$ 50,000 | \$ 50,000 |

See notes to financial statements

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

| | Year Ended June 30 | |
|---|-----------------------|----------------|
| | 2001 | 2000 |
| Revenues | | |
| Allocation from Lehman College Grant Overhead Account (note 2) | \$ 60,000 | \$ 63,000 |
| Allocation from the Herbert H. Lehman College Auxiliary Enterprises Corporation, Inc. (note 2) | 13,000 | 12,500 |
| Corporate donations | 10,700 | 7,750 |
| Foundations | 23,500 | 32,100 |
| Memberships and general donations | 4,900 | 3,650 |
| Interest and dividends | 9,416 | 9,375 |
| Art in Education | 58,120 | 23,950 |
| Institute of Museum and Library Services Grant | 35,700 | 34,700 |
| National Endowment for the Humanities | 26,605 | 41,411 |
| New York State Council of the Arts | 47,000 | 15,000 |
| New York City Department of Cultural Affair | 18,720 | 10,980 |
| Bronx Council of the Arts | 3,125 | 2,500 |
| Realized and unrealized (losses) on investments (note 2) | (2,998) | (2,819) |
| Other | 5,497 | 3,139 |
| Total revenues | <u>313,285</u> | <u>257,236</u> |
| Expenditures | | |
| Payroll and related (note 5) | 202,537 | 201,191 |
| Exhibition | 14,895 | 15,318 |
| Education | 28,903 | 15,341 |
| Security | 10,158 | 8,354 |
| Insurance | 2,272 | 2,055 |
| Mail | 2,032 | 2,505 |
| Professional fees | 6,475 | 4,675 |
| Equipment | 2,267 | - |
| Miscellaneous | 8,063 | 7,239 |
| Total expenditures | <u>277,602</u> | <u>256,678</u> |
| Excess of revenues over expenditures | <u>\$ 35,683</u> | <u>\$ 558</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) |
|--------------------------------------|-------------------|---|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Fund balances - June 30, 1999 | \$ 67,614 | \$ 25,000 | \$ 50,000 |
| Excess of revenues over expenditures | <u>558</u> | <u>-</u> | <u>-</u> |
| Fund balances - June 30, 2000 | 68,172 | 25,000 | 50,000 |
| Excess of revenues over expenditures | <u>35,683</u> | <u>-</u> | <u>-</u> |
| Fund balances - June 30, 2001 | <u>\$ 103,855</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 | |
|--|-----------------------|-------------------|
| | 2001 | 2000 |
| Cash flows from operating activities | | |
| Excess of revenues over expenditures | \$ 35,683 | \$ 558 |
| Adjustments to reconcile excess of revenues over expenditures to net cash provided (used) by operating activities | | |
| Realized and unrealized losses on investments | 2,998 | 2,819 |
| Changes in certain accounts | | |
| Receivable | (210) | 546 |
| Prepaid expenses | (16,585) | (38,954) |
| Accounts payable and accrued expenses | 14,313 | 310 |
| Due from the Research Foundation of The City University of New York | 4,505 | 50,650 |
| Deferred revenue | 2,555 | (22,968) |
| Total adjustments | <u>7,576</u> | <u>(7,597)</u> |
| Net cash provided (used) by operating activities | <u>43,259</u> | <u>(7,039)</u> |
| Cash flows from investing activities | | |
| Investment purchases | (21,889) | (91,367) |
| Cash transfers from other funds | - | 75,000 |
| Net cash (used) by investing activities | <u>(21,889)</u> | <u>(16,367)</u> |
| Increase (decrease) in cash | 21,370 | (23,406) |
| Cash, beginning of year | <u>112,083</u> | <u>135,489</u> |
| Cash, end of year | \$ <u>133,453</u> | \$ <u>112,083</u> |

See notes to financial statements

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements
June 30, 2001

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. (the "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

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, 2001:

| | <u>Fair Value</u> | <u>Cost</u> |
|---|-------------------|-------------------|
| Federal Home Loan Mortgage notes | | |
| 5.500% due 03/28/06 | \$ 9,878 | \$ 10,000 |
| 6.250% due 01/21/08 | 4,979 | 4,629 |
| 6.148% due 09/23/08 | 14,821 | 14,971 |
| 6.130% due 02/12/09 | 9,833 | 10,063 |
| 6.000% due 04/15/11 | 8,630 | 9,031 |
| Federal National Mortgage Association notes | | |
| 7.550% due 04/22/02 | 5,130 | 5,341 |
| 6.410% due 02/06/02 | 5,062 | 5,139 |
| General Electric Capital Corp. notes | | |
| 6.520% due 10/08/02 | 1,023 | 1,030 |
| 6.810% due 11/03/03 | 10,395 | 10,541 |
| 7.250% due 05/03/04 | 8,393 | 8,773 |
| 6.800% due 11/01/05 | 9,399 | 9,882 |
| 6.875% due 11/15/10 | 9,347 | 10,075 |
| Secured Finance Incorporated Senior Bonds | | |
| 9.050% due 12/15/04 | 1,099 | 1,145 |
| United States Treasury note | | |
| 6.125% due 08/15/07 | 9,450 | 9,817 |
| Total at fair value | <u>\$ 107,439</u> | <u>\$ 110,437</u> |

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements (continued)

June 30, 2001

Revenue

The Corporation derives revenues mainly from contributions from members and other sources. Annual allocations of \$60,000 and \$63,000 for fiscal years 2001 and 2000, 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 \$13,000 and \$12,500 in fiscal years 2001 and 2000, respectively, and included \$3,000 and \$2,500 per year, respectively, 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, 2001, prepaid expenses in the accompanying balance sheet, includes \$55,436 paid to the Research Foundation applicable to the first quarter of fiscal 2002 payroll and benefits. In addition, the Research Foundation receives a 7-1/4% fee for managing the Corporation's payroll. Fees earned for fiscal 2001 and 2000 totaled \$13,691 and \$9,296, respectively.