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

JUNE 30, 1998
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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

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

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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.


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  

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 88,536</td>
</tr>
<tr>
<td>Commissions receivable (Note 2)</td>
<td>$ 78,516</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>$ 39,392</td>
</tr>
<tr>
<td>Equipment and improvements (Note 3)</td>
<td>$ 439,375</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 645,819</strong></td>
</tr>
</tbody>
</table>

LIABILITIES AND FUND BALANCE  

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 21,262</td>
</tr>
<tr>
<td>Loan payable (Note 4)</td>
<td>$ 53,958</td>
</tr>
<tr>
<td>Security deposits</td>
<td>$ 13,340</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$ 88,560</strong></td>
</tr>
</tbody>
</table>

Fund balance, unrestricted (Notes 5 and 6):  

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>$ 495,236</td>
</tr>
<tr>
<td>Designated</td>
<td>$ 62,023</td>
</tr>
<tr>
<td><strong>Total fund balance</strong></td>
<td><strong>$ 557,259</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and fund balance</strong></td>
<td><strong>$ 645,819</strong></td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
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

Total revenues 367,116

Expenses:

Program services:
- Parking 86,715

Supporting services:
- Management and general 86,388
- Campus functions 70,018

Total expenses 243,121

Excess of revenues over expenses 123,995

Fund balance:

- Beginning, as previously reported 355,003
- Adjustment applicable to restatement of an error (Note 6) 78,261
- Beginning, as restated 433,264
- Ending $557,259

See Notes to Financial Statements.
THE HERBERT H. LEHMAN COLLEGE
AUXILIARY ENTERPRISES CORPORATION, INCORPORATED

STATEMENT OF CASH FLOWS
Year Ended June 30, 1998

<table>
<thead>
<tr>
<th>Cash Flows From Operating Activities</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of revenues over expenses</td>
<td>123,995</td>
</tr>
<tr>
<td>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Increase in:</td>
<td></td>
</tr>
<tr>
<td>Commissions receivable</td>
<td>9,141</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>3,016</td>
</tr>
<tr>
<td>Increase in:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>4,416</td>
</tr>
<tr>
<td>Security deposits</td>
<td>8,175</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>124,429</td>
</tr>
</tbody>
</table>

Cash Flows From Investing Activities
Purchase of equipment and improvements | (1,936) |

Cash Flows From Financing Activities
Repayments of loan payable | (52,781) |

**Net increase in cash** | 69,712 |

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

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

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$254,375</td>
</tr>
<tr>
<td>Parking lot improvements</td>
<td>185,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$439,375</strong></td>
</tr>
</tbody>
</table>

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.
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.


McGladrey & Pullen, LLP

New York, New York
July 23, 1998
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>$24,967</td>
</tr>
<tr>
<td>Security</td>
<td>$60,018</td>
</tr>
<tr>
<td>Office supplies and postage</td>
<td>$1,730</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$86,715</strong></td>
</tr>
</tbody>
</table>