

**THE HERBERT H. LEHMAN COLLEGE  
AUXILIARY ENTERPRISES  
CORPORATION, INCORPORATED  
FINANCIAL REPORT**

**JUNE 30, 1998**

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**McGLADREY & PULLEN, LLP**

**Certified Public Accountants and Consultants**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Herbert H. Lehman College  
Auxiliary Enterprises Corporation, Incorporated  
Bronx, New York

We have audited the accompanying balance sheet of The Herbert H. Lehman College Auxiliary Enterprises Corporation, Incorporated as of June 30, 1998, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 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 Herbert H. Lehman College Auxiliary Enterprises Corporation, Incorporated as of June 30, 1998, and the results of its activities and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As described in Note 6 to the financial statements, The Herbert H. Lehman College Auxiliary Enterprises Corporation, Incorporated changed its method of accounting for depreciation in 1998.

*McGladrey & Pullen, LLP*

New York, New York  
July 23, 1998

**THE HERBERT H. LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION, INCORPORATED**

**BALANCE SHEET  
June 30, 1998**

**ASSETS**

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Cash	\$	88,536
Commissions receivable (Note 2)		78,516
Prepaid expenses and other assets		39,392
Equipment and improvements (Note 3)		439,375
<b>Total assets</b>	<b>\$</b>	<b>645,819</b>

**LIABILITIES AND FUND BALANCE**

Accounts payable and accrued expenses	\$	21,262
Loan payable (Note 4)		53,958
Security deposits		13,340
<b>Total liabilities</b>		<b>88,560</b>
Fund balance, unrestricted (Notes 5 and 6):		
Undesignated		495,236
Designated		62,023
<b>Total fund balance</b>		<b>557,259</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>645,819</b>

See Notes to Financial Statements.

**THE HERBERT H. LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION, INCORPORATED**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 1998**

Revenues:	
Bookstore commissions (Note 2)	\$ 151,860
Cafeteria and vending commissions (Note 2)	30,000
Facility rental	32,400
Parking fees	148,738
Other	4,118
<b>Total revenues</b>	<u>367,116</u>
Expenses:	
Program services:	
Parking	86,715
Supporting services:	
Management and general	86,388
Campus functions	70,018
<b>Total expenses</b>	<u>243,121</u>
<b>Excess of revenues over expenses</b>	<u>123,995</u>
Fund balance:	
Beginning, as previously reported	355,003
Adjustment applicable to restatement of an error (Note 6)	78,261
Beginning, as restated	<u>433,264</u>
Ending	<u>\$ 557,259</u>

See Notes to Financial Statements.

**THE HERBERT H. LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION, INCORPORATED**

**STATEMENT OF CASH FLOWS  
Year Ended June 30, 1998**

<b>Cash Flows From Operating Activities</b>	
Excess of revenues over expenses	\$ 123,995
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in:	
Commissions receivable	(9,141)
Prepaid expenses and other assets	(3,016)
Increase in:	
Accounts payable and accrued expenses	4,416
Security deposits	8,175
<b>Net cash provided by operating activities</b>	<b>124,429</b>
<b>Cash Flows From Investing Activities</b>	
Purchase of equipment and improvements	(1,936)
<b>Cash Flows From Financing Activities</b>	
Repayments of loan payable	(52,781)
<b>Net increase in cash</b>	<b>69,712</b>
Cash:	
Beginning	18,824
Ending	\$ 88,536

See Notes to Financial Statements.

**THE HERBERT H. LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Organization and Summary of Significant Accounting Policies**

Nature of organization: The Herbert H. Lehman College Auxiliary Enterprises Corporation, Incorporated (the "Corporation") is a not-for-profit corporation organized to support certain student activities and provide facilities and auxiliary services for the benefit of The Herbert H. Lehman College's (the "College") campus community. The Corporation is subject to oversight by the Board of Trustees of The City University of New York ("CUNY").

A summary of the Corporation's significant accounting policies follows:

Basis of presentation: The Corporation's financial statements are prepared in accordance with the reporting model recognized in the American Institute of Certified Public Accountants' Statement of Position ("SOP") 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, as modified by Financial Accounting Standards Board Standards issued on or before November 30, 1989 that do not conflict with Governmental Accounting Standards Board Standards.

The financial statements are prepared on the accrual basis of accounting except that no provision has been made for the depreciation of equipment and improvements (see Note 6).

Equipment and improvements: Equipment and improvements are stated at cost.

Revenue recognition: Revenues are primarily derived from agreements with certain unrelated organizations to provide the College with bookstore and cafeteria services and fees charged for the use of parking facilities.

Income taxes: The Corporation is exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code.

Donated use of space and services: The Corporation operates on the campus of the College and, as such, office space and certain services are made available to it. The cost savings associated with any such arrangements are not reflected in the results of its activities.

Accounting 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 disclose 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 HERBERT H. LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Commissions**

Bookstore commissions represent income earned under a contract with an unrelated organization to operate and maintain the campus bookstore. The terms of the contract provide the Corporation with annual commissions equal to the greater of a fixed amount or an amount based on a percentage of the unrelated organization's sales at the campus bookstore.

Cafeteria and vending commissions represent income earned under a contract with an unrelated organization for the sale of food and nonalcoholic beverages on the College's premises. The terms of the contract provide the Corporation with annual commissions equal to the greater of a fixed amount or an amount based on a percentage of the unrelated organization's profits on the College's premises.

**Note 3. Equipment and Improvements**

Equipment and improvements as of June 30, 1998 consist of the following:

Equipment	\$ 254,375
Parking lot improvements	185,000
	<u>\$ 439,375</u>

**Note 4. Loan Payable**

During fiscal 1996, the Corporation borrowed \$185,000 from the Herbert H. Lehman College Foundation, Inc. (the "Foundation") to finance the Corporation's portion of substantial paving improvements to Lehman College parking area. The terms of the note provide for monthly principal payments of \$3,854, plus interest at the rate the Foundation is currently earning on its money market accounts, (currently 5.18%). The loan is to be repaid by August 1999.

**Note 5. Designated Fund Balance**

Designated fund balance represents unrestricted fund balance designated by the Board of Trustees of CUNY to fund costs related to the operation and maintenance of the parking lot on the premises of the College which was developed and is owned by CUNY.

Parking revenues are derived from the sale of parking decals to students and faculty.

**Note 6. Change in Accounting**

Prior to fiscal 1998, the parking lot improvements were being depreciated using the straight line method over the estimated useful life of the assets. Effective July 1, 1997, the Corporation adopted CUNY's fixed asset accounting policy, which does not require depreciation.

The financial statements for the year ended June 30, 1998 include a retroactive restatement of the June 30, 1997 fund balance in the amount of \$78,261 to account for this change. As a result of this change in accounting policy, the excess of revenues over expenses for the year ended June 30, 1997 would have been \$46,250 higher than previously reported.



**McGLADREY & PULLEN, LLP**

**Certified Public Accountants and Consultants**

**INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors  
The Herbert H. Lehman College  
Auxiliary Enterprises Corporation, Incorporated  
Bronx, New York

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 6 to the financial statements, The Herbert H. Lehman College Auxiliary Enterprises Corporation, Incorporated changed its method of accounting for depreciation in 1998.

*McGladrey & Pullen, LLP*

New York, New York  
July 23, 1998

**THE HERBERT H. LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION, INCORPORATED**

**SCHEDULE OF EXPENSES - PARKING ACTIVITIES  
Year Ended June 30, 1998**

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Salaries and benefits	\$	24,967
Security		60,018
Office supplies and postage		1,730
<b>Total</b>	<b>\$</b>	<b>86,715</b>