

THE LEHMAN COLLEGE ART GALLERY, INC.

Financial Statements
for year ended
June 30, 2005



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, 2005 and 2004, 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, 2005 and 2004, 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
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September 15, 2005

THE LEHMAN COLLEGE ART GALLERY, INC.

Statement of Financial Position

	General Fund		Edith and Herbert Lehman Endowment Fund		Robert Lehman Endowment Fund	
	2005	2004	2005	2004	2005	2004
Assets						
Cash	\$ 212,021	\$ 127,814	\$ -	\$ -	\$ -	\$ -
Investments, at fair value (cost \$119,519 in 2005 and \$128,233 in 2004) (note 2)	116,982	125,978	-	-	-	-
Accounts receivable	7,040	31,825	-	-	-	-
Accrued interest receivable	1,440	1,527	-	-	-	-
Prepaid expenses (note 5)	67,918	57,560	-	-	-	-
Due from General Fund	-	-	25,000	25,000	50,000	50,000
Total assets	\$ 405,401	\$ 344,704	\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000
Liabilities and net assets						
Liabilities						
Accounts payable and accrued expenses	\$ 1,883	\$ 7,036	\$ -	\$ -	\$ -	\$ -
Due to Endowment Funds	75,000	75,000	-	-	-	-
Deferred revenue	36,500	75,812	-	-	-	-
Total liabilities	113,383	157,848	-	-	-	-
Net assets	292,018	186,856	25,000	25,000	50,000	50,000
Total liabilities and net assets	\$ 405,401	\$ 344,704	\$ 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	
	2005	2004
Revenues		
Allocation from Lehman College Grant Overhead Account (note 2)	\$ 65,000	\$ 63,822
Allocation from the Herbert H. Lehman College Auxiliary		
Enterprises Corporation, Inc. (note 2)	13,000	13,000
Art in Education	80,442	54,775
Bronx Council of the Arts	17,200	5,930
Bronx High School for the Visual Arts	26,000	30,000
Corporate donations	15,650	10,250
Foundations	56,000	16,500
Institute of Museum Services	-	42,000
Interest	7,016	6,681
Membership and general donations	9,322	8,213
National Endowment for the Arts	90,000	25,000
National Endowment for the Humanities	-	23,000
New York City Department of Cultural Affairs	10,000	13,500
New York Council for the Humanities	-	7,500
New York State Council of the Arts	12,800	28,400
Unrealized (loss) on investments (note 2)	(281)	(4,771)
Other	712	486
Total revenues	402,861	344,286
Expenses		
Payroll and related (note 5)	223,950	212,069
Exhibitions	20,259	20,810
Education	25,680	23,367
Membership events	1,786	1,255
Security	10,325	8,596
Professional fees	7,875	7,675
Postage	1,875	2,795
Insurance	3,443	3,931
Office supplies	1,557	2,590
Miscellaneous	949	3,369
Total expenses	297,699	286,457
Excess of revenues over expenses	\$ 105,162	\$ 57,829

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, 2003	\$ 129,027	\$ 25,000	\$ 50,000
Excess of revenues over expenses	<u>57,829</u>	<u>-</u>	<u>-</u>
Net assets - June 30, 2004	186,856	25,000	50,000
Excess of revenues over expenses	<u>105,162</u>	<u>-</u>	<u>-</u>
Net assets - June 30, 2005	<u>\$ 292,018</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	
	2005	2004
Cash flows from operating activities		
Excess of revenues over expenses	\$ 105,162	\$ 57,829
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Unrealized loss on investments	281	4,771
Changes in certain accounts		
Receivables	24,872	(15,680)
Prepaid expenses	(10,358)	(1,151)
Accounts payable and accrued expenses	(5,153)	(5,365)
Due to the Research Foundation of The City University of New York	-	(8,820)
Deferred revenue	(39,312)	(5,688)
Total adjustments	(29,670)	(31,933)
Net cash provided by operating activities	75,492	25,896
Cash flows provided (used) by investing activities		
Investment sales (purchases) - net	8,715	(6,942)
Increase in cash	84,207	18,954
Cash, beginning of year	127,814	108,860
Cash, end of year	\$ 212,021	\$ 127,814

See notes to financial statements

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements
June 30, 2005Note 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 policiesInvestments

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, 2005:

	<u>Fair Value</u>	<u>Cost</u>
General Electric Capital Corp. notes	\$	\$
6.800% due 11/01/05	9,085	9,630
6.875% due 11/15/10	10,073	9,844
John Hancock Life Ins. Co. Signature notes		
3.620% due 1/15/14	15,026	15,000
Merck & Co. Inc. Global note		
5.250% due 7/1/06	9,092	9,596
Tennessee Valley Authority note		
3.050% due 01/15/08	14,618	15,000
United States Treasury note		
6.125% due 08/15/07	9,457	9,755
5.500% due 5/15/09	10,667	10,930
6.500% due 10/15/06	8,293	8,589
3.500% due 8/15/09	8,927	9,102
Freddie Mae, Step OPN Freddie Notes		
4.100% due 01/15/13	14,932	15,038
Freddie Mae, Freddie Notes		
4.550% due 03/15/18	6,812	7,035
Total	\$ <u>116,982</u>	\$ <u>119,519</u>

Revenue

The Corporation derives revenues mainly from contributions from members and other sources. Annual allocations of \$65,660 and \$63,822 for fiscal years 2005 and 2004, 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 2005 and 2004 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.

THE LEHMAN COLLEGE ART GALLERY, INC.

Notes to Financial Statements (continued)
June 30, 2005

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.

Concentration of credit risk

The Corporation's cash is on deposit in one bank account, the amount of which exceeds the Federal insured limit. The Corporation has not experienced a loss on its cash deposit.

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, 2005 and 2004, prepaid expenses in the accompanying statement of financial position, includes \$66,988 and \$56,062, respectively, paid to the Research Foundation applicable to portions of fiscal 2006 and 2005 payroll and benefits. In addition, the Research Foundation received 7-3/4% fees in 2005 and 2004 for managing the Corporation's payroll. Fees earned for fiscal 2005 and 2004 totaled \$11,385 and \$11,297, respectively.
