

**The Lehman College Student
Child Care Center, Inc.**

Financial Statements
For Year Ended
June 30, 2014

<u>Index</u>	<u>Page</u>
Item 1. Management's Discussion and Analysis	1-5
Item 2. Financial Statements	
Independent Auditors' Report	F-1
Statement of Net Position	F-3
Statement of Revenues, Expenses and Changes in Net Position	F-4
Statement of Cash Flows	F-5
Notes to Financial Statements	F-6

Item 1 - Management's Discussion and Analysis

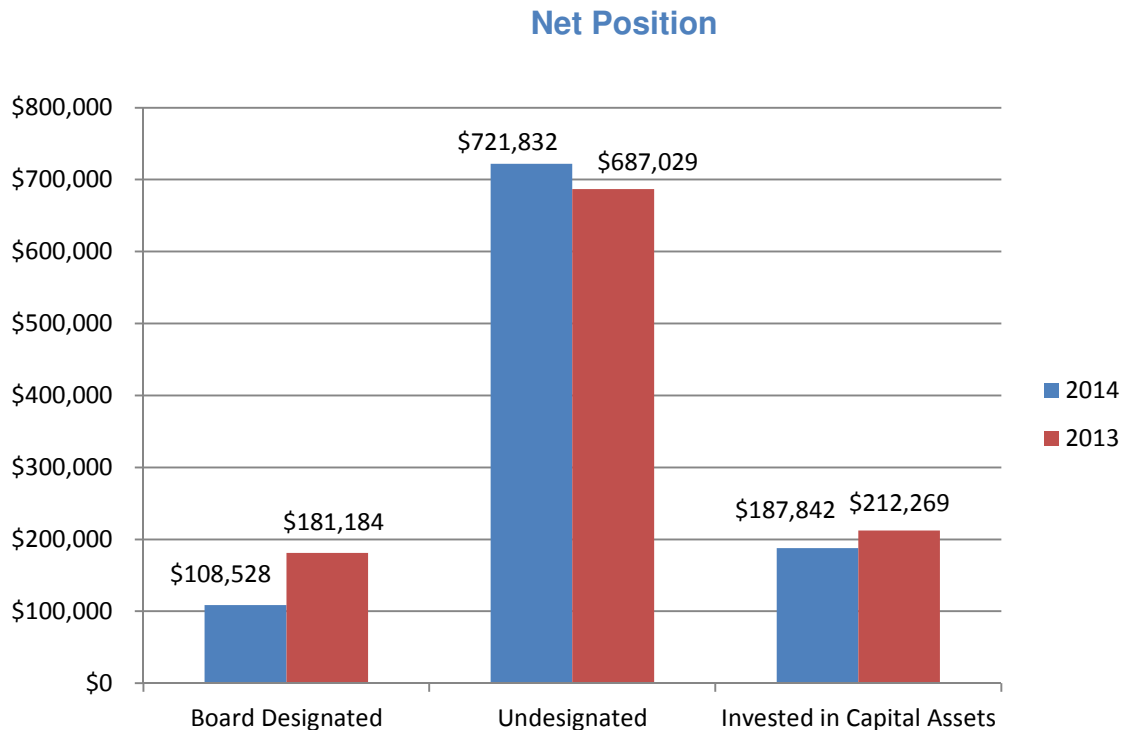
The intent of the Lehman College Student Child Care Center, Inc. Management's Discussion and Analysis (MD&A) is to provide readers with a comprehensive overview of the Student Child Care Center's net position and changes in net position for the year ended June 30, 2014. Since this MD&A is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying audited financial statements and related notes.

FINANCIAL HIGHLIGHTS

- The Student Child Care Center's total operating revenues increased by \$38,000 or 6.1% due to increases in Grant funding of \$24,000, new golf outing fundraising of \$8,000, and child care fees of \$5,000.
- The Student Child Care Center's total liabilities decreased by \$103,000 or 58% primarily due to the timing of payments in the current fiscal year.

NET POSITION

The Student Child Care Center's net position, remained relatively steady during the fiscal year ended June 30, 2014. Its' net position decreased by approximately \$62,000 or 5.8% over the previous year. The change resulted primarily from a decrease in liabilities of \$102,623; offset by a decrease in total assets of \$165,000. The following graph illustrates the comparative change in net position for fiscal years 2014 and 2013.



Item 1 - Management's Discussion and Analysis

STATEMENT OF NET POSITION

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

The Statement of Net Position 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 position as of June 30, 2014:

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
ASSETS				
Total Assets	<u>\$1,094,694</u>	<u>\$1,259,597</u>	<u>\$(164,903)</u>	<u>-13.1%</u>
LIABILITIES				
Total Liabilities	<u>76,492</u>	<u>179,115</u>	<u>(102,623)</u>	<u>-57.3%</u>
NET POSITION				
Board - Designated	108,528	181,184	(72,656)	-40.1%
Undesignated Invested in Capital Assets	<u>187,842</u>	<u>212,269</u>	<u>(24,427)</u>	<u>-11.5%</u>
TOTAL NET POSITION	<u>\$1,018,202</u>	<u>\$1,080,482</u>	<u>\$(62,280)</u>	<u>-5.8%</u>

At June 30, 2014, the Student Child Care Center's total net position decreased by \$62,280 or 5.8%.

During fiscal year 2014, total assets decreased by \$164,903 compared to the previous year; which was primarily due to the receiving CUNY Compact and CUNY Campaign funding before the end of fiscal year 2014, which was not the case in fiscal 2013, and decreases in cash available to support the operating budget.

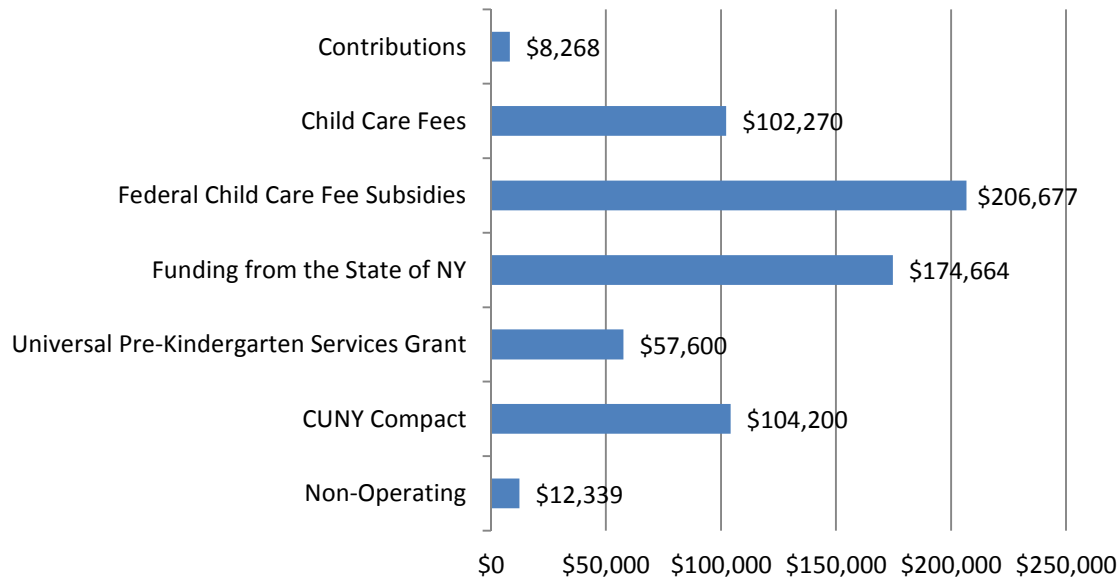
Item 1 - Management's Discussion and Analysis

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position 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

2014 Revenue by Source

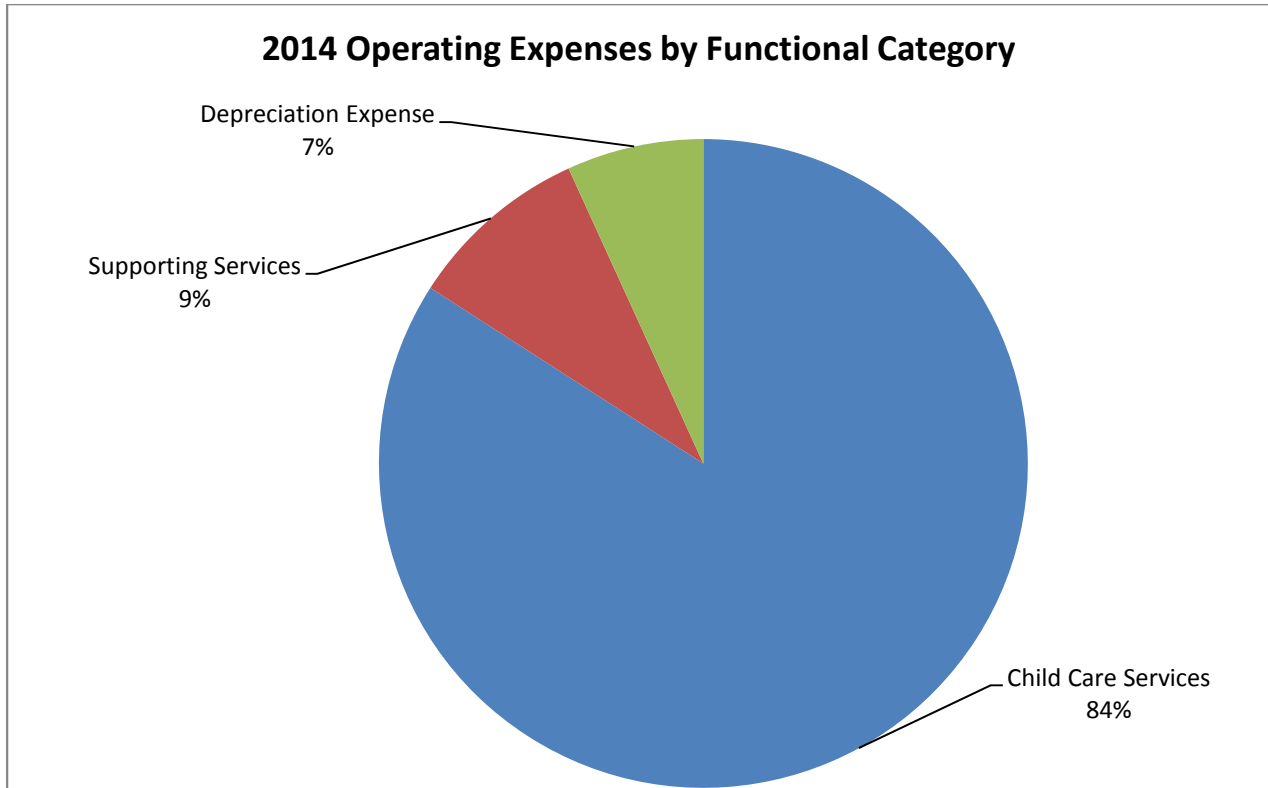


	2014	2013	DOLLAR CHANGE	PERCENTAGE CHANGE
OPERATING REVENUES				
Federal Child Care Fee Subsidies	\$ 206,677	\$ 186,323	\$ 20,354	10.9%
Funding from State of NY	174,664	174,664	0	0.0%
CUNY Compact	104,200	103,700	500	0.5%
Child Care Fees	102,270	97,285	4,985	5.1%
UPK	57,600	54,000	3,600	6.7%
Fundraising	8,268	-	8,268	
TOTAL OPERATING REVENUES	653,679	615,972	37,707	6.1%
NON-OPERATING REVENUES	12,339	25,240	(12,901)	-51.1%
TOTAL REVENUES	\$ 666,018	\$ 641,212	\$ 24,806	3.9%

The Student Child Care Center's total revenues for fiscal year 2014 were \$666,018, an increase of \$24,806 over the prior fiscal year. Federal and State funding represents 31% and 26%, 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 fees resulted from an increase in enrollment and tuition fees.

Item 1 - Management's Discussion and Analysis

OPERATING EXPENSES



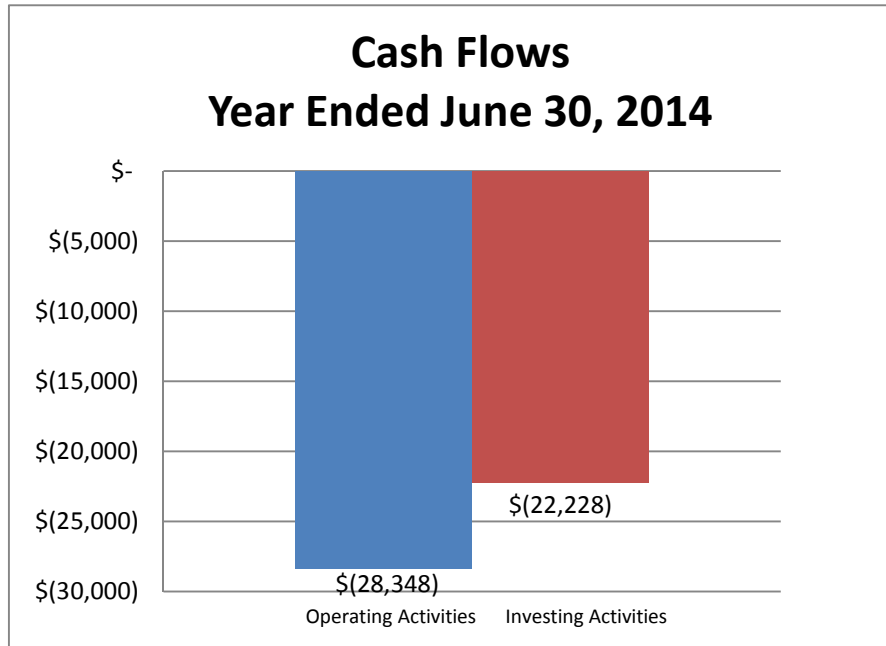
OPERATING	2014	2013	DOLLAR CHANGE	PERCENTAGE CHANGE
Child Care Services	\$612,452	\$597,243	\$ 15,209	2.5%
Supporting Services	66,148	35,987	30,161	83.8%
Depreciation Expense	49,698	23,586	26,112	110.7%
TOTAL	\$ 728,298	\$656,816	\$ 71,482	10.9%

Total operating expenses for fiscal year 2014 were \$728,298, an increase of approximately \$71,000 or 10.9% compared to the previous year. Supporting Services expenses increased \$30,161 or 83.8%, primarily due to the purchase of new supplies for the Child Care Center.

Item 1 - Management's Discussion and Analysis

CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal 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 become due. The following summarizes the Student Child Care Center's cash flows for the year ended June 30, 2014.



Cash receipts relating to operating activities consist primarily of funding from the Federal and State governments. Cash outlays to Imagine Early Learning Centers, LLC, the provider of child care services account for 91% of the total operating disbursements. Overall, net cash decreased by approximately \$51,000.

Investing activities primarily include the purchases of capital assets.

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 was completed during fiscal 2014. Construction costs related to this facility were 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 impact on Student Child Care Programs and Activities.

Item 2. - Financial Statements

Independent Auditors' Report

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

We have audited the accompanying financial statements of The Lehman College Student Child Care Center, Inc. (a New York non-profit corporation), which comprise the statement of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PKF O'CONNOR DAVIES, a division of O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 | Tel: 212.867.8000 | Fax: 212.286.4080 | www.odpkf.com

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of The Lehman College Student Child Care Center, Inc. as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis referred to in the accompanying index be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PKF O'Connor Davies

September 23, 2014

The Lehman College Student Child Care Center, Inc.

Statement of Net Position

	June 30	
	2014	2013
ASSETS		
Cash and Cash Equivalents (note 2)		
Checking account	\$ 100,978	\$ 51,555
Certificate of deposit	250,001	350,000
Total Cash and Cash Equivalents	350,979	401,555
Certificate of deposit (note 2)	104,288	104,183
Accounts Receivable		
Federal grant programs	196,250	190,058
Funding from New York State	174,664	174,664
CUNY Compact	-	103,700
Universal Pre-Kindergarten Services Grant	2,725	7,900
Other	720	1,011
Total Accounts Receivable	374,359	477,333
Prepaid expenses	8,473	4,695
Investments - share in the City University of New York Investment Pool, at market value (cost: \$55,878 in 2014 and \$45,708 in 2013) (note 2)	68,753	59,562
Capital assets, net (note 2 and 5)	187,842	212,269
Total Assets	\$ 1,094,694	\$ 1,259,597
 LIABILITIES AND NET POSITION		
Accounts payable	\$ 10,310	\$ 123,157
Due to Imagine Early Learning Centers, LLC	66,182	55,958
Total Liabilities	76,492	179,115
Net Position		
Unrestricted		
Board-designated	108,528	181,184
Undesignated	721,832	687,029
Invested in capital assets	187,842	212,269
Total Net Position	1,018,202	1,080,482
Total Liabilities and Net Position	\$ 1,094,694	\$ 1,259,597

See notes to financial statements

The Lehman College Student Child Care Center, Inc.

Statement of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2014	2013
OPERATING REVENUES		
Federal child care fee subsidies (note 3)	\$ 206,677	\$ 186,323
Funding from the State of New York (note 3)	174,664	174,664
CUNY Compact	104,200	103,700
Child care fees	102,270	97,285
Universal Pre-Kindergarten Services Grant	57,600	54,000
Contributions	8,268	-
Total Operating Revenues	653,679	615,972
OPERATING EXPENSES		
Child care services (note 6)	612,452	597,243
Supporting services, management and general	66,148	35,987
Depreciation expense (notes 2 and 5)	49,698	23,586
Total Operating Expenses	728,298	656,816
Operating (Loss)	(74,619)	(40,844)
NON-OPERATING REVENUES		
Realized gain on investments	9,631	1,149
Net change in unrealized gain on investments	(979)	13,263
Interest and dividends	1,019	2,949
CUNY Campaign	2,668	7,879
Total Non-Operating Revenues	12,339	25,240
(Decrease) in Net Position	(62,280)	(15,604)
Net position, beginning of year	1,080,482	1,096,086
Net position, end of year	\$ 1,018,202	\$ 1,080,482

See notes to financial statements

The Lehman College Student Child Care Center, Inc.

Statement of Cash Flows

	Year Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of CUNY Compact	\$ 207,900	\$ 66,000
Receipts of Federal child care fee subsidies	200,485	274,877
Receipts of State of New York Funding	174,664	-
Receipts of child care fees	102,270	97,285
Receipts from Universal Pre-Kindergarten Services Grant	62,775	67,200
Receipts of contributions	8,268	-
Disbursements for child care services	(715,075)	(450,767)
Other (disbursements), net	(69,635)	(40,650)
Net Cash (Used) Provided by Operating Activities	(28,348)	13,945
CASH FLOWS FROM INVESTING ACTIVITIES		
CUNY Campaign	2,668	7,879
Interest and dividends	1,019	2,949
Purchase of capital assets	(25,271)	(235,855)
Income (reinvested) in Investment Pool	(539)	(2,324)
(Increase) in certificates of deposit	(105)	(104)
Withdrawals from Investment Pool	-	120,000
Net Cash (Used) by Investing Activities	(22,228)	(107,455)
Net (Decrease) in Cash and Cash Equivalents	(50,576)	(93,510)
Cash and cash equivalents, beginning of year	401,555	495,065
Cash and cash equivalents, end of year	\$ 350,979	\$ 401,555
Reconciliation of Operating (Loss) to Net Cash (Used) Provided by Operating Activities		
Operating (loss)	\$ (74,619)	\$ (40,844)
Adjustments to reconcile operating (loss) to net cash (used) provided by operating activities		
Depreciation expense	49,698	23,586
Bad debt expense	4,817	-
Change in Assets and Liabilities		
Decrease (increase) in accounts receivable	98,157	(111,407)
(Increase) in prepaid expenses	(3,778)	(3,866)
Increase in due to Imagine Early Learning Centers, LLC	10,224	29,755
(Decrease) increase in accounts payable	(112,847)	116,721
Net Cash (Used) Provided by Operating Activities	\$ (28,348)	\$ 13,945

See notes to financial statements

The Lehman College Student Child Care Center, Inc.

Notes to Financial Statements

June 30, 2014

1. Nature of Organization

The Lehman College Student Child Care Center, 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 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.

Although the Corporation is a separate and independent legal entity, it carries out operations which are integrally related to CUNY and, therefore, is included as a part of CUNY's financial reporting entity.

2. Summary of Significant Accounting Policies

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

a. Basis of Presentation

For financial reporting purposes, the Corporation is considered to be a special-purpose government engaged only in business-type activities. The Government Accounting Standards Board ("GASB") defines business-type activities as activities financed, in whole or in part, by fees charged to external parties for goods or services. Accordingly, 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 GASB, as well as applicable codified Financial Accounting Standards Board ("FASB") Standards, unless those pronouncements conflict with or contradict GASB pronouncements. For financial reporting purposes, the Corporation is also considered to be a component unit of CUNY, as defined by GASB.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Lehman College Student Child Care Center, Inc.

Notes to Financial Statements

June 30, 2014

2. Summary of Significant Accounting Policies (continued)

b. Net Position

The Corporation segregates its net position as follows:

Restricted non-expendable: Net position is subject to externally imposed stipulations requiring the Corporation to maintain them in perpetuity.

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

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

Unrestricted: All other categories of net position, including net position designated by actions of the Corporation's Board of Directors (see note 4).

c. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses recognized during the reporting period. Accordingly, actual results could differ from those estimates.

d. 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, 2014, \$100,979 of the Corporation's cash and cash equivalents were exposed to custodial credit risk as it was uninsured and uncollateralized.

Concentration of Credit Risk

The Corporation maintains its cash and cash equivalents on deposit in one financial institution, in a combined amount which exceeds the Federally insured limit. 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 Lehman College Student Child Care Center, Inc.

Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies (continued)

d. Deposits and Investment Risk Disclosures (continued)

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 CUNY Investment Pool.

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, 2014, cash equivalents include a certificate of deposit which is renewed on a monthly basis.

f. Certificates of Deposit

The Corporation's certificates of deposit are reported at cost, which approximates market value.

g. Capital Assets

Capital assets are 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 an estimated useful life of five years.

At June 30, 2014, fully depreciated equipment of \$70,951 were still in service (see note 5). During the fiscal year ended June 30, 2014, the Corporation wrote-off \$26,877 of fully depreciated equipment and \$80,840 in leasehold improvements which were no longer in use.

The Lehman College Student Child Care Center, Inc.

Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies *(continued)*

h. 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 (i.e. the exit price).

U.S. GAAP establishes 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).

The fair value of the Corporation's share in the CUNY Investment Pool (the "Investment Pool") has been estimated using the Net Asset Value ("NAV") as reported by Investment Pool Management. The FASB's guidance provides for the use of a NAV as a "Practical Expedient" for estimating fair value of alternative investments, such as the Investment Pool. NAV reported by the Investment Pool is used as a practical expedient to estimate the fair value of the Corporation's interest therein and their classification within Level II at June 30, 2014 and 2013 is based upon the Corporation's ability to redeem its interest in the near term and liquidate the underlying portfolios.

The investment pool is comprised of the following:

	June 30	
	2014	2013
Commingled funds	\$39,134	\$20,186
Mutual funds	17,298	29,805
Hedge funds	7,577	4,151
Variable annuity	4,744	3,675
Other	-	1,745
	<u>\$68,753</u>	<u>\$59,562</u>

i. Revenue Recognition

Revenues are recognized in the period earned. Included in revenues are child care fees and appropriations and grants from New York State, the City of New York and CUNY which are received in connection with the Corporation's objective of providing child care services.

The Lehman College Student Child Care Center, Inc.

Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies (continued)

j. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 23, 2014.

3. Federal and State Funding

CUNY 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 June 30, 2014 and 2013 totaled \$206,677 and \$186,323, respectively. Grant amounts represent tuition subsidies to eligible students and are reported in the statement of revenues, expenses and changes in net position.

In addition, the Corporation was allocated \$174,664 in each of the fiscal years ended 2014 and 2013 from the New York State through tax levy appropriations for the provision of child care services at senior and community colleges.

4. Board Designated Funds

In fiscal years 2012 and 1991, the Board of Directors of the Corporation designated \$300,000 and \$100,000, respectively, of unrestricted funds as a reserve for expansion of child care services. During fiscal 2014, the Corporation expended \$72,656 of these funds for expansion. The balances of this fund totaled \$108,528 and \$181,184 at June 30, 2014 and 2013, respectively.

5. Capital Assets

Capital assets still in service at June 30, 2014 and 2013 consisted of:

	Equipment	Furniture & Fixtures	Leasehold Improvements	Accumulated Depreciation and Amortization	Net Capital Assets
Balance, June 30, 2012	\$ 97,828	\$ -	\$ 80,840	\$ 178,668	\$ -
Additions	31,916	203,939	-	23,586	212,269
Balance, June 30, 2013	129,744	203,939	80,840	202,254	212,269
Additions	9,074	16,197	-	49,698	(24,427)
Write-offs (note 2g)	(26,877)	-	(80,840)	(107,717)	-
Balance, June 30, 2014	<u>\$ 111,941</u>	<u>\$ 220,136</u>	<u>\$ -</u>	<u>\$ 144,235</u>	<u>\$ 187,842</u>

The Lehman College Student Child Care Center, Inc.

Notes to Financial Statements
June 30, 2014

6. Child Care Services

The Corporation has engaged Imagine Early Learning Centers, LLC ("Imagine") to provide child care services to children of students at the College through June 30, 2019. For the years ended June 30, 2014 and 2013 child care services expense totaled \$612,452 and \$597,243, respectively, of which \$66,182 and \$55,958 were payable to Imagine at June 30, 2014 and 2013, respectively.

* * * * *