

**LEHMAN COLLEGE AUXILIARY  
ENTERPRISES CORPORATION**

**FINANCIAL REPORT**

**JUNE 30, 2001**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Lehman College Auxiliary Enterprises Corporation  
Bronx, New York

We have audited the accompanying balance sheets of Lehman College Auxiliary Enterprises Corporation as of June 30, 2001 and 2000, 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.

Except as discussed in the following paragraph, 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.

The Lehman College Auxiliary Enterprises Corporation's investment in the Investment Pool reflected as \$285,757 and \$178,175, as of June 30, 2001 and 2000, respectively, on the accompanying balance sheets is carried on the basis of information provided by the University Accounting Office of the City University of New York. It was not practicable to extend our auditing procedures sufficiently to satisfy ourselves as to the fairness of the carrying value of this investment in the accompanying financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the investment in the Investment Pool referred to above been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of Lehman College Auxiliary Enterprises Corporation as of June 30, 2001 and 2000, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

New York, New York  
September 6, 2001

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is an independent member  
firm of RSM International,  
an affiliation of independent  
accounting and consulting firms.

**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**BALANCE SHEETS  
June 30, 2001 and 2000**

<b>ASSETS</b>	<b>2001</b>	<b>2000</b>
Cash and cash equivalents (Notes 5 and 7)	\$ 180,728	\$ 158,108
Investments in the City University of New York Investment Pool (Note 2)	285,757	178,175
Commissions receivable, net of allowance for doubtful accounts 2001 \$104,000; 2000 \$0 (Note 3)	20,543	90,677
Prepaid expenses and other assets	35,659	23,546
Equipment and improvements (Note 4)	417,057	460,432
<b>Total assets</b>	<b>\$ 939,744</b>	<b>\$ 910,938</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
Accounts payable and accrued expenses	\$ 13,331	\$ 32,386
Deposits held in custody for others (Note 5)	64,964	30,086
Security deposits	25,268	36,368
<b>Total liabilities</b>	<b>103,563</b>	<b>98,840</b>
 Fund balance, unrestricted (Note 6):		
Undesignated	612,008	637,842
Designated	224,173	174,256
<b>Total fund balance</b>	<b>836,181</b>	<b>812,098</b>
<b>Total liabilities and fund balance</b>	<b>\$ 939,744</b>	<b>\$ 910,938</b>

See Notes to Financial Statements.

**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2001 and 2000**

	2001	2000
<b>Revenues:</b>		
Bookstore commissions (Note 3)	\$ 202,466	\$ 166,510
Cafeteria and vending commissions (Note 3)	136,133	135,335
Facility rental	36,150	50,400
Parking fees	160,696	158,736
Investment income (loss)	(9,606)	1,932
<b>Total revenues</b>	<b>525,839</b>	<b>512,913</b>
<b>Expenses:</b>		
Program services:		
Parking	110,779	102,250
Student programs	63,147	66,671
Supporting services:		
Campus functions	106,349	100,649
College Support, performing arts	29,175	15,000
Donations, The City University of New York	-	75,000
Management and general:		
Provision for bad debts (Note 3)	104,000	-
Other	88,306	66,087
<b>Total expenses</b>	<b>501,756</b>	<b>425,657</b>
<b>Excess of revenues over expenses</b>	<b>24,083</b>	<b>87,256</b>
<b>Fund balance:</b>		
Beginning	812,098	724,842
Ending	<b>\$ 836,181</b>	<b>\$ 812,098</b>

See Notes to Financial Statements.

**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Cash Flows From Operating Activities</b>		
Excess of revenues over expenses	\$ 24,083	\$ 87,256
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Unrealized loss on investments	10,505	9,684
Loss on disposal of equipment	43,375	-
Provision for bad debts	104,000	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Commissions receivable	(33,866)	(1,698)
Prepaid expenses and other assets	(12,113)	9,765
Increase (decrease) in:		
Accounts payable and accrued expenses	(19,055)	11,717
Security deposits	(11,100)	-
<b>Net cash provided by operating activities</b>	<b>105,829</b>	<b>116,724</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments in the City University of New York Investment Pool	(118,087)	(187,859)
Purchase of equipment and improvements	-	(18,179)
<b>Net cash used in investing activities</b>	<b>(118,087)</b>	<b>(206,038)</b>
<b>Cash Flows From Financing Activities</b>		
Increase in deposits held in custody for others	34,878	18,014
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>22,620</b>	<b>(71,300)</b>
<b>Cash and cash equivalents:</b>		
Beginning	158,108	229,408
Ending	<b>\$ 180,728</b>	<b>\$ 158,108</b>

See Notes to Financial Statements.

**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

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

Nature of organization: The Lehman College Auxiliary Enterprises Corporation (the "Corporation") is a not-for-profit corporation organized to support certain student activities and provide facilities and auxiliary services for the benefit of 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.

Cash and cash equivalents: Cash and cash equivalents consist of cash held in checking and money market accounts.

Investments: Investments consist of pooled investments which are assets invested by and under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the "CUNY Committee").

The Corporation records its investments at fair value with changes in the fair value of investments recorded in the statements of activities. The fair value is based on values reported by the CUNY Committee. Investment income (loss) (including gains and losses on investments, interest and dividends) is included in the statement of activities.

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.

**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

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

Accounting 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 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.

**Note 2. Investments**

Investments as of June 30, 2001 and 2000, consist of assets invested in the CUNY investment pool. The cost and fair value of this investment as of June 30, 2001 and 2000 are as follows:

	<u>2001</u>	<u>2000</u>
Cost	\$ 305,946	\$ 187,859
Fair Value	285,757	178,175

The investment in the pool is excluded from risk classification because specific securities related to the investment cannot be identified.

A decline in general economic conditions subsequent to June 30, 2001 has caused the Corporation's investments to decline in value subsequent to this date.

**Note 3. 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 contracts with unrelated organizations for the sale of food and nonalcoholic beverages on the College's premises. The terms of these contracts provide the Corporation with annual commissions equal to the greater of a fixed amount or an amount based on a percentage of the unrelated organizations' sales on the College's premises.

The Corporation has recorded a provision for bad debts of \$104,000 on its statement of activities for the year ended June 30, 2001 because its bookstore vendor filed a petition in bankruptcy, and collection is doubtful.

**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Equipment and Improvements**

Equipment and improvements as of June 30, 2001 and 2000 consist of the following:

	<u>2001</u>	<u>2000</u>
Equipment	\$ 232,057	\$ 275,432
Parking lot improvements	185,000	185,000
	<u>\$ 417,057</u>	<u>\$ 460,432</u>

**Note 5. Deposits Held in Custody for Others**

Deposits held in custody for others represents 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.

**Note 7. 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 8. Reclassifications**

Certain reclassifications have been made to the 2000 financial statements to conform with presentations in the 2001 financial statements.

**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Issued But Not Effective Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued several statements that will impact the Corporation during the fiscal year ending June 30, 2002.

GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, issued in November 1999, will be effective for the Corporation beginning July 1, 2001, as the Corporation is a separate accounting entity of the College which is a component unit of the State of New York. Statement No. 35 imposes new standards for financial reporting within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. These standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose financial reports: the citizenry, legislative and oversight bodies, and investors and creditors.

Management has not yet completed its assessment of this statement; however, it should have a material effect on the overall presentation of the Corporation's financial statements.

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

To the Board of Directors  
Lehman College Auxiliary Enterprises Corporation  
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.

*McGladrey & Pullen, LLP*

New York, New York  
September 6, 2001

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**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**SCHEDULES OF DEPOSITS HELD IN CUSTODY FOR OTHERS  
June 30, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
Lovinger Theater	<b>\$ 1,158</b>	<b>\$ 24,142</b>
Multi-lingual program	<b>713</b>	<b>1,621</b>
Faculty teaching overload	<b>4,323</b>	<b>4,323</b>
Herbert H. Lehman College Foundation, Inc.	<b>57,500</b>	<b>-</b>
Career services	<b>1,270</b>	<b>-</b>
<b>Total</b>	<b>\$ 64,964</b>	<b>\$ 30,086</b>

**LEHMAN COLLEGE  
AUXILIARY ENTERPRISES CORPORATION**

**SCHEDULES OF EXPENSES - PARKING ACTIVITIES  
Years Ended June 30, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
Salaries and benefits	\$ 31,231	\$ 27,035
Security	76,241	69,663
Other	3,307	5,552
<b>Total</b>	<b>\$ 110,779</b>	<b>\$ 102,250</b>