

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

JUNE 30, 1999

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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 sheets of The Herbert H. Lehman College Auxiliary Enterprises Corporation, Incorporated as of June 30, 1999 and 1998, and the related statements of activities and cash flows 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 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 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 Herbert H. Lehman College Auxiliary Enterprises Corporation, Incorporated as of June 30, 1999 and 1998, and the results of its activities and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As described in Note 7 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 28, 1999

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

**BALANCE SHEETS
June 30, 1999 and 1998**

ASSETS	1999	1998
Cash (Notes 5 and 8)	\$ 229,408	\$ 88,536
Commissions receivable (Note 2)	88,979	78,516
Prepaid expenses and other assets	33,311	39,392
Equipment and improvements (Note 3)	442,253	439,375
Total assets	\$ 793,951	\$ 645,819
 LIABILITIES AND FUND BALANCE		
Accounts payable and accrued expenses	\$ 20,669	\$ 15,861
Loan payable (Note 4)	-	53,958
Security deposits	36,368	13,340
Deposits held in custody for others (Note 5)	12,072	5,401
Total liabilities	69,109	88,560
 Fund balance, unrestricted (Notes 6 and 7):		
Undesignated	607,072	495,236
Designated	117,770	62,023
Total fund balance	724,842	557,259
Total liabilities and fund balance	\$ 793,951	\$ 645,819

See Notes to Financial Statements.

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

**STATEMENTS OF ACTIVITIES
Years Ended June 30, 1999 and 1998**

	1999	1998
Revenues:		
Bookstore commissions (Note 2)	\$ 179,972	\$ 151,860
Cafeteria and vending commissions (Note 2)	32,161	30,000
Facility rental	43,965	32,400
Parking fees	145,560	148,738
Other	7,548	4,118
Total revenues	409,206	367,116
Expenses:		
Program services:		
Parking	89,813	86,715
Supporting services:		
Management and general	93,653	86,388
Campus functions	58,157	70,018
Total expenses	241,623	243,121
Excess of revenues over expenses	167,583	123,995
Fund balance:		
Beginning, as previously reported	557,259	355,003
Adjustment applicable to retroactive change in accounting (Note 7)	-	78,261
Beginning, as restated	557,259	433,264
Ending	\$ 724,842	\$ 557,259

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 1999 and 1998**

	1999	1998
Cash Flows From Operating Activities		
Excess of revenues over expenses	\$ 167,583	\$ 123,995
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in:		
Commissions receivable	(10,463)	(9,141)
Prepaid expenses and other assets	6,081	(3,016)
Increase (decrease) in:		
Accounts payable and accrued expenses	4,808	(985)
Security deposits	23,028	8,175
Net cash provided by operating activities	191,037	119,028
Cash Flows From Investing Activities		
Purchase of equipment and improvements	(2,878)	(1,936)
Cash Flows From Financing Activities		
Repayments of loan payable	(53,958)	(52,781)
Deposits held in custody for others	6,671	5,401
Net cash used in financing activities	(47,287)	(47,380)
Net increase in cash	140,872	69,712
Cash:		
Beginning	88,536	18,824
Ending	\$ 229,408	\$ 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 7).

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 and are recognized when earned.

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, because the Corporation does not have a clearly measurable and objective basis for determining the value of donated space and services.

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, 1999 and 1998 consist of the following:

	1999	1998
Equipment	\$ 257,253	\$ 254,375
Parking lot improvements	185,000	185,000
	<u>\$ 442,253</u>	<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 provided for monthly principal payments of \$3,854, plus interest at the rate the Foundation was currently earning on its money market accounts. The loan was repaid in November 1998.

Note 5. Deposits Held in Custody for Others

Deposits held in custody for others represents various funds which are held by the Corporation on behalf of certain groups and organizations related to the College.

Note 6. 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.

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

NOTES TO FINANCIAL STATEMENTS

Note 7. 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.

Note 8. Concentration of Credit Risk

The Corporation maintains its cash and cash equivalents in bank accounts which, at times may exceed federally-insured limits. This potentially subjects the Corporation to a concentration of credit risk. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on uninsured cash.

Note 9. Reclassifications

Certain reclassifications have been made to the 1998 financial statements to conform with those used in the 1999 financial statements.



McGLADREY & PULLEN, LLP

Certified Public Accountants

RSM
international

**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 audits were 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 audits 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 7 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 28, 1999

**THE HERBERT H. LEHMAN COLLEGE
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**SCHEDULES OF DEPOSITS HELD IN CUSTODY FOR OTHERS
June 30, 1999 and 1998**

	1999	1998
Lovinger Theatre	\$ 4,292	\$ 5,401
Multi-lingual Program	1,744	-
Bronx technology	1,713	-
Faculty teaching overload	4,323	-
Total	<u>\$ 12,072</u>	<u>\$ 5,401</u>

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

**SCHEDULES OF EXPENSES - PARKING ACTIVITIES
Years Ended June 30, 1999 and 1998**

	1999	1998
Salaries and benefits	\$ 25,233	\$ 24,967
Security	61,988	60,018
Office supplies and postage	2,592	1,730
Total	\$ 89,813	\$ 86,715