

STUDENT CHILD CARE CENTER
AT LEHMAN COLLEGE, INC.

Financial Statements
for year ended
June 30, 2011

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Item 1 - Management's Discussion and Analysis

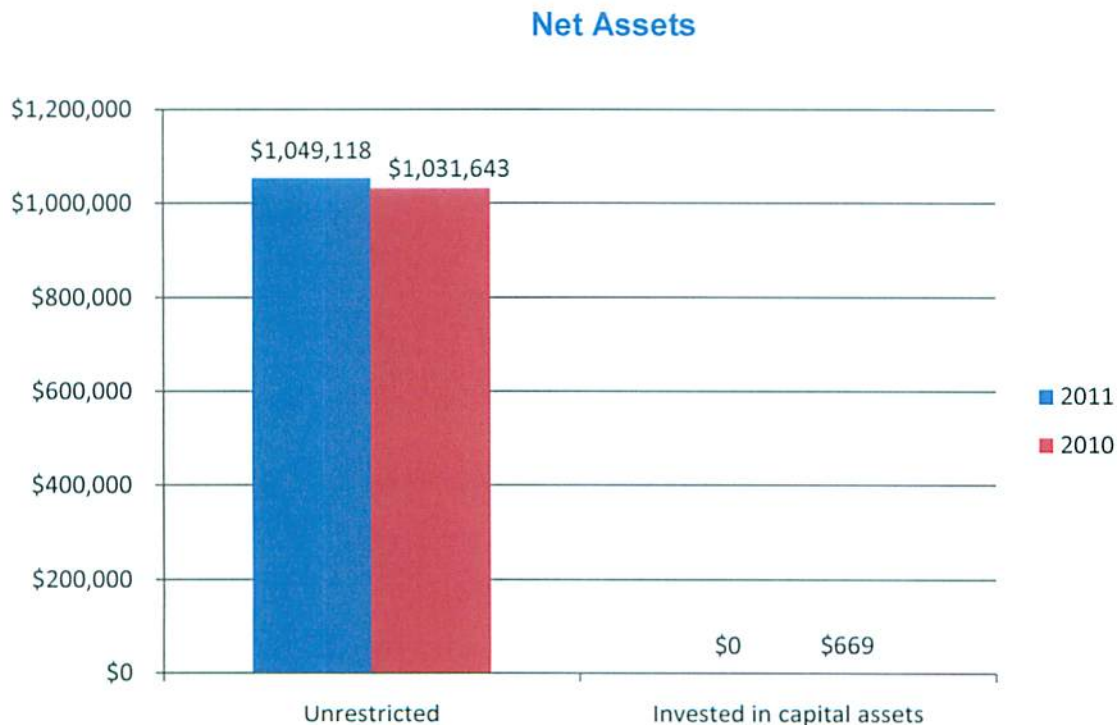
The intent of the Student Child Care Center at Lehman College, Inc. management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Student Child Care Center's net assets and changes in net assets for the year ended June 30, 2011. Since this MD&A is designed to 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 investment pool increased by \$28 thousand or 21% due to a combination of the reinvestment of interest and dividends, realized gain and appreciation in market value of the investment pool.
- The Student Child Care Center's operating expenses increased by \$18 thousand or 3.3% primarily due to an increase in personnel costs.

FINANCIAL POSITION

The Student Child Care Center's financial position, as a whole, remained steady during the fiscal year ended June 30, 2011. Its net assets increased by approximately \$17 thousand or 1.6% 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 2011 and 2010:



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, 2011:

	2011	2010	Dollar Change	Percentage Change
ASSETS				
Current assets	\$1,175,151	\$1,119,483	\$55,668	5.0%
Non –current, Capital assets	-	669	(669)	(100)%
Total assets	<u>\$1,175,151</u>	<u>\$1,120,152</u>	<u>\$ 54,999</u>	<u>4.9%</u>
LIABILITIES				
Current liabilities	\$126,033	\$87,840	\$38,193	43%
Total liabilities	<u>\$126,033</u>	<u>\$87,840</u>	<u>\$38,193</u>	<u>43%</u>
NET ASSETS				
Unrestricted	\$1,049,118	\$1,031,643	\$17,475	1.7%
Invested in capital assets	-	669	(669)	(100)%
Total net assets	<u>\$1,049,118</u>	<u>\$1,032,312</u>	<u>\$16,806</u>	<u>1.6%</u>

At June 30, 2011, the Student Child Care Center's total net assets increased by \$17 thousand or 1.6%.

During 2011, current liabilities increased by \$38 thousand or 43% due to an increase in the cost of child care services payable at June 30, 2011.

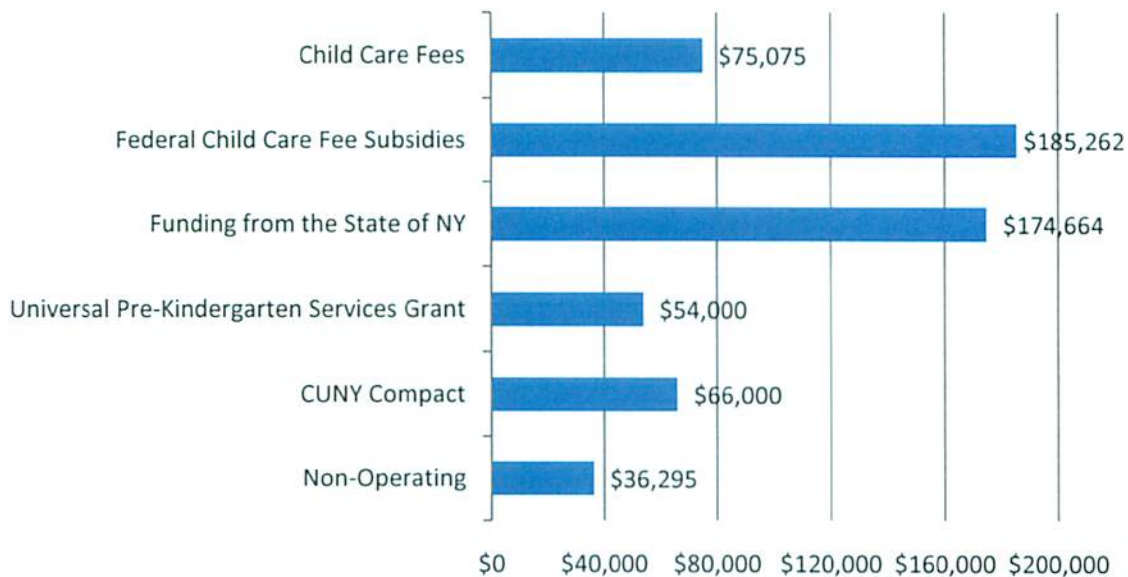
Item 1 - Management's Discussion and Analysis

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

2011 Revenue by Source



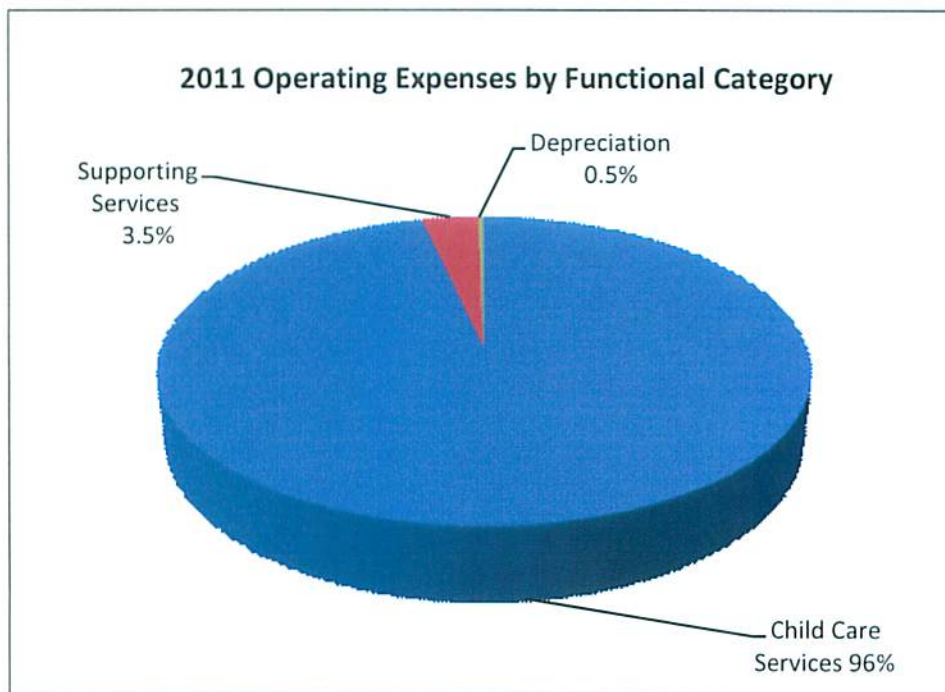
	2011	2010	Dollar Change	Percentage Change
Operating				
Child Care	\$ 75,075	\$ 88,999	\$ (13,924)	-15.65%
Federal Child Care fee subsidies	185,262	183,692	1,570	0.85%
Funding from the State of New York	174,664	174,664	-	0.00%
Universal Pre-Kindergarten Services Grant	54,000	50,004	3,996	7.99%
CUNY Compact	66,000	66,000	-	0.00%
Total	555,001	563,359	(8,358)	-1.48%
Non-Operating	36,295	22,948	13,347	58.16%
Total Revenues	\$ 591,296	\$ 586,307	\$ 4,989	0.85%

The Student Child Care Center's total revenues for fiscal year 2011 were \$591.3 thousand, an increase of \$5 thousand over the prior year. Federal and State funding represents 31% and 30%, respectively, of the total revenue. The Student Child Care Center is dependent upon this support to carry out its operations. The overall increase in Child Care was an increased in student enrollment.

Item 1 - Management's Discussion and Analysis

The increase in non-operating revenues was primarily due to the recognition of realized and unrealized gains of approximately \$27 thousand on investments in 2011 versus approximately \$13 thousand in realized and unrealized in 2010.

OPERATING EXPENSES



OPERATING EXPENSES

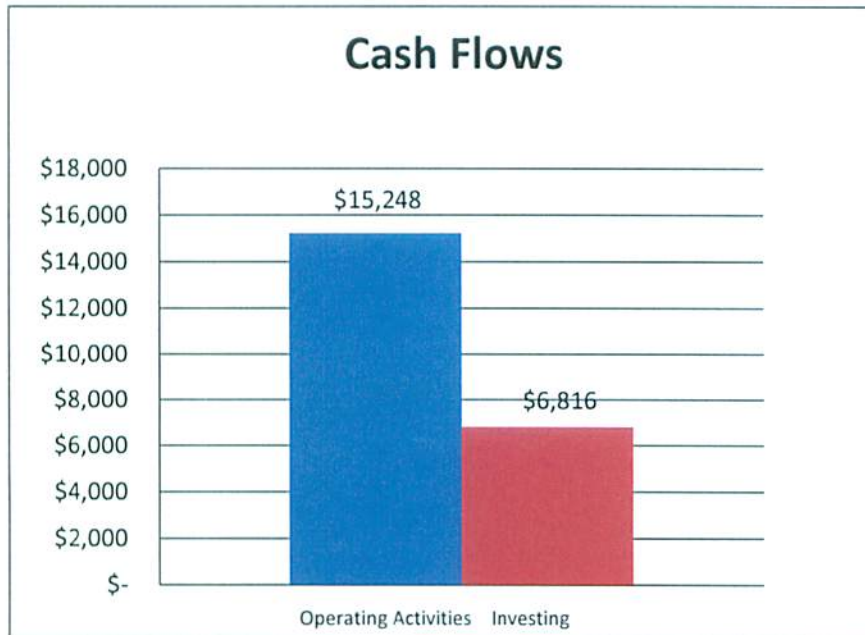
	2011	2010	Dollar Change	Percentage Change
Child Care Services	\$ 554,034	\$ 535,926	\$ 18,108	3.38%
Supporting Services	19,787	18,960	827	4.36%
Depreciation expense	669	1,339	(670)	-50.06%
Total	\$ 574,490	\$ 556,225	\$ 18,265	3.28%

Total expenses for fiscal year 2011 were \$574.5 thousand, an increase of approximately \$18 thousand or 3.3% compared to the previous year. Child Care Services expenses increased \$18 thousand or 3.4%, primarily due to an increase in personnel costs due to an increase in clerical personnel.

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, 2011:



Cash receipts relating to operating activities consist primarily of funding from the Federal and State governments. 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 \$22 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

In October 2011, the City University of New York ("CUNY") finalized a contract for the construction of a new child care facility on the Lehman College campus. Construction of the new facility commenced in November 2011 and is expected to be completed during fiscal 2012. Construction costs related to this facility will be funded by CUNY and New York State.

The Student Child Care Center receives a substantial amount of its support from the Federal Government, New York State and other funding such as the Universal Pre-Kindergarten Services Grant. A significant reduction in levels of this support, if it were to occur, could have a significant effect on Student Child Care Programs and Activities.

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, 2011 and 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 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, 2011 and 2010, 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.

PKF O'Connor Davies

January 20, 2012

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Net Assets

	June 30	
	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash and cash equivalents (note 2)		
Checking account	\$ 279,777	\$ 257,713
Certificate of deposit	350,000	350,000
Total cash and cash equivalents	<u>629,777</u>	<u>607,713</u>
Certificate of deposit	<u>103,559</u>	<u>102,529</u>
Accounts receivable		
Federal grant programs	179,378	170,823
CUNY compact	66,000	66,000
Funding from New York State	29,111	29,111
Other	2,147	6,577
Total accounts receivable	<u>276,636</u>	<u>272,511</u>
Prepaid expense	<u>831</u>	<u>831</u>
Investments - share in the City University of New York Investment Pool, at market value (cost: \$156,660 in 2011 and \$150,286 in 2010) (note 2)	<u>164,348</u>	<u>135,899</u>
Total current assets	<u>1,175,151</u>	<u>1,119,483</u>
Noncurrent assets		
Capital assets, net (notes 2 and 5)	<u>-</u>	<u>669</u>
Total assets	<u>\$ 1,175,151</u>	<u>\$ 1,120,152</u>
Current liabilities		
Accounts payable	\$ 7,074	\$ 1,327
Due to Imagine Early Learning Centers, LLC (note 6)	<u>118,959</u>	<u>86,513</u>
Total current liabilities	<u>126,033</u>	<u>87,840</u>
Net assets		
Unrestricted (note 4)	1,049,118	1,031,643
Invested in capital assets	<u>-</u>	<u>669</u>
Total net assets	<u>\$ 1,049,118</u>	<u>\$ 1,032,312</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	
	2011	2010
Operating revenues		
Child care fees	\$ 75,075	\$ 88,999
Federal child care fee subsidies (note 3)	185,262	183,692
Funding from the State of New York (note 3)	174,664	174,664
Universal Pre-Kindergarten Services grant	54,000	50,004
CUNY Compact	66,000	66,000
Total operating revenues	<u>\$ 555,001</u>	<u>\$ 563,359</u>
Operating expenses		
Child care services (note 6)	554,034	535,926
Supporting services - management and general	19,787	18,960
Depreciation expense (notes 2 and 5)	669	1,339
Total operating expenses	<u>574,490</u>	<u>556,225</u>
Operating income (loss)	<u>(19,489)</u>	<u>7,134</u>
Nonoperating revenues		
Realized gain on investments	4,668	4,969
Net change in unrealized gain on investments	22,075	7,521
Interest and dividends	3,461	4,620
CUNY Campaign	6,091	5,838
Total nonoperating revenues	<u>36,295</u>	<u>22,948</u>
Increase in net assets	16,806	30,082
Net assets, beginning of year	<u>1,032,312</u>	<u>1,002,230</u>
Net assets, end of year	<u>\$ 1,049,118</u>	<u>\$ 1,032,312</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Statement of Cash Flows

	Year Ended June 30	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Receipts of Federal child care fee subsidies	\$ 176,707	\$ 174,711
Receipts of CUNY Compact	66,000	66,000
Receipts of State of New York funding	179,094	174,664
Receipts from Universal Pre-Kindergarten Services grant	54,000	50,004
Receipts of child care fees	75,075	88,999
Disbursements for child care services	(521,588)	(524,431)
Other disbursements	(14,040)	(24,592)
Net cash provided by operating activities	<u>15,248</u>	<u>5,355</u>
Cash flows from investing activities		
Interest and dividends	3,461	4,620
Income (reinvested) in Investment Pool	(1,706)	(2,565)
(Increase) in certificates of deposit	(1,030)	(1,020)
CUNY Campaign	6,091	5,838
Net cash provided by investing activities	<u>6,816</u>	<u>6,873</u>
Net increase in cash and cash equivalents	22,064	12,228
Cash and cash equivalents, beginning of year	<u>607,713</u>	<u>595,485</u>
Cash and cash equivalents, end of year	<u>\$ 629,777</u>	<u>\$ 607,713</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (19,489)	\$ 7,134
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	669	1,339
Change in assets and liabilities		
(Increase) in accounts receivable	(4,125)	(12,511)
(Increase) in prepaid expense	-	(3)
Increase in due to Imagine Early Learning Centers, LLC	32,446	11,495
(Increase) decrease in accounts payable	5,747	(2,099)
Net cash provided by operating activities	<u>\$ 15,248</u>	<u>\$ 5,355</u>

See notes to financial statements

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements June 30, 2011

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 ("CUNY") and the policies, regulations and orders of Herbert H. Lehman College (the "College"). The financial statements are an integral part of 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 ("U.S. GAAP"), as prescribed by the Government Accounting Standards Board ("GASB"), as well as applicable codified Financial Accounting Standards Board ("FASB") Standards, unless those pronouncements conflict with or contradict GASB pronouncements. 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 and CUNY Campaign.

b. Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

c. 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, 2011, \$629,777 of the Corporation's cash and cash equivalents were on deposit with one financial institution of which \$379,777 exceeded the Federally insured limit and was exposed to custodial credit risk.

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)
June 30, 2011

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.

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 has not previously experienced such losses in its investment accounts, and as such the Corporation believes it is not exposed to any credit risk on its investments.

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.

d. Net assets

The Corporation classifies its resources for accounting purposes into the following net asset categories:

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

Invested in capital assets: Capital assets, net of accumulated depreciation.

e. Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less. At June 30, 2011, cash equivalents include a certificate of deposit which is renewed on a monthly basis.

f. 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 five years.

At June 30, 2011, fully amortized equipment and leasehold improvements were still in service (see note 5).

g. Fair value measurement

The Corporation measures and reports its investments at fair value, which is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy that distinguishes between market participant assumptions developed is established based on market data obtained from independent sources (observable inputs) and an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels with the highest priority to quoted prices in active markets (Level I) and the lowest priority to unobservable inputs (Level III).

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)
June 30, 2011

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level II - Observable inputs other than quoted prices substantiated by market data and observable, either directly or indirectly for the asset or liability. This includes quoted prices for similar assets or liabilities in active markets.

Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value of the measurement. Management of the Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Corporation's certificates of deposit are reported in the accompanying statement of net assets based on Level II inputs. The investment comprising its share in the City University of New York Investment Pool is reported at fair value based on Level I inputs.

h. Revenue

The Corporation derives a portion of its revenue from fees billed to students whose children are provided day care services when earned.

i. Subsequent events

Management of the Corporation has evaluated subsequent events through January 20, 2012, and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the financial statements, other than disclosed in note 7.

Note 3 - Federal and state fund

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 2011 and 2010 totaled \$185,262 and \$183,692, respectively. Grant amounts represent tuition subsidies to eligible students and are reflected in the statement of revenues, expenses and changes in net assets.

In addition, the Corporation was allocated \$174,664 in each of the fiscal years ended 2011 and 2010, from the State of New York through tax levy appropriations for the provision of child care services at senior and community colleges.

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, 2011 and 2010.

STUDENT CHILD CARE CENTER AT LEHMAN COLLEGE, INC.

Notes to Financial Statements (continued)
June 30, 2011

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, 2009	\$ 97,828	\$ 80,840	\$ 176,660	\$ 2,008
Additions	-	-	1,339	(1,339)
Balance, June 30, 2010	<u>97,828</u>	<u>80,840</u>	<u>177,999</u>	<u>669</u>
Additions	-	-	669	(669)
Balance, June 30, 2011	<u>\$ 97,828</u>	<u>\$ 80,840</u>	<u>\$ 178,668</u>	<u>\$ -</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, 2012. For the years ended 2011 and 2010, child care services expense totaled \$554,034 and \$535,926, respectively, of which \$118,959 and \$86,513 was payable to Imagine at June 30, 2011 and 2010, respectively.

Note 7 - Subsequent Events

In October 2011, CUNY finalized a contract for the construction of a new child care facility on the Lehman College campus. Construction of the new facility commenced in November 2011 and is expected to be completed during fiscal 2012. Construction costs related to this facility will be funded by CUNY and New York State.

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