HERBERT H. LEHMAN COLLEGE
ASSOCIATION FOR CAMPUS ACTIVITIES, INC.

Financial Statements

June 30, 2002

(With Independent Auditors’ Report Thereon)
Independent Auditors' Report

Board of Directors
Herbert H. Lehman College
Association for Campus Activities, Inc.

We have audited the accompanying statement of net assets of Herbert H. Lehman College Association for Campus Activities, Inc. (the Association), as of June 30, 2002 and the related statements of revenues, expenses, and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herbert H. Lehman College Association as of June 30, 2002 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2 to the basic financial statements, in fiscal year 2002, the Association adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—Management's Discussion and Analysis for State and Local Governments, GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, GASB Statement No. 37, Basic Financial Statements—Management's Discussion and Analysis for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures.

Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

August 28, 2002
The following discussion and analysis provides an overview of the Association’s financial activities.

As required by GASB Statement No. 34, the basic financial statements consist of: the statement of net assets; the statement of revenues, expenses, and changes in net assets; the statement of cash flows; and notes to the basic financial statements.

Financial Highlights

- The Association’s net assets decreased by approximately $689,000 or 21.3%.
- Student Activity Fee income increased by approximately $23,000, or 2.9%.
- Operating expenses decreased by approximately $24,000, or 1.5%. This decrease was due to the reduction of the operating budget.

The Association’s net asset amount, the difference between assets and liabilities, is one way to measure the Association’s financial health or financial position. Over time, increases and decreases in the Association’s net assets are just one indicator of financial health.

Condensed Net Assets Information

The statement of net assets includes the Association’s assets and liabilities using the accrual basis of accounting. The following summarizes the Association’s assets, liabilities, and net assets as of June 30:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001 (restated)</th>
<th>Dollar change</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$320,040</td>
<td>473,742</td>
<td>(153,702)</td>
<td>(32.4)%</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>52,156</td>
<td>83,833</td>
<td>(31,677)</td>
<td>(37.8)%</td>
</tr>
<tr>
<td>Other non-current asset</td>
<td>2,367,395</td>
<td>2,845,850</td>
<td>(476,455)</td>
<td>(16.8)%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,739,591</td>
<td>3,401,425</td>
<td>(661,834)</td>
<td>(19.5)%</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>196,049</td>
<td>169,381</td>
<td>26,668</td>
<td>15.7%</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>196,049</td>
<td>169,381</td>
<td>26,668</td>
<td>15.7%</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets</td>
<td>52,156</td>
<td>83,822</td>
<td>(31,677)</td>
<td>(37.8)%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2,391,386</td>
<td>3,148,211</td>
<td>(656,825)</td>
<td>(20.9)%</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>$2,543,542</td>
<td>$3,232,044</td>
<td>(688,502)</td>
<td>(21.3)%</td>
</tr>
</tbody>
</table>
At June 30, 2002, the Association's total assets decreased by approximately $662,000 or 19.5%. Current assets decreased by approximately $154,000 or 32.4%. The majority of this variance is due to reduction in notes receivable and prepaid expenses. Noncurrent assets decreased by approximately $476,000 or 16.8% which is due to an decrease in the market value of investments. The Association's total liabilities increased by approximately $27,000 or 15.7%.

The Association's financial position, as a whole declined during the fiscal year ended June 30, 2002, its net assets decreased approximately $689,000 or 21.3% over the previous year. The change resulted primarily from the depreciation of investments.

### Condensed Changes in Net Assets Information

The statement of revenues, expenses, and changes in net assets presents the operating results of the Association, as well as nonoperating revenues and expenses. Transfer of other college funds is considered nonoperating revenues. The major components of revenues and expenses are presented below:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001 (restated)</th>
<th>Dollar change</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student activity fees</td>
<td>882,603</td>
<td>888,071</td>
<td>24,468</td>
<td>2.9%</td>
</tr>
<tr>
<td>Other revenues</td>
<td>459,404</td>
<td>432,701</td>
<td>26,703</td>
<td>6.2%</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>1,342,007</td>
<td>1,320,772</td>
<td>51,235</td>
<td>11.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student government</td>
<td>120,055</td>
<td>129,525</td>
<td>(9,470)</td>
<td>(7.3%)</td>
</tr>
<tr>
<td>Athletic and recreational</td>
<td>359,626</td>
<td>384,757</td>
<td>(25,131)</td>
<td>(6.5%)</td>
</tr>
<tr>
<td>Graduation/commencement</td>
<td>51,985</td>
<td>37,195</td>
<td>14,790</td>
<td>39.8%</td>
</tr>
<tr>
<td>Student clubs/organizations/activities</td>
<td>480,210</td>
<td>515,333</td>
<td>(35,123)</td>
<td>(6.8%)</td>
</tr>
<tr>
<td>Health care center</td>
<td>201,627</td>
<td>169,940</td>
<td>31,687</td>
<td>18.7%</td>
</tr>
<tr>
<td>Other services</td>
<td>126,285</td>
<td>219,574</td>
<td>(93,289)</td>
<td>(42.4%)</td>
</tr>
<tr>
<td>Supporting services</td>
<td>316,282</td>
<td>224,338</td>
<td>91,944</td>
<td>40.8%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,656,170</td>
<td>1,680,662</td>
<td>(24,492)</td>
<td>(1.5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>(314,160)</td>
<td>(389,890)</td>
<td>75,727</td>
<td>19.4%</td>
</tr>
<tr>
<td></td>
<td>(374,339)</td>
<td>(335,329)</td>
<td>(39,010)</td>
<td>(11.6%)</td>
</tr>
<tr>
<td><strong>Nonoperating revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in net assets</td>
<td>(688,502)</td>
<td>(725,219)</td>
<td>36,717</td>
<td>5.1%</td>
</tr>
<tr>
<td>Beginning net assets, restated</td>
<td>3,232,044</td>
<td>3,957,263</td>
<td>(725,219)</td>
<td>(18.3%)</td>
</tr>
<tr>
<td><strong>Ending net assets</strong></td>
<td>$2,543,542</td>
<td>$3,232,044</td>
<td>($88,502)</td>
<td>(21.3%)</td>
</tr>
</tbody>
</table>

(Continued)
The Association's total operating revenues for fiscal year 2002 exceeded $1.3 million, an increase of approximately $51,000 over the prior year. Student activity fees represent 66% of the total operating revenues. Accordingly, the Association is dependent upon this support to carry out its operations.

Student activity fees revenue increased by approximately 25,000 over the previous year due to an increase in the number of students.

There were no other significant or unexpected changes in the Association's revenues.

Total operating expenses for fiscal year 2002 exceeded $1.6 million, a decrease of approximately $24,000 or 1.5% compared to the previous year. Expenses relating to student and other services make up 84% of the total operating expenditures, with the balance consisting of supporting services.

The operating expenditures changes for fiscal 2002 is composed of the following:

- **Student Services**
  - Student government decreased by 7.3% due to a budgetary decrease of funds.
  - Athletic and recreational decreased by 6.5% due to reduction in personnel.
  - Graduation/commencement increased by 39.8% due to an increase in the program activities.
  - Student clubs/organizations/activities decreased by 6.8% due to less participants in student social clubs.
  - The health care center increased by 18.7% due to an increase in medical activities.

- **Other Services**
  - Other services decreased by 42.4% which is attributable to a one-time prior year $95,000 contribution to the College.

- **Supporting Services**
  - Supporting services increased by 41.0% due to an increase in Campus Life Personnel

There were no other significant or unexpected changes in the Association's expenses.

**Cash Flows**

The statement of cash flows provides information about cash receipts and cash disbursements during the year. This statement assists users to access the Association's ability to generate net cash flows, its ability to meet its obligations as they come due, and its dependency on external financing.
HERBERT H. LEHMAN COLLEGE
ASSOCIATION FOR CAMPUS ACTIVITIES, INC.

Statement of Net Assets
June 30, 2002

<table>
<thead>
<tr>
<th>Assets: Current assets:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (note 3)</td>
<td>74,490</td>
</tr>
<tr>
<td>Due from Herbert H. Lehman College (note 5)</td>
<td>21,384</td>
</tr>
<tr>
<td>Loans receivable, net of allowance of $2,932</td>
<td>4,166</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>75,000</td>
</tr>
<tr>
<td>Notes receivable from Herbert H. Lehman College (note 7)</td>
<td>145,000</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>320,040</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncurrent assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, net (note 6)</td>
</tr>
<tr>
<td>Long-term investments (note 4)</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities: Current Liabilities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
</tr>
<tr>
<td>Deferred revenue</td>
</tr>
<tr>
<td>Amounts held for others</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets</td>
</tr>
<tr>
<td>Unrestricted</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
HERBERT H. LEHMAN COLLEGE
ASSOCIATION FOR CAMPUS ACTIVITIES, INC.

Statement of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2002

Operating revenues:
   Student activity fees $882,603
   Donated services (note 8) 412,760
   Events income 46,644
   Total operating revenue 1,342,007

Operating expenses:
   Student services:
      Student government 120,055
      Athletics and recreation 359,626
      Communication media 7,614
      Workshop and conferences 41,377
      Graduation/commencement 51,985
      Student clubs/organizations/activities (note 8) 480,210
      Health care center 201,627
      Student programs 77,394
   Supporting services:
      Management and general 271,964
      Depreciation expense (note 6) 41,186
      Bad debt expense 2,932
   Total operating expenses 1,656,170
   Total operating loss (214,163)

Nonoperating revenues (expenses):
   Net depreciation on investments (450,018)
   Interest and dividends 75,679
   Total nonoperating expenses (374,339)
   Decrease in net assets (688,502)

Net assets at beginning of year, as restated (note 2) 3,332,044
Net assets at end of year $ 2,543,542

See accompanying notes to financial statements.
Herbert H. Lehman College
Association for Campus Activities, Inc.

Statements of Cash Flows
Year ended June 30, 2002

Cash flows from operating activities:
- Receipt of student activity fees $ 878,755
- Receipt of event income 79,255
- Payments to employees for salaries, benefits and taxes (654,400)
- Payments to others (496,253)

Net cash used in operating activities (192,643)

Cash flows from capital and related financing activities:
- Purchase of capital assets (9,709)
- Proceeds from notes receivable 50,000

Net cash provided by capital and related financing activities 40,291

Cash flows from investing activities:
- Proceeds from sale of investments 26,437
- Interest and dividends 75,679

Net cash provided by investing activities 102,116

Net decrease in cash and cash equivalents (50,236)

Cash and cash equivalents at beginning of year 124,726

Cash and cash equivalents at end of year $ 74,490

Reconciliation of operating loss to net cash used in operating activities:
Operating loss $ (314,163)

Adjustments to reconcile operating net cash used in operating activities:
- Depreciation expense 41,386
- Decrease in due from Herbert H. Lehman College 10,152
- Decrease in loans receivable 7,365
- Decrease in prepaid expenses and other assets 36,049
- Increase in accounts payable and accrued expenses 8,037
- Decrease in deferred revenue (14,000)
- Increase in amounts held for others 32,011

Net cash used in operating activities $ (192,643)

Noncash transactions:
- Donated services $ 412,760

See accompanying notes to financial statements.
HERBERT H. LEHMAN COLLEGE
ASSOCIATION FOR CAMPUS ACTIVITIES, INC.

Notes to Financial Statements
June 30, 2002

(1) Nature of Organization
Herbert H. Lehman College Association for Campus Activities, Inc. (the Association) of The City University of New York (the University) is a nonprofit organization created for the principal purpose of developing and cultivating educational, social, cultural, and recreational activities among students of Herbert H. Lehman College (the College). The Association’s revenue is derived primarily from student activity fees levied by a resolution of the board of trustees of the University and collected by the College. The Association was incorporated on November 27, 1984.

(2) Summary of Significant Accounting Policies
The significant accounting policies followed by the Association are described below.

Basis of Presentation
The Association has determined that it functions as a Business Type Activity, as defined by Governmental Accounting Standards Board (GASB). 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, as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Association implemented the following statements during fiscal year 2002:

GASB Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis for State and Local Governments and GASB Statement No. 35, Basic Financial Statements - and Management’s Discussion and Analysis for Public Colleges and Universities. These statements establish accounting and financial reporting standards for public colleges and universities and their component units. In accordance with these statements, the Association presents statements of net assets, revenues, expenses and changes in net assets, and cash flows presented using the direct method. A management’s discussion and analysis is also presented as required supplementary information to the basic financial statements. The objective of these statements is to enhance the understandability and usefulness of the external financial reports issued by public colleges and universities and their component units.

GASB Statement No. 37, Basic Financial Statements - and Management’s Discussion and Analysis for State and Local Governments: Omnibus. This Statement amends certain provisions of GASB Statement No. 34. This statement has been implemented simultaneously with GASB Statement No. 34.

GASB Statement No. 38, Certain Financial Statement Note Disclosures. This statement updates the requirements for certain note disclosures. This statement has been implemented simultaneously with GASB Statement No. 34.

The Association adopted GASB Statements 34, 35, 37, and 38, as of July 1, 2001.

(Continued)
Restatement of Beginning Net Assets

In connection with the implementation of GASB Nos. 34 and 35, net assets have been restated as of the beginning of the year to reflect the cumulative effect of accounting changes:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets at June 30, 2001, as previously reported</td>
<td>$1,553,615</td>
</tr>
<tr>
<td>Effect of accumulated depreciation of capital assets</td>
<td>(321,571)</td>
</tr>
<tr>
<td>Net assets at July 1, 2002, as restated</td>
<td>$1,232,044</td>
</tr>
</tbody>
</table>

The Association's policy for determining operating activities in the statement of revenues, expenses and changes in net assets are those that generally result from student activity fees, donated services, and revenues generated by student clubs and organizations. Certain other transactions are reported as nonoperating activities. These nonoperating activities include net investment income.

The Association'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. The Association has elected not to apply all FASB pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The Association has elected not to apply FASB pronouncements issued after the applicable date.

Net Assets

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following four net asset categories:

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

- **Restricted - unexpendable**: Net assets subject to externally imposed conditions requiring the Association to maintain them in perpetuity.

- **Restricted - expendable**: Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Association or by the passage of time.

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

Cash Equivalents

Cash equivalents are composed of highly liquid debt instruments with original maturities of ninety days or less.
Investments

Investments are recorded at fair value based on the Association's percentage of the University's investment pool at quoted market values.

Capital Assets

Equipment is stated at cost at the date of acquisition, or, if donated, fair value at the date of donation. In accordance with the Association's capital asset policy, capital assets are defined as any asset with a useful life of at least two years and a cost or value at the time of receipt of $1,000 or more for computer equipment and $5,000 and more for non-computer items. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. The estimated useful life of equipment is five years.

Amounts Held for Others

Amounts held for others reflect those resources held on behalf of affiliated entities of the College.

Revenue Recognition

Student activity fees are recognized in the period earned. Student activity fees collected prior to year end, relating to the summer and fall semesters of the subsequent year, are recorded as deferred revenue.

Donated Services

Donated services are recognized as revenue and expense at the fair value of those services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 contingent assets and liabilities at the date of the financial statements, and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Association has been classified by the Internal Revenue Service as exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(3) Cash and Cash Equivalents

At June 30, 2002, cash and cash equivalents were held by depositories and amounted to $74,490, all of which was insured.
(4) Investments

Investments of $2,367,395 at June 30, 2002 are included in the University’s investment pool. The investment pool’s portfolio consists of approximately 50% in equity and 50% in fixed income securities.

The Association considers all investments held within the City University of New York investment pool to be long-term, as the Association’s Board of Director’s intends to maintain these investments for future years.

(5) Related Party Transactions

The Association has a receivable from the College in the amount of $21,384 at June 30, 2002. This receivable consists of student activity fees billed by the College and owed to the Association, offset by general expenses paid by the College on behalf of the Association.

(6) Capital Assets

Capital assets consist of the following at June 30:

<table>
<thead>
<tr>
<th></th>
<th>2001 (restated)</th>
<th>Additions</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$405,404</td>
<td>9,709</td>
<td>415,113</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>321,571</td>
<td>41,386</td>
<td>362,957</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td></td>
<td></td>
<td>$52,156</td>
</tr>
</tbody>
</table>

(7) Notes Receivable from Herbert H. Lehman College

In February 2001, the Association agreed to provide a loan to the College in the amount of $100,000. This loan is to be repaid in two equal installments through June 30, 2003, with payments commencing in the year ending June 30, 2002.

In April 2001, the Association agreed to provide to the College an amount of $190,000. Of this amount $95,000 is a loan which is to be repaid in two equal installments in the years ending June 30, 2004 and 2005. The remaining $95,000 is a grant to the College and had been included in College support in the fiscal 2001 financial statements.

(8) Donated Services

The Association is allowed free use of certain facilities provided by the College. The estimated fair value of the donated space, which is used solely by the student organizations, amounted to $412,700 for the year ended June 30, 2002. Such donated facilities are included in both revenues and expenses in the accompanying statements of revenues, expenses and changes in net assets. Facilities that are shared among the Association and the other College entities, such as gymnasiums and other athletic space, are not recorded in the accompanying financial statements.