

STUDENT CHILD CARE CENTER
AT LEHMAN COLLEGE, INC.

Financial Statements
for year ended
June 30, 2004

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

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Item 1- Management's Discussion and Analysis

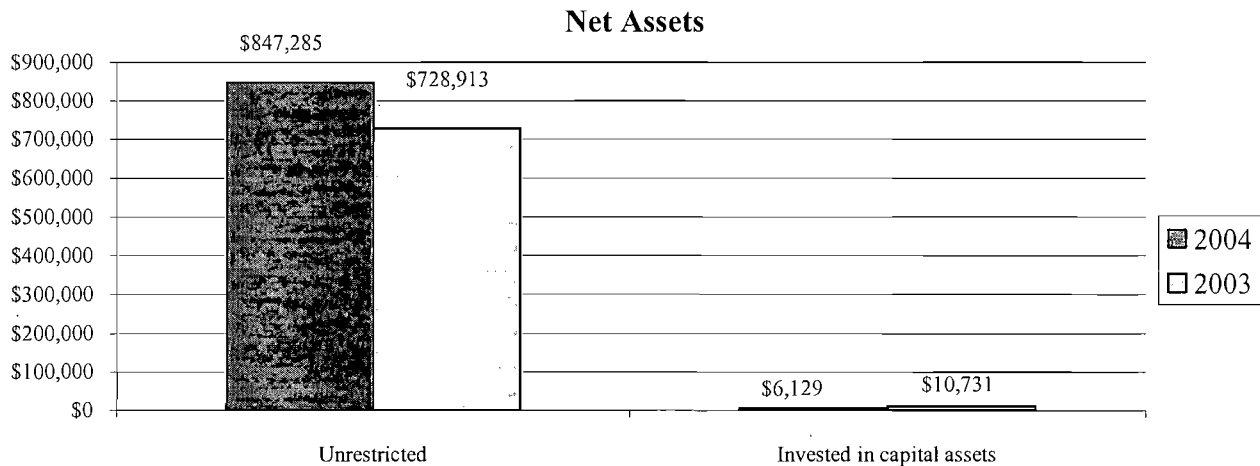
The intent of the Student Child Care Center at Lehman College, Inc. management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Student Child Care Center's net assets and changes in net assets for the year ended June 30, 2004. Since this MD&A is designed to 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.

FINANCIAL HIGHLIGHTS

- The Student Child Care Center's net assets increased by 15.4%
- Unrestricted funds increased by \$118.4 thousand or 16.2% in value.

FINANCIAL POSITION

The Student Child Care Center's financial position, as a whole, improved during the fiscal year which ended June 30, 2004. Its net assets increased approximately \$113.8 thousand or 15.4% over the previous year. The change resulted primarily from an increase in unrestricted net assets as a result of operating income. The following graph illustrates the comparative change in net assets by category for fiscal years 2004. and 2003:



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

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:

	2004	2003	Dollar Change	Percentage Change
ASSETS				
Current assets	\$ 935,784	\$ 800,805	\$ 134,979	16.9%
Non-current Capital assets	6,129	10,731	(4,602)	-42.9%
Total Assets	\$ 941,913	\$ 811,536	\$ 130,377	16.1%
LIABILITIES				
Current liabilities	\$ 88,499	\$ 71,892	\$ 16,607	23.1%
Total Liabilities	\$ 88,499	\$ 71,892	\$ 16,607	23.1%
NET ASSETS				
Unrestricted	\$ 847,285	\$ 728,913	\$ 118,372	16.2%
Invested in Capital assets	6,129	10,731	(4,602)	-42.9%
Total Net Assets	\$ 853,414	\$ 739,644	\$ 113,770	15.4%

At June 30, 2004, the Student Child Care Center's total net assets increased by \$113.8 thousand or 15.4%. Current assets increased by \$135.0 thousand or 16.9%. The majority of this variance is due to continued surplus of revenue over expenses. Non-current assets decreased by (\$4.6) thousand or -42.9%. This variance is due to the depreciation of the capital assets.

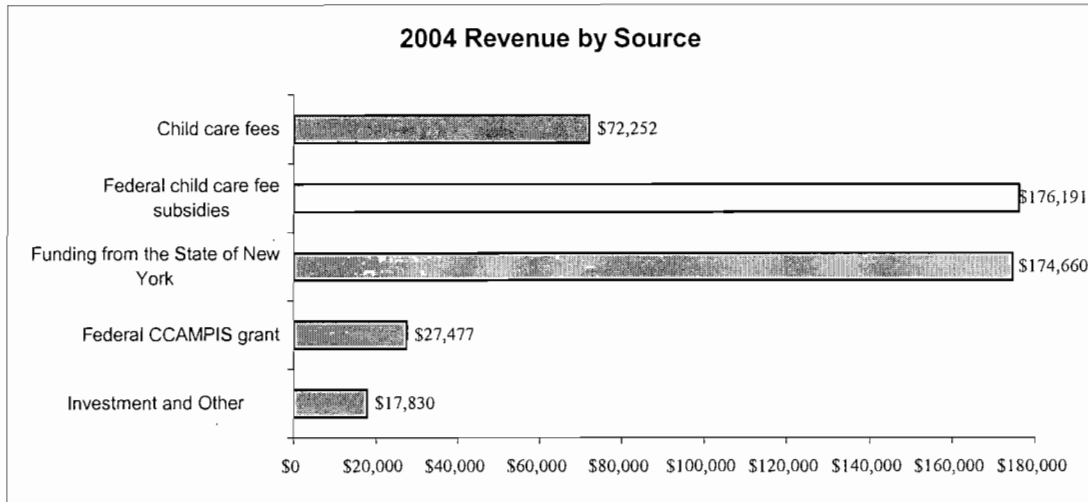
At June 30, 2004, the Student Child Care Center's total liabilities increased by \$16.6 thousand or 23.1%, due to an increase in Due to Imagine Early Learning Centers, LLC.

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 are presented below:

REVENUES



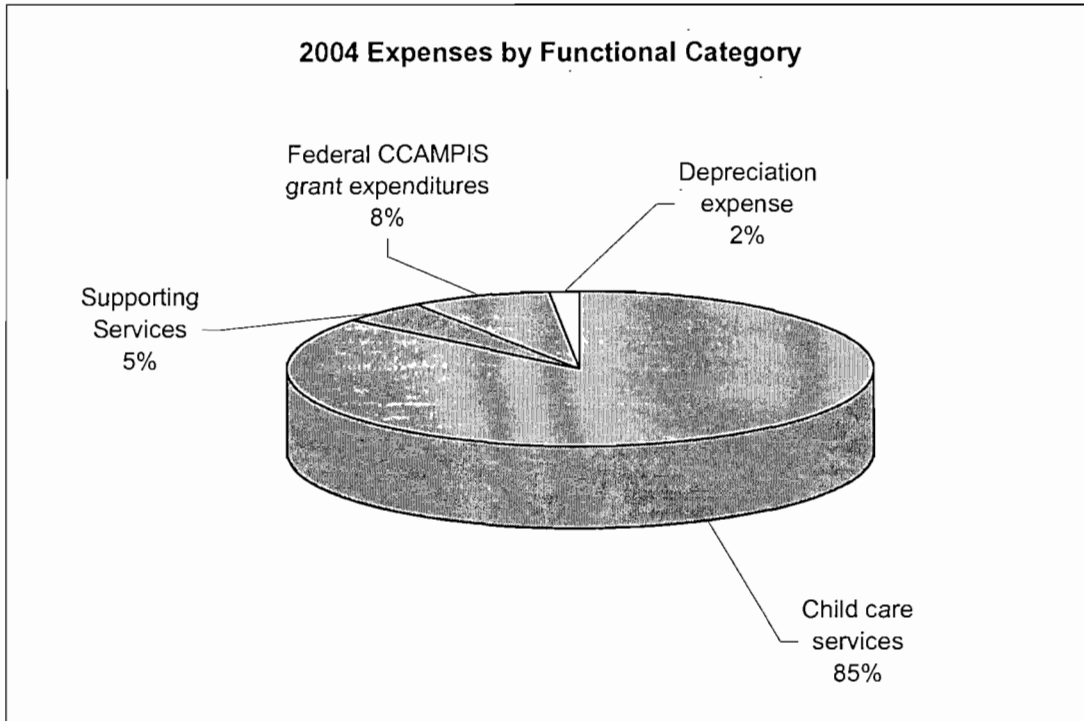
	2004	2003	Dollar Change	Percentage Change
OPERATING REVENUES				
Child care fees	\$ 72,252	\$ 50,930	\$ 21,322	41.9%
Federal child care fees subsidies	176,191	175,500	691	0.0%
Funding from the State of New York	174,660	174,647	13	0.0%
Federal CCAMPIS grant	27,477	-	27,477	100.0%
Total Operating	450,580	401,077	49,503	12.3%
NON-OPERATING REVENUES				
Investment and other income	17,830	7,561	10,269	135.8%
Net non-operating revenues	17,830	7,561	10,269	135.8%
Total Revenues	\$ 468,410	\$ 408,638	\$ 59,772	14.6%

The Student Child Care Center's total revenue for fiscal year 2004 was \$468.4 thousand, an increase of \$59.8 thousand over the prior year. Federal and State funding represents 80.8% and 85.7% for 2004 and 2003, 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 \$21.3 thousand or 41.9% from the previous year. This increase was due to the inclusion of weekends in its hours of operation.

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

Item 1- Management's Discussion and Analysis

EXPENSES



OPERATING EXPENSES	2004	2003	Dollar Change	Percentage Change
Child care services	\$ 304,466	\$ 270,822	\$ 33,644	12.4%
Supporting Services	16,902	13,484	3,418	25.3%
Federal CCAMPIS grant expenditures	27,477	-	27,477	100.0%
Depreciation expense	5,795	7,973	(2,178)	-27.3%
Total Operating Expenses	\$ 354,640	\$ 292,279	\$ 62,361	21.3%

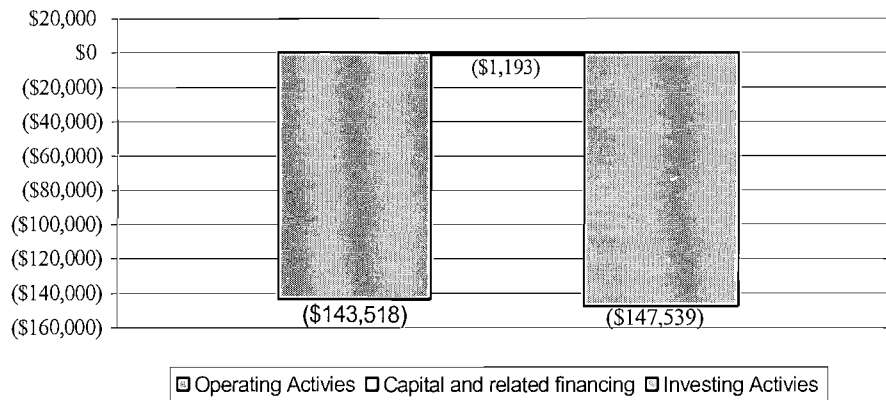
Total expenses for fiscal year 2004 were \$356.6 thousand, an increase of approximately \$62.4 thousand or 21.3% compared to the previous year. Supporting Services expenses increased \$3.4 thousand or 25.3% due to an increase in classroom supplies to support the program expansion. Child Care Services expenses increased primarily due to the inclusion of weekends in its hours of operation. Federal CCAMPIS expenditures were for repairs to the facilities.

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 and its ability to meet its obligations as they come due. The following summarizes the Student Child Care Center's cash flows for the year ended June 30, 2004:

2004 Cash Flows



Cash receipts relating to operating activities consist primarily of funding from the State and Federal government. Cash outlays to Imagine Early Learning Centers, LLC, providers of child care services, account for 93% of the total operating expenses. Overall, net cash decreased by approximately \$143.5 thousand mainly due to an increase in grants receivable.

Investing activities primarily include proceeds from sales and maturities of investments, interest on investments and purchase of investments. The Corporation purchased a \$150,000 Certificate of Deposit causing the cash flow decrease in investing activities.

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 College 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.

Federal and State funding represents a considerable amount of the Center's revenue. A reduction in these grants will adversely effect the operation of the Center.

Item 2. – FINANCIAL STATEMENTS



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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, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets, 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.

We were not able to audit the investment account share in the City University of New York Investment Pool representing approximately 13% of total assets at June 30, 2004 and 2003.

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, 2003 and 2002, and its revenues, expenses and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 21, 2004

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Net Assets

	June 30	
	2004	2003
Assets		
Current assets		
Cash - checking account	\$ 216,351	\$ 508,601
Certificate of deposit, due October 25, 2004 (at cost)	150,000	-
Accounts receivable		
Federal grant programs	379,168	175,500
Funding from New York State	72,764	14,572
Total accounts receivable	<u>451,932</u>	<u>190,072</u>
Investments - share in the City University of New York Investment Pool, at market value (cost: \$125,812 in 2004 and \$117,932 in 2003)	<u>117,501</u>	<u>102,132</u>
Total current assets	<u>935,784</u>	<u>800,805</u>
Noncurrent assets		
Capital assets, net (note 5)	<u>6,129</u>	<u>10,731</u>
Total assets	<u>\$ 941,913</u>	<u>\$ 811,536</u>
Current liabilities		
Accounts payable	\$ 12,285	\$ 10,000
Due to Imagine Early Learning Centers, LLC (note 6)	76,214	61,892
Total current liabilities	<u>\$ 88,499</u>	<u>\$ 71,892</u>
Net assets		
Unrestricted (note 4)	\$ 847,285	\$ 728,913
Invested in capital assets	6,129	10,731
Total net assets	<u>\$ 853,414</u>	<u>\$ 739,644</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	
	2004	2003
Operating revenues		
Child care fees	\$ 72,252	\$ 50,930
Federal child care fee subsidies (note 3)	176,191	175,500
Funding from the State of New York (note 3)	174,660	174,647
Federal CCAMPIS grant (note 3)	27,477	-
Total operating revenues	<u>\$ 450,580</u>	<u>\$ 401,077</u>
Operating expenses		
Child care services (note 6)	304,466	270,822
Supporting services - management and general	16,902	13,484
Federal CCAMPIS grant expenditures (note 3)	27,477	-
Depreciation expense	5,795	7,973
Total operating expenses	<u>354,640</u>	<u>292,279</u>
Operating income	<u>95,940</u>	<u>108,798</u>
Nonoperating revenues (expenses)		
Realized gain (loss) on investments	5,311	(8,077)
Net decrease in unrealized loss on investments	7,489	9,589
Interest and dividends	3,804	3,946
Other	1,226	2,103
Total nonoperating revenues	<u>17,830</u>	<u>7,561</u>
Increase in net assets	113,770	116,359
Net assets, beginning of year	<u>739,644</u>	<u>623,285</u>
Net assets, end of year	<u>\$ 853,414</u>	<u>\$ 739,644</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Cash Flows

	Year Ended June 30	
	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Receipts of Federal child care fee subsidies	\$ -	\$ 175,500
Receipts of State of New York funding	88,991	211,975
Receipts of child care fees	72,252	50,930
Disbursements for child care services	(262,667)	(259,741)
Disbursements for Federal CCAMPIS grant expenditures	(27,477)	-
Other disbursements	(14,617)	(5,545)
Net cash provided (used) by operating activities	<u>\$ (143,518)</u>	<u>\$ 173,119</u>
Cash flows (used) by capital and related financing activities		
Capital assets acquired	<u>(1,193)</u>	<u>-</u>
Cash flows from investing activities		
Interest and dividends and other	5,030	6,049
Purchase of certificate of deposit	(150,000)	-
Income (reinvested) in Investment Pool	(2,569)	(2,676)
Net cash provided (used) by investing activities	<u>(147,539)</u>	<u>3,373</u>
Net increase (decrease) in cash	(292,250)	176,492
Cash, beginning of year	<u>508,601</u>	<u>332,109</u>
Cash, at end of year	<u>\$ 216,351</u>	<u>\$ 508,601</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 95,940	\$ 108,798
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	5,795	7,973
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(261,860)	37,328
Increase in due to Imagine Early Learning Centers, LLC	14,322	9,081
Increase in accounts payable	2,285	9,939
Net cash provided (used) by operating activities	<u>\$ (143,518)</u>	<u>\$ 173,119</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements
June 30, 2004

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 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. 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

The Corporation classifies its resources 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.

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)
June 30, 2004

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, 2004, 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 and the reported amounts of revenues and expenses recognized during the year. Actual results could differ from those estimates.

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 \$174,660 and \$174,647 during fiscal 2004 and 2003 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.

The Corporation's investment in the certificate of deposit is recorded at cost which approximates market value.

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 years ended 2004 and 2003 were \$176,191 and \$175,500, respectively. Grant amounts represent tuition subsidies to eligible students and are reflected in the statement of revenues, expenses and changes in net assets. The Federal grant commitment for fiscal year 2005 is \$175,500.

The Corporation has been notified that it has been awarded two grants in connection with the planned expansion of child care facilities at the College. The first grant, in the amount of \$469,242, from the New York State Office of Children and Family Services and the Dormitory Authority of the State of New York will be used to partially fund the costs of expansion of the facility. Management anticipates that the expansion project would commence in fiscal 2005. The second grant, in the amount of \$286,402, from United States Department of Education, through the Child Care Access Means Parents in School Program ("CCAMPIS"), is intended to supplement additional personnel costs over the first three years after completion of the expansion project. During fiscal 2004, the Corporation expended \$27,477 under this grant.

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, 2004 and 2003.

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)
June 30, 2004

Note 5 - Capital assets

Capital assets consists of:

	<u>Equipment</u>	<u>Leasehold Improvements</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Capital Assets</u>
Balance, June 30, 2002	\$ 89,940	\$ 80,840	\$ 152,076	\$ 18,704
Additions	<u>-</u>	<u>-</u>	<u>7,973</u>	<u>(7,973)</u>
Balance, June 30, 2003	89,940	80,840	160,049	10,731
Additions	<u>1,193</u>	<u>-</u>	<u>5,795</u>	<u>4,602</u>
Balance, June 30, 2004	\$ <u>91,133</u>	\$ <u>80,840</u>	\$ <u>165,844</u>	\$ <u>6,129</u>

Note 6 - Child Care Services

The Corporation has engaged Imagine Early Learning Centers, LLC ("Imagine") 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 years ended 2004 and 2003, child care services expense totaled \$331,943 and \$270,822, respectively, of which \$76,214 and \$61,892 was payable to Imagine at June 30, 2004 and 2003, respectively.
