# GSUC CHILD DEVELOPMENT AND LEARNING CENTER, INC.

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

GSUC CHILD DEVELOPMENT AND LEARNING CENTER, INC.

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors
GSUC Child Development and Learning Center, Inc.:

## Report on the Financial Statements

We have audited the accompanying financial statements of GSUC Child Development and Learning Center, Inc. (the Center), as of and for the years ended June 30, 2018 and 2017, and the related notes to financial statements, which collectively comprise the Center's financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center'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 Center'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 GSUC Child Development and Learning Center, Inc. as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 1, 2018

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of GSUC Child Development and Learning Center, Inc.'s (the Center) financial position as of June 30, 2018, 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 Center's net position increased by $35,070 or 86%
- Operating revenue increased by $83,741 or 15%.
- Operating expenses increased by $42,399 or 7%.

**Financial Position**

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

**Statements of Net Position**

The following summarizes the Center's assets, liabilities and net position as of June 30, 2018 and 2017, under the accrual basis of accounting:

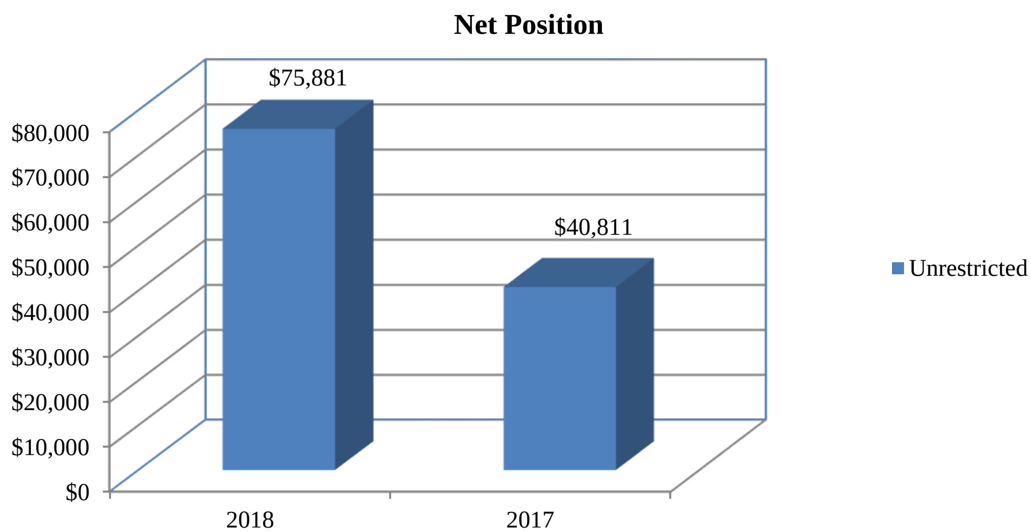
| | 2018 | 2017 | Dollar change | Percent change |
|---|---|---|---|---|
| Total assets | $ 77,000 | 116,724 | (39,724) | (34%) |
| Total liabilities | 1,119 | 75,913 | (74,794) | (99%) |
| Unrestricted net position | $ 75,881 | 40,811 | 35,070 | 86% |

At June 30, 2018, the Center's total net position increased by $35,070 or 86% compared to the previous year.

Current assets decreased by $39,724 or 34%, compared to the previous year. This is primarily due to a decrease in advances to CUNY Research Foundation of $53,304. Current liabilities decreased $74,794 or 99% primarily as a result of repayment of a fiscal year 2017 loan of $75,000 from the Graduate School and University Center Auxiliary Enterprises Corp., a Graduate Center related party, to the GSUC Child Development and Learning Center, Inc. for salary expenses.

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

The following illustrates the Center's net position at June 30, 2018 and 2017 by category:



## 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 Center, as well as nonoperating revenue and expenses, if any. The major components of revenue and expenses for the years ended June 30, 2018 and 2017 are as follows:

### Revenue

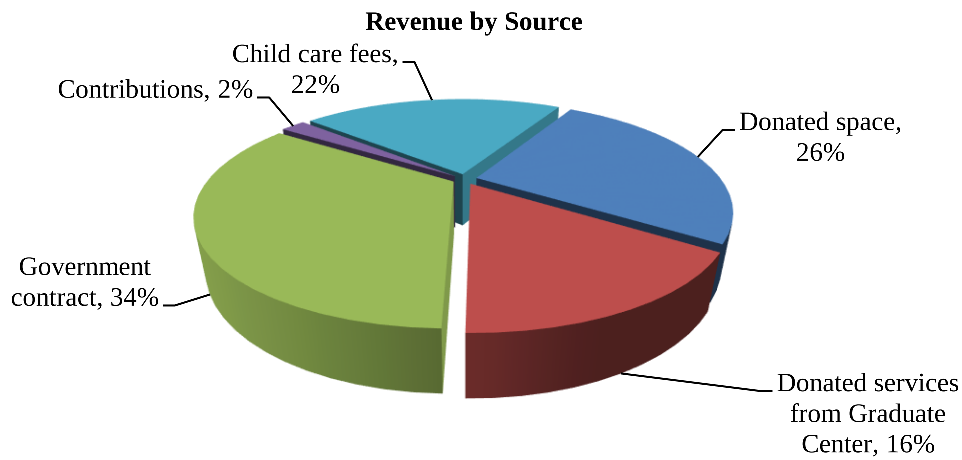
| | 2018 | 2017 | Dollar change | Percent change |
|---|---|---|---|---|
| Operating revenue: | | | | |
| Government contract | $ 219,400 | 115,213 | 104,187 | 90% |
| Contributions | 13,680 | 22,359 | (8,679) | (39%) |
| Child care fees | 141,223 | 154,138 | (12,915) | (8%) |
| Donated services from Graduate Center | 106,700 | 105,552 | 1,148 | 1% |
| Donated space | 167,506 | 167,506 | - | - |
| Total operating revenue | 648,509 | 564,768 | 83,741 | 15% |
| Nonoperating revenue - interest income | 150 | 115 | 35 | 30% |
| Total revenue | $ 648,659 | 564,883 | 83,776 | 15% |

The Center's total revenue for the year ended June 30, 2018 was $648,659, an increase of $83,776 or 15%, compared to the previous year. Government contract revenue increased by $104,187 or 90% due to a new formula for allocation of grants from CUNY. For the year ended June 30, 2018, contributions income decreased by $8,679 or 39%. This variance was primarily due to lower contributions and less fund raising events in fiscal year 2018. Childcare fees for tuition income decreased by $12,915 or 8%.

For the year ended June 30, 2018, government contract, child care fees and contributions represented approximately 34%, 22% and 2% of total revenue, respectively, and accordingly, the Center is dependent upon this level of operational support.

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

The following illustrates the Center's revenue, by source, for the year ended June 30, 2018:



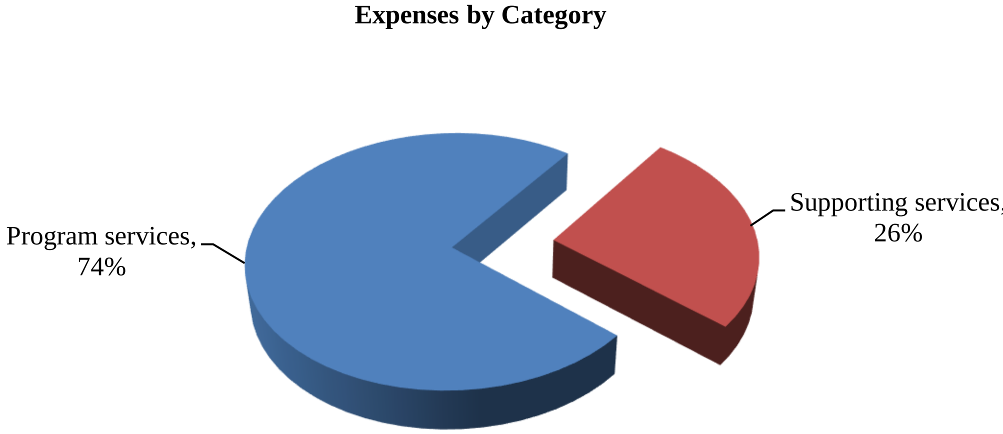

**Expenses**

| | 2018 | 2017 | Dollar change | Percent change |
|---|---|---|---|---|
| Operating expenses: | | | | |
| Program services | $ 454,012 | 426,347 | 27,665 | 6% |
| Supporting services | 159,577 | 144,843 | 14,734 | 10% |
| Total operating expenses | $ 613,589 | 571,190 | 42,399 | 7% |

The Center's total operating expenses for the year ended June 30, 2018 were $613,589, an increase of $42,399 or 7%, compared to the previous year. For the year ended June 30, 2018, there was an increase of salary expenses and consulting by $23,545 and $6,215, respectively. No new capital assets were purchased in fiscal year 2018.

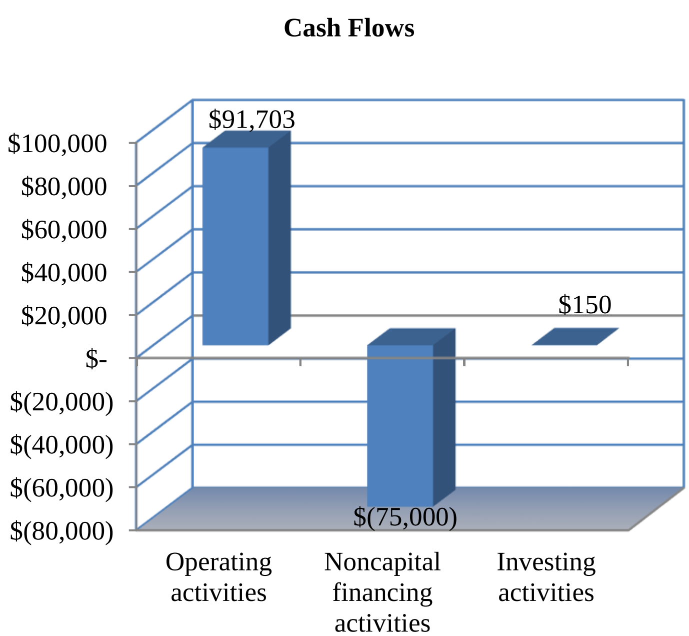
There were no other significant or unexpected changes in the Center's expenses.

The following illustrates the Center's expenses, by category, for the year ended June 30, 2018:




## 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 Center's ability to generate net cash flows, meet its obligations as they come due, and its dependency on external financing. The following summarizes the Center's cash flows for the year ended June 30, 2018:



**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.

GSUC CHILD DEVELOPMENT AND LEARNING CENTER, INC.
Statements of Net Position
June 30, 2018 and 2017

| Assets | 2018 | 2017 |
|---|---|---|
| Current assets: | | |
| Cash | $ 37,995 | 21,142 |
| Accounts receivable | 3,348 | 7,021 |
| Prepaid expenses | 1,475 | 1,075 |
| Advances to CUNY Research Foundation | 34,182 | 87,486 |
| Total assets | 77,000 | 116,724 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 619 | 13 |
| Due to related party | - | 75,000 |
| Unearned revenue | 500 | 900 |
| Total current liabilities | 1,119 | 75,913 |
| **Net Position** | | |
| Unrestricted | $ 75,881 | 40,811 |

See accompanying notes to financial statements.

GSUC CHILD DEVELOPMENT AND LEARNING CENTER, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| Operating revenue: | | |
| Government contract | $ 219,400 | 115,213 |
| Contributions | 13,680 | 22,359 |
| Child care fees | 141,223 | 154,138 |
| Donated services from Graduate Center (note 5) | 106,700 | 105,552 |
| Donated space (note 5) | 167,506 | 167,506 |
| Total operating revenue | 648,509 | 564,768 |
| Operating expenses: | | |
| Program services: | | |
| Salaries and related expenses | 275,857 | 254,667 |
| Donated space (note 5) | 117,254 | 117,254 |
| Insurance | 6,919 | 6,507 |
| Consulting | 6,215 | - |
| Supplies | 4,523 | 5,647 |
| Meetings | 525 | - |
| Postage | 39 | 51 |
| Donated services (note 5) | 42,680 | 42,221 |
| Total program services | 454,012 | 426,347 |
| Supporting services: | | |
| Salaries and related expenses | 30,651 | 28,296 |
| Professional fees | 6,000 | 1,464 |
| Donated space (note 5) | 50,252 | 50,252 |
| Meetings | 28 | - |
| Donated services (note 5) | 64,020 | 63,331 |
| Bad debt expense | 7,021 | - |
| Miscellaneous | 1,605 | 1,500 |
| Total supporting services | 159,577 | 144,843 |
| Total operating expenses | 613,589 | 571,190 |
| Income (loss) from operations | 34,920 | (6,422) |
| Nonoperating revenue - interest income | 150 | 115 |
| Increase (decrease) in net position | 35,070 | (6,307) |
| Net position at beginning of year | 40,811 | 47,118 |
| Net position at end of year | $ 75,881 | 40,811 |

See accompanying notes to financial statements.

GSUC CHILD DEVELOPMENT AND LEARNING CENTER, INC.
Statements of Cash Flows
Years ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash receipts from: | | |
| Government contract | $ 219,400 | 115,213 |
| Contributions | 13,680 | 22,359 |
| Child care fees | 140,823 | 149,544 |
| Cash payments to/for: | | |
| Salaries and related expenses | (253,204) | (336,164) |
| Vendors | (28,996) | (29,343) |
| Net cash provided by (used in) operating activities | 91,703 | (78,391) |
| Cash flows from noncapital financing activities: | | |
| Repayment of loan to Graduate Center Auxiliary Enterprise Corp. | (75,000) | (73,818) |
| Proceeds from loan from Graduate Center Auxiliary Enterprise Corp. | - | 148,818 |
| Net cash provided by (used in) noncapital financing activities | (75,000) | 75,000 |
| Cash flows from investing activities - interest income | 150 | 115 |
| Net increase (decrease) in cash | 16,853 | (3,276) |
| Cash at beginning of year | 21,142 | 24,418 |
| Cash at end of year | $ 37,995 | 21,142 |
| Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities: | | |
| Income (loss) from operations | 34,920 | (6,422) |
| Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities: | | |
| Accounts receivable | 3,673 | (4,594) |
| Prepaid expenses | (400) | (142) |
| Advances to CUNY Research Foundation | 53,304 | (53,201) |
| Accounts payable and accrued expenses | 606 | (13,933) |
| Unearned revenue | (400) | (99) |
| Net cash provided by (used in) operating activities | $ 91,703 | (78,391) |
| Supplemental schedule of cash flow information: | | |
| Donated space and services revenue | $ 274,206 | 273,058 |
| Donated professional services expense | 106,700 | 105,552 |
| Donated space expense | 167,506 | 167,506 |
| | $ 274,206 | 273,058 |

See accompanying notes to financial statements.

## (1) Nature of Organization

GSUC Child Development and Learning Center, Inc. (the Center) was incorporated on February 22, 2000 for the purpose of establishing, maintaining and operating a day care center on the campus of the Graduate School and University Center of The City University of New York (GSUC) or elsewhere in the County of New York, New York. The Center provides day care services for dependent children of registered, matriculated GSUC students and, as space permits, for children of nonmatriculated students, faculty and staff of GSUC. GSUC Child Development and Learning Center, Inc. began its operations on September 5, 2000.

The Center has been determined by the Internal Revenue Service to be a Section 501(c)(3) organization and is therefore exempt from taxes under Section 501(a) of the Internal Revenue Code. The Center is also exempt from New York State and New York City income taxes.

The primary sources of revenue are a government contract, child care fees and contributions

## (2) Summary of Significant Accounting Policies

### (a) Basis of Accounting

The Center'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 Center 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 Center is also considered to be a discretely presented component unit of the University, as defined by GASB.

### (b) Net Position

The Center'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 Center 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 Center or the passage of time.

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

At June 30, 2018, the Center had no net investment in capital assets or restricted net position.

## (2) Summary of Significant Accounting Policies, Continued

### (c) Cash and Equivalents

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

### (d) 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.

### (e) Advances to the CUNY Research Foundation

Advances to the CUNY Research Foundation consist of funds provided to the CUNY Research Foundation for salary and related expenses that were not spent at the end of the fiscal year. All advances are expected to be spent in the next fiscal year.

### (f) 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 Center'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. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. The estimated useful life of furniture, fixtures and equipment is five years and the estimated useful life of building improvements is 25 years.

### (g) Unearned Revenue and Revenue Recognition

Revenues are primarily derived from a government grant and child care fees according to a fee schedule and are recognized when child care services are provided. Revenues are recognized in the period earned. Revenue collected prior to year-end, if any, relating to the subsequent year, is recorded as unearned revenue.

### (h) Government Contract

Revenue from the government contract is recognized over the year based on the terms of the contract.

### (i) Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Center. Contributions that are restricted by the donor are reported as increases in unrestricted net positon if the restrictions expire within the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in restricted - expendable or restricted - non-expendable net position depending on the nature of the restrictions. When a restriction expires, restricted - expendable net position is reclassified to unrestricted net position.

(2) Summary of Significant Accounting Policies, Continued

(j) In-Kind Contributions

In-kind contributions are recorded at their estimated fair values and are reflected in the financial statements as revenue and a corresponding expense.

(k) Donated Space and Services

The Center operates on the campus of the College and utilizes facilities and professional services provided by the College. The cost savings associated with such arrangements are recorded as donated space and services and are recognized as revenue and expenses in the accompanying financial statements based on the fair value of such facilities and services (note 5).

(l) 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.

(m) 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.

(n) Subsequent Events

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

(o) Income Taxes

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

(3) Cash and Equivalents

Custodial credit risk of deposits is the risk that the Center's deposits may not be returned in the event of a bank failure. At June 30, 2018, none of the Center's bank balance was exposed to custodial credit risk as it was fully insured.

## (4) Capital Assets

At June 30, 2018 and 2017, capital assets consisted of the following:

| | 2018 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Disposals | Ending balance |
| Equipment | $ 55,102 | - | - | 55,102 |
| Less accumulated depreciation | (55,102) | - | - | (55,102) |
| Total capital assets, net | $ - | - | - | - |

| | 2017 | | | |
|---|---|---|---|---|
| | Beginning balance | Additions | Disposals | Ending balance |
| Equipment | $ 55,102 | - | - | 55,102 |
| Less accumulated depreciation | (55,102) | - | - | (55,102) |
| Total capital assets, net | $ - | - | - | - |

## (5) Donated Space and Services

The Center utilizes certain facilities and professional services provided by the College at no cost. Donated services from the Graduate Center consist of salary and related expenses for the Director of GSUC Child Development and Learning Center, Inc. The estimated fair values of the facilities and professional services amounted to $274,206 and $273,058 for the years ended June 30, 2018 and 2017, respectively. These donated space and services are included in both revenue and expenses in the accompanying statements of revenue, expenses and changes in net position.

| | 2018 | 2017 |
|---|---|---|
| Facilities | $ 167,506 | 167,506 |
| Professional services | 106,700 | 105,552 |
| | $ 274,206 | 273,058 |

## (6) Related Party Transactions

The Graduate School and University Center Auxiliary Enterprises is a separate entity that receives and holds economic resources for the benefit of The Graduate School and University Center for the City University of New York.

During fiscal year 2017, the Auxiliary provided a loan of $148,818 to cover a portion of the Center's staff payroll expenses. Of the $148,818 loan, $73,818 was repaid in fiscal year 2017 and $75,000 was repaid in fiscal year 2018. At the end of fiscal year 2018, there was no outstanding balance on this loan.

## (7) 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 Center. This Statement is not expected to have a material effect on the financial statements of the Center.

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 Center. This Statement is not expected to have a material effect on the financial statements of the Center.

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 Center. This Statement is not expected to have a material effect on the financial statements of the Center.

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning July 1, 2018 for the Center. This Statement is not expected to have a material effect on the financial statements of the Center.

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

GASB Statement No. 89 - "Accounting for Interest Cost Incurred Before the End of a Construction Period." This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which are superseded by this Statement. 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 Center. This Statement is not expected to have a material effect on the financial statements of the Center.

GASB Statement No. 90 - "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61." This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning July 1, 2019 for the Center. This Statement is not expected to have a material effect on the financial statements of the Center.