

STUDENT CHILD CARE CENTER  
AT LEHMAN COLLEGE, INC.

Financial Statements  
for year ended  
June 30, 2002

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

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# Item 1- Management's Discussion and Analysis

## NEW ACCOUNTING STANDARDS

Since this MD&A is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying audited financial statements and related footnotes. In addition, since fiscal year 2002 was a transition year, only one year of information was presented in the audited financial statements. However, selected elements of the prior year's financial statements have been restated to facilitate this analysis.

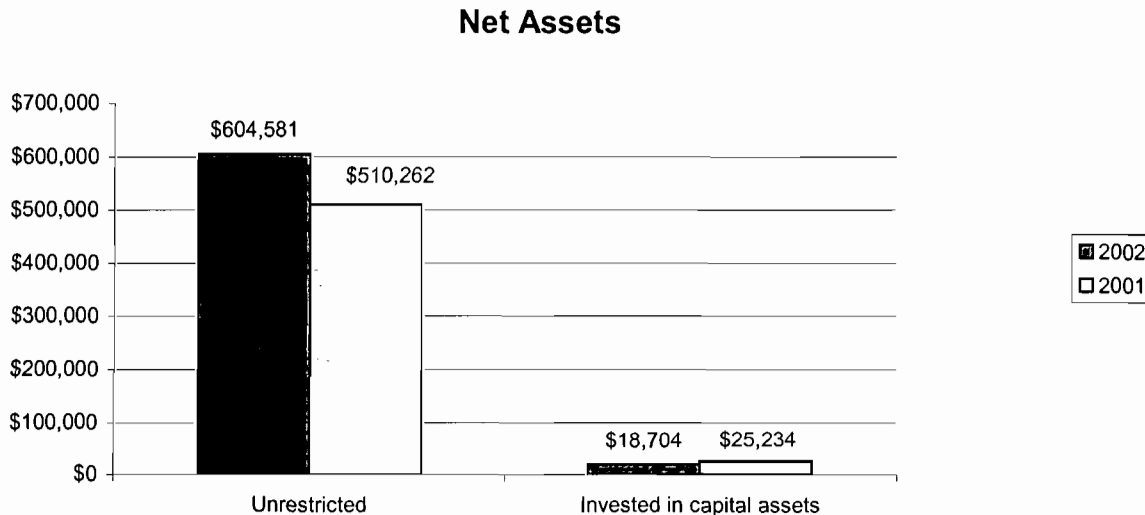
## FINANCIAL HIGHLIGHTS

The Student Child Care Center's net assets increased by 16.4%

- Investments in the CUNY investment pool decreased (\$15.9) thousand or -14% in value.
- Total operating revenue decreased by -8.2%. The major component of this decrease was related to a reduction in State funding.

## FINANCIAL POSITION

The Student Child Care Center's financial position, as a whole, improved during the fiscal year which ended June 30, 2002. Its net assets increased approximately \$87.7 thousand or 16.4% over the previous year. The change resulted primarily from an increase in unrestricted net assets, despite the decrease in state funding. The following graph illustrates the comparative change in net assets by category for fiscal years 2002 and 2001:



The Student Child Care Center's net asset amount (the difference between assets and liabilities) is one way to measure the Student Child Care Center's financial health or financial position.

## Item 1- Management's Discussion and Analysis

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### STATEMENT OF NET ASSETS

The Statement of Net Assets includes the Student Child Care Center's assets and liabilities using the accrual basis of accounting. The following table summarizes the Student Child Care Center's assets, liabilities and net assets as of June 30, 2002:

	2002	2001	Dollar Change	Percentage Change
<b>ASSETS</b>				
Current assets	\$ 657,453	\$ 577,756	\$ 79,697	13.8%
Non-current Capital assets	18,704	25,234	(6,530)	-25.9%
<b>Total Assets</b>	<b>\$ 676,157</b>	<b>\$ 602,990</b>	<b>\$ 73,167</b>	<b>12.1%</b>
<b>LIABILITIES</b>				
Current liabilities	\$ 52,872	\$ 67,494	\$ (14,622)	-21.7%
<b>Total Liabilities</b>	<b>\$ 52,872</b>	<b>\$ 67,494</b>	<b>\$ (14,622)</b>	<b>-21.7%</b>
<b>NET ASSETS</b>				
Invested in Capital assets	\$ 18,704	\$ 25,234	\$ (6,530)	-25.9%
Unrestricted	604,581	510,262	94,319	18.5%
<b>Total Net Assets</b>	<b>\$ 623,285</b>	<b>\$ 535,496</b>	<b>\$ 87,789</b>	<b>16.4%</b>

At June 30, 2002, the Student Child Care Center's total net assets increased by \$87.8 thousand or 16.4%. Current assets increased by \$79.7 thousand or 13.8%. The majority of this variance is due to continued surplus of revenue over expenses. Non-current assets decreased by (\$6.5) thousand or -25.9%. The majority of this variance is due to the depreciation of the capital assets.

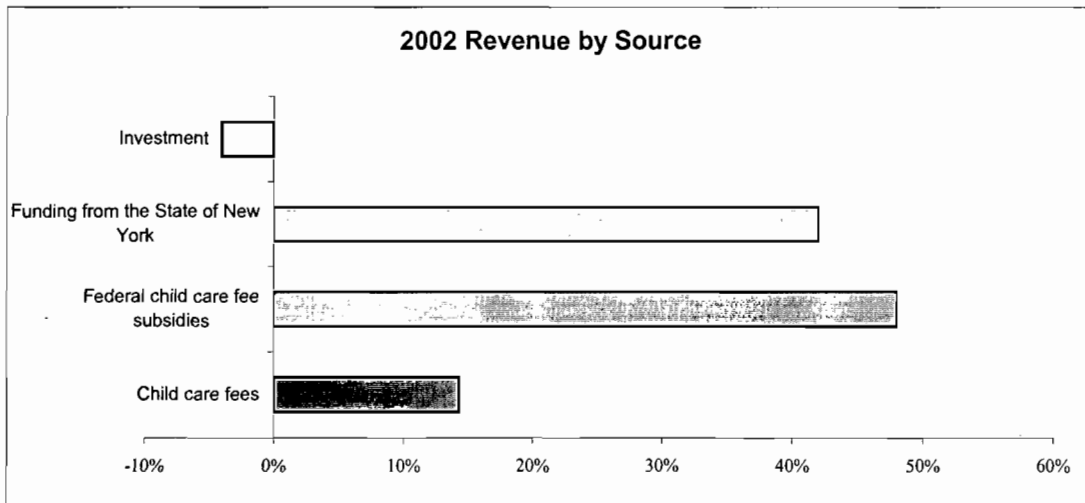
At June 30, 2002, the Student Child Care Center's total liabilities decreased by (\$14.6) thousand or -21.7%, due to a decrease in accounts payable. There were no significant or unexpected changes in the Student Child Care Center's liabilities.

## Item 1- Management's Discussion and Analysis

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the Student Child Care Center, as well as non-operating revenues and expenses. The major components of revenues compared are presented below:

#### REVENUES



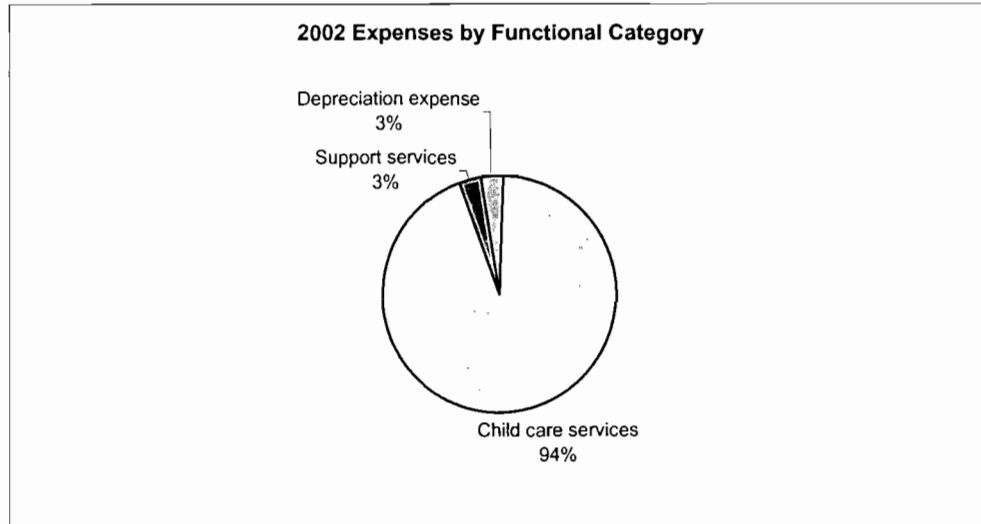
	2002	2001	Dollar Change	Percentage Change
<b>OPERATING REVENUES</b>				
Child care fees	\$ 52,434	\$ 48,521	\$ 3,913	8.1%
Federal child care fees subsidies	175,500	175,500	0	0.0%
Funding from the State of New York	153,000	190,993	(37,993)	-19.9%
<b>Total Operating</b>	<b>380,934</b>	<b>415,014</b>	<b>(34,080)</b>	<b>-8.2%</b>
<b>NON-OPERATING REVENUES</b>				
Investment income	(14,492)	(7,370)	(7,122)	96.6%
<b>Net non-operating revenues</b>	<b>(14,492)</b>	<b>(7,370)</b>	<b>(7,122)</b>	<b>96.6%</b>
<b>Total Revenues</b>	<b>\$ 366,442</b>	<b>\$ 407,644</b>	<b>\$ (41,202)</b>	<b>-10.1%</b>

The Student Child Care Center's total revenue for fiscal year 2002 was \$366.4 thousand, a decrease of (\$41.2) thousand over the prior year. Federal and State funding represents 47.9% and 41.8% respectively, of the total revenue. The Student Child Care Center is dependent upon this support to carry out its operations. Child care fees revenue increased by \$3.9 thousand or 8.1% over the previous year.

There were no other significant or unexpected changes in the Student Child Care Center's revenue.

# Item 1- Management's Discussion and Analysis

## EXPENSES



<b>OPERATING EXPENSES</b>	<b>2002</b>	<b>2001</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Child care services	\$ 263,070	\$ 267,581	(4,511)	-1.7%
Supportive Services	7,550	13,806	(6,256)	-45.3%
Depreciation expense	8,033	9,250	(1,217)	-13.2%
<b>Total Operating Expenses</b>	<b>\$ 278,653</b>	<b>\$ 290,637</b>	<b>\$ (11,984)</b>	<b>-4.1%</b>

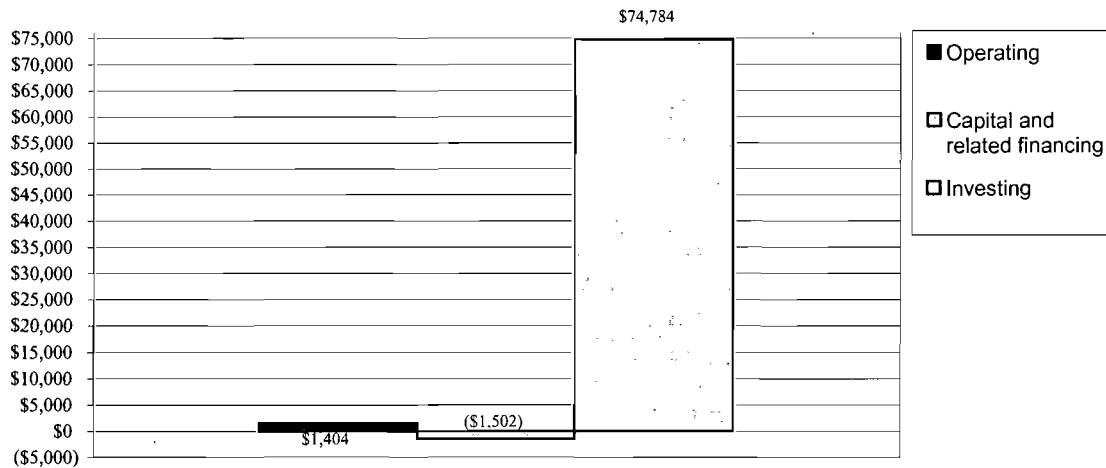
Total expenses for fiscal year 2002 exceeded \$278.6 thousand, a decrease of approximately (\$12) thousand or -4.1% compared to the previous year. Expenses relating to Supportive Services decreased (\$6.3) thousand or -45.3%. Expenses for Child Care Services and Depreciation decreased in fiscal year 2002.

# Item 1- Management's Discussion and Analysis

## CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement assists users in assessing the Student Child Care Center's ability to generate net cash flows, its ability to meet its obligations as they come due and its dependency on external financing. The following summarizes the Student Child Care Center's cash flows for the year ended June 30, 2002:

### Cash Flows



Cash receipts relating to operating activities consist primarily of funding from the State and Federal government. Cash outlays to Early Learning Centers, providers of child care services, account for 94% of the total operating expenses. Overall, net cash increased by approximately \$74.7 thousand.

Investing activities primarily include proceeds from sales and maturities of investments, interest on investments and purchase of investments.

### Economic Factors That May Affect The Future

The Child Care Center is planning to expand its facilities. This expansion will allow the Center to provide additional services to the community. The Center has been able to obtain a grant from the New York State Office of Children And Family Services and the Dormitory Authority of the State of New York to support its expansion and related expenses.

ITEM 2. - FINANCIAL STATEMENTS



Certified Public Accountants  
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Independent Auditor's Report

To the Board of Directors  
Student Child Care Center at Lehman College, Inc.

We have audited the accompanying statement of net assets of the Student Child Care Center at Lehman College, Inc. as of June 30, 2002, and the related statements of revenues, expenses and changes in net assets, 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.

Except as discussed in the following paragraph, 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.

We were not able to audit the investment account share in the City University of New York Investment Pool representing approximately 14% of total assets at June 30, 2002.

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the share in the City University of New York Investment Pool described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the net assets of the Student Child Care Center at Lehman College, Inc. at June 30, 2002, and its revenues, expenses and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the Corporation adopted the provisions of Statement No. 35 of the Government Accounting Standards Board in fiscal 2002.

The Management's Discussion and Analysis referred to in the accompanying index, is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Certified Public Accountants  
A Professional Corporation

September 16, 2002

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Net Assets  
June 30, 2002

Assets	
Current assets	
Cash - checking account	\$ 332,109
Accounts receivable	
Federal grant program	\$ 175,500
Funding from New York State	<u>51,900</u> 227,400
Investments - share in the City University of New York Investment Pool, at market value (cost: \$123,333)	<u>97,944</u>
Total current assets	657,453
Noncurrent assets	
Capital assets, net (note 5)	<u>18,704</u>
Total assets	\$ <u>676,157</u>
Current liabilities	
Accounts payable	\$ 61
Due to Imagine Early Learning Centers, LLC (note 6)	<u>52,811</u>
Total current liabilities	\$ <u>52,872</u>
Net assets	
Unrestricted	\$ 604,581
Invested in capital assets	<u>18,704</u>
Total net assets	\$ <u>623,285</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2002

Operating revenues		
Child care fees	\$ 52,434	
Federal child care fee subsidies	175,500	
Funding from the State of New York	153,000	
Total operating revenues	<u>                    </u>	\$ 380,934
Operating expenses		
Child care services (note 6)	263,070	
Supporting services - management and general	7,550	
Depreciation expense	8,033	
Total operating expenses	<u>                    </u>	<u>278,653</u>
Operating income		102,281
Nonoperating revenues (expenses)		
Realized (loss) on investments	(12,071)	
Net (decrease) in fair value of investments	(6,904)	
Interest and dividends	4,483	
Total nonoperating revenues (expenses)	<u>                    </u>	<u>(14,492)</u>
Increase in net assets		87,789
Net assets, beginning of year, as restated (note 2)		<u>535,496</u>
Net assets, end of year		<u>\$ 623,285</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Cash Flows  
Year Ended June 30, 2002

Cash flows from operating activities		
Receipts of Federal child care fee subsidies	\$	175,472
Receipts of State of New York funding		131,984
Disbursements for child care services		(217,310)
Other disbursements		<u>(15,362)</u>
Net cash provided by operating activities	\$	<u>74,784</u>
Cash flows (used) by capital and related financing activities		
Capital assets acquired		(1,502)
Cash flows from investing activities		
Interest and dividends		4,483
Income (reinvested) in Investment Pool		<u>(3,079)</u>
Net cash provided by investing activities		<u>1,404</u>
Net increase in cash		74,686
Cash, beginning of year		<u>257,423</u>
Cash, at end of year	\$	<u>332,109</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	102,281
Adjustments to reconcile income to net cash provided by operating activities		
Depreciation expense		8,033
Change in assets and liabilities		
Increase in accounts receivable		(21,016)
Decrease in prepaid expenses		108
Decrease in due to Imagine Early Learning Centers, LLC		(8,499)
Decrease in accounts payable		<u>(6,123)</u>
Net cash provided by operating activities	\$	<u>74,784</u>

See notes to financial statements

## STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements  
June 30, 2002

### Note 1 - Nature of organization

The Student Child Care Center at Lehman College, Inc. (the "Corporation") was organized to operate within the bylaws, policies and regulations of the City University of New York and the policies, regulations and orders of Herbert H. Lehman College (the "College"). The financial statements are an integral part of the City University of New York. The purpose of the Corporation is to provide an educational and development program for children of registered degree students at the College during times of regularly scheduled college classroom instruction in order that students with child care responsibilities may pursue their educational programs at the College.

The Corporation was organized exclusively for charitable, educational and scientific purposes and shall not carry on any activities not permitted to be carried on by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

### Note 2 - Summary of significant accounting policies

The significant accounting policies followed by the Corporation are described below:

#### Basis of presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Corporation has determined that it functions as a Business Type Activity, as defined by GASB. The significant GASB standards followed by the Corporation are described as follows:

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement establishes new financial reporting requirements. It establishes that the basic financial statements and required supplemental information ("RSI") for general-purpose governments should consist of: management's discussion and analysis, basic financial statements, and required supplementary information.

GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. This statement establishes accounting and financial reporting standards for public colleges and universities and their component units within the financial reporting guidelines of Statement No. 34. In accordance with this statement, the Corporation presents statements of net assets, revenues and expenses and changes in net assets, and cash flows. The objective of this statement is to enhance the understandability and usefulness of the external financial reports issued by public colleges and universities and its component units.

GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*.

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The Corporation adopted GASB Statements 34, 35, 37, and 38 as of July 1, 2001.

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)  
June 30, 2002

The Corporation's policy for operating activities in the statement of revenues, expenses and changes in net assets are those that generally result from exchange transactions such as child care fees, and child care grants and fees. Certain other transactions are reported as nonoperating activities in accordance with GASB Statement No. 35. These nonoperating activities include net investment income.

The Corporation's financial statements are prepared in accordance with applicable GASB pronouncements as well as applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations and Accounting Principles Board Opinions, unless those pronouncements conflict with or contradict GASB pronouncements.

Net assets

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following four net asset categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted - nonexpendable: Net assets subject to externally imposed conditions requiring the Corporation to maintain them in perpetuity.

Restricted - expendable: Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Corporation or by the passage of time.

Unrestricted: All other categories of net assets, including net assets designated by actions of the Corporation's Board of Directors.

Capital assets

Equipment is stated at cost at the date of acquisition or, in case of gifts, at fair value at date of donation. Depreciation of equipment is computed using the straight-line method over the estimated useful life of 5 years.

At June 30, 2002, fully amortized leasehold improvements were still in service (see note 5).

Use of 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 judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements. The reported amounts of revenues and expenses recognized during the year. Actual results could differ from those estimates.

Restatement of beginning net assets

In connection with the implementation of GASB Statements No. 34 and No. 35, net assets have been restated as of the beginning of the year to reflect the cumulative effect of accounting changes:

Net assets at June 30, 2001, as previously reported	\$ 599,682
Effect of accumulated depreciation of capital assets	64,186
Net assets at July 1, 2001, as restated	<u>\$ 535,496</u>

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)  
June 30, 2002

Revenue

The Corporation derives a portion of its revenue from fees billed to students whose children are provided day care services. The Corporation also received \$153,000 during fiscal 2002 from the State of New York through tax levy appropriations for the provision of child care services at senior and community colleges.

Investment

The Corporation's share in the City University of New York Investment Pool is accounted for at market value and is classified as a current asset.

Note 3 - Federal and other grants

The City University of New York is eligible to receive a portion of Child Care Federal Funds for the purpose of increasing the availability, affordability and quality of child care. The grant is intended to provide funding to all functions and support services that are traditionally associated with child care programs and to facilitate the expansion of child care to student parents. The Corporation's allocations of grant funds for the fiscal year ended 2002 was \$175,500, which represents tuition subsidies of eligible students and is reflected in the statement of revenues, expenses and changes in net assets.

The Corporation has been awarded a \$469,242 grant by the New York State Office of Children and Family Services and the Dormitory Authority of the State of New York. The grant will be used for capital expansion.

Note 4 - Board designated funds

In fiscal 1991, the Board of Directors of the Corporation designated \$100,000 of unrestricted funds as a reserve for expansion of child care services. The balance of this fund totaled \$93,453 at June 30, 2002.

Note 5 - Capital assets

Capital assets includes equipment and fully amortized leasehold improvements at June 30, 2002:

	Beginning Balance	Additions	Sales/ Disposals	Ending Balance
Equipment	\$ 89,420	\$ 1,502	\$ 982	\$ 89,940
Leasehold improvements	80,840	-	-	80,840
Total	170,260	1,502	982	170,780
Less: accumulated depreciation and amortization	144,043	8,033	-	152,076
Capital assets, net	\$ 26,217	\$ (6,531)	\$ 982	\$ 18,704

Note 6 - Child Care Services

The Corporation has engaged Imagine Early Learning Centers, LLC ("Imagine"), successor to Innovative Learning Centers, Inc., to provide child care services to children of students of the College. The agreement with Imagine provides for one-year renewals and shall continue through June 30, 2004. For the year ended 2002, child care services expense totaled \$263,070, of which \$52,811 was payable to Imagine at June 30, 2002.