

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

Financial Statements and
Supplementary Information

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Herbert H. Lehman College Association for Campus Activities, Inc. (the Association) as of and for the years ended June 30, 2016 and 2015, and the related notes to financial statements, which collectively comprise the Association's financial statements as listed in the table of contents.

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.

Auditor's 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 auditor's 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 Association'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 Association'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Herbert H. Lehman College Association for Campus Activities, Inc. as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Williamsville, New York
October 5, 2016

Toski & Co., CPAs, P.C.

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

Management's Discussion and Analysis

June 30, 2016 and 2015

The intent of the Herbert H. Lehman College Association for Campus Activities, Inc. (the Association) Management's Discussion and Analysis (MD&A) is to provide readers with a comprehensive overview of the Association's financial position and changes to its financial position for the year ended June 30, 2016. 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 Association's net position increased by \$288,337 or 21.4% from the prior fiscal year.
- Operating revenue increased \$353,906 or 14.3% from the prior fiscal year.
- Operating expenses increased \$153,758 or 6.7%.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Association for the year ended June 30, 2016. The purpose of the Statement of Net Position is to present to the readers of the financial statements a financial snapshot of the Association. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current), and net position (net investment in capital assets and unrestricted). From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Association. They are also able to determine how much the Association owes vendors (accounts payable). The Statement of Net Position provides a picture of the Association's financial ability to maintain its operations.

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

Management's Discussion and Analysis, Continued

Statements of Net Position

The following summarizes the Association's assets, liabilities, and net position as of June 30, 2016 and 2015, under the accrual basis of accounting:

	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets:				
Current assets	\$ 959,745	827,890	131,855	15.9%
Noncurrent assets	<u>849,937</u>	<u>875,965</u>	<u>(26,028)</u>	(3.0%)
Total assets	<u>1,809,682</u>	<u>1,703,855</u>	<u>105,827</u>	6.2%
Current liabilities	<u>173,572</u>	<u>356,082</u>	<u>(182,510)</u>	(51.3%)
Net position:				
Net investment in capital assets	16,885	23,205	(6,320)	(27.2%)
Unrestricted:				
Board designated	1,146,984	46,984	1,100,000	2,341.2%
Undesignated	<u>472,241</u>	<u>1,277,584</u>	<u>(805,343)</u>	(63.0%)
Total net position	\$ <u>1,636,110</u>	<u>1,347,773</u>	<u>288,337</u>	21.4%

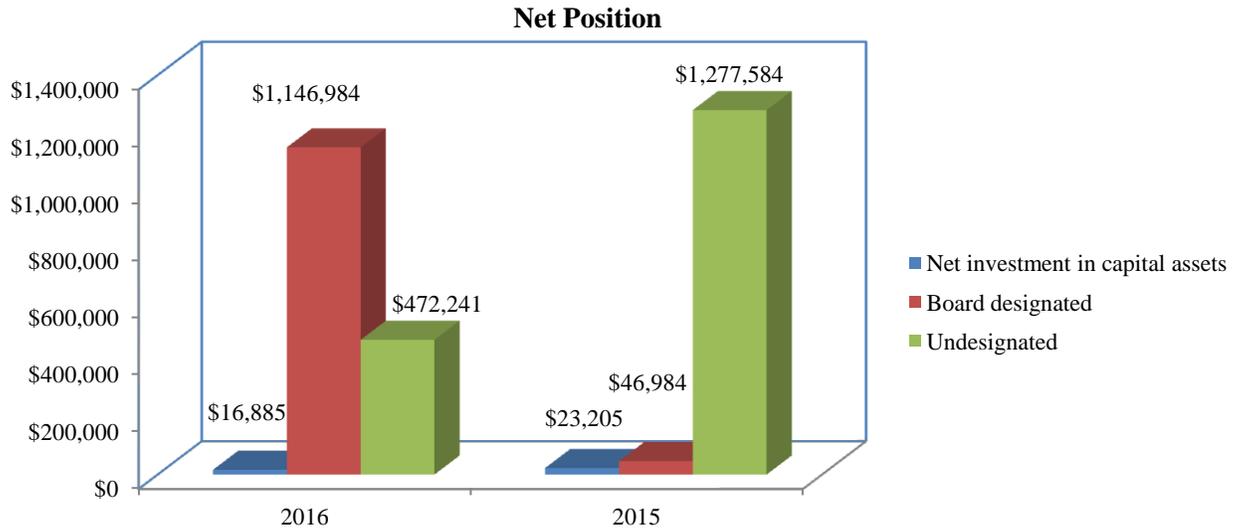
At June 30, 2016, the Association's total net position increased by \$288,337 or 21.4%, compared to the prior fiscal year. Attributing to this was a refund of \$177,479 from the CUNY Construction Fund and a reduction in accounts payable and unearned revenue from the prior fiscal year. Designated fund balance increased \$1.1 million, reflecting the Board's approval to set aside these monies for future capital improvements at the Student Life Building.

There were no other significant or unexpected changes in the Association's assets and liabilities.

The following illustrates the Association's net position at June 30, 2016 and 2015 by category:

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

Management's Discussion and Analysis, Continued



Statements of Revenue, Expenses and Changes in Net Position

The Statements of Revenue, Expenses and Changes in Net Position present the operating results of the Association, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2016 and 2015 are as follows:

Revenue

	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Student activity fees	\$ 1,797,841	1,740,171	57,670	3.3%
Donated space and services	811,545	695,610	115,935	16.7%
Other	<u>214,496</u>	<u>34,195</u>	<u>180,301</u>	527.3%
Total operating revenue	2,823,882	2,469,976	353,906	14.3%
Nonoperating revenue	<u>7,041</u>	<u>39,549</u>	<u>(32,508)</u>	(82.2%)
Total revenue	\$ <u>2,830,923</u>	<u>2,509,525</u>	<u>321,398</u>	12.8%

The Association's total revenue for the year ended June 30, 2016 was \$2,830,923, an increase of \$321,398 or 12.8%, compared to the prior fiscal year. The primary components of this variance was an increase in the value of donated space and services due to increases in applied market rates and a refund from the CUNY Construction Fund for monies remaining from the Student Life building renovation project.

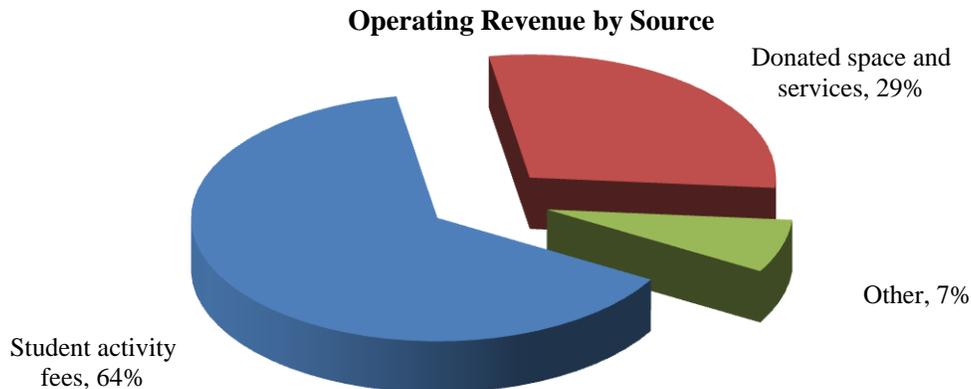
HERBERT H. LEHMAN COLLEGE ASSOCIATION
FOR CAMPUS ACTIVITIES, INC.

Management's Discussion and Analysis, Continued

Student activity fees represented approximately 64% of total revenue and, accordingly, the Association is dependent upon this support to carry out its operations.

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

The following illustrates the Association's total operating revenue by source, for the year ended June 30, 2016:



Expenses

	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Student government	\$ 116,530	144,021	(27,491)	(19.1%)
Communications media	3,384	3,054	330	10.8%
Workshops and conferences	90,204	94,931	(4,727)	(5.0%)
Graduation/commencement	66,291	66,422	(131)	(0.2%)
Student clubs and organizations	880,726	767,198	113,528	14.8%
Athletics and recreation	545,609	472,991	72,618	15.4%
Health care center	377,908	368,852	9,056	2.5%
Management and general	343,759	367,171	(23,412)	(6.4%)
Bad debt/write-off	12,120	-	12,120	100.0%
Depreciation	<u>6,320</u>	<u>4,453</u>	<u>1,867</u>	41.9%
Total operating expenses	2,442,851	2,289,093	153,758	6.7%
Nonoperating expenses:				
College support	75,676	66,000	9,676	14.7%
Net loss on investments	<u>24,059</u>	<u>20,721</u>	<u>3,338</u>	16.1%
Total expenses	\$ <u>2,542,586</u>	<u>2,375,814</u>	<u>166,772</u>	7.0%

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FOR CAMPUS ACTIVITIES, INC.

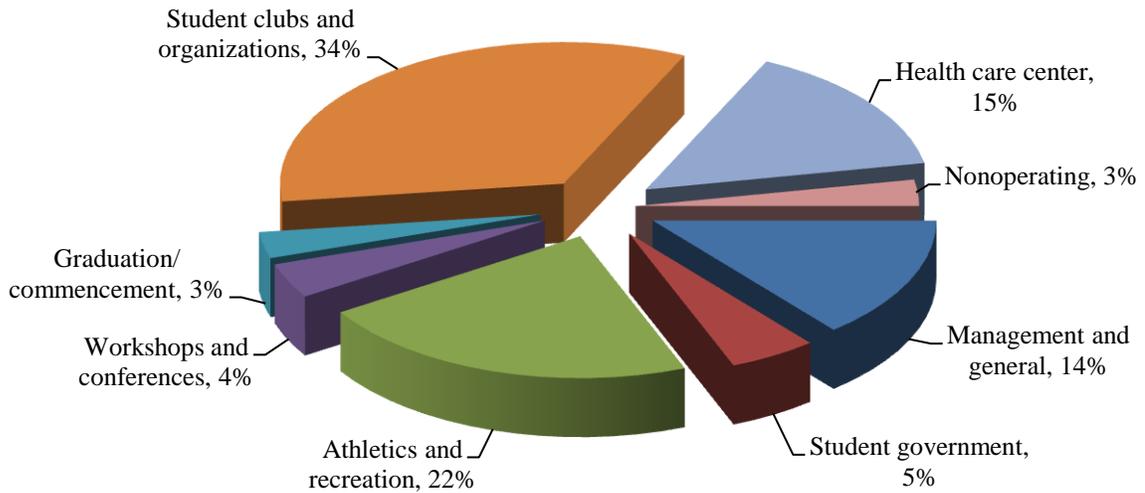
Management's Discussion and Analysis, Continued

Total expenses for the year ended June 30, 2016 were \$2,542,586, an increase of \$166,772 or 7.0%, compared to the prior fiscal year. The major component of this variance is an increase in overall operating expenses for the student association. In addition, significant increases were noted in student clubs and organizations due to the increase in the market rates used for the donated space calculation and in athletics and recreation for the purchase of bleachers for intramural sports activities.

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

The following illustrates the Association's total operating expenses by category for the year ended June 30, 2016.

Operating Expenses by Category

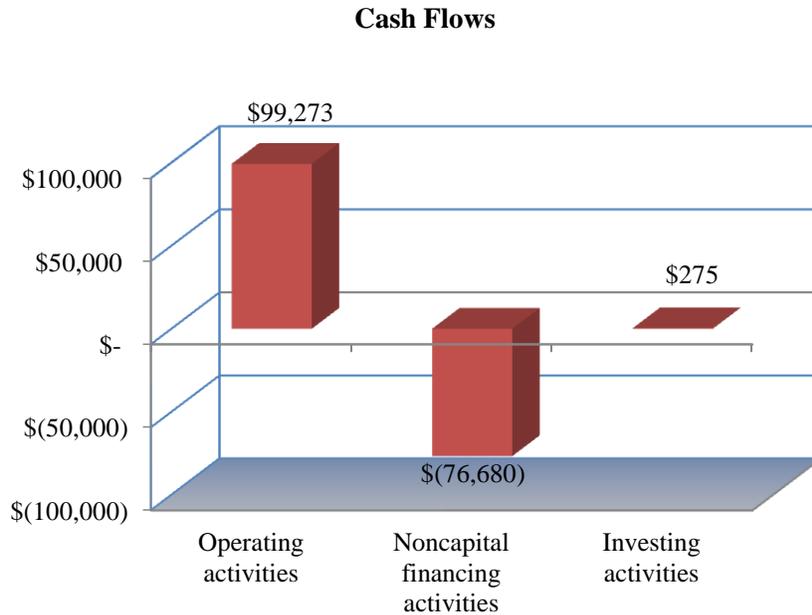


HERBERT H. LEHMAN COLLEGE ASSOCIATION
FOR CAMPUS ACTIVITIES, INC.

Management's Discussion and Analysis, Continued

Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. The statement assists users in assessing the Association's ability to generate cash flows, meet its obligations as they come due, and measure its dependency on external financing. Net cash increased at June 30, 2016 increased \$22,868 from the previous fiscal year to \$377,106. The following summarizes the Association's cash flows for the year ended June 30, 2016:



Economic Factors That May Affect the Future

There are no known economic factors that may influence the future, with the exception of student enrollment, which directly relates to the amount of revenue earned, as well as related expenses incurred. On June 27, 2016, the CUNY Board of Trustees approved an increase in the Student Activity fee which is effective with the start of the Fall 2016 term.

HERBERT H. LEHMAN COLLEGE ASSOCIATION
FOR CAMPUS ACTIVITIES, INC.
Statements of Net Position
June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and equivalents	\$ 377,106	354,238
Due from related parties	565,836	452,169
Student loans receivable	2,403	11,687
Prepaid expenses	<u>14,400</u>	<u>9,796</u>
Total current assets	<u>959,745</u>	<u>827,890</u>
Noncurrent assets:		
Investments, at fair value	833,052	852,760
Capital assets, net	<u>16,885</u>	<u>23,205</u>
Total noncurrent assets	<u>849,937</u>	<u>875,965</u>
Total assets	<u>1,809,682</u>	<u>1,703,855</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued expenses	102,439	181,109
Unearned revenue	-	100,421
Deposits held in custody for others, net	<u>71,133</u>	<u>74,552</u>
Total current liabilities	<u>173,572</u>	<u>356,082</u>
<u>Net Position</u>		
Net investment in capital assets	16,885	23,205
Unrestricted:		
Board designated	1,146,984	46,984
Undesignated	<u>472,241</u>	<u>1,277,584</u>
Total net position	<u>\$ 1,636,110</u>	<u>1,347,773</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE ASSOCIATION
FOR CAMPUS ACTIVITIES, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenue:		
Student activity fees	\$ 1,797,841	1,740,171
Donated space and services	811,545	695,610
Other	<u>214,496</u>	<u>34,195</u>
Total operating revenue	<u>2,823,882</u>	<u>2,469,976</u>
Operating expenses:		
Student government	116,530	144,021
Communications media	3,384	3,054
Workshops and conferences	90,204	94,931
Graduation/commencement	66,291	66,422
Student clubs and organizations	880,726	767,198
Athletics and recreation	545,609	472,991
Health care center	377,908	368,852
Management and general	343,759	367,171
Bad debt/write-off	12,120	-
Depreciation	<u>6,320</u>	<u>4,453</u>
Total operating expenses	<u>2,442,851</u>	<u>2,289,093</u>
Income from operations	<u>381,031</u>	<u>180,883</u>
Nonoperating revenue (expenses):		
Interest income	4,626	6,240
Net loss on investments	(24,059)	(20,721)
Contributions	2,415	33,309
College support	<u>(75,676)</u>	<u>(66,000)</u>
Total nonoperating revenue (expense), net	<u>(92,694)</u>	<u>(47,172)</u>
Increase in net position	288,337	133,711
Net position at beginning of year	1,347,773	2,164,062
Transfer to OUC	<u>-</u>	<u>(950,000)</u>
Net position at end of year	<u>\$ 1,636,110</u>	<u>1,347,773</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE ASSOCIATION
FOR CAMPUS ACTIVITIES, INC.
Statements of Cash Flows
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash receipts from:		
Student activity fees	\$ 1,683,537	1,791,852
Other	225,151	24,911
Cash payments to/for:		
Salaries, benefits and taxes	(1,032,137)	(917,193)
Conferences, conventions and meeting	(118,545)	(114,188)
Vendors and other	<u>(658,733)</u>	<u>(478,963)</u>
Net cash provided by operating activities	<u>99,273</u>	<u>306,419</u>
Cash flows from noncapital financing activities:		
Increase (decrease) in deposits held in custody for others	(3,419)	288
College support	(75,676)	(66,000)
Contributions	<u>2,415</u>	<u>33,309</u>
Net cash used in noncapital financing activities	<u>(76,680)</u>	<u>(32,403)</u>
Cash flows from capital and related financing activities - purchase of capital assets	<u>-</u>	<u>(19,124)</u>
Cash flows from investing activities:		
Interest income	4,626	6,240
Reinvestment of interest received	<u>(4,351)</u>	<u>(6,127)</u>
Net cash provided by investing activities	<u>275</u>	<u>113</u>
Net increase in cash and equivalents	22,868	255,005
Cash and equivalents at beginning of year	<u>354,238</u>	<u>99,233</u>
Cash and equivalents at end of year	<u>\$ 377,106</u>	<u>354,238</u>

(Continued)

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE ASSOCIATION
FOR CAMPUS ACTIVITIES, INC.
Statements of Cash Flows, Continued

	<u>2016</u>	<u>2015</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 381,031	180,883
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	6,320	4,453
Changes in:		
Due from related parties	(113,667)	40,379
Student loans receivable	9,284	(9,284)
Prepaid expenses	(4,604)	(736)
Accounts payable and accrued expenses	(78,670)	(7,768)
Unearned revenue	<u>(100,421)</u>	<u>98,492</u>
Net cash provided by operating activities	<u>\$ 99,273</u>	<u>306,419</u>
Supplemental schedule of cash flow information:		
Donated space and services revenue	<u>\$ 811,545</u>	<u>695,610</u>
Donated space and services expense	<u>\$ 811,545</u>	<u>695,610</u>
Disposal of fully depreciated furniture and equipment	<u>\$ -</u>	<u>4,314</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2016 and 2015

(1) Nature of Organization

The Herbert H. Lehman College Association for Campus Activities, Inc. (the Association) is a nonprofit entity created for the principal purpose of developing and cultivating educational, social, cultural, and recreational activities among students of Lehman College (the College) of the City University of New York (CUNY or the University). The Association's revenue is derived primarily from student activity fees levied by a resolution of the Board of Director's of the University and collected by the College on the Association's behalf. The Association was incorporated on February 24, 1984.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Association's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and applicable Governmental Accounting Standards Board (GASB) pronouncements.

For financial reporting purposes, the Association is considered to be a special-purpose government engaged only in business-type activities. 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 GAAP, as prescribed by GASB. For financial reporting purposes, the Association is also considered to be a discretely presented component unit of the University, as defined by GASB.

(b) Accounting Pronouncements

The significant GASB standards followed by the Association are summarized below:

- GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement amends the net asset reporting requirements in Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.
- GASB Statement No. 65 - "Items Previously Reported as Assets and Liabilities." This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets or liabilities.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Accounting Pronouncements, Continued

- GASB Statement No. 72 - “Fair Value Measurement and Application” provides guidance regarding accounting and financial reporting related to fair value measures of certain investments. The requirements of this Statement are effective for periods beginning after June 15, 2015. For the Association, this Statement became effective for the fiscal year beginning July 1, 2015.
- GASB Statement No. 79 - “Certain External Investment Pools and Pool Participants.” This Statement, issued in December 2015, addresses the accounting and financial reporting for certain external investment pools and pool participants. It establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing. For the Association, this Statement became effective for the fiscal year beginning July 1, 2015.

(c) Net Position

The Association’s resources are classified into the following net position categories:

Net investment 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.

Restricted - non-expendable - Net position subject to externally imposed stipulations requiring the Association 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 Association or the passage of time.

Unrestricted - All other net position, including net position designated by actions, if any, of the Association’s Board of Directors.

At June 30, 2016, the Association had no restricted net position.

(d) Cash and Equivalents

Cash and equivalents are comprised of highly liquid instruments with original maturities of 90 days or less.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of contribution, if donated. 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 hardware and \$5,000 or more for all other furniture and equipment; and \$25,000 or more for building improvements. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The estimated useful life of furniture, fixtures and equipment is five years and the estimated useful life of building improvements is 25 years.

(f) Investments

The Association records its investments at fair value based on quoted market prices, with changes in fair value of investments recorded in the statements of revenue, expenses and changes in net position.

(g) Receivables

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(h) Revenue Recognition

Operating revenue is recognized in the period earned and is primarily derived from student activity fees. Fees that are collected prior to year-end, if any, relating to the subsequent year are recorded as unearned revenue.

(i) Donated Space and Services

The Association operates on the campus of the College and, utilizes office space and certain services made available to it. The cost savings associated with such arrangements are recorded as donated space and services and are recognized as revenue and expenses in the accompanying financial statements based on the fair value of such facilities and services (note 6).

(j) Functional Expenses

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Use of Estimates

The preparation of financial statements in accordance with GAAP 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Subsequent Events

The Association has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(m) Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The Association has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Association presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Association has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Association are subject to examination by taxing authorities.

(3) Cash and Equivalents and Investments

Custodial credit risk of deposits is the risk that the Association's deposits may not be returned in the event of a bank failure. At June 30, 2016, \$412,256 of the Association's \$662,256 bank balance was exposed to custodial credit risk.

(4) 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 Association will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty. At June 30, 2016, the Association's entire investment portfolio balance of \$833,052 was exposed to custodial credit risk, as it was uninsured and uncollateralized. The Association's investments are held by CUNY in an investment pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the Committee). Several investment advisory firms are engaged to assist the Committee in its investment pool portfolio management, which is comprised of cash and cash equivalents, corporate bonds, equities, mutual funds, U.S. agency mortgage-backed securities, U.S. government bonds, and foreign bonds.

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

Notes to Financial Statements, Continued

(4) Investments, Continued

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2016.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table set forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2016 and 2015:

	<u>Assets at Fair Value as of June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CUNY investment pool	\$ <u> -</u>	<u> -</u>	<u>833,052</u>	<u>833,052</u>

HERBERT H. LEHMAN COLLEGE ASSOCIATION
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Notes to Financial Statements, Continued

(4) Investments, Continued

	<u>Assets at Fair Value as of June 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CUNY investment pool	\$ <u> -</u>	<u> -</u>	<u>852,760</u>	<u>852,760</u>

The following table summarizes the activity for financial instruments classified as Level 3 in 2016:

Balance at June 30, 2015	\$ 852,760
Dividends and interest income	4,351
Realized and unrealized loss	<u>(24,059)</u>
Balance at June 30, 2016	\$ <u>833,052</u>

(5) Capital Assets

At June 30, 2016 and 2015, capital assets consisted of the following:

	<u>2016</u>				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Ending balance</u>
Furniture and equipment	\$ 221,059	-	-	-	221,059
Less accumulated depreciation	<u>(197,854)</u>	<u>(6,320)</u>	<u> -</u>	<u> -</u>	<u>(204,174)</u>
Capital assets, net	\$ <u>23,205</u>	<u>(6,320)</u>	<u> -</u>	<u> -</u>	<u>16,885</u>

	<u>2015</u>				
	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Ending balance</u>
Construction in progress	\$ 950,000	-	(950,000)	-	-
Furniture and equipment	216,036	9,337	-	(4,314)	221,059
Less accumulated depreciation	<u>(197,715)</u>	<u>(4,453)</u>	<u> -</u>	<u>4,314</u>	<u>(197,854)</u>
Capital assets, net	\$ <u>968,321</u>	<u>4,884</u>	<u>(950,000)</u>	<u> -</u>	<u>23,205</u>

(6) Donated Space and Services

The Association utilizes certain facilities and professional services provided by the College. The estimated fair values of facilities and salaries are included in the accompanying statements of revenue, expenses and changes in net position. Professional services and facilities amounted to \$811,545 and \$695,610 for the years ended June 30, 2016 and 2015, respectively.

HERBERT H. LEHMAN COLLEGE ASSOCIATION
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Notes to Financial Statements, Continued

(7) Related Party Transactions

At June 30, 2016 and 2015, the Association was owed \$565,836 and \$452,169, respectively, from Lehman College. The Association is occasionally required to transfer funds to/from Lehman College during the course of the year for payroll reimbursement and other costs.

The Association has invested \$833,052 and \$852,760 as of June 30, 2016 and 2015, respectively, in the CUNY Investment Pool (note 4).

During 2016, the Association received a refund check of \$177,489 from the City University Construction Fund for the Student Life Building renovations and is recorded as other revenue on the statements of revenue, expenses and changes in net position.

(8) Deposits Held in Custody for Others

At June 30, 2016 and 2015, the Association held \$71,133 and \$74,552, respectively, which related to deposits held in custody for others, and is comprised of funds which are held on behalf of various other Lehman College departments.

(9) Board Designated Net Position

At June 30, 2016, Board of Directors of the Association designated an additional \$1,100,000 of unrestricted funds as a reserve for capital improvements in the Student Life Building such as the construction of an amphitheater connected to the building. As of June 30, 2016 and 2015, the balance of this fund is \$1,146,984 and \$46,984, of which \$1,132,030 and \$32,030 is for Student Life Building renovation, respectively, and \$14,954 for Emergency Loan fund.

(10) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 77 - "Tax Abatement Disclosures," is intended to improve financial reporting by providing users with information regarding the nature and magnitude of tax abatements, which is currently not required to be reported. The requirements of this Statement are effective for periods beginning after December 15, 2015, which is the fiscal year beginning July 1, 2016 for the Association. This Statement is not expected to have an effect on the financial statements of the Association.

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Notes to Financial Statements, Continued

(10) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 78 - "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement, issued in December 2015 amends GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2015, which is the fiscal year beginning July 1, 2016 for the Association. This Statement is not expected to have an effect on the financial statements of the Association.

GASB Statement No. 80 - "Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14." This Statement, issued in January 2016, amends the blending requirements for the financial statement presentation of component units of all state and local governments. It requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2016, which is the fiscal year beginning July 1, 2016 for the Association. This Statement is not expected to have an effect on the financial statements of the Association.

GASB Statement No. 81 - "Irrevocable Split-Interest Agreements." This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016. For the Association, this Statement becomes effective for the fiscal year beginning July 1, 2017. This Statement is not expected to have an effect on the financial statements of the Association.

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Notes to Financial Statements, Continued

(10) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 82 - "Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning July 1, 2016 for the Association, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the Association. This Statement is not expected to have an effect on the financial statements of the Association.