

STUDENT CHILD CARE CENTER
AT LEHMAN COLLEGE, INC.

Financial Statements
for year ended
June 30, 2008

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

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Item 1 - Management's Discussion and Analysis

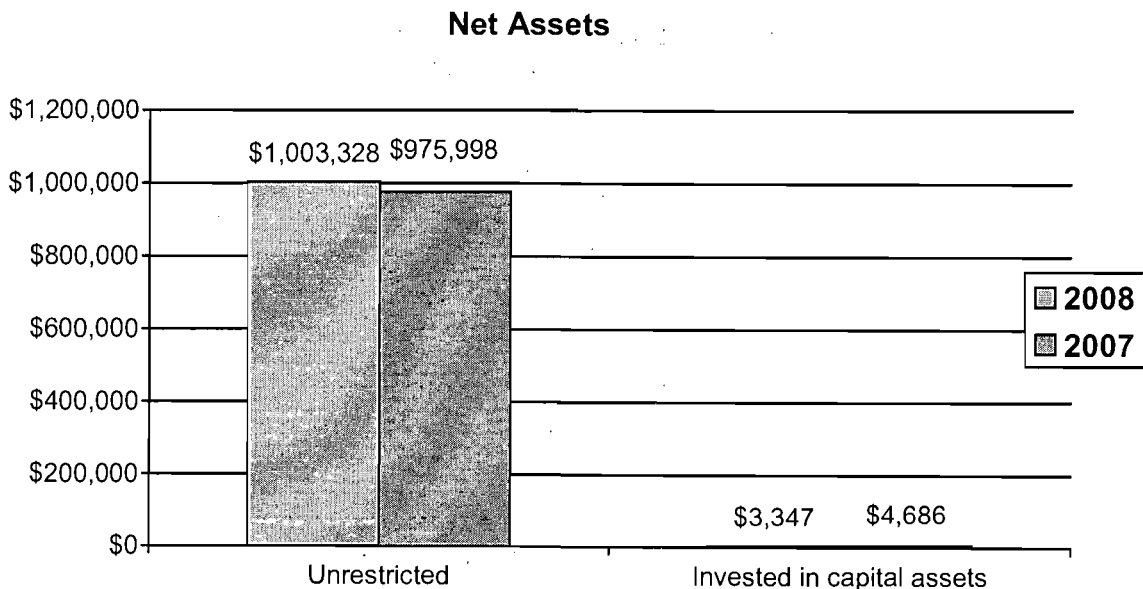
The intent of the Student Child Care Center at Lehman College, Inc. management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Student Child Care Center's net assets and changes in net assets for the year ended June 30, 2008. Since this MD&A is designed to 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 current assets decreased by \$(72.5) thousand or (6.3%).
- The Student Child Care Center's current liabilities decreased by \$(99.8) thousand or (56.2%).

FINANCIAL POSITION

The Student Child Care Center's financial position, as a whole, improved during the fiscal year ended June 30, 2008. Its net assets increased approximately \$26.0 thousand or 2.7% 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 2008 and 2007:



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:

	2008	2007	Dolllar Change	Percentage Change
ASSETS				
Current assets	\$1,081,033	\$1,153,533	\$(72,500)	(6.3)%
Non-current, Capital assets	3,347	4,686	(1,339)	(28.6)%
Total assets	\$1,084,380	\$1,158,219	\$(73,839)	(6.4)%
LIABILITIES				
Current liabilities	\$77,705	\$177,535	\$(99,830)	(56.2)%
Total liabilities	\$77,705	\$177,535	\$(99,830)	(56.2)%
NET ASSETS				
Unrestricted	1,003,328	975,998	27,330	2.8%
Invested in capital assets	3,347	4,686	(1,339)	(28.6)%
Total net assets	\$1,006,675	\$980,684	\$25,991	2.7%

At June 30, 2008, the Student Child Care Center's total net assets increased by \$26.0 thousand or 2.7%. Current assets decreased by \$(72.5) thousand or (6.3)%. Non-current capital assets decreased by \$(1.3) thousand or (28.6)%. The decrease in current assets is primarily due to the payment of current liabilities.

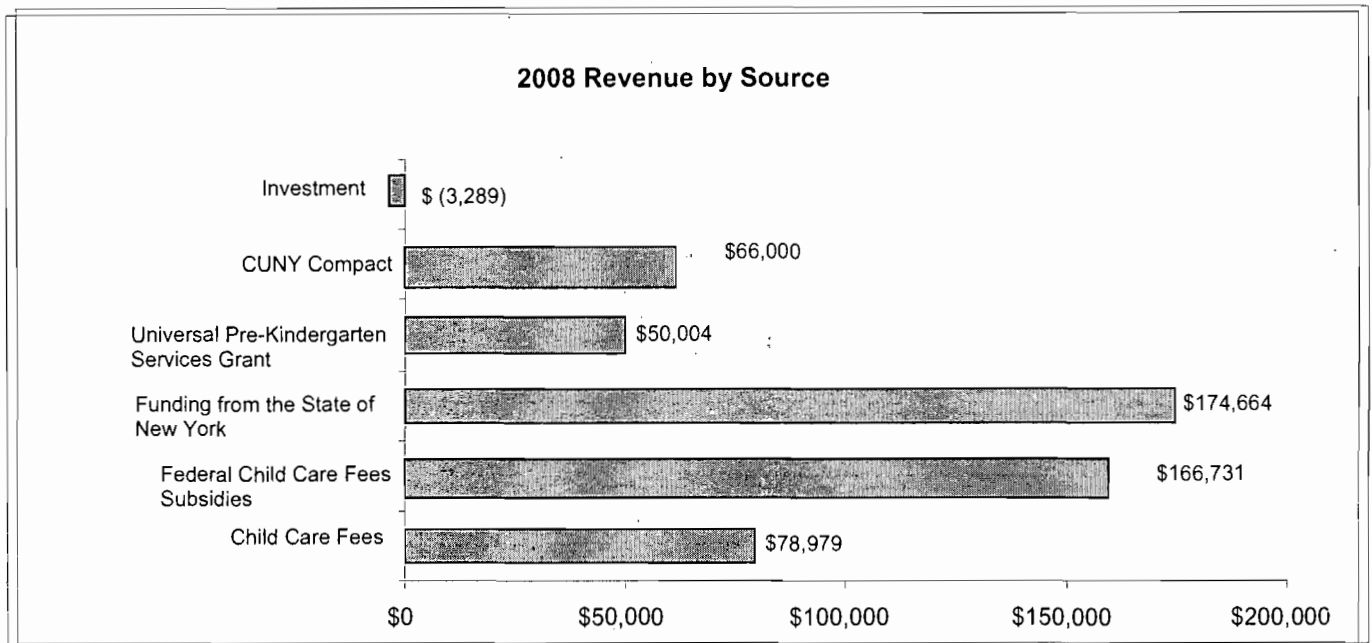
At June 30, 2008, the Student Child Care Center's total liabilities decreased by \$(99.8) thousand or (56.2)%, due to a decrease in the balance of the liability account Due to Imagine Early Learning Centers, LLC.

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 present 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

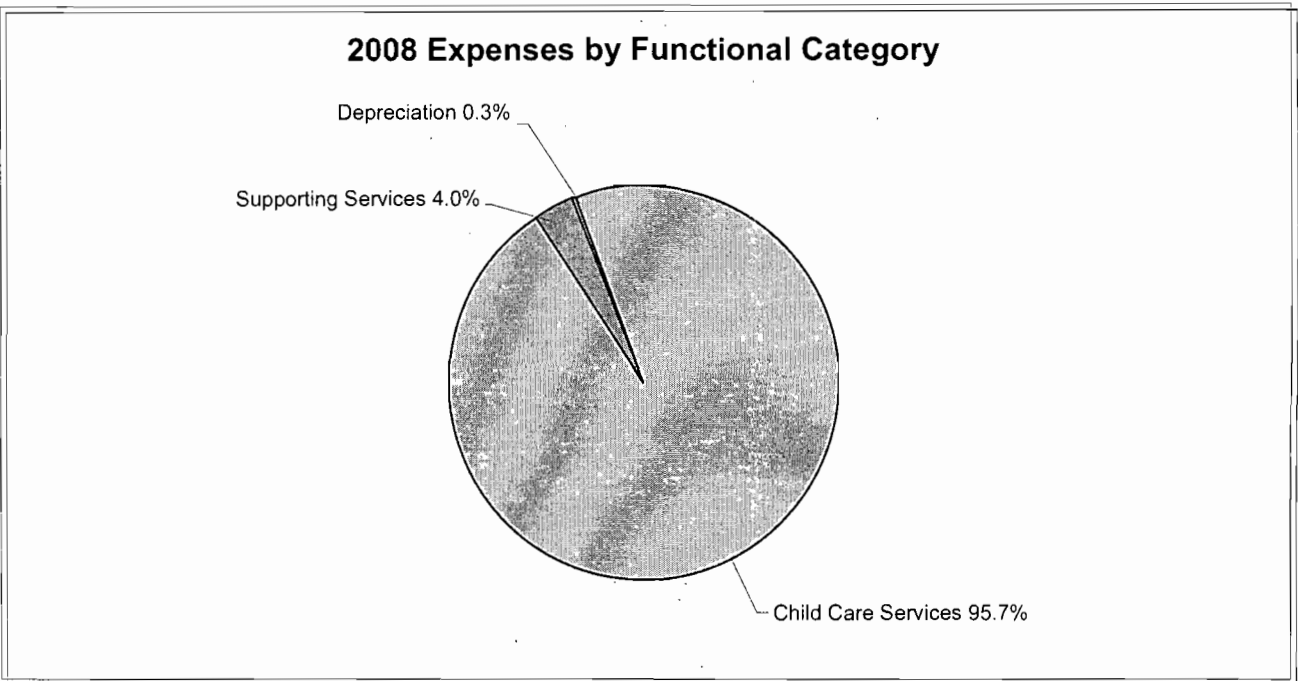


	2008	2007	Dollar Change	Percentage Change
OPERATING				
Child Care	\$ 78,979	\$ 79,626	\$ (647)	-0.8%
Federal child care fees subsidies	166,731	175,500	(8,769)	-5.0%
Funding from the State of New York	174,664	174,664	-	0.0%
Universal Pre-Kindergarten Services Grant	50,004	50,004	-	0.0%
CUNY Compact	66,000	25,000	41,000	164.0%
Scholarships	-	5,000	(5,000)	-100.0%
Total	536,378	509,794	26,584	5.2%
NON-OPERATING				
Investment	(3,289)	34,952	(38,241)	-109.4%
Total Revenues	\$ 533,089	\$ 544,746	\$ (11,657)	-2.1%

Item 1 - Management's Discussion and Analysis

The Student Child Care Center's total revenue for fiscal year 2008 was \$533.1 thousand, a decrease of \$(11.7) thousand over the prior year. Federal and State funding represents 31.3% and 32.8%, respectively, of the total revenue. The Student Child Care Center is dependent upon this support to carry out its operations. The CUNY Compact grant provided increased revenue of \$41.0 thousand. There were no other significant or unexpected changes in the Student Child Care Center's revenues.

EXPENSES



OPERATING

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Child care services	\$ 485,497	\$ 497,161	\$(11,664)	-2.3%
Supporting services	20,262	17,043	3,219	18.9%
Depreciation expense	1,339	1,339	-	0.0%
Total	<u>\$507,098</u>	<u>\$ 515,543</u>	<u>\$(8,445)</u>	<u>-1.6%</u>

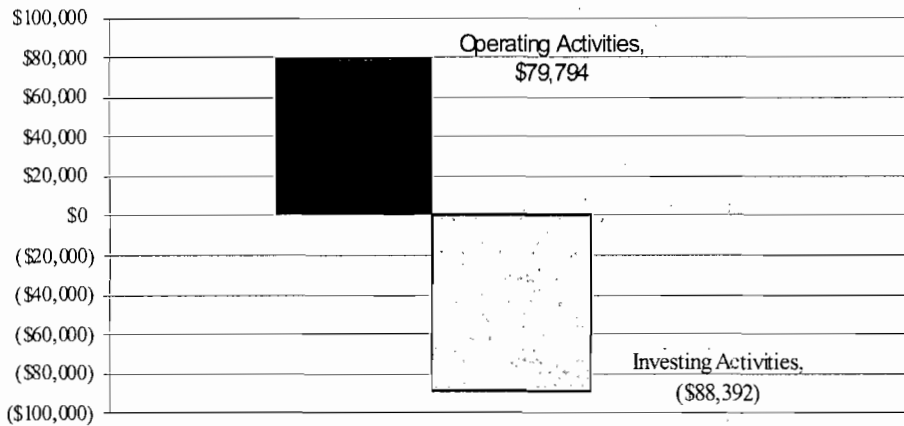
Total expenses for fiscal year 2008 were \$507.1 thousand, a decrease of approximately \$(8.4) thousand or (1.6%) compared to the previous year. Child Care Services expenses decreased \$(11.6) thousand or (2.3%), primarily due to a decrease in personnel costs within the Pre-Kindergarten program.

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, 2008:

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, and account for 97.3% of the total operating disbursements. Overall, net cash decreased by approximately \$(8.6) 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

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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, 2008 and 2007, 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.

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.

In our report dated November 30, 2007, we expressed a qualified opinion because we were unable to audit the Corporation's investment account share in the City University of New York Investment Pool. We have subsequently examined evidence regarding this investment. Accordingly, our present opinion on the 2007 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, 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, 2008 and 2007, 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

December 18, 2008

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Net Assets

	June 30	
	<u>2008</u>	<u>2007</u>
Assets		
Current assets		
Cash and cash equivalents (note 2)		
Checking account	\$ 422,374	\$ 430,972
Certificate of deposit	350,000	350,000
Total cash and cash equivalents	<u>772,374</u>	<u>780,972</u>
Certificate of deposit	100,000	-
Accounts receivable		
Federal grant programs	2,500	180,500
CUNY compact	-	25,000
Funding from New York State	58,221	1,080
Other	1,702	5,000
Total accounts receivable	<u>62,423</u>	<u>211,580</u>
Prepaid expense	988	836
Investments - share in the City University of New York Investment Pool, at market value (cost: \$160,580 in 2008 and \$157,167 in 2007)	145,248	160,145
Total current assets	<u>1,081,033</u>	<u>1,153,533</u>
Noncurrent assets		
Capital assets, net (note 5)	3,347	4,686
Total assets	<u>\$ 1,084,380</u>	<u>\$ 1,158,219</u>
Current liabilities		
Accounts payable	\$ 3,626	\$ -
Due to Imagine Early Learning Centers, LLC (note 6)	66,518	177,535
Deferred revenue (note 2)	7,561	-
Total current liabilities	<u>77,705</u>	<u>177,535</u>
Net assets		
Unrestricted (note 4)	1,003,328	975,998
Invested in capital assets	3,347	4,686
Total net assets	<u>\$ 1,006,675</u>	<u>\$ 980,684</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	
	2008	2007
Operating revenues		
Child care fees	\$ 78,979	\$ 79,626
Federal child care fee subsidies (note 3)	166,731	175,500
Funding from the State of New York (note 2)	174,664	174,664
Universal Pre-Kindergarten Services grant	50,004	50,004
CUNY compact	66,000	25,000
Scholarships	-	5,000
Total operating revenues	<u>\$ 536,378</u>	<u>\$ 509,794</u>
Operating expenses		
Child care services (note 6)	485,497	497,161
Supporting services - management and general	20,262	17,043
Depreciation expense	1,339	1,339
Total operating expenses	<u>507,098</u>	<u>515,543</u>
Operating income (loss)	<u>29,280</u>	<u>(5,749)</u>
Nonoperating revenues (expenses)		
Realized gain on investments	691	7,670
Net (increase) decrease in unrealized loss on investments	(18,309)	12,134
Interest and dividends	14,329	15,148
Total nonoperating revenues (expenses)	<u>(3,289)</u>	<u>34,952</u>
Increase in net assets	25,991	29,203
Net assets, beginning of year	<u>980,684</u>	<u>951,481</u>
Net assets, end of year	<u>\$ 1,006,675</u>	<u>\$ 980,684</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Cash Flows

	Year Ended June 30	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Receipts of Federal child care fee subsidies	\$ 349,791	\$ 175,550
Receipts of CUNY Compact	91,000	-
Receipts of State of New York funding	116,443	348,349
Receipts from Universal Pre-Kindergarten Services grant	51,504	47,504
Receipts of child care fees	83,979	84,626
Disbursements for child care services	(596,514)	(528,156)
Other disbursements	(16,409)	(20,154)
Net cash provided by operating activities	<u>79,794</u>	<u>107,719</u>
Cash flows from investing activities		
Realized gains on investments	691	7,670
Interest and dividends	14,329	15,148
Income (reinvested) in Investment Pool	(3,412)	(10,520)
(Increase) decrease in certificates of deposit	(100,000)	155,730
Net cash (used) provided by investing activities	<u>(88,392)</u>	<u>168,028</u>
Net (decrease) increase in cash and cash equivalents	(8,598)	275,747
Cash and cash equivalents, beginning of year	<u>780,972</u>	<u>505,225</u>
Cash and cash equivalents, at end of year	<u>\$ 772,374</u>	<u>\$ 780,972</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 29,280	\$ (5,749)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	1,339	1,339
Change in assets and liabilities		
Decrease in accounts receivable	149,157	146,235
(Increase) in prepaid expense	(152)	(836)
(Decrease) in due to Imagine Early Learning Centers, LLC	(111,017)	(30,995)
Increase (decrease) in accounts payable	3,626	(2,275)
Increase in deferred revenue	7,561	-
Net cash provided by operating activities	<u>\$ 79,794</u>	<u>\$ 107,719</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements
June 30, 2008

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 ("CUNY"). 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:

a. 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 (loss).

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.

b. Deposits and investment risk disclosures

Custodial credit risk - deposits

Custodial credit risk of deposits is the risk that in the event of a bank failure the Corporation's deposits may not be returned to it. At June 30, 2008, \$402,972 of the Corporation's total bank balances of cash and certificates totaling \$602,972 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	402,972
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Concentration of credit risk

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

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)
June 30, 2008

The Corporation receives a substantial amount of its support from the Federal government, New York State and The City of New York. A significant reduction in the level of this support, if it were to occur, could have a significant effect on the Corporation's programs and activities.

Custodial credit risk - investments

Custodial credit risk as it relates to investments is the risk that in the event of failure of the counterparty of a transaction, the Corporation will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty.

The Corporation's investments are held by the CUNY Investment Pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY. The Committee engages various advisory firms to assist in the management of the Investment Pool. At June 30, 2008 and 2007, the fair value of the Corporation's investments in the Investment Pool totaled \$145,248 and \$160,145, respectively.

c. 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.

d. Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less. At June 30, 2008, cash equivalents include the Corporation's certificate of deposit which is renewed on a monthly basis.

e. 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, 2008, fully amortized leasehold improvements were still in service (see note 5).

f. 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.

g. 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 2008 and 2007, from the State of New York through tax levy appropriations for the provision of child care services at senior and community colleges.

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)
June 30, 2008

h. Investments

The Corporation's share in the CUNY Investment Pool is accounted for at market value and is classified as a current asset.

i. Deferred revenue

Deferred revenue represents amounts received for grants related to the subsequent fiscal year.

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 2008 and 2007 totaled \$166,730 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.

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, 2008 and 2007.

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, 2006	\$ 97,828	\$ 80,840	\$ 172,643	\$ 6,025
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>
Additions	-	-	1,339	(1,339)
Balance, June 30, 2008	<u>\$ 97,828</u>	<u>\$ 80,840</u>	<u>\$ 175,321</u>	<u>\$ 3,347</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 2008 and 2007, child care services expense totaled \$485,497 and \$497,161, respectively, of which \$66,518 and \$177,535 was payable to Imagine at June 30, 2008 and 2007, respectively.
