

THE LEHMAN COLLEGE ART GALLERY, INC.

Financial Statements
for year ended
June 30, 2003

PKF



Certified Public Accountants
A Professional Corporation

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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of the Lehman College Art Gallery, Inc. as of June 30, 2003 and 2002, and the related statements of revenues and expenses - general fund, changes in net assets 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, 2003 and 2002, and the revenues and expenses of the general fund and changes in net assets 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

October 17, 2003

THE LEHMAN COLLEGE ART GALLERY, INC.

Statement of Financial Position

	General Fund		Edith and Herbert Lehman Endowment Fund		Robert Lehman Endowment Fund	
	2003	2002	2003	2002	2003	2002
Cash	\$ 108,860	\$ 82,274	\$ -	\$ -	\$ -	\$ -
Investments, at fair value, cost (\$121,291 in 2003 and \$117,469 in 2002) (note 2)	123,807	115,941	-	-	-	-
Accounts receivable	15,950	10,000	-	-	-	-
Accrued interest receivable	1,722	1,627	-	-	-	-
Prepaid expenses (note 5)	56,409	4,417	-	-	-	-
Due from General Fund	-	-	25,000	25,000	50,000	50,000
Total assets	\$ 306,748	\$ 214,259	\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000

Assets

Cash
 Investments, at fair value, cost (\$121,291 in 2003 and \$117,469 in 2002) (note 2)
 Accounts receivable
 Accrued interest receivable
 Prepaid expenses (note 5)
 Due from General Fund

Liabilities and net assets

Liabilities	\$ 12,401	\$ 5,729	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses						
Due to the Research Foundation of The City University of New York	8,820	-	-	-	-	-
Due to Endowment Funds	75,000	75,000	-	-	-	-
Deferred revenue	81,500	22,125	-	-	-	-
Total liabilities	177,721	102,854	-	-	-	-
Net assets	129,027	111,405	25,000	25,000	50,000	50,000
Total liabilities and net assets	\$ 306,748	\$ 214,259	\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000

See notes to financial statements

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

	Year Ended June 30	
	2003	2002
Revenues		
Allocation from Lehman College Grant Overhead Account (note 2)	\$ 65,000	\$ 63,000
Allocation from the Herbert H. Lehman College Auxiliary Enterprises Corporation, Inc. (note 2)	13,000	13,000
Art in Education	108,857	45,490
New York State Council of the Arts	34,625	13,125
Foundations	32,500	36,000
New York City Department of Cultural Affairs	17,890	6,890
Corporate donations	14,000	13,450
Membership and general donations	12,050	7,061
Bronx High School for the Visual Arts	12,000	-
Bronx Council of the Arts	11,370	2,625
Institute of Museum Services	10,500	29,225
National Endowment for the Arts	10,000	-
Interest	6,664	7,872
National Endowment for the Humanities	5,750	44,890
Unrealized gain on investments (note 2)	4,044	1,470
Other	700	7,170
Total revenues	358,950	291,268
Expenses		
Payroll and related (note 5)	231,560	227,735
Exhibitions	41,639	18,438
Education	21,927	8,677
Membership events	12,856	1,528
Security	10,337	10,228
Professional fees	7,525	6,946
Postage	4,381	3,037
Insurance	3,081	2,483
Office supplies	2,978	864
Miscellaneous	5,044	3,782
Total expenses	341,328	283,718
Excess of revenues over expenses	\$ 17,622	\$ 7,550

See notes to financial statements

THE LEHMAN COLLEGE ART GALLERY, INC.

Statement of Changes in Net Assets

	General Fund	Edith and Herbert Lehman Endowment Fund (note 3)	Robert Lehman Endowment Fund (note 4)
Net assets- June 30, 2001	\$ 103,855	\$ 25,000	\$ 50,000
Excess of revenues over expenses	<u>7,550</u>	<u>-</u>	<u>-</u>
Net assets- June 30, 2002	111,405	25,000	50,000
Excess of revenues over expenses	<u>17,622</u>	<u>-</u>	<u>-</u>
Net assets- June 30, 2003	<u>\$ 129,027</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	
	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Excess of revenues over expenses		
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities	\$ 17,622	\$ 7,550
Unrealized (gain) loss on investments		
Changes in certain accounts	(4,044)	(1,470)
Receivables	(6,045)	(9,963)
Prepaid expenses	(51,992)	51,699
Accounts payable and accrued expenses	6,672	(11,916)
Due to the Research Foundation of The City University of New York	8,820	(43,747)
Deferred revenue	59,375	(36,300)
Total adjustments	<u>12,786</u>	<u>(51,697)</u>
Net cash provided (used) by operating activities	30,408	(44,147)
Cash flows (used) by investing activities		
Investment purchases - net	<u>(3,822)</u>	<u>(7,032)</u>
Increase (decrease) in cash	26,586	(51,179)
Cash, beginning of year	<u>82,274</u>	<u>133,453</u>
Cash, end of year	<u>\$ 108,860</u>	<u>\$ 82,274</u>

See notes to financial statements

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements
June 30, 2003

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, 2003:

	<u>Fair Value</u>	<u>Cost</u>
Bristol-Myers Squibb note 4.750% due 10/1/06	\$ 10,763	\$ 10,225
Federal Home Loan Mortgage notes 4.000% due 01/15/13	15,178	15,038
4.550% due 03/15/18	6,857	7,035
General Electric Capital Corp. notes 6.810% due 11/03/03	10,189	10,513
7.250% due 05/03/04	8,396	8,537
6.800% due 11/01/05	10,025	9,630
6.875% due 11/15/10	10,759	9,844
Merck & Co. Inc. Global note 5.250% due 7/1/06	9,889	9,596
Secured Finance Incorporated Senior Bond 9.050% due 12/15/04	1,095	1,118
Tennessee Valley Authority note 3.050% due 01/15/08	15,087	15,000
United Parcel Service note 5.750% due 10/15/16	15,157	15,000
United States Treasury note 6.125% due 08/15/07	10,412	9,755
Total	<u>\$ 123,807</u>	<u>\$ 121,291</u>

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements (continued)
June 30, 2003Revenue

The Corporation derives revenues mainly from contributions from members and other sources. Annual allocations of \$65,000 and \$63,000 for fiscal years 2003 and 2002, 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 in each of the fiscal years 2003 and 2002 and included \$3,000 per year from the Auxiliary Enterprises Campus Ceremonies and Functions account. Deferred revenues represent funds received in advance which are designated for future art shows.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements, and the revenues and expenditures recognized during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain information in the 2002 statement of revenues and expenses - general fund have been reclassified to conform to the 2003 presentation.

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, 2003, prepaid expenses in the accompanying statement of financial position, includes \$55,463 paid to the Research Foundation applicable to the first quarter of fiscal 2004 payroll and benefits. In addition, the Research Foundation received 7-3/4% fees in 2003 and 2002 for managing the Corporation's payroll. Fees earned for fiscal 2003 and 2002 totaled \$16,664 and \$16,298, respectively.