

THE LEHMAN COLLEGE STUDENT  
CHILD CARE CENTER, INC.  
Financial Statements and  
Supplementary Information  
June 30, 2017 and 2016  
(With Independent Auditors' Report Thereon)

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of The Lehman College Student Child Care Center, Inc. (the Corporation) as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Corporation'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 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 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 Corporation'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 Corporation'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 The Lehman College Student Child Care Center, Inc. as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Prior Period Financial Statements

The financial statements of The Lehman College Student Child Care Center, Inc. as of June 30, 2016, were audited by other auditors whose report dated September 23, 2016, expressed an unmodified opinion on those statements.

## Other Matters

### 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 7 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.

## Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements of The Lehman College Student Child Care Center, Inc. The schedule of child care services expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of child care services expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of child care expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 5, 2017

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Management's Discussion and Analysis

June 30, 2017

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of The Lehman College Student Child Care Center, Inc.'s (the "Corporation") financial position as of June 30, 2017, and changes in its net position for the year then ended. 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 Corporation's net position was \$836,957 at June 30, 2017 decreasing 1.74% from the previous fiscal year.
- Operating revenue totaled \$1,207,155, an increase of 4.63% from the previous fiscal year.
- Operating expenses totaled \$1,232,404 decreasing .12% from the previous fiscal year.

**Financial Position**

The Corporation's net position, the difference between assets and liabilities, is one way to measure the Corporation's financial health. Over time, increases and decreases in the Corporation's net position is one indicator of whether its financial health is improving.

**Statements of Net Position**

The following summarizes the Corporation's assets, liabilities and net position as of June 30, 2017 and 2016, under the accrual basis of accounting:

|                                  | <u>2017</u>       | <u>2016</u>    | <u>Dollar<br/>change</u> | <u>Percent<br/>change</u> |
|----------------------------------|-------------------|----------------|--------------------------|---------------------------|
| Total assets                     | \$ <u>895,808</u> | <u>936,159</u> | <u>(40,351)</u>          | <u>(4.31%)</u>            |
| Total current liabilities        | <u>58,851</u>     | <u>84,360</u>  | <u>(25,509)</u>          | <u>(30.24%)</u>           |
| Net position:                    |                   |                |                          |                           |
| Net investment in capital assets | 31,167            | 83,392         | (52,225)                 | (62.63%)                  |
| Board designated                 | -                 | 99,377         | (99,377)                 | (100.00%)                 |
| Board designated - fundraising   | -                 | 3,192          | (3,192)                  | (100.00%)                 |
| Undesignated                     | <u>805,790</u>    | <u>665,838</u> | <u>139,952</u>           | <u>21.02%</u>             |
| Total net position               | \$ <u>836,957</u> | <u>851,799</u> | <u>(14,842)</u>          | <u>(1.74%)</u>            |

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

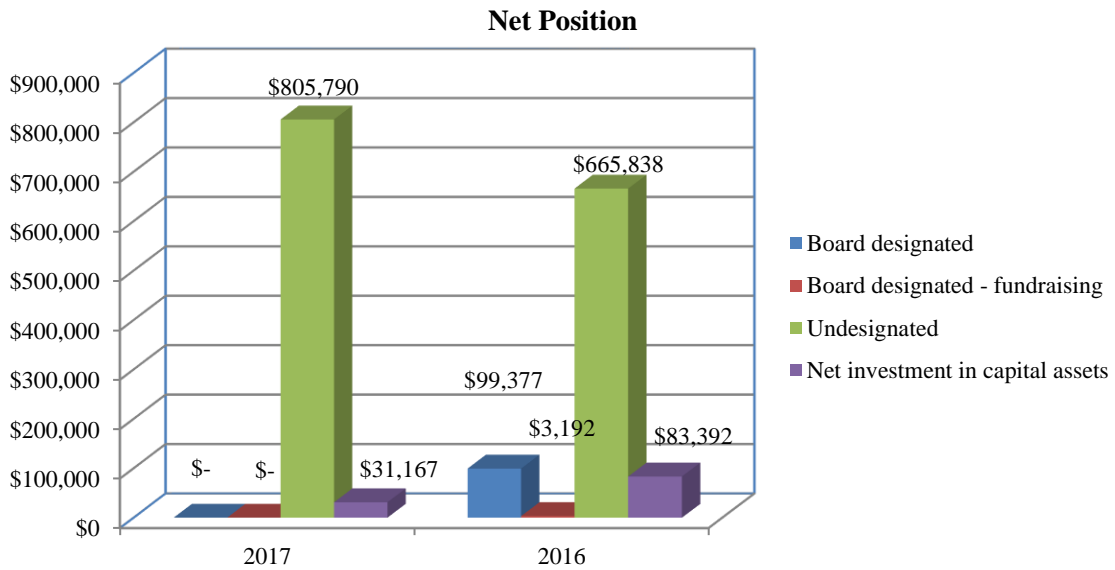
Management’s Discussion and Analysis, Continued

At June 30, 2017, the Corporation’s total net position decreased by \$14,842 or 1.74%, compared to the previous year.

At June 30, 2017, the Corporation’s total current liabilities decreased by \$25,509 or 30.24%, compared to the previous year. This is largely due to a change in the way Imagine was reimbursed for its expenses. Beginning in fiscal year 2017, this reconciliation and the resulting transfer of funds was done monthly which reduced the amount of money owed to them from the Lehman College Student Child Care Center, Inc. by 44.41% at June 30, 2017 from the previous fiscal year.

There were no other significant or unexpected changes in the Corporation’s assets and liabilities.

The following illustrates the Corporation’s net position at June 30, 2017 and 2016 by category:



The Board undesignated funds that had been previously designated, increasing the undesignated balances accordingly.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, 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 Corporation, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2017 and 2016, are as follows:

**Revenue**

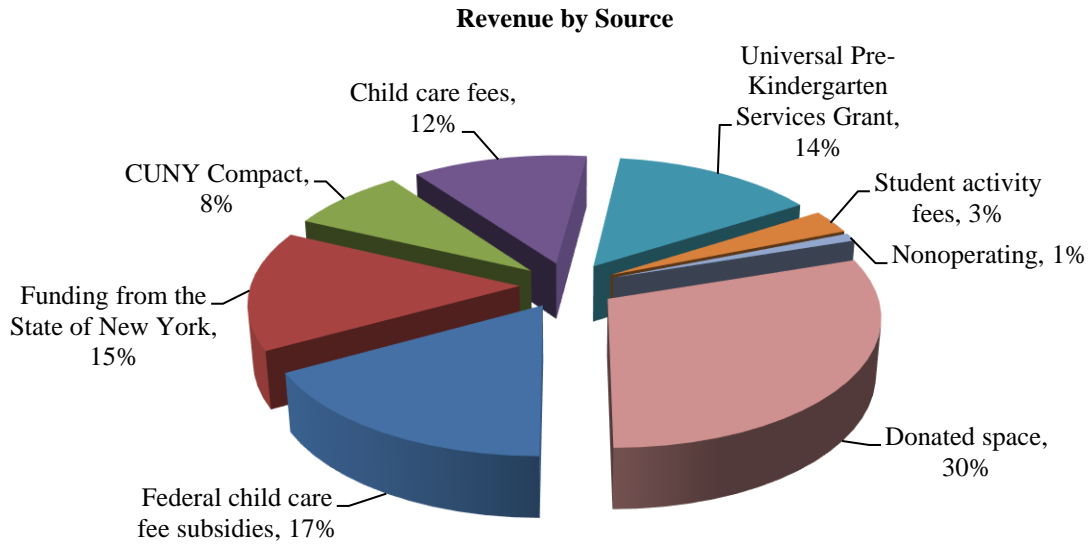
|                                              | <u>2017</u>         | <u>2016</u>      | <u>Dollar<br/>change</u> | <u>Percent<br/>change</u> |
|----------------------------------------------|---------------------|------------------|--------------------------|---------------------------|
| Operating revenue:                           |                     |                  |                          |                           |
| Federal child care fee subsidies             | \$ 216,340          | 216,219          | 121                      | .06%                      |
| Funding from the State of<br>New York        | 186,635             | 186,635          | -                        | -                         |
| Universal Pre-Kindergarten<br>Services Grant | 167,450             | 174,600          | (7,150)                  | (4.10%)                   |
| Child care fees                              | 142,225             | 114,129          | 28,096                   | 24.62%                    |
| CUNY Compact                                 | 97,296              | 97,081           | 215                      | .22%                      |
| Student activity fees                        | 32,159              | -                | 32,159                   | 100.00%                   |
| Donated space                                | <u>365,050</u>      | <u>365,050</u>   | <u>-</u>                 | <u>-</u>                  |
| Total operating revenue                      | 1,207,155           | 1,153,714        | 53,441                   | 4.63%                     |
| Nonoperating revenue                         | <u>10,407</u>       | <u>1,193</u>     | <u>9,214</u>             | <u>772.34%</u>            |
| Total revenue                                | \$ <u>1,217,562</u> | <u>1,154,907</u> | <u>62,655</u>            | <u>5.43%</u>              |

The Corporation's total revenue for the year ended June 30, 2017 amounted to \$1,217,562, an increase of \$62,655 or 5.43%, compared to the previous year. The major components of this increase are additional revenues realized in child care fees due to increased enrollment and student activity fees, as a result of the new student activity fee earmark dedicated to the student child care center beginning in the fall semester of 2016.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Management's Discussion and Analysis, Continued

The following illustrates the Corporation's revenue, by source, for the year ended June 30, 2017:



**Expenses**

|                                          | <u>2017</u>         | <u>2016</u>      | <u>Dollar change</u> | <u>Percentage change</u> |
|------------------------------------------|---------------------|------------------|----------------------|--------------------------|
| Operating expenses:                      |                     |                  |                      |                          |
| Child care services                      | \$ 790,088          | 786,472          | 3,616                | .46%                     |
| Donated space                            | 365,050             | 365,050          | -                    | -                        |
| Support services, management and general | 25,041              | 30,101           | (5,060)              | (16.81%)                 |
| Depreciation                             | <u>52,225</u>       | <u>52,225</u>    | <u>-</u>             | -                        |
| Total operating expenses                 | \$ <u>1,232,404</u> | <u>1,233,848</u> | <u>(1,444)</u>       | <u>(.12%)</u>            |

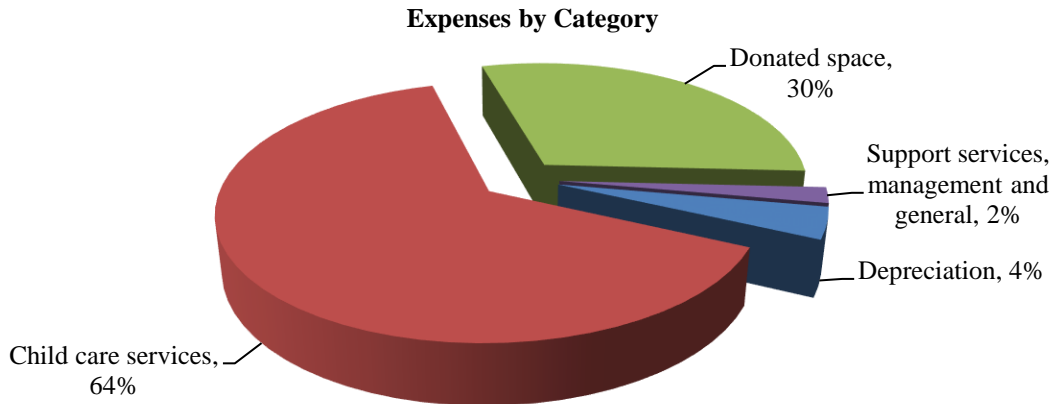
Total expenses for the year ended June 30, 2017 were \$1,232,404, a decrease of \$1,444 or .12%, compared to the previous year. The major components of this variance were due to an increase in child care services offset by a decrease in support services, management and general.



THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

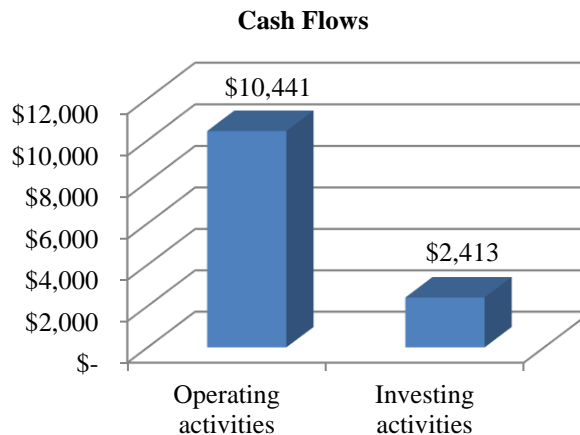
Management's Discussion and Analysis, Continued

The following illustrates the Corporation's expenses, by category, for the year ended June 30, 2017:



**Cash Flows**

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement assists users to assess the Corporation's ability to generate net cash flows, meet its obligations as they come due, and its dependency on external financing. The following summarizes the Corporation's cash flows for the year ended June 30, 2017:



**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.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.  
 Statements of Net Position  
 June 30, 2017 and 2016

| <u>Assets</u>                                    | <u>2017</u>       | <u>2016</u>    |
|--------------------------------------------------|-------------------|----------------|
| Current assets:                                  |                   |                |
| Cash and equivalents                             | \$ 617,199        | 604,345        |
| Accounts receivable:                             |                   |                |
| Federal grant programs                           | -                 | 53,331         |
| Funding from New York State                      | 31,106            | 15,553         |
| Universal Pre-Kindergarten Services Grant        | 8,441             | 8,801          |
| CUNY Compact                                     | 93,443            | 97,081         |
| Due from related parties                         | 32,159            | -              |
| Other                                            | <u>2,275</u>      | <u>3,218</u>   |
| Total accounts receivable                        | <u>167,424</u>    | <u>177,984</u> |
| Prepaid expenses                                 | 5,990             | 4,404          |
| Investments in the CUNY investment pool (note 5) | 74,028            | 66,034         |
| Capital assets, net (notes 2 and 9)              | <u>31,167</u>     | <u>83,392</u>  |
| Total assets                                     | <u>895,808</u>    | <u>936,159</u> |
|                                                  |                   |                |
| <u>Liabilities</u>                               |                   |                |
| Current liabilities:                             |                   |                |
| Accounts payable                                 | 7,450             | 4,480          |
| Unearned revenue                                 | 6,998             | -              |
| Due to Imagine Early Learning Centers, LLC       | <u>44,403</u>     | <u>79,880</u>  |
| Total current liabilities                        | <u>58,851</u>     | <u>84,360</u>  |
|                                                  |                   |                |
| <u>Net Position</u>                              |                   |                |
| Net investment in capital assets                 | 31,167            | 83,392         |
| Unrestricted:                                    |                   |                |
| Board designated                                 | -                 | 99,377         |
| Board designated - fundraising                   | -                 | 3,192          |
| Undesignated                                     | <u>805,790</u>    | <u>665,838</u> |
| Total unrestricted                               | <u>805,790</u>    | <u>768,407</u> |
| Total net position                               | <u>\$ 836,957</u> | <u>851,799</u> |

See accompanying notes to financial statements.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.  
 Statements of Revenue, Expenses and Changes in Net Position  
 Years ended June 30, 2017 and 2016

|                                                     | <u>2017</u>       | <u>2016</u>      |
|-----------------------------------------------------|-------------------|------------------|
| Operating revenue:                                  |                   |                  |
| Federal child care fee subsidies (note 6)           | \$ 216,340        | 216,219          |
| Funding from the State of New York (note 6)         | 186,635           | 186,635          |
| Universal Pre-Kindergarten Services Grant           | 167,450           | 174,600          |
| Child care fees                                     | 142,225           | 114,129          |
| CUNY Compact                                        | 97,296            | 97,081           |
| Student activity fees                               | 32,159            | -                |
| Donated space (notes 2 and 10)                      | <u>365,050</u>    | <u>365,050</u>   |
| Total operating revenue                             | <u>1,207,155</u>  | <u>1,153,714</u> |
| Operating expenses:                                 |                   |                  |
| Child care services (note 8)                        | 790,088           | 786,472          |
| Donated space (notes 2 and 10)                      | 365,050           | 365,050          |
| Supporting services, management and general         | 25,041            | 30,101           |
| Depreciation (note 9)                               | <u>52,225</u>     | <u>52,225</u>    |
| Total operating expenses                            | <u>1,232,404</u>  | <u>1,233,848</u> |
| Loss from operations                                | <u>(25,249)</u>   | <u>(80,134)</u>  |
| Nonoperating revenue:                               |                   |                  |
| Interest and dividends                              | 437               | 634              |
| Realized gain on investments                        | 746               | 431              |
| Net change in unrealized gain (loss) on investments | 7,081             | (2,338)          |
| CUNY campaign                                       | <u>2,143</u>      | <u>2,466</u>     |
| Total nonoperating revenue                          | <u>10,407</u>     | <u>1,193</u>     |
| Decrease in net position                            | (14,842)          | (78,941)         |
| Net position at beginning of year                   | <u>851,799</u>    | <u>930,740</u>   |
| Net position at end of year                         | <u>\$ 836,957</u> | <u>851,799</u>   |

See accompanying notes to financial statements.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.  
 Statements of Cash Flows  
 Years ended June 30, 2017 and 2016

|                                                     | <u>2017</u>       | <u>2016</u>     |
|-----------------------------------------------------|-------------------|-----------------|
| Cash flows from operating activities:               |                   |                 |
| Cash receipts from:                                 |                   |                 |
| Federal child care fee subsidies                    | \$ 276,669        | 304,812         |
| State of New York funding                           | 171,082           | 214,748         |
| Universal Pre-Kindergarten Services Grant           | 167,810           | 170,958         |
| Child care fees                                     | 142,225           | 114,129         |
| CUNY Compact                                        | 100,934           | -               |
| Child care services                                 | (825,565)         | (848,550)       |
| Other                                               | <u>(22,714)</u>   | <u>(34,376)</u> |
| Net cash provided by (used in) operating activities | <u>10,441</u>     | <u>(78,279)</u> |
| Cash flows from investing activities:               |                   |                 |
| Interest and dividends                              | 437               | 634             |
| Income reinvested in CUNY investment pool           | (167)             | (345)           |
| CUNY Campaign                                       | <u>2,143</u>      | <u>2,466</u>    |
| Net cash provided by investing activities           | <u>2,413</u>      | <u>2,755</u>    |
| Net increase (decrease) in cash and equivalents     | 12,854            | (75,524)        |
| Cash and equivalents at beginning of year           | <u>604,345</u>    | <u>679,869</u>  |
| Cash and equivalents at end of year                 | <u>\$ 617,199</u> | <u>604,345</u>  |

(Continued)

See accompanying notes to financial statements.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.  
Statements of Cash Flows, Continued

|                                                                                                       | <u>2017</u>       | <u>2016</u>     |
|-------------------------------------------------------------------------------------------------------|-------------------|-----------------|
| Reconciliation of loss from operations to net cash provided by (used in) operating activities:        |                   |                 |
| Loss from operations                                                                                  | \$ (25,249)       | (80,134)        |
| Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities: |                   |                 |
| Depreciation                                                                                          | 52,225            | 52,225          |
| Changes in:                                                                                           |                   |                 |
| Accounts receivable                                                                                   | 10,560            | 13,356          |
| Prepaid expenses                                                                                      | (1,586)           | (3,701)         |
| Accounts payable                                                                                      | 2,970             | 2,053           |
| Unearned revenue                                                                                      | 6,998             | -               |
| Due to Imagine Early Learning Centers, LLC                                                            | <u>(35,477)</u>   | <u>(62,078)</u> |
| Net cash provided by (used in) operating activities                                                   | <u>\$ 10,441</u>  | <u>(78,279)</u> |
| Supplemental schedule of cash flow information:                                                       |                   |                 |
| Donated space revenue                                                                                 | <u>\$ 365,050</u> | <u>365,050</u>  |
| Donated space expense                                                                                 | <u>\$ 365,050</u> | <u>365,050</u>  |

See accompanying notes to financial statements.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(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

(a) Basis of Accounting

The Corporation'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 Corporation is considered to be a special-purpose entity 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 Corporation 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 Corporation 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.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Accounting Pronouncements, Continued

- 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.
- 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 Corporation, 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 Corporation, this Statement became effective for the fiscal year beginning July 1, 2015.

(c) Net Position

The Corporation'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 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.

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

At June 30, 2017, the Corporation 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.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Concentration of Credit Risk

The Corporation maintains its cash 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 experienced any losses in such accounts.

(f) Accounts Receivable

Accounts receivable 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.

(g) Investments

The Corporation has investments held in 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) totaling \$74,028 and \$66,034 at June 30, 2017 and 2016, respectively. 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. Realized and unrealized gains and losses are included in the statements of revenue, expenses and changes in net position.

(h) 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 Corporation'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 equipment and capital 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 equipment and capital improvements is five years and ten years, respectively.

(i) Revenue Recognition

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

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.



THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Donated Space

The Corporation operates on the campus of the College and utilizes facilities provided by the College. The cost savings associated with such arrangements is recorded as donated space and is recognized as revenue and expenses in the accompanying financial statements based on the fair value of such facilities (note 10).

(k) 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.

(l) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) Subsequent Events

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

(n) Income Taxes

The Corporation 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 Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation 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 Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities.

(3) Cash and Equivalents

Custodial credit risk of deposits is the risk that the Corporation's deposits may not be returned in the event of a bank failure. At June 30, 2017, \$418,834 of the Corporation's bank balance of \$668,834 was exposed to custodial credit risk as it was uninsured and uncollateralized.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Notes to Financial Statements, Continued

(4) Investments

Custodial credit risk as it relates to investments is the risk that in the event of failure of the counterparty of a transactions, the Corporation will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty. At June 30, 2017, the Corporation's entire investment portfolio balance of \$74,028 was exposed to custodial credit risk, as it was uninsured and uncollateralized.

(5) Investments in CUNY Investment Pool and Related Investment Income

The Corporation's investments in the investment pool comprise assets which are pooled and invested by and under the control of the Committee on Fiscal Affairs of the Board of Directors of CUNY. Pooled investments include equity and fixed income securities. Investments as of June 30, 2017 and 2016, are comprised of the following:

|                                     | <u>2017</u>      | <u>2016</u>   |
|-------------------------------------|------------------|---------------|
| Investments in CUNY investment pool | \$ <u>74,028</u> | <u>66,034</u> |

The following table summarizes the activity for financial instruments in 2017 and 2016:

|                          |  |                  |
|--------------------------|--|------------------|
| Balance at July 1, 2015  |  | \$ 67,596        |
| Interest and dividends   |  | 345              |
| Realized gain            |  | 431              |
| Unrealized loss          |  | <u>(2,338)</u>   |
| Balance at June 30, 2016 |  | 66,034           |
| Interest and dividends   |  | 167              |
| Realized gain            |  | 746              |
| Unrealized gain          |  | <u>7,081</u>     |
| Balance at June 30, 2017 |  | \$ <u>74,028</u> |

A summary of investment gain (loss) for the years ended June 30, 2017 and 2016 is as follows:

|                              | <u>2017</u>     | <u>2016</u>    |
|------------------------------|-----------------|----------------|
| Interest and dividends       | \$ 167          | 345            |
| Realized gains               | 746             | 431            |
| Unrealized gain (loss)       | <u>7,081</u>    | <u>(2,338)</u> |
| Total investment gain (loss) | \$ <u>7,994</u> | <u>(1,562)</u> |

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Notes to Financial Statements, Continued

(6) 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, 2017 and 2016 amounted to \$216,340 and \$216,219, respectively. Grant amounts represent tuition subsidies to eligible students and are reported in the statement of revenue, expenses and changes in net position.

In addition, the Corporation was allocated \$186,635 in the fiscal years ended June 30, 2017 and 2016 from the State of New York through tax levy appropriations for the provision of child care services at senior and community colleges.

(7) Board Designated Funds

During 2017, the Board of Directors designated \$102,569 to be moved to undesignated funds,

(8) 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, 2017 and 2016, child care services expense totaled \$790,088 and \$786,472, respectively, of which \$44,403 and \$79,880 were payable to Imagine at June 30, 2017 and 2016, respectively.

On June 29, 2017, the Corporation's contract with Imagine was amended to incorporate the receipt of earmarked student activity fee revenue for childcare purposes. This earmark was approved by the Board of Trustees on June 29, 2016 and was effective with the fall 2016 semester.

(9) Capital Assets

At June 30, 2017 and 2016, capital assets consisted of the following:

|                               | 2017                 |           |           |                   |
|-------------------------------|----------------------|-----------|-----------|-------------------|
|                               | Beginning<br>balance | Additions | Disposals | Ending<br>balance |
| Equipment                     | \$ 40,990            | -         | -         | 40,990            |
| Furniture and fixtures        | 220,136              | -         | -         | 220,136           |
| Less accumulated depreciation | (177,734)            | (52,225)  | -         | (229,959)         |
| Capital assets, net           | \$ <u>83,392</u>     | (52,225)  | -         | <u>31,167</u>     |

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Notes to Financial Statements, Continued

(9) Capital Assets, Continued

|                               | <u>2016</u>       |                  |                  |                  |
|-------------------------------|-------------------|------------------|------------------|------------------|
|                               | <u>Beginning</u>  |                  |                  | <u>Ending</u>    |
|                               | <u>balance</u>    | <u>Additions</u> | <u>Disposals</u> | <u>balance</u>   |
| Equipment                     | \$ 40,990         | -                | -                | 40,990           |
| Furniture and fixtures        | 220,136           | -                | -                | 220,136          |
| Less accumulated depreciation | <u>(125,509)</u>  | <u>(52,225)</u>  | -                | <u>(177,734)</u> |
| Capital assets, net           | <u>\$ 135,617</u> | <u>(52,225)</u>  | -                | <u>83,392</u>    |

(10) Donated Space

The Corporation utilizes certain facilities provided by the College. The estimated fair values of facilities are included in the accompanying statements of revenue, expenses and changes in net position. Facilities for the years ended June 30, 2017 and 2016 amounted to \$365,050.

(11) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 85 - "Omnibus 2017." This Statement, issued in March 2017, addresses issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.

Notes to Financial Statements, Continued

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

GASB Statement No. 86 - "Certain Debt Extinguishment Issues." This Statement, issued in May 2017, addresses issues related to in-substance defeasances occurring through repayment of debt from existing sources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which is the fiscal year beginning July 1, 2017 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning July 1, 2020 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

THE LEHMAN COLLEGE STUDENT CHILD CARE CENTER, INC.  
Supplemental Information  
Schedule of Child Care Services Expenses  
Years ended June 30, 2017 and 2016

|                                     | <u>2017</u>       | <u>2016</u>    |
|-------------------------------------|-------------------|----------------|
| Operating expenses:                 |                   |                |
| Personnel services:                 |                   |                |
| Executive director                  | \$ 47,720         | 46,162         |
| Associate director                  | 86,130            | 86,130         |
| Head teachers                       | 223,563           | 237,859        |
| Assistant teachers                  | 202,250           | 191,775        |
| Employee benefits and payroll fees  | <u>149,173</u>    | <u>150,637</u> |
| Total personnel expenses            | <u>708,836</u>    | <u>712,563</u> |
| Other than personnel services:      |                   |                |
| Management fee                      | 22,000            | 22,000         |
| Snacks/consumables                  | 3,765             | 8,361          |
| Staff development                   | 7,648             | 8,289          |
| Professional fee                    | 6,698             | 6,900          |
| Liability insurance                 | 9,143             | 6,853          |
| Classroom materials                 | 5,554             | 4,534          |
| Meals                               | 16,868            | 6,336          |
| Program enhancements                | 4,950             | 4,513          |
| Maintenance and repairs             | 934               | 1,205          |
| Office supplies                     | 1,476             | 1,094          |
| Miscellaneous                       | <u>2,216</u>      | <u>3,824</u>   |
| Total other than personnel services | <u>81,252</u>     | <u>73,909</u>  |
| Total child care services expenses  | <u>\$ 790,088</u> | <u>786,472</u> |