Student Child Care Center at Lehman College, Inc.

Financial Statements
For Year Ended
June 30, 2012

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Item 1 - Management's Discussion and Analysis

The intent of the Student Child Care Center at Lehman College, Inc. management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of the Student Child Care Center's net assets and changes in net assets for the year ended June 30, 2012. Since this MD&A is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the accompanying audited financial statements and related footnotes.

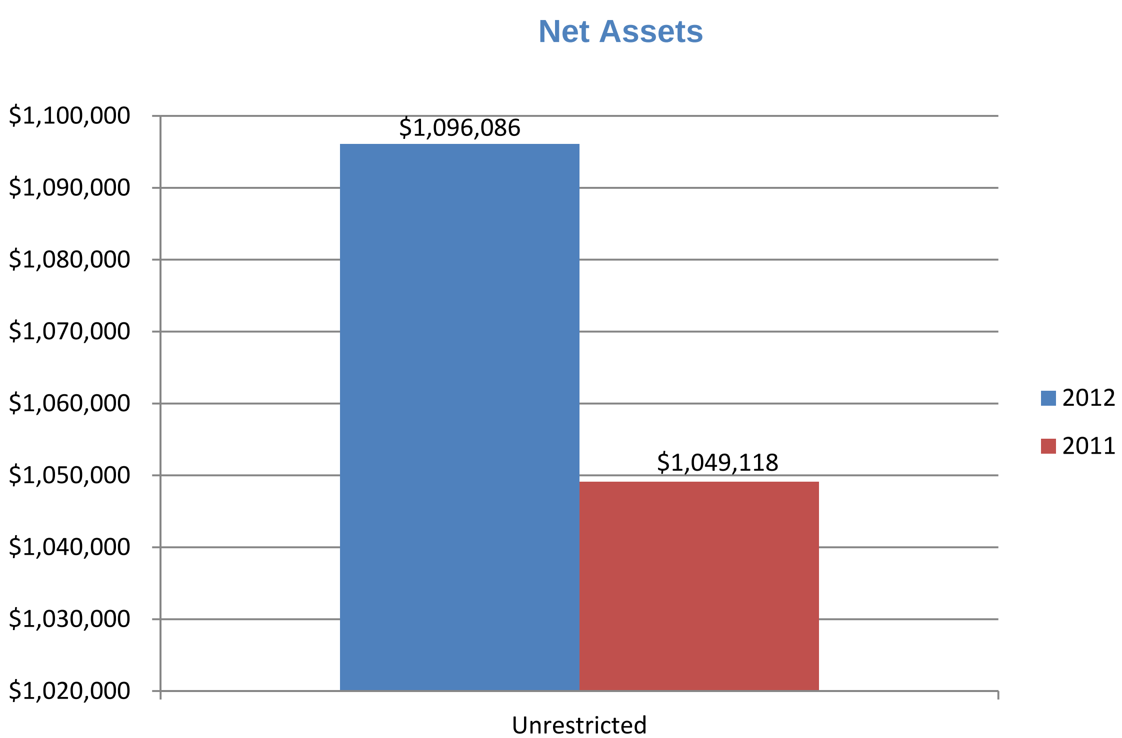
FINANCIAL HIGHLIGHTS

- The Student Child Care Center's total operating revenues increased by $68 thousand (or 12%) due to increase in Universal Pre-Kindergarten grant.

- The Student Child Care Center's total liabilities decreased by $93 thousand (or 74%) primarily resulting from a board approved increase in the monthly advance to Imagine Early Learning Center (the vendor) which resulted to lower amount due at year end.

FINANCIAL POSITION

The Student Child Care Center's financial position, as a whole, remained steady during the fiscal year ended June 30, 2012. Its net assets increased by approximately $47 thousand (or 4.5%) over the previous year. The change resulted primarily from an increase in the Universal Pre-Kindergarten Services grant of $66,000; offset by a decrease in non-operating revenues (investment activities) of $34,000. The following graph illustrates the comparative change in net assets for fiscal years 2012 and 2011:



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

Item 1 - Management's Discussion and Analysis

STATEMENT OF NET ASSETS

The Statement of Net Assets includes the Student Child Care Center's assets and liabilities using the accrual basis of accounting. The following table summarizes the Student Child Care Center's assets, liabilities and net assets as of June 30, 2012 and 2011:

	2012	2011	DOLLAR CHANGE	PERCENTAGE CHANGE
TOTAL ASSETS	$ 1,128,725	$ 1,175,151	$ (46,426)	-4.0%
TOTAL LIABILITIES	32,639	126,033	(93,394)	-74.1%
TOTAL NET ASSETS – UNRESTRICTED	$ 1,096,086	$ 1,049,118	$ 46,968	4.5%

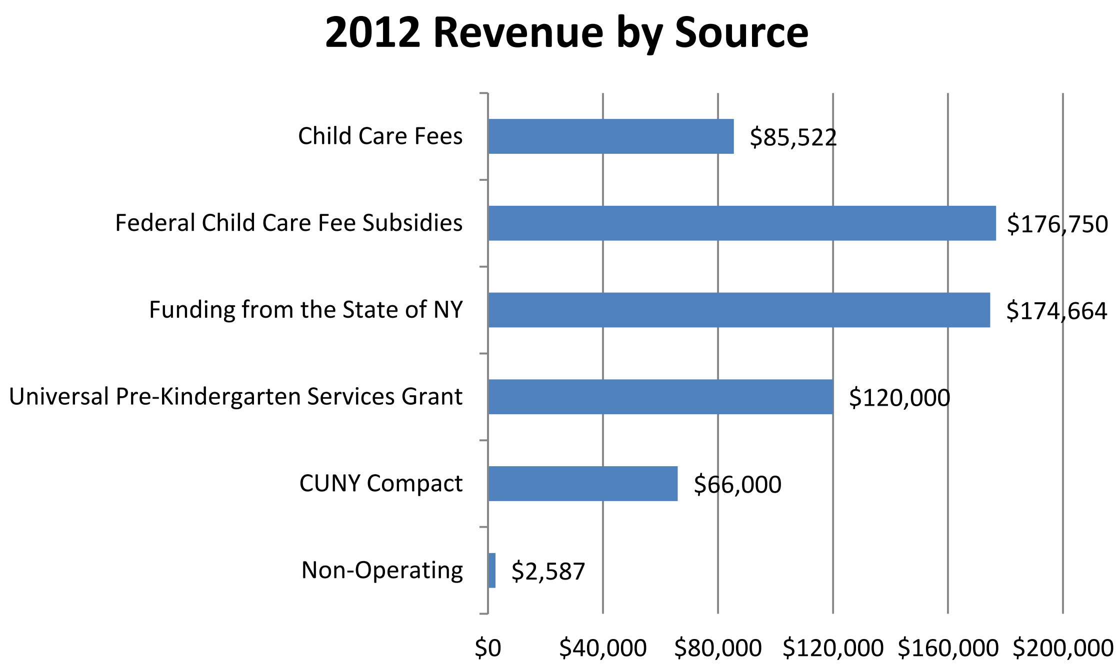
At June 30, 2012, the Student Child Care Center's total net assets increased by $47 thousand (or 4.5%).

During 2012, current liabilities decreased by $93 thousand (or 74.1%), compared to the previous year; which principally resulted from the timing of cash disbursements to the Imagine Early Learning Center.

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets present the operating results of the Student Child Care Center, as well as non-operating revenues and expenses. The major components of revenues are presented below:

REVENUES

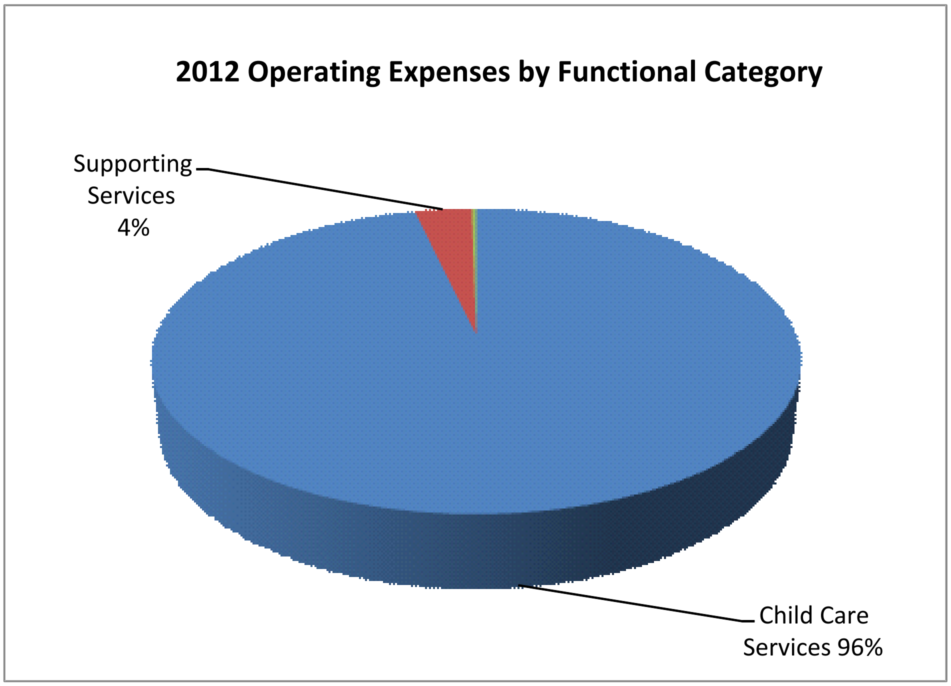


OPERATING	2012	2011	DOLLAR CHANGE	PERCENTAGE CHANGE
Child Care Fees	$ 85,522	$ 75,075	$ 10,447	13.9%
Federal Grant Income	176,750	185,262	(8,512)	-4.6%
Funding from State of NY	174,664	174,664	0	0.0%
UPK	120,000	54,000	66,000	122.2%
CUNY COMPACT	66,000	66,000	0	0.0%
TOTAL	622,936	555,001	67,935	12.2%
Non-Operating	2,587	36,294	(33,707)	-92.9%
TOTAL REVENUE	$ 625,523	$ 591,295	$ 34,228	5.8%

The Student Child Care Center's total revenues for fiscal year 2012 were $625.5 thousand, an increase of $34 thousand over the prior year. Federal and State funding represents 28% and 28%, respectively, of the total revenue. The Student Child Care Center is dependent upon this support to carry out its operations. The overall increase in Child Care was an increased in student enrollment and fees.

The decrease in non-operating revenues was primarily due to the recognition of realized and unrealized gains of approximately $4 thousand on investments in 2012 versus approximately $27 thousand in realized and unrealized in 2011.

OPERATING EXPENSES

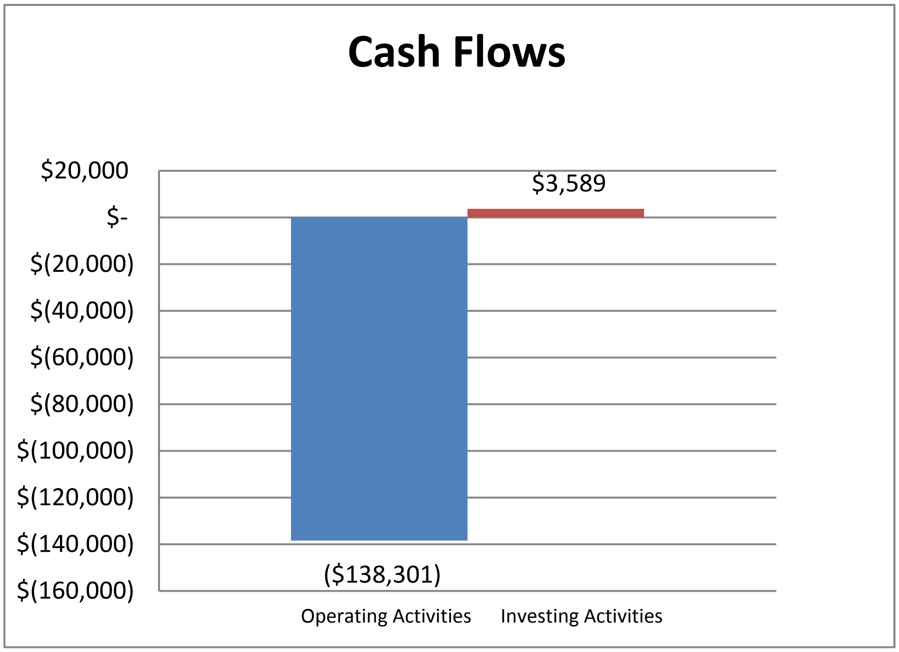


OPERATING EXPENSES	2012	2011	DOLLAR CHANGE	PERCENTAGE CHANGE
Child Care Services	$ 556,220	$ 554,034	$ 2,186	0.4%
Supporting Services	22,335	19,786	2,549	12.9%
Depreciation Expense	0	669	(669)	-100.0%
TOTAL	$ 578,555	$ 574,489	$ 4,066	0.7%

Total expenses for fiscal year 2012 were $578.6 thousand, an increase of approximately $4 thousand (or .7%) compared to the previous year. Child Care Services expenses increased $2 thousand (or .4%), primarily due to an increase in personnel costs.

CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement assists users in assessing the Student Child Care Center's ability to generate net cash flows and its ability to meet its obligations as they come due. The following summarizes the Student Child Care Center's cash flows for the year ended June 30, 2012:



Cash receipts relating to operating activities consist primarily of funding from the Federal and State governments. Cash outlays to Imagine Early Learning Centers, LLC, providers of child care services account for 97% of the total operating disbursements. Overall, net cash decreased by approximately $135 thousand.

Investing activities primarily include proceeds from sales and maturities of investments, interest and dividends on investments and purchase of investments.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In October 2011, the City University of New York ("CUNY") finalized a contract for the construction of a new child care facility on the Lehman College campus. Construction of the new facility commenced in November 2011 and is expected to be completed during fiscal 2013. Construction costs related to this facility will be funded by CUNY and New York State.

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

Item 2. - Financial Statements

PKF O'CONNOR DAVIES

PKF

Independent Auditors' Report

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

We have audited the accompanying statement of net assets of the Student Child Care Center at Lehman College, Inc. as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Student Child Care Center at Lehman College, Inc. at June 30, 2012 and 2011, and its revenues, expenses and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

PKF O'Connor Davies

April 10, 2013

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Student Child Care Center at Lehman College, Inc.

Statement of Net Assets

	June 30 2012	June 30 2011
ASSETS		
Cash and Cash Equivalents (note 2)		
Checking account	$ 145,065	$ 279,777
Certificate of deposit	350,000	350,000
Total Cash and Cash Equivalents	495,065	629,777
Certificate of deposit (note 2)	104,079	103,559
Accounts Receivable		
Federal grant programs	278,612	171,478
CUNY Compact	66,000	66,000
Universal Pre-Kindergarten Services Grant	21,100	7,900
Funding from New York State	-	29,111
Other	214	2,147
Total Accounts Receivable	365,926	276,636
Prepaid expenses	829	831
Investments - share in the City University of New York Investment Pool, at market value (cost: $162,235 in 2012 and $156,660 in 2011) (note 2)	162,826	164,348
Total Assets	$ 1,128,725	$ 1,175,151
LIABILITIES		
Accounts payable	$ 6,436	$ 7,074
Due to Imagine Early Learning Centers, LLC	26,203	118,959
Total Liabilities	32,639	126,033
Net Assets		
Unrestricted		
Board-designated	393,453	93,453
Undesignated	702,633	955,665
Total Net Assets	$ 1,096,086	$ 1,049,118

See notes to financial statements

Student Child Care Center at Lehman College, Inc.

Satement of Revenues, Expenses and Changes in Net Assets

	Year Ended June 30	
	2012	2011
OPERATING REVENUES		
Child care fees	$ 85,522	$ 75,075
Federal child care fee subsidies (note 3)	176,750	185,262
Funding from the State of New York (note 3)	174,664	174,664
Universal Pre-Kindergarten Services grant	120,000	54,000
CUNY Compact	66,000	66,000
Total Operating Revenues	622,936	555,001
OPERATING EXPENSES		
Child care services (note 6)	556,220	554,034
Supporting services, management and general	22,335	19,786
Depreciation expense (notes 2 and 5)	-	669
Total Operating Expenses	578,555	574,489
Operating Income (Loss)	44,381	(19,488)
NON-OPERATING REVENUES		
Realized gain on investments	2,960	4,668
Net change in unrealized (loss) gain on investments	(6,500)	22,074
Interest and dividends	3,164	3,461
CUNY Campaign	2,963	6,091
Total Non-Operating Revenues	2,587	36,294
Increase in Net Assets	46,968	16,806
Net assets, beginning of year	1,049,118	1,032,312
Net assets, end of year	$ 1,096,086	$ 1,049,118

See notes to financial statements

Student Child Care Center at Lehman College, Inc.

Statement of Cash Flows

	Year Ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of Federal child care fee subsidies	$ 69,616	$ 176,707
Receipts of CUNY Compact	66,000	66,000
Receipts of State of New York Funding	203,775	179,094
Receipts from Universal Pre-Kindergarten Services grant	106,800	54,000
Receipts of child care fees	85,522	75,075
Disbursements for child care services	(648,976)	(521,588)
Other disbursements	(21,038)	(14,040)
Net Cash (Used) Provided by Operating Activities	(138,301)	15,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	3,164	3,461
Income (reinvested) in Investment Pool	(2,018)	(1,706)
(Increase) in certificates of deposit	(520)	(1,030)
CUNY Campaign	2,963	6,091
Net Cash Provided by Investing Activities	3,589	6,816
Net (Decrease) Increase in Cash and Cash Equivalents	(134,712)	22,064
Cash and cash equivalents, beginning of year	629,777	607,713
Cash and cash equivalents, end of year	$ 495,065	$ 629,777
Reconciliation of Operating Income (Loss) to Net Cash (Used) Provided by Operating Activities		
Operating income (loss)	$ 44,381	$ (19,489)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activates		
Depreciation	-	669
Change in Net Assets and Liabilities		
(Increase) in accounts receivable	(89,290)	(4,125)
Decrease in prepaid expense	2	-
(Decrease) increase in due to Imagine Early Learning Centers, LLC	(92,756)	32,446
(Decrease) increase in accounts payable	(638)	5,747
Net Cash (Used) Provided by Operating Activities	$ (138,301)	$ 15,248

See notes to financial statements

1. Nature of Organization

The Student Child Care Center at Lehman College, Inc. (the "Corporation") was organized to operate within the bylaws, policies and regulations of the City University of New York ("CUNY") and the policies, regulations and orders of Herbert H. Lehman College (the "College"). The 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 the University, 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.

b. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses recognized during the year. Actual results could differ from those estimates.

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

c. *Deposits and Investment Risk Disclosures*

Custodial Credit Risk - Deposits

Custodial credit risk of deposits is the risk that in the event of a bank failure the Corporation's deposits may not be returned to it. At June 30, 2012, $495,065 of the Corporation's cash and cash equivalents were on deposit with one financial institution of which $245,065 exceeded the federally insured limit and was exposed to custodial credit risk.

Concentration of Credit Risk

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

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

Custodial Credit Risk - Investments

Custodial credit risk as it relates to investments is the risk that in the event of failure of the counterparty of a transaction, the Corporation will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty. The Corporation has not previously experienced such losses in its investment accounts, and as such the Corporation believes it is not exposed to any credit risk on its investments.

The Corporation's investments are held by the CUNY Investment Pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY. The Committee engages various advisory firms to assist in the management of the Investment Pool.

d. *Net Assets*

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

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

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

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

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, 2012, cash equivalents include a certificate of deposit which is renewed on a monthly basis.

f. Capital Assets

Equipment is stated at cost at the date of acquisition or, in case of gifts, at fair value at date of donation. Depreciation of equipment is computed using the straight-line method over the estimated useful life of five years.

At June 30, 2012, fully amortized equipment and leasehold improvements were still in service (see note 5).

g. Fair Value Measurement

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

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

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

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

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

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

g. Fair Value Measurement (continued)

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

The 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, 2012 and 2011 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 investments at June 30, 2012 and 2011:

	June 30	
	2012	2011
Mutual funds	46.88%	37.08%
Commingled funds	37.30%	53.57%
Hedge funds	14.61%	9.22%
Other	1.21%	0.13%
	100.00%	100.00%

The fair value of these funds have been estimated using the net asset value per share of the investments.

The Corporation's certificates of deposit are reported in the accompanying statement of net assets based on Level II inputs.

h. Revenue Recognition

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

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

i. Subsequent Events

Management of the Corporation has evaluated subsequent events through April 10, 2013, and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the financial statements.

3. Federal and State Fund

The City University of New York is eligible to receive a portion of Child Care Federal Funds for the purpose of increasing the availability, affordability and quality of child care. The grant is intended to provide funding to all functions and support services that are traditionally associated with child care programs and to facilitate the expansion of child care to student parents. The Corporation's allocations of grant funds for each of the fiscal years ended 2012 and 2011 totaled $176,750 and $185,262, respectively. Grant amounts represent tuition subsidies to eligible students and are reported in the statement of revenues, expenses and changes in net assets.

In addition, the Corporation was allocated $174,664 in each of the fiscal years ended 2012 and 2011 from the State of New York 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. The balances of this fund totaled $393,453 and $93,453 at June 30, 2012 and 2011.

5. Capital Assets

Capital assets still in service were fully depreciated or amortized at June 30, 2012 and 2011, consisted of:

	Equipment	Leasehold Improvements	Accumulated Depreciation and Amortization	Net Capital Assets
Balance, June 30, 2010	$ 97,828	$ 80,840	$ 177,999	$ 669
Additions	-	-	669	(669)
Balance, June 30, 2011	97,828	80,840	178,668	-
Additions	-	-	-	-
Balance, June 30, 2012	$ 97,828	$ 80,840	$ 178,668	$ -

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. A formal written agreement will be signed once the State of New York has finalized and executed its agreement with CUNY regarding the provision of certain State funds to the College and its contractors for child care services. For the years ended 2012 and 2011 child care services expense totaled $556,220 and, $554,034 respectively, of which $26,203 and $118,959 was payable to Imagine at June 30, 2012 and 2011, respectively.

7. Commitment

In October 2011, CUNY finalized a contract for the construction of a new child care facility on the Lehman College campus. Construction of the new facility commenced in November 2011 and is expected to be completed during fiscal 2013. Construction costs related to this facility will be funded by CUNY and New York State.

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