

STUDENT CHILD CARE CENTER  
AT LEHMAN COLLEGE, INC.

Financial Statements  
for year ended  
June 30, 2007

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

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## Item 1 - Management's Discussion and Analysis

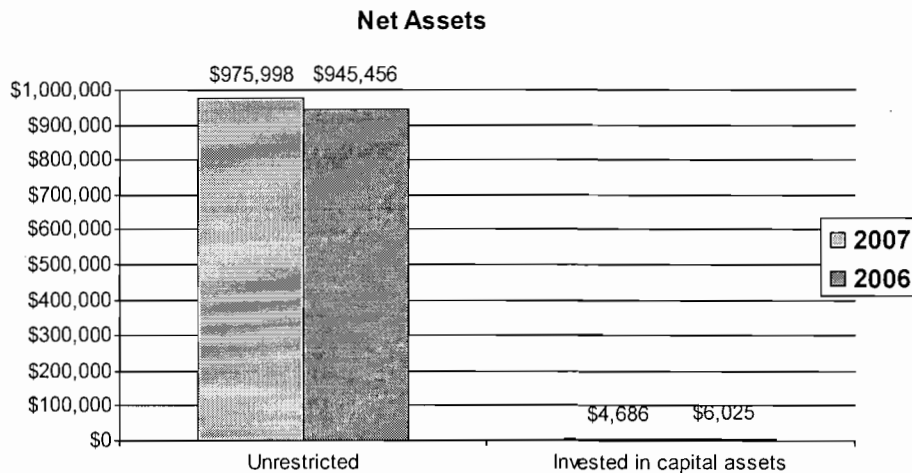
The intent of the Student Child Care Center at Lehman College, Inc. management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Student Child Care Center's net assets and changes in net assets for the year ended June 30, 2007. Since this MD&A is designed to 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 \$29.2 thousand or 3.1%
- Unrestricted funds increased by \$30.5 thousand or 3.2% in value.

### FINANCIAL POSITION

The Student Child Care Center's financial position, as a whole, improved during the fiscal year which ended June 30, 2007. Its net assets increased approximately \$29.2 thousand or 3.1% over the previous year. The change resulted primarily from an increase in unrestricted net assets. The following graph illustrates the comparative change in net assets by category for fiscal years 2007 and 2006:



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:

	2007	2006	DOLLAR CHANGE	PERCENTAGE CHANGE
<b>ASSETS</b>				
Current assets	\$1,153,533	\$1,156,261	\$(2,728)	(0.2)%
Non-current, Capital assets	4,686	6,025	(1,339)	(22.2)%
<b>Total assets</b>	<b>\$1,158,219</b>	<b>\$1,162,286</b>	<b>\$ (4,067)</b>	<b>(0.3)%</b>
<b>LIABILITIES</b>				
Current liabilities	\$177,535	\$ 210,805	\$ (33,270)	(15.8)%
<b>Total liabilities</b>	<b>\$177,535</b>	<b>\$ 210,805</b>	<b>\$ (33,270)</b>	<b>(15.8)%</b>
<b>NET ASSETS</b>				
Unrestricted	975,998	945,456	30,542	3.2%
Invested in capital assets	4,686	6,025	(1,339)	(22.2)%
<b>Total net assets</b>	<b>\$980,684</b>	<b>\$951,481</b>	<b>\$(29,203)</b>	<b>3.1%</b>

At June 30, 2007, the Student Child Care Center's total net assets increased by \$29.2 thousand or 3.1%. Current assets decreased by \$(2.7) thousand or (-0.2)%. Non-current assets decreased by \$(1.3) thousand or (-22.2)%. The variance in non-current, capital assets is primarily due to the depreciation of capital assets.

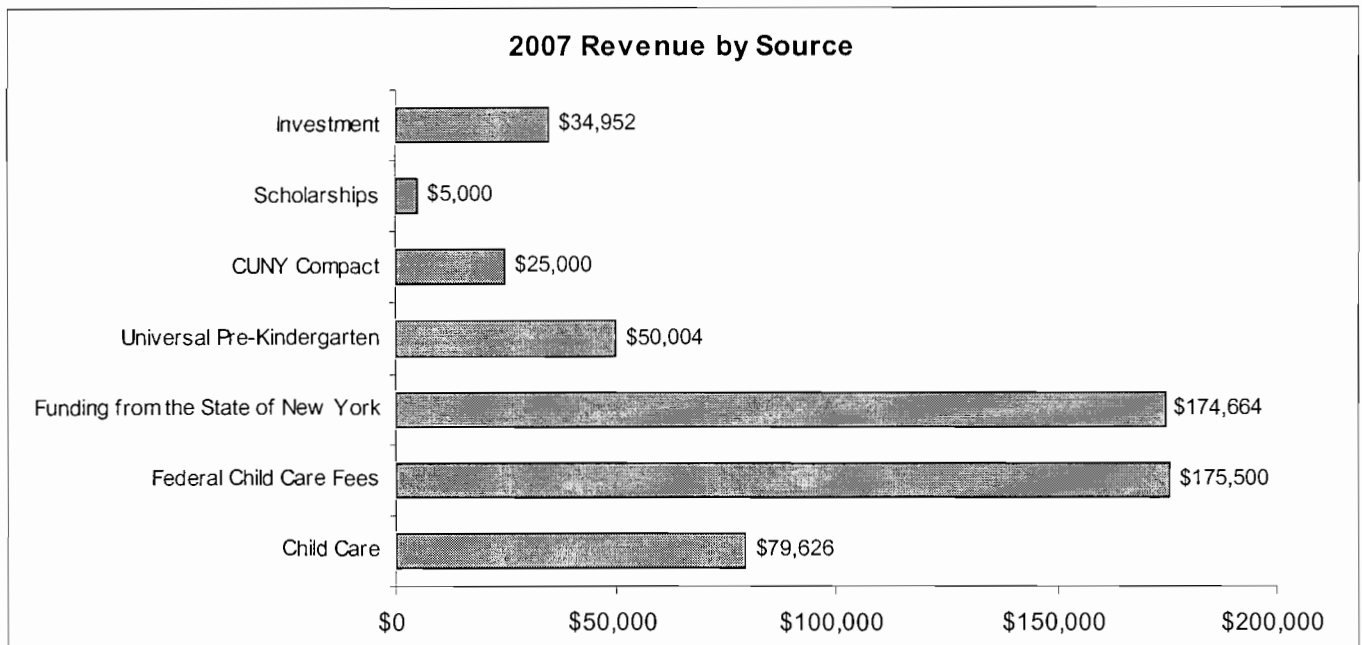
At June 30, 2007, the Student Child Care Center's total liabilities decreased by \$(33.2) thousand or (-15.8)%, due to a decrease in accounts payable and amounts due to Imagine Early Learning Centers LLC.

## Item 1 - Management's Discussion and Analysis

### STATEMENT OF REVENUES, EXPENSES AND CHANGE 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



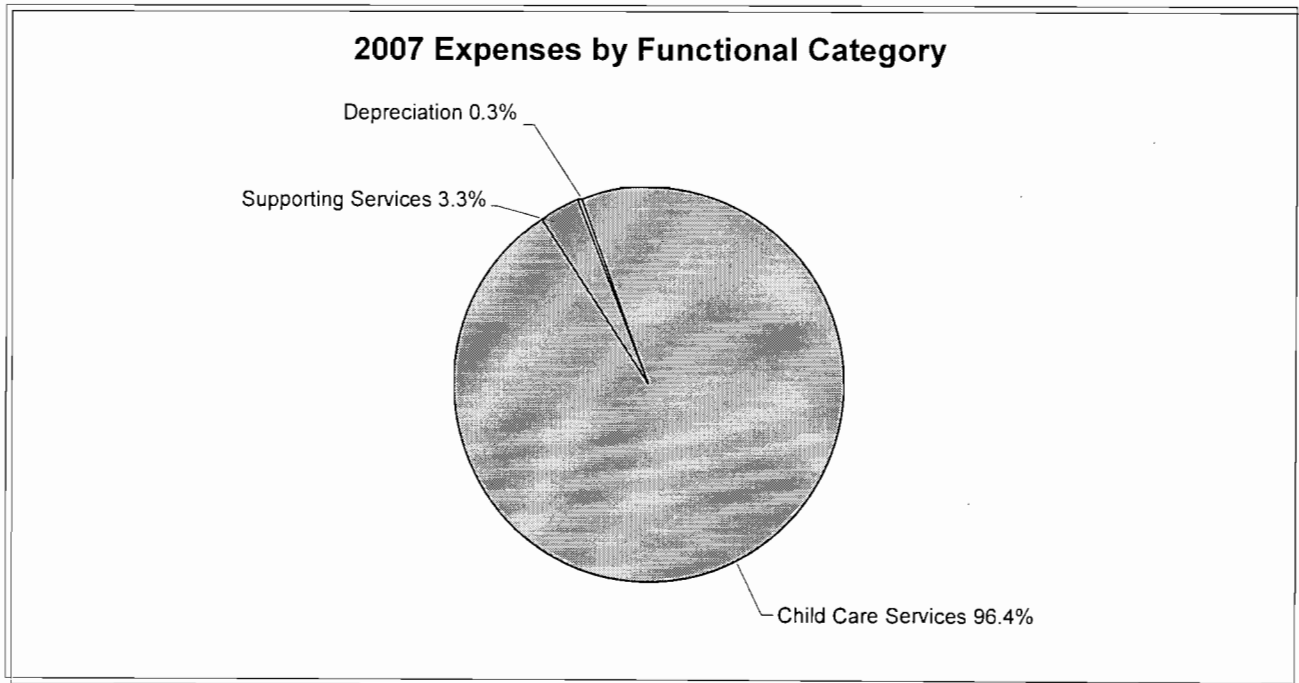
<b>OPERATING</b>	<b>2007</b>	<b>2006</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
Child Care	\$ 79,626	\$ 84,461	\$ (4,835)	-5.7%
Federal child care fees	175,500	175,550	(50)	0.0%
Funding from the State of New York	174,664	174,664	-	0.0%
Universal Pre-Kindergarten	50,004	50,004	-	0.0%
CUNY Compact	25,000	-	25,000	100.0%
Scholarships	5,000	2,500	2,500	100.0%
Federal CCAMPIS grant	-	14,665	(14,665)	-100.0%
Total	509,794	501,844	7,950	1.6%
<b>NON-OPERATING</b>				
Investment	34,952	21,176	13,776	65.1%
<b>Total Revenues</b>	<b>\$ 544,746</b>	<b>\$ 523,020</b>	<b>\$ 21,726</b>	<b>4.2%</b>

## Item 1 - Management's Discussion and Analysis

The Student Child Care Center's total revenue for fiscal year 2007 was \$544.7 thousand, an increase of \$21.7 thousand over the prior year. Federal, State and City funding represents 78.0% and 79.3%, respectively, of the total revenue. The Student Child Care Center is dependent upon this support to carry out its operations. The depletion of the Federal CCAMPIS grant offset by the new CUNY Compact grant, which generated \$25.0 thousand in additional revenue. These factors, along with an additional \$13.8 thousand generated from non-operating investment revenue, contributed to a net increase in revenue of \$21.7 thousand.

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

### EXPENSES



### OPERATING EXPENSES

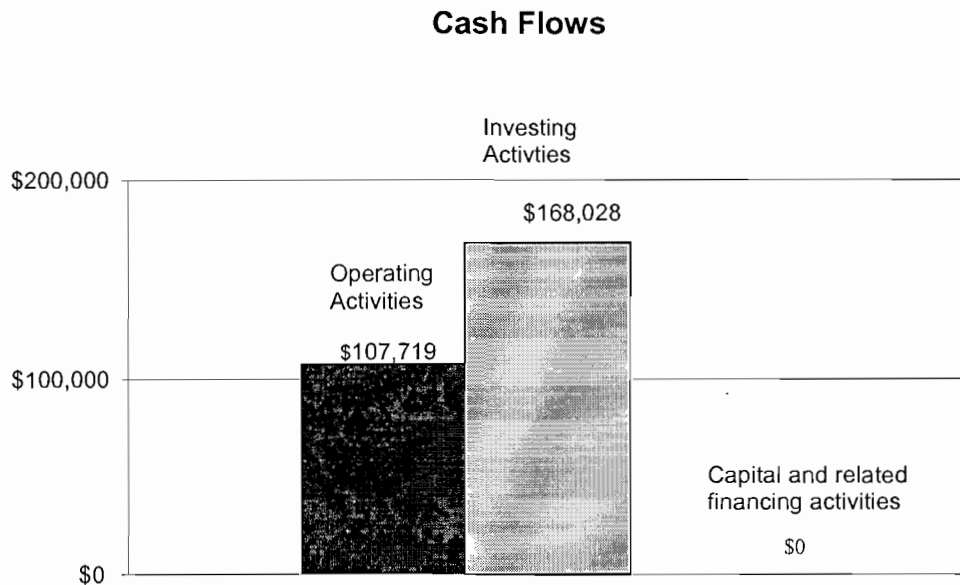
	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Child care services	\$ 497,161	\$ 448,991	\$48,170	10.7%
Supporting services	17,043	12,745	4,298	33.7%
Federal CCAMPIS expenditures	-	14,665	(14,665)	-100.0%
Depreciation expense	1,339	1,004	335	33.4%
<b>Total Operating Expenses</b>	<u>\$515,543</u>	<u>\$ 477,405</u>	<u>\$38,138</u>	<u>8.0%</u>

## Item 1 - Management's Discussion and Analysis

Total expenses for fiscal year 2007 were \$515.5 thousand, an increase of approximately \$38.1 thousand or 8.0% compared to the previous year. Child Care Services expenses increased \$48.2 thousand or 10.7%, primarily due to increased personnel services within the Pre-Kindergarten program. Federal CCAMPIS expenses decreased \$(14.7) thousand or (-100.0)% due to the expiration of the grant term during fiscal 2006.

### 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, 2007:



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 96.4% of the total operating disbursements. Overall, net cash increased by approximately \$275.7 thousand.

Investing activities primarily include proceeds from sales and maturities of investments, interest and dividends 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 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 future expansion and related expenses.

ITEM 2. - FINANCIAL STATEMENTS

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, 2007 and 2006, 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 having fair values of \$160,145 and \$137,491 at June 30, 2007 and 2006, respectively, and net revenue from investments of \$34,952 and \$19,602 for the years ended June 30, 2007 and 2006, respectively.

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, 2007 and 2006, 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

November 30, 2007

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STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Net Assets

	June 30	
	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 2)		
Checking account	\$ 430,972	\$ 505,225
Certificate of deposit	350,000	-
Total cash and cash equivalents	<u>780,972</u>	<u>505,225</u>
Certificate of deposit	-	155,730
Accounts receivable		
Federal grant programs	180,500	178,050
CUNY compact	25,000	-
Funding from New York State	1,080	174,765
Other - scholarship	5,000	5,000
Total accounts receivable	<u>211,580</u>	<u>357,815</u>
Prepaid expense	836	-
Investments - share in the City University of New York Investment Pool, at market value (cost: \$157,167 in 2007 and \$146,667 in 2006)	160,145	137,491
Total current assets	<u>1,153,533</u>	<u>1,156,261</u>
<b>Noncurrent assets</b>		
Capital assets, net (note 5)	4,686	6,025
Total assets	<u>\$ 1,158,219</u>	<u>\$ 1,162,286</u>
<b>Current liabilities</b>		
Accounts payable	\$ -	\$ 2,275
Due to Imagine Early Learning Centers, LLC (note 6)	177,535	208,530
Total current liabilities	<u>\$ 177,535</u>	<u>\$ 210,805</u>
<b>Net assets</b>		
Unrestricted (note 4)	\$ 975,998	\$ 945,456
Invested in capital assets	4,686	6,025
Total net assets	<u>\$ 980,684</u>	<u>\$ 951,481</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	
	2007	2006
Operating revenues		
Child care fees	\$ 79,626	\$ 84,461
Federal child care fee subsidies (note 3)	175,500	175,550
Funding from the State of New York (note 2)	174,664	174,664
Universal Pre-Kindergarten Services grant	50,004	50,004
CUNY compact	25,000	-
Federal CCAMPIS grant (note 3)	-	14,665
Scholarships	5,000	2,500
Total operating revenues	<u>\$ 509,794</u>	<u>\$ 501,844</u>
Operating expenses		
Child care services (note 6)	497,161	448,991
Supporting services - management and general	17,043	12,745
Federal CCAMPIS grant expenditures (note 3)	-	14,665
Depreciation expense	1,339	1,004
Total operating expenses	<u>515,543</u>	<u>477,405</u>
Operating (loss) income	<u>(5,749)</u>	<u>24,439</u>
Nonoperating revenues		
Realized gain on investments	7,670	11,371
Net decrease (increase) in unrealized loss on investments	12,134	(2,605)
Interest and dividends	15,148	10,836
Other	-	1,574
Total nonoperating revenues	<u>34,952</u>	<u>21,176</u>
Increase in net assets	29,203	45,615
Net assets, beginning of year	<u>951,481</u>	<u>905,866</u>
Net assets, end of year	<u>\$ 980,684</u>	<u>\$ 951,481</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Cash Flows

	Year Ended June 30	
	2007	2006
Cash flows from operating activities		
Receipts of Federal child care fee subsidies	\$ 175,550	\$ 175,595
Receipts of Federal CCAMPIS grant	-	14,665
Receipts of State of New York funding	348,349	43,506
Receipts from Universal Pre-Kindergarten Services grant	47,504	47,504
Receipts of child care fees	84,626	84,461
Disbursements for child care services	(528,156)	(371,335)
Disbursements for Federal CCAMPIS grant expenditures	-	(14,665)
Other disbursements	(20,154)	(13,380)
Net cash provided (used) by operating activities	\$ 107,719	\$ (33,649)
Cash flows (used) by capital and related financing activities		
Capital assets acquired	-	(6,695)
Cash flows from investing activities		
Realized gains on investments	7,670	11,371
Interest and dividends	15,148	10,836
Income (reinvested) in Investment Pool	(10,520)	(13,996)
Decrease (increase) in certificates of deposit	155,730	(5,347)
Other	-	1,574
Net cash provided by investing activities	168,028	4,438
Net increase (decrease) in cash and cash equivalents	275,747	(35,906)
Cash and cash equivalents, beginning of year	505,225	541,131
Cash and cash equivalents, at end of year	\$ 780,972	\$ 505,225
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (5,749)	\$ 24,439
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	1,339	1,004
Change in assets and liabilities		
Decrease (increase) in accounts receivable	146,235	(136,063)
(Increase) in prepaid expense	(836)	-
(Decrease) increase in due to Imagine Early Learning Centers, LLC	(30,995)	77,656
(Decrease) in accounts payable	(2,275)	(685)
Net cash provided (used) by operating activities	\$ 107,719	\$ (33,649)

See notes to financial statements

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

Notes to Financial Statements  
June 30, 2007

### 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 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.

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

#### Concentration of credit risk

The Corporation's checking account and certificate of deposit are on deposit with one bank in amounts which exceed Federally insured limits. The Corporation has not experienced any losses on its deposits.

The Corporation receives a substantial amount of its support from the Federal government and New York State.

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)  
June 30, 2007

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less. At June 30, 2007, cash equivalents include the Corporation's certificate of deposit which is renewed on a monthly basis.

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, 2007, 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 \$174,664 in each of the fiscal years ended 2007 and 2006, from the State of New York through tax levy appropriations for the provision of child care services at senior and community colleges.

Investments

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 each of the fiscal years ended 2007 and 2006 totaled \$175,500 and \$175,550, respectively. Grant amounts represent tuition subsidies to eligible students and are reflected in the statement of revenues, expenses and changes in net assets.

The Corporation 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 will commence in fiscal 2008. The second grant, from United States Department of Education, through the Child Care Access Means Parents in School Program ("CCAMPIS"), was intended to supplement additional personnel costs. During the fiscal year ended 2006, the Corporation's expenditures under this grant totaled \$14,665. The term of this grant expired as of June 30, 2006.

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)  
June 30, 2007

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, 2007 and 2006.

Note 5 - Capital assets

Capital assets consists of:

	Equipment	Leasehold Improvements	Accumulated Depreciation and Amortization	Net Capital Assets
Balance, June 30, 2005	\$ 91,133	\$ 80,840	\$ 171,639	\$ 334
Additions	6,695	-	1,004	5,691
Balance, June 30, 2006	<u>97,828</u>	<u>80,840</u>	<u>172,643</u>	<u>6,025</u>
Additions	-	-	1,339	(1,339)
Balance, June 30, 2007	<u>\$ 97,828</u>	<u>\$ 80,840</u>	<u>\$ 173,982</u>	<u>\$ 4,686</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, 2008. For the years ended 2007 and 2006, child care services expense totaled \$497,161 and \$448,991, respectively, of which \$177,535 and \$208,530 was payable to Imagine at June 30, 2007 and 2006, respectively.

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