

FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

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

June 30, 2007

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Management's Discussion and Analysis

The intent of management's discussion and analysis ("MD&A") is to provide readers with a comprehensive overview of the Herbert H. Lehman College Association for Campus Activities, Inc.'s (the "Association") financial position as of June 30, 2007, and changes in its net assets 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 footnotes.

Financial Highlights

- The Association's net assets increased by \$259,980 or 9%.
- Total operating revenues increased by \$35,576 or 2%, compared to the previous year. The major component of this variance related to an increase in student activity fees of \$29,012, due to increase in enrollment.
- Total operating expenses increased by \$101,116 or 6%, compared to the previous year. The major components of this variance related to increases in management and general of \$67,154 and healthcare center of \$20,849.

Financial Position

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

Statement of Net Assets

The following summarizes the Association's assets, liabilities, and net assets as of June 30, 2007 and 2006, under the accrual basis of accounting.

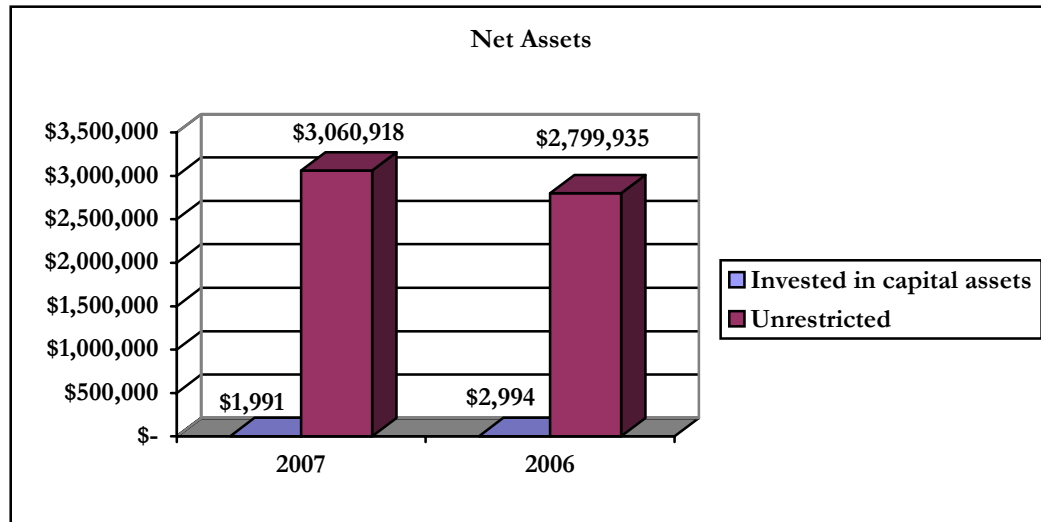
	2007	2006	Dollar Change	Percent Change
Assets:				
Current assets	\$ 316,904	\$ 309,756	\$ 7,148	2 %
Noncurrent assets	<u>2,990,353</u>	<u>2,752,315</u>	<u>238,038</u>	<u>9 %</u>
Total assets	<u>\$3,307,257</u>	<u>\$ 3,062,071</u>	<u>\$ 245,186</u>	<u>8 %</u>
Total current liabilities	<u>\$ 244,348</u>	<u>\$ 259,142</u>	<u>\$ (14,794)</u>	<u>(6)%</u>
Net assets:				
Invested in capital assets	\$ 1,991	\$ 2,994	\$ (1,003)	(34)%
Unrestricted	<u>3,060,918</u>	<u>2,799,935</u>	<u>260,983</u>	<u>9 %</u>
Total net assets	<u>\$3,062,909</u>	<u>\$ 2,802,929</u>	<u>\$ 259,980</u>	<u>9 %</u>

Management's Discussion and Analysis

At June 30, 2007, the Association's total assets increased by \$245,185 or 8%, compared to the previous year. The major component of this variance was attributable to an increase in long-term investments of \$239,041, due to appreciation of investments.

At June 30, 2007, the Association's total current liabilities decreased by \$14,794 or 6%, compared to the previous year, primarily due to the decrease of deferred revenue of \$16,000 from the prior fiscal year. The Association received fewer advance payments for student activity fees at year-end, resulting in a decrease in deferred revenue.

The following illustrates the Association's net assets, by category, for fiscal years 2007 and 2006:



Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the Association, as well as nonoperating revenues and expenses, if any. The major components of revenues and expenses for the years ended June 30, 2007 and 2006, follow:

Revenues

	2007	2006	Dollar Change	Percent Change
Operating revenues:				
Student activity fees	\$ 1,110,381	\$ 1,081,369	\$ 29,012	3%
Donated services and other income	<u>678,526</u>	<u>671,962</u>	<u>6,564</u>	<u>1%</u>
Total operating revenues	1,788,907	1,753,331	35,576	2%
Nonoperating revenues	<u>445,914</u>	<u>240,762</u>	<u>205,152</u>	<u>85%</u>
Total revenues	<u>\$ 2,234,821</u>	<u>\$ 1,994,093</u>	<u>\$ 240,728</u>	<u>12%</u>

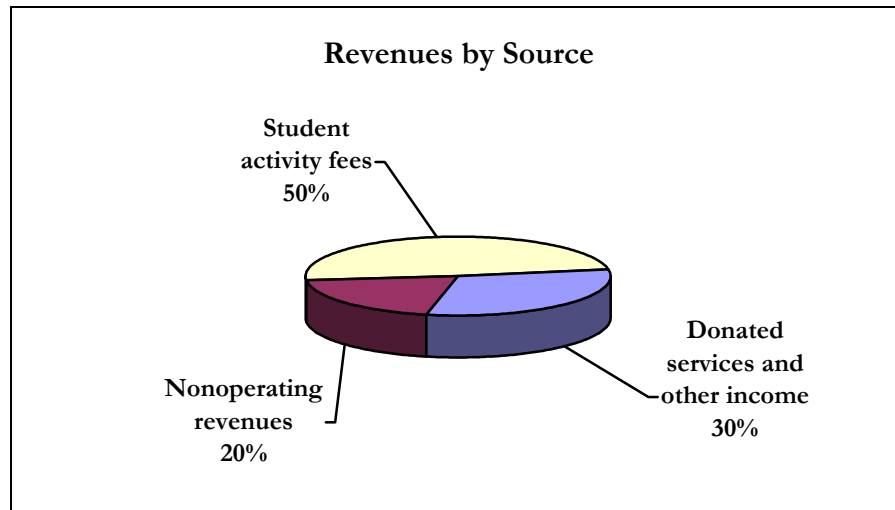
Management's Discussion and Analysis

The Association's total revenues for fiscal 2007 were \$2,234,821, an increase of \$240,728 or 12%, compared to the previous year. The major components of this variance were related to increases in student activity fees of \$29,012, due to an increase in enrollment, and nonoperating revenues of \$205,152, due mainly to the increase in net appreciation on investments.

Student activity fees represented 50% of the total revenue, and, accordingly, the Association is dependent upon this level of support to carry out its operations.

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

The following illustrates the Association's revenues, by source, for the year ended June 30, 2007.



Expenses

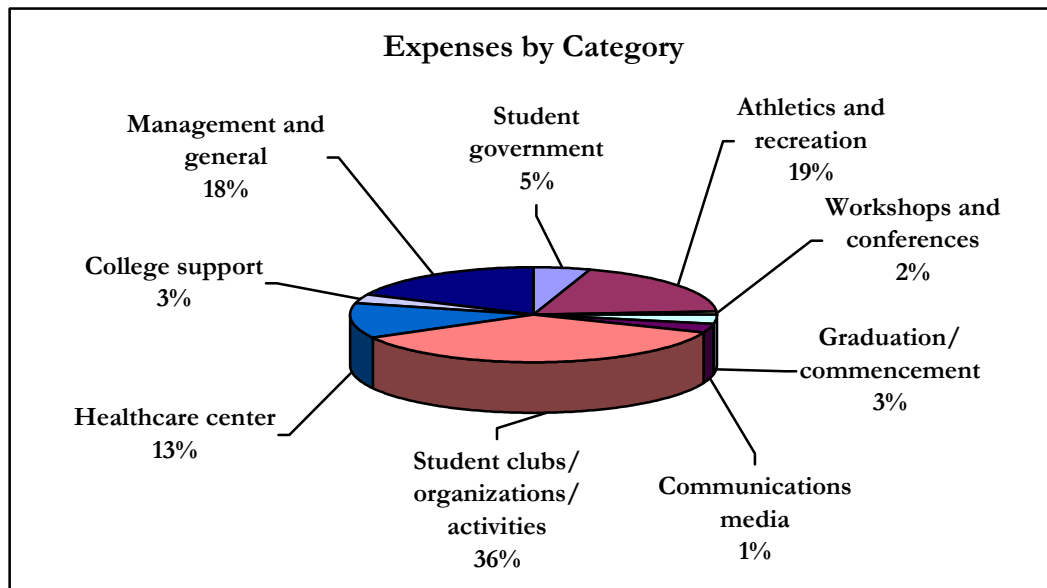
	2007	2006	Dollar Change	Percent Change
Operating expenses:				
Student government	\$ 107,215	\$ 107,029	\$ 186	- %
Athletics and recreation	372,358	364,031	8,327	2 %
Communications media	12,932	9,264	3,668	40 %
Workshops and conferences	35,913	32,650	3,263	10 %
Graduation/commencement	51,135	50,323	812	2 %
Student clubs/organizations/activities	710,787	710,449	338	- %
Healthcare center	260,061	239,212	20,849	9 %
Management and general	361,900	294,746	67,154	23 %
Depreciation	<u>1,003</u>	<u>4,484</u>	<u>(3,481)</u>	<u>(78)%</u>
Total operating expenses	1,913,304	1,812,188	101,116	6 %
Nonoperating expenses - College support	<u>61,537</u>	<u>60,505</u>	<u>1,032</u>	<u>2 %</u>
Total expenses	<u>\$ 1,974,841</u>	<u>\$ 1,872,693</u>	<u>\$ 102,148</u>	<u>5 %</u>

Management's Discussion and Analysis

Total expenses for fiscal 2007 were \$1,974,841, an increase of \$102,148 or 5%, compared to the previous year. The major components of this variance were related to increases in management and general of \$67,154 and healthcare center of \$20,849, due to inflationary cost increases.

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

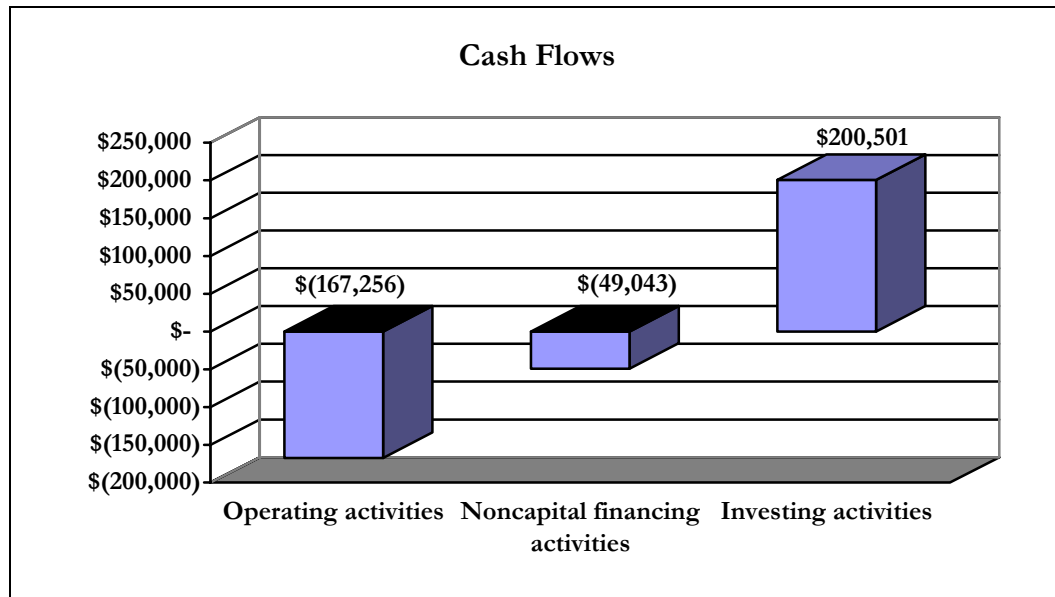
The following illustrates the Association's expenses, by category, for the year ended June 30, 2007.



CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This Statement helps users assess the Association's ability to generate net cash flows, its ability to meet its obligations as they come due, and its dependency on external financing. The following summarizes the Association's cash flows for the year ended June 30, 2007.

Management's Discussion and Analysis



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 revenues earned and related expenses incurred.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of the

Herbert H. Lehman College Association for Campus Activities, Inc.:

We have audited the accompanying financial statements, as listed in the table of contents, of the Herbert H. Lehman College Association for Campus Activities, Inc. (the "Association") as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Association's fiscal 2006 financial statements and, in our report dated December 19, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 Association'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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis ("MD&A") presented on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America for entities reporting under *Governmental Accounting Standards*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information comprising MD&A and, accordingly, express no opinion on it.

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Herbert H. Lehman College Association for Campus Activities, Inc.

STATEMENT OF NET ASSETS

As of June 30, 2007, with comparative information for 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents (Note C)	\$ 95,988	\$ 111,786
Due from Lehman College (Note E)	60,987	56,518
Student loans receivable	2,348	1,903
Prepaid expenses and other current assets	<u>157,581</u>	<u>139,549</u>
Total current assets	316,904	309,756
Noncurrent assets:		
Long-term investments (Note C)	2,988,362	2,749,321
Capital assets, net (Note D)	<u>1,991</u>	<u>2,994</u>
Total assets	<u>\$ 3,307,257</u>	<u>\$ 3,062,071</u>
 <u>LIABILITIES</u> 		
Current liabilities:		
Accounts payable and accrued expenses	\$ 72,828	\$ 76,525
Deposits held in custody for others	87,520	82,617
Deferred revenue	<u>84,000</u>	<u>100,000</u>
Total current liabilities	<u>\$ 244,348</u>	<u>\$ 259,142</u>
 <u>NET ASSETS</u> 		
Net assets:		
Invested in capital assets	\$ 1,991	\$ 2,994
Unrestricted	<u>3,060,918</u>	<u>2,799,935</u>
Total net assets	<u>\$ 3,062,909</u>	<u>\$ 2,802,929</u>

The accompanying notes are an integral part of this statement.

Herbert H. Lehman College Association for Campus Activities, Inc.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2007, with comparative information for 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Student activity fees	\$ 1,110,381	\$ 1,081,369
Donated services (Note F)	655,452	655,452
Other	<u>23,074</u>	<u>16,510</u>
Total operating revenues	<u>1,788,907</u>	<u>1,753,331</u>
Operating expenses:		
Student government	107,215	107,029
Athletics and recreation	372,358	364,031
Communications media	12,932	9,264
Workshops and conferences	35,913	32,650
Graduation/commencement	51,135	50,323
Student clubs/organization/activities	710,787	710,449
Healthcare center	260,061	239,212
Management and general	361,900	294,746
Depreciation	<u>1,003</u>	<u>4,484</u>
Total operating expenses	<u>1,913,304</u>	<u>1,812,188</u>
Loss from operations	<u>(124,397)</u>	<u>(58,857)</u>
Nonoperating revenues (expenses):		
Interest income	501	537
Net appreciation on investments	439,041	233,128
Contributions	6,372	7,097
College support	<u>(61,537)</u>	<u>(60,505)</u>
Total nonoperating revenues	<u>384,377</u>	<u>180,257</u>
Increase in net assets	259,980	121,400
Net assets, beginning of year	<u>2,802,929</u>	<u>2,681,529</u>
Net assets, end of year	<u>\$ 3,062,909</u>	<u>\$ 2,802,929</u>

The accompanying notes are an integral part of this statement.

Herbert H. Lehman College Association for Campus Activities, Inc.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2007, with comparative information for 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash receipts from:		
Student activity fees	\$ 1,085,000	\$ 1,110,000
Other	23,074	22,611
Cash payments to/for:		
Salaries, benefits and taxes	(807,441)	(722,168)
Conferences, conventions and meeting	(120,563)	(156,854)
Vendors and other	<u>(347,326)</u>	<u>(311,130)</u>
Net cash used in operating activities	<u>(167,256)</u>	<u>(57,541)</u>
Cash flows from noncapital financing activities:		
Change in deposits held in custody for others	4,903	(4,513)
College support	(61,537)	(60,505)
Change in due from Lehman College	1,219	23,272
Contributions	<u>6,372</u>	<u>7,097</u>
Net cash used in noncapital financing activities	<u>(49,043)</u>	<u>(34,649)</u>
Cash flows from investing activities:		
Interest	501	537
Proceeds from sale of investments	<u>200,000</u>	<u>125,000</u>
Net cash provided by investing activities	<u>200,501</u>	<u>125,537</u>
Net (decrease) increase in cash and cash equivalents	(15,798)	33,347
Cash and cash equivalents, beginning of year	<u>111,786</u>	<u>78,439</u>
Cash and cash equivalents, end of year	<u>\$ 95,988</u>	<u>\$ 111,786</u>

Herbert H. Lehman College Association for Campus Activities, Inc.

STATEMENT OF CASH FLOWS (continued)

For the year ended June 30, 2007, with comparative information for 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (124,397)	\$ (58,857)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation expense	1,003	4,484
Changes in assets and liabilities:		
Increase in due from Lehman College	(5,688)	-
(Increase) decrease in student loans receivable	(445)	446
Increase in prepaid expenses and other current assets	(18,032)	(3,323)
Decrease in accounts payable and accrued expenses	(3,697)	(291)
Decrease in deferred revenue	<u>(16,000)</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (167,256)</u>	<u>\$ (57,541)</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2007

NOTE A - NATURE OF ORGANIZATION

The Herbert H. Lehman College Association for Campus Activities, Inc. (the "Association") is a non-profit entity created for the principal purpose of developing and cultivating educational, social, cultural, and recreational activities among students of Herbert H. 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 Trustees of the University and collected by the College on the Association's behalf. The Association was incorporated on November 27, 1984.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association's accounting policies conform to accounting principles generally accepted in the United States of America, applicable Government Accounting Standards Board ("GASB") pronouncements, as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those requirements conflict with or contradict 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 accounting principles generally accepted in the United States of America, as prescribed by GASB. For financial reporting purposes, the Association is also considered to be a component unit of the University, as defined by GASB.

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

GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments." This Statement establishes the presentation format for the general-purpose governments and requires that the financial statements consist of management's discussion and analysis, basic financial statements and required supplementary information.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended June 30, 2007

NOTE B (continued)

GASB Statement No. 35, "Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities." This Statement establishes accounting and financial reporting standards for public colleges and universities and their component units within the financial reporting guidelines of GASB Statement No. 34. In accordance with this Statement, the Association presents a statement of net assets; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. The objectives of this Statement are to enhance the understandability and usefulness of the external reports issued by public colleges and universities and their component units.

GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus." Among other things, this Statement clarifies the minimum requirements of Management's Discussion and Analysis and eliminates the requirement to capitalize construction-period interest for governmental activities as promulgated by GASB Statement No. 34. GASB Statement No. 37 was implemented simultaneously with GASB Statement No. 34.

GASB Statement No. 38, "Certain Financial Statement Note Disclosures." Among other things, this Statement establishes and modifies disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions and disaggregation of receivable and payable balances. GASB Statement No. 38 was implemented simultaneously with GASB Statement No. 34.

The Association adopted GASB Statements No. 34, 35, 37, and 38 effective July 1, 2001.

During fiscal year 2005, the Association adopted GASB Statement No. 40, "Deposits and Investment Risk Disclosures." This Statement establishes and modifies disclosure requirements related to the following investment and deposit risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.
- Custodial credit risk:
 - Deposits - risk that, in the event of failure of a depository financial institution, the Association will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.
 - Investments - risk that, in the event of failure of the counterparty (the party that pledges collateral or that sells investments to or buys investments from the entity) of a transaction, the Association will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended June 30, 2007

NOTE B (continued)

- Concentration of credit risk is the risk of loss attributed to the magnitude of the Association's investment in a single institution or issuer.
- Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair market value of the investment or deposit.
- Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of the investment or deposit.

1. *Net Assets*

The Association's resources are classified into the following net asset categories:

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

Restricted - nonexpendable: net assets subject to externally imposed stipulations requiring the Association to maintain them in perpetuity.

Restricted - expendable: net assets 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 assets, including net assets designated by actions of the Association's Board.

At June 30, 2007, the Association had no restricted net assets.

2. *Cash and Cash Equivalents*

Cash and cash equivalents are comprised of highly liquid instruments with original maturity of ninety days or less.

3. *Investments*

Investments are recorded at fair value and consist of long-term equity and fixed income instruments invested in the University's investment pool. Changes in fair value of investments, if any, are reported in the accompanying statement of revenues, expenses and changes in net assets.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended June 30, 2007

NOTE B (continued)

4. *Capital Assets*

Equipment is 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 assets. 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 is five years.

5. *Deposits Held in Custody for Others*

Deposits held in custody for others are comprised of resources held on behalf of entities affiliated with the College.

6. *Revenue Recognition*

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

7. *Donated Services*

The Association operates on the campus of the College and utilizes facilities and equipment, as well as personal services of certain College employees. The cost savings associated with such arrangements are recorded as donated services and are recognized as revenues and expenses in the accompanying statement of revenues, expenses and changes in net assets, based on the fair value of services received (Note F).

8. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended June 30, 2007

NOTE C - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk of deposits is the risk that in the event of a bank failure the Association's deposits may not be returned to it. At June 30, 2007, \$132,312 of the Association's bank balance of \$232,312 was exposed to custodial credit risk as follows:

The Association does not have a deposit policy.

Concentration of Credit Risk

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

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 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, 2007, the Association's entire investment portfolio balance of \$2,988,362 was held in the CUNY Investment Pool and was exposed to custodial credit risk.

The Association's investments were 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. At June 30, 2007, the CUNY Investment Pool consisted of 171,328,592 units with a fair value of \$171,370,184.

Herbert H. Lehman College Association for Campus Activities, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended June 30, 2007

NOTE D - CAPITAL ASSETS, NET

At June 30, 2007, capital assets, net consisted of the following:

	Beginning Balance	Additions	Ending Balance
Equipment	\$ 184,245	\$ -	\$ 184,245
Less: Accumulated depreciation	<u>(181,251)</u>	<u>(1,003)</u>	<u>(182,254)</u>
Capital assets, net	<u>\$ 2,994</u>	<u>\$ (1,003)</u>	<u>\$ 1,991</u>

NOTE E - RELATED PARTY TRANSACTIONS

At June 30, 2007, the Association had receivables due from the College totaling \$60,987. Of this amount, \$42,375 represented student activity fees collected by the College on behalf of the Association.

NOTE F - DONATED SERVICES

The Association is allowed free use of certain facilities provided by the College. The estimated fair value of the donated space and services, which is used solely by the student organizations, amounted to \$655,452 for the year ended June 30, 2007. Such donated facilities are included in both revenues and expenses in the accompanying statement of revenues, expenses and changes in net assets. Facilities that are shared among the Association and the other College entities, such as gymnasiums and other athletic space, are not recorded in the accompanying financial statements, as neither the Association nor the College has a clearly measurable or objective basis for determining such values.