

THE CITY COLLEGE CHILD
DEVELOPMENT CENTER, INC.

Financial Statements and
Supplementary Information

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The City College Child Development Center, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The City College Child Development Center, Inc. (the CDC) as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the CDC'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 CDC'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 CDC'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 City College Child Development 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 June 30, 2016 financial statements were reviewed by us, and our report thereon, dated October 19, 2016, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

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 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.

EFPR Group, CPAs, PLLC
(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York
September 25, 2017

THE CITY COLLEGE CHILD DEVELOPMENT 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 City College Child Development Center, Inc.'s (the CDC) 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

- CDC's net position increased by \$50,774 or 31%.
- Operating revenue decreased by \$164,608 or 69%.
- Operating expenses decreased by \$232,227 or 91%.

Financial Position

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

Statements of Net Position

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

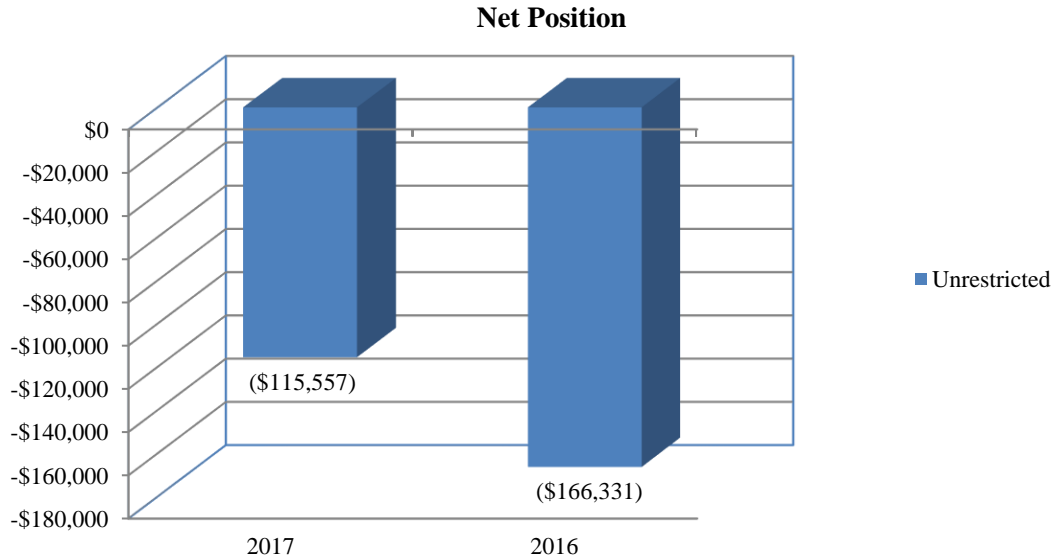
	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets	\$ <u>134,702</u>	<u>83,928</u>	<u>50,774</u>	60%
Liabilities	<u>250,259</u>	<u>250,259</u>	<u>-</u>	-
Net position - unrestricted	\$ <u>(115,557)</u>	<u>(166,331)</u>	<u>50,774</u>	31%

At June 30, 2017, CDC's total net position increased by \$50,774 or 31% compared to the previous year. This variance was related to the cash receipts of student activity fees of \$111,675 during the fiscal year ended June 30, 2017. Total assets increased by \$50,774, principally due to an increase in cash and equivalents of \$103,534, offset by a decrease in child care grants and fees receivable of \$52,760.

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

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.
Management's Discussion and Analysis, Continued

The following illustrates CDC's net position at June 30, 2017 and 2016 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 CDC, 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 change</u>	<u>Percent change</u>
Operating revenue:				
Student activity fees	\$ 58,915	57,069	1,846	3%
Other	-	34	(34)	(100%)
Donated space and services	<u>15,944</u>	<u>182,364</u>	<u>(166,420)</u>	(91%)
Total operating revenue	74,859	239,467	(164,608)	(69%)
Nonoperating revenue - contributions	<u>-</u>	<u>10,600</u>	<u>(10,600)</u>	(100%)
Total revenue	\$ <u>74,859</u>	<u>250,067</u>	<u>(175,208)</u>	(70%)

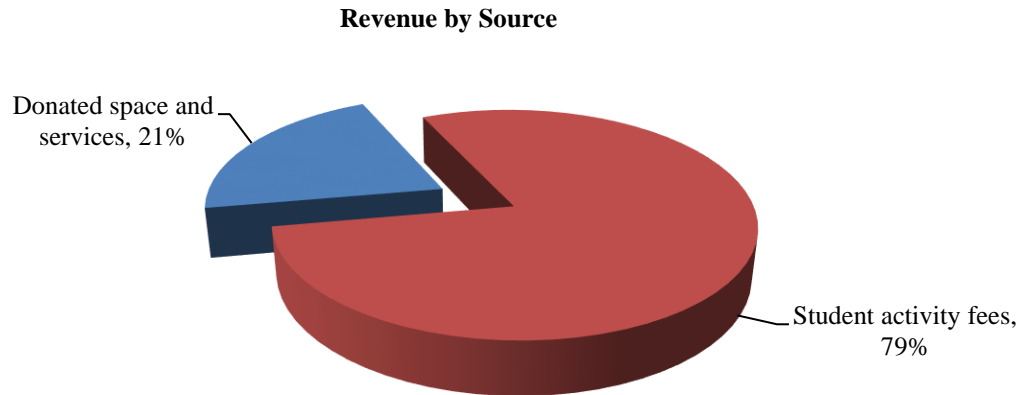
THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Management’s Discussion and Analysis, Continued

CDC’s total revenue for fiscal year 2017 was \$74,859, a decrease of \$175,208 or 70% compared to the previous year. The major components of this variance were attributed to a decrease in donated space and services of \$166,420 mainly due to temporarily closing the facility for the renovations and a decrease in contributions of \$10,600.

There were no unexpected or other significant changes in CDC’s revenue.

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



Expenses

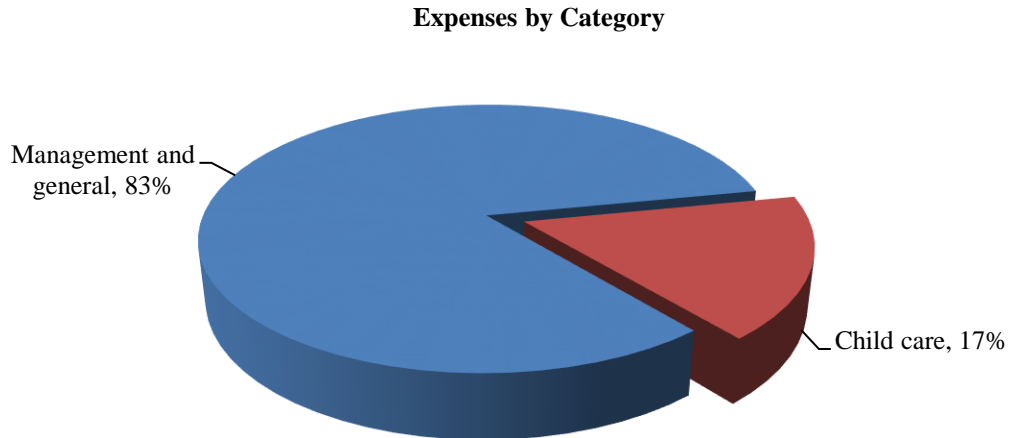
	<u>2017</u>	<u>2016</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Child care	\$ 4,116	128,501	(124,385)	(97%)
Management and general	<u>19,969</u>	<u>127,811</u>	<u>(107,842)</u>	(84%)
Total operating expenses	\$ <u>24,085</u>	<u>256,312</u>	<u>(232,227)</u>	(91%)

The total expenses for fiscal year 2017 were \$24,085, which was approximately 91% less than the previous year. The major components of this variance were attributed to a decrease in salaries and employees’ benefits of \$49,024 and donated space and services of \$166,420, due to temporarily closing the facility for the renovations.

There were no unexpected or other significant changes in CDC’s expenses.

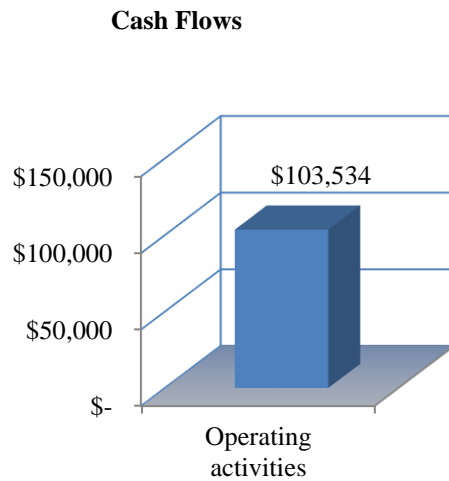
THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.
Management's Discussion and Analysis, Continued

The following illustrates CDC'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 CDC's ability to generate net cash flows, meet its obligations as they come due, and its dependency on external financing. The following summarizes CDC's cash flows for the year ended June 30, 2017:



THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.
Management's Discussion and Analysis, Continued

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 grants and fees earned, as well as related expenses incurred.

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.
 Statements of Net Position
 June 30, 2017 and 2016

	2017 <u>(Audited)</u>	2016 <u>(Reviewed)</u>
<u>Assets</u>		
Current assets:		
Cash and equivalents (note 3)	\$ 130,393	26,859
Child care grants and fees receivable (note 4)	<u>4,309</u>	<u>57,069</u>
Total current assets	<u>134,702</u>	<u>83,928</u>
 <u>Liabilities</u>		
Current liabilities - due to related parties (note 5)	<u>250,259</u>	<u>250,259</u>
 <u>Net Position</u>		
Unrestricted	<u>\$ (115,557)</u>	<u>(166,331)</u>

See accompanying notes to financial statements.

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

	2017 <u>(Audited)</u>	2016 <u>(Reviewed)</u>
Operating revenue:		
Student activity fees	\$ 58,915	57,069
Other	-	34
Donated space and services (note 6)	<u>15,944</u>	<u>182,364</u>
Total operating revenue	<u>74,859</u>	<u>239,467</u>
Operating expenses:		
Child care	4,116	128,501
Supporting services - management and general	<u>19,969</u>	<u>127,811</u>
Total operating expenses	<u>24,085</u>	<u>256,312</u>
Income (loss) from operations	50,774	(16,845)
Nonoperating revenue - contributions	<u>-</u>	<u>10,600</u>
Increase (decrease) in net position	50,774	(6,245)
Net position at beginning of year	<u>(166,331)</u>	<u>(160,086)</u>
Net position at end of year	<u>\$ (115,557)</u>	<u>(166,331)</u>

See accompanying notes to financial statements.

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.
 Statements of Cash Flows
 Years ended June 30, 2017 and 2016

	2017 <u>(Audited)</u>	2016 <u>(Reviewed)</u>
Cash flows from operating activities:		
Cash receipts from:		
Child care grants and fees	\$ -	57,980
Student activity fees	111,675	-
Other	-	34
Cash payments to/for:		
Employees for salaries	-	(14,582)
Benefits	(4,116)	(38,558)
Vendors	(4,025)	(16,615)
Other	-	(10,768)
Net cash provided by (used in) operating activities	<u>103,534</u>	<u>(22,509)</u>
Cash flow provided by noncapital financing activity - contributions	<u>-</u>	<u>10,600</u>
Net increase (decrease) in cash and equivalents	103,534	(11,909)
Cash and equivalents at beginning of year	<u>26,859</u>	<u>38,768</u>
Cash and equivalents at end of year	<u>\$ 130,393</u>	<u>26,859</u>
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:		
Operating income (loss)	50,774	(16,845)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Changes in:		
Child care grants and fees receivable	52,760	911
Prepaid expenses	-	4,193
Due to related parties	-	(10,768)
Net cash provided by (used in) operating activities	<u>\$ 103,534</u>	<u>(22,509)</u>
Supplemental schedule of cash flow information:		
Donated space and services	<u>\$ 15,944</u>	<u>182,364</u>
Donated professional services	15,944	31,962
Donated facilities	<u>-</u>	<u>150,402</u>
	<u>\$ 15,944</u>	<u>182,364</u>

See accompanying notes to financial statements.

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(1) Nature of Organization

The City College Child Development Center, Inc. (the CDC) is a not-for-profit entity organization formed under the laws of the State of New York to serve the City College of the City University of New York (the College). CDC only serves children of students of the College or the City University of New York (CUNY or the University). CDC provides quality educational services in accordance with modern child development knowledge. CDC is committed to the education of all children. CDC is primarily supported by grants and fees.

The facility of CDC is temporarily closed for renovations after July 1, 2015. CDC continues the operation by outsourcing the service to local daycare service centers during renovations. Management plans to reopen the facility after the renovation projects are completed.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

CDC'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, CDC is considered to be a special-purpose government engaged only in business-type activities. GASB defines business-type activities as activities financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP, as prescribed by GASB. For financial reporting purposes, CDC 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 CDC are summarized below:

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

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Accounting Pronouncements, Continued

- GASB Statement No. 72 - “Fair Value Measurement and Application” provides guidance regarding accounting and financial reporting relates to fair value measures of certain investments. The requirements of this Statement are effective for periods beginning after June 15, 2015. For the CDC, 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 CDC, this Statement became effective for the fiscal year beginning July 1, 2015.

(c) Net Position

CDC’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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted - All other net position, including net position designated by actions of CDC’s Board of Directors.

At June 30, 2017, CDC had no net investment in capital assets or restricted net positions.

(d) Cash and Equivalents

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

(e) Receivables

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

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Revenue Recognition

Revenues are primarily derived from federal and state grants and tuition payments according to a fee schedule and are recognized when child care services are provided. Contributions received are recorded as restricted - non-expendable, restricted - expendable, or unrestricted, depending on the existence and or nature of any donor restrictions. Student activity fees and parent fees are recognized in the period earned. Student activity fees and parent fees collected prior to year-end, if any, relating to the first half of the summer semester of the subsequent year, are recorded as unearned revenue.

(g) Donated Space and Services

CDC operates on the campus of the College and utilizes facilities and equipment, as well as personnel services of certain College employees. The cost savings associated with such arrangements are recorded as donated space and services, and are recognized as revenue and expenses in the accompanying statements of revenue, expenses and changes in net position, based on the fair value of such facilities and services (note 6).

(h) 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.

(i) 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.

(j) Subsequent Events

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

(k) Income Taxes

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

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Notes to Financial Statements, Continued

(3) Cash and Equivalents

Custodial credit risk of deposits is the risk that CDC's deposits may not be returned in the event of a bank failure. At times, the CDC's cash and equivalents may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high credit quality financial institutions.

(4) Child Care Grants and Fees Receivable

Child care grants and fees receivable are \$4,309 and \$57,069 from the student activity fees at June 30, 2017 and 2016, respectively.

(5) Due to Related Parties

During 2013 and prior, the College maintained a general checking account for all non-tax levy monies, which included funds received and disbursed on behalf of CDC. CDC has a payable to the College as a result of the cumulative effect of disbursements exceeding receipts. The City College Auxiliary Enterprises Corporation also advanced a non-interest bearing loan to CDC for general operation. Amounts due to related parties at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
The City College of the City University of New York	\$ 200,259	200,259
The City College Auxiliary Enterprises Corporation	<u>50,000</u>	<u>50,000</u>
Total	\$ <u>250,259</u>	<u>250,259</u>

(6) Donated Space and Services

CDC utilizes certain professional services and facilities provided by the College. The estimated value of professional services and facilities are included in revenue and expenses in the accompanying statements of revenues, expenses and changes in net position. The estimated value of professional services and facilities for the years ended June 30, 2017 and 2016 amounted to the following:

	<u>2017</u>	<u>2016</u>
Professional services	\$ 15,944	31,962
Facilities	<u>-</u>	<u>150,402</u>
Total	\$ <u>15,944</u>	<u>182,364</u>

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Notes to Financial Statements, Continued

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

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

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

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

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