

THE LEHMAN COLLEGE ART GALLERY, INC.

FINANCIAL STATEMENTS

June 30, 2006

CONTENTS

Independent Auditors' Report.....	Page 1
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-9

Independent Auditors' Report

**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. (a not-for-profit corporation) as of June 30, 2006, and the related statement of activities and changes in net assets, statement of functional expenses and statement of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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. as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vict J Cannistra, CPA PC

Mount Kisco, New York
October 12, 2006

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2006

ASSETS

	<u>Total</u>
Current Assets:	
Cash and cash equivalents	\$ 129,533
Investments at fair value (Note 3)	51,652
Grant and other receivables	28,529
Prepaid expenses	<u>84,211</u>
Total Current Assets	293,925
Investments – permanently restricted (Note 3)	<u>75,000</u>
Total Assets	\$ <u>368,925</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	\$ 12,325
Deferred income	<u>5,000</u>
Total Current Liabilities	<u>17,325</u>
Net Assets:	
Unrestricted	276,600
Permanently restricted (Note 2)	<u>75,000</u>
Total Net Assets	<u>351,600</u>
Total Liabilities and Net Assets	\$ <u>368,925</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2006

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue:				
Contribution – in kind (Note 6)	\$ 214,025			\$ 214,025
Grant income		\$ 113,651		113,651
CUNY Research Foundation (Note 4)		65,000		65,000
Individuals	7,975			7,975
Foundations		61,700		61,700
Herbert H. Lehman College Auxiliary Enterprises Corporations, Inc. (Note 4)		13,000		13,000
Educational program income	78,884			78,884
Interest Income	6,575		\$ 3,986	10,561
Realized and unrealized gains/(losses)	(3,538)		(4,820)	(8,358)
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>252,517</u>	<u>(253,351)</u>	<u>834</u>	<u>-</u>
Total Revenue	<u>556,438</u>	<u>-</u>	<u>-</u>	<u>556,438</u>
Expenditures:				
Program expenses	493,218			493,218
Administrative expenses	<u>78,638</u>	<u>-</u>	<u>-</u>	<u>78,638</u>
Total Expenditures	<u>571,856</u>	<u>-</u>	<u>-</u>	<u>571,856</u>
Decrease in net assets	(15,418)			(15,418)
Net assets, beginning of fiscal year	<u>292,018</u>	<u>-</u>	<u>75,000</u>	<u>367,018</u>
Net assets, end of fiscal year	<u>\$ 276,600</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>351,600</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2006

	<u>2006</u>		
	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
	<u>Expenses</u>	<u>Expenses</u>	
Expenditures:			
Salary and related fringe benefits (Note 5)	\$ 238,581	\$ 31,810	\$ 270,391
Occupancy (Note 6)	192,622	21,403	214,025
Educational program expenses	25,939		25,939
Exhibition expenses	12,510		12,510
Administrative fees (Note 5)		15,301	15,301
Security	10,826		10,826
Professional fees		8,060	8,060
Membership events	4,656		4,656
Office expenses	4,774		4,774
Insurance	995	2,064	3,059
Dues and subscriptions	1,075		1,075
Advertising	700		700
Staff travel	<u>540</u>	<u> </u>	<u>540</u>
Total Expenditures	\$ <u>493,218</u>	\$ <u>78,638</u>	\$ <u>571,856</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2006
(Increase (Decrease) in Cash and Cash Equivalents)

	<u>Total</u>
Cash Flows from Operating Activities:	
Increase (decrease) in net assets`	\$ (15,418)
Adjustments to reconcile increase decrease in net assets to cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	(20,049)
(Increase) decrease in prepaid expenses	(16,293)
Increase (decrease) in accounts payable and accrued expenses	10,442
Increase (decrease) in deferred income	<u>(31,500)</u>
Net cash provided (used) by operating activities	<u>(72,818)</u>
Cash Flows from Investing Activities:	
(Increase) decrease in investments	<u>(9,670)</u>
Net cash provided (used) by investing activities	<u>(9,670)</u>
Net increase (decrease) in cash	(82,488)
Cash and cash equivalents beginning of fiscal year	<u>212,021</u>
Cash and cash equivalents end of fiscal year	\$ <u>129,533</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest	\$ -0-
Income taxes	\$ -0-

The accompanying notes and independent auditors' report are an integral part of the financial statements.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1 – Description of 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 “Organization”) pursuant to the provisions of the Not-for-Profit Corporation Law of the State of New York. The purpose of the Organization 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.

Note 2 – Summary of Significant Accounting Policies:

a. Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized as incurred. Donations are recognized when received.

b. Cash and Cash Equivalents:

The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

c. Fixed Assets:

Fixed assets are carried at cost, net of accumulated depreciation. Depreciation is recorded over five years using the straight-line method.

d. Income Taxes:

The Organization was granted 501(c)(3) status under Section 501(a) of the Internal Revenue Code of 1986. Therefore, the Organization is generally exempt from both Federal and State income taxes.

e. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

Note 2 – Summary of Significant Accounting Policies (continued):

f. Statement Presentation:

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations". Under SFAS No. 117, The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based on the existence or absence of donor imposed restrictions.

Income earned on permanently restricted net assets is designated to be utilized as follows:

In 1986, the Organization received a \$25,000 gift to establish the Edith and Herbert Lehman Endowment Fund. The income earned on this endowment is to be used for the gallery.

In 1986, the Organization received a \$50,000 gift to establish the Robert Lehman Endowment Fund. Income earned on the fund principal shall be applied solely for the expenses of special exhibitions in the Organization's art gallery or, with the permission of the Robert Lehman Foundation, Inc., to support the educational activities of the College in the field of visual arts.

g. Functional Expenses:

The breakdown of functional expenses into program services, and supporting services is as provided by management using their best estimates as to the appropriate allocation.

h. Volunteers:

A substantial number of volunteers made significant contributions of their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

Note 2 – Summary of Significant Accounting Policies (continued):

i. Concentration of Credit Risks:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time may exceed the Federal depository insurance coverage limits.

Note 3 – Investments:

Investments, which consist of corporate and government bonds, are stated at fair market value. Unrealized gains or losses are reflected in the statement of activities. A summary of the investments at cost and market value as of June 30, 2006, is as follows:

Investments at fair market value	\$126,652
Investments at cost	<u>134,082</u>
Net unrealized gain/(loss)	\$ <u>(7,430)</u>

Note 4 – Revenue:

The Organization received a contribution of \$65,000, for the current fiscal year, for salaries, from the Lehman College Grant Overhead Account of City University of New York (“CUNY”) Research Foundation, Inc.

Additionally, the Herbert H. Lehman College Auxiliary Enterprises Corporation, Inc. made a contribution to the Organization to cover certain operating expenses. This amount totaled \$13,000 in the current fiscal year and included \$10,000 from the Auxiliary Enterprise Fund and \$3,000 from Campus Ceremonies Monies.

Note 5 – Payroll and Related Fringe Benefits:

The Organization’s payroll and fringe benefits, including pension contributions for eligible employees, are paid directly by the CUNY Research Foundation and are reimbursed by the Organization. At June 30, 2006, prepaid expenses include \$83,388 paid to the CUNY Research Foundation which is applicable to payroll and fringe benefits for the 2007 fiscal year. The Organization paid the CUNY Research Foundation administrative fees for the fiscal year ended June 30, 2006 totaling \$15,301, which are calculated based on 7.75% of payroll and related fringe benefits.

THE LEHMAN COLLEGE ART GALLERY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

Note 6 – Donated Space:

The Organization occupies 8,561 square feet of space for offices and an art gallery located at Lehman College, Bronx, New York. The estimated market value rental of the office and gallery space is \$214,025 including the Organization's share of electric, water, heat, cleaning and maintenance. This fair market value was based upon a space survey prepared for the Organization by the Real Property Manager at City University of New York Department of Space Planning and Capital Budget and is based on \$25 per square foot. The fair market value of this space is reflected in the accompanying financial statements as a contribution-in kind and occupancy expense.

Note 7 – Funding Source Audits:

Pursuant to the Organization's contractual relationships with certain funding sources, outside organizations have the right to examine the books and records of the Organization involving transactions relating to those grants. The accompanying financial statements make no provisions for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of Management, any actual disallowances would be immaterial.