

THE CITY COLLEGE CHILD  
DEVELOPMENT CENTER, INC.

Financial Statements and  
Supplementary Information

June 30, 2016 and 2015

(With Independent Accountants' Review Report Thereon)

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Table of Contents

	<u>Page</u>
Independent Accountants' Review Report	1 - 2
Management's Discussion and Analysis	3 - 7
Financial Statements:	
Statements of Net Position	8
Statements of Revenue, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 15

\* \* \* \* \*

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of The City College Child Development Center, Inc. (the CDC), which comprise the statements of net position as of June 30, 2016, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, the related notes to financial statements and management's discussion and analysis. A review includes primarily applying analytical procedures to management's financial data and making inquiries of CDC's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2015 Financial Statements

The 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated October 2, 2015, we have not performed any auditing procedures since that date.

Going Concern

The accompanying financial statements have been prepared assuming that CDC will continue as a going concern. As discussed in note 7 to the financial statements, CDC may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the company be unable to continue as a going concern.

EFPR Group, CPAs, PLLC

(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York  
October 19, 2016

# THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

## Management's Discussion and Analysis

June 30, 2016 and 2015

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, 2016, 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 decreased by \$6,245 or 4%.
- Operating revenue decreased by \$315,078 or 57%.
- Operating expenses decreased by \$372,760 or 59%.

### 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, 2016 and 2015, under the accrual basis of accounting:

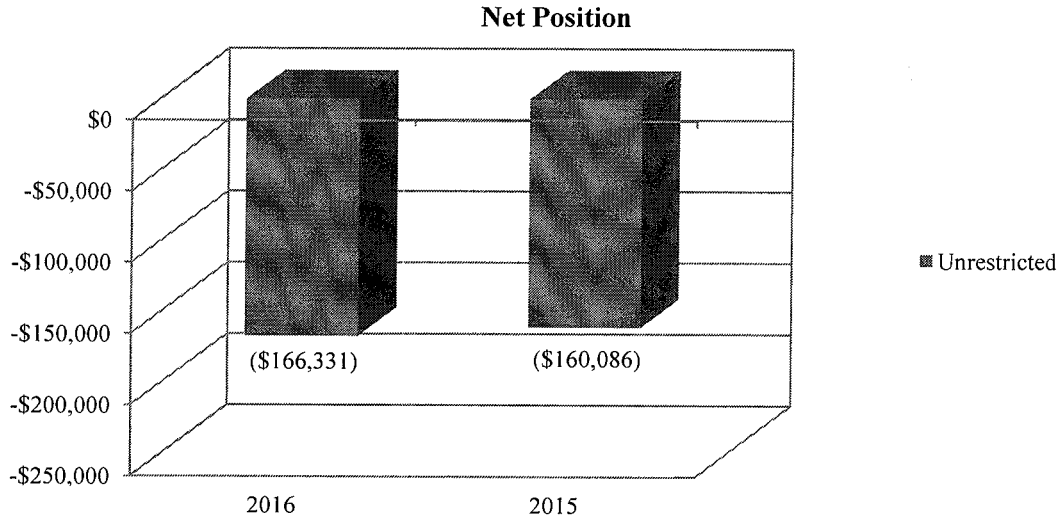
	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Assets	\$ <u>83,928</u>	<u>100,941</u>	<u>(17,013)</u>	<u>(17%)</u>
Liabilities	<u>250,259</u>	<u>261,027</u>	<u>(10,768)</u>	<u>(4%)</u>
Net position - unrestricted	\$ <u>(166,331)</u>	<u>(160,086)</u>	<u>(6,245)</u>	<u>(4%)</u>

At June 30, 2016, CDC's total net position decreased by \$6,245 or 4% compared to the previous year. This variance is related to not receiving grants from CUNY Research Foundation and the New York State Child and Adult Food Program due to the CDC temporarily closing for renovations. Total assets decreased by \$17,013, principally due to a decrease in cash and equivalents of \$11,909. Total liabilities decreased by \$10,768, principally due to repaying loans from related parties.

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, 2016 and 2015 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, 2016 and 2015, are as follows:

**Revenue**

	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating revenue:				
Child care grants and fees	\$ -	236,558	(236,558)	(100%)
Parent fees	-	17,296	(17,296)	(100%)
Student activity fees	57,069	55,566	1,503	3%
Other	34	117	(83)	(71%)
Donated space and services	<u>182,364</u>	<u>245,008</u>	<u>(62,644)</u>	(26%)
Total operating revenue	239,467	554,545	(315,078)	(57%)
Nonoperating revenue - contributions	<u>10,600</u>	<u>120,000</u>	(109,400)	(91%)
Total revenue	\$ <u>250,067</u>	<u>674,545</u>	<u>(424,478)</u>	(63%)

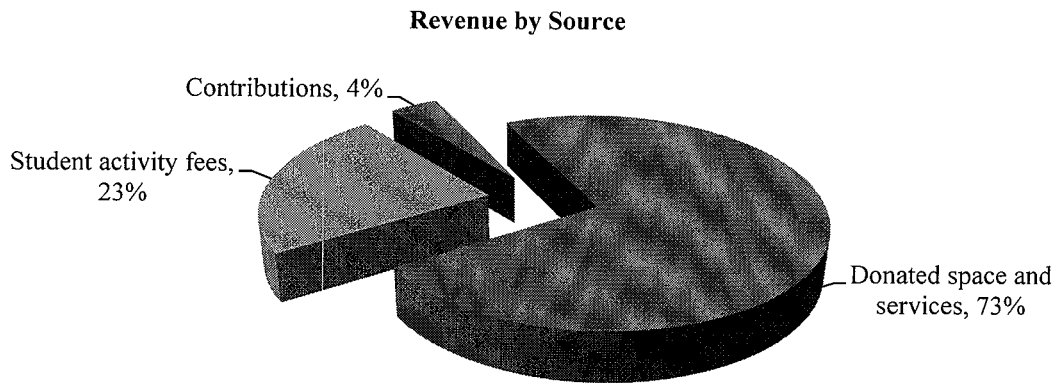
THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Management's Discussion and Analysis, Continued

CDC's total revenue for fiscal year 2016 was \$250,067, a decrease of \$424,478 or 63% over the prior year. The major components of this variance were attributed to a decrease in child care grants and fees of \$236,558 related to a decrease in grants from New York State and the New York State Child and Adult Food Program, a decrease in donated space and services of \$62,644 mainly due to temporarily closing the facility for renovations, and a decrease in contributions of \$109,400.

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, 2016:



**Expenses**

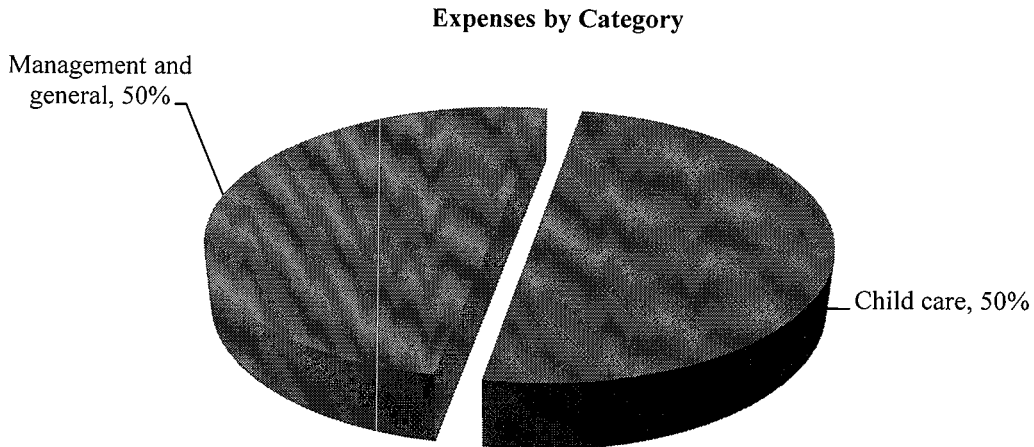
	<u>2016</u>	<u>2015</u>	<u>Dollar change</u>	<u>Percent change</u>
Operating expenses:				
Child care	\$ 128,501	370,425	(241,924)	(65%)
Management and general	<u>127,811</u>	<u>258,647</u>	(130,836)	(51%)
Total operating expenses	\$ <u>256,312</u>	<u>629,072</u>	<u>(372,760)</u>	(59%)

The total expenses for fiscal year 2016 were \$256,312, which was approximately 59% less than the previous year. The major components of this variance were attributed to a decrease in salaries and employees benefits of \$398,262 due to temporarily closing the facility for renovations.

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

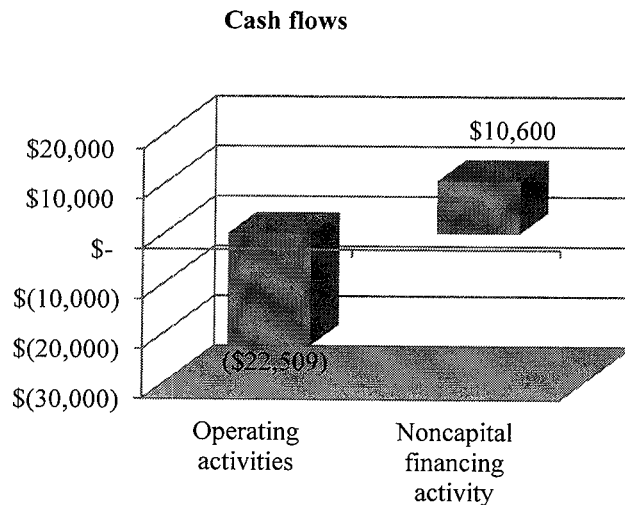
THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.  
 Management's Discussion and Analysis, Continued

The following illustrates CDC's expenses, by category, for the year ended June 30, 2016:



**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, 2016:





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, 2016 and 2015

	2016 <u>(Reviewed)</u>	2015 <u>(Audited)</u>
<u>Assets</u>		
Current assets:		
Cash and equivalents (note 3)	\$ 26,859	38,768
Child care grants and fees receivable (note 4)	57,069	57,980
Prepaid expenses	<u>-</u>	<u>4,193</u>
Total current assets	<u>83,928</u>	<u>100,941</u>
 <u>Liabilities</u>		
Current liabilities - due to related parties (note 5)	<u>250,259</u>	<u>261,027</u>
 <u>Net Position</u>		
Unrestricted	<u>\$ (166,331)</u>	<u>(160,086)</u>

See accompanying notes to financial statements and independent accountants' review report.

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.  
 Statements of Revenue, Expenses and Changes in Net Position  
 Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
	<u>(Reviewed)</u>	<u>(Audited)</u>
Operating revenue:		
Child care grants and fees	\$ -	236,558
Parent fees	-	17,296
Student activity fees	57,069	55,566
Other	34	117
Donated space and services (note 6)	<u>182,364</u>	<u>245,008</u>
Total operating revenue	<u>239,467</u>	<u>554,545</u>
Operating expenses:		
Child care	128,501	370,425
Supporting services - management and general	<u>127,811</u>	<u>258,647</u>
Total operating expenses	<u>256,312</u>	<u>629,072</u>
Loss from operations	(16,845)	(74,527)
Nonoperating revenue - contributions	<u>10,600</u>	<u>120,000</u>
Increase (decrease) in net position	(6,245)	45,473
Net position at beginning of year	<u>(160,086)</u>	<u>(205,559)</u>
Net position at end of year	<u>\$ (166,331)</u>	<u>(160,086)</u>

See accompanying notes to financial statements and independent accountants' review report.

THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.  
 Statements of Cash Flows  
 Years ended June 30, 2016 and 2015

	2016 <u>(Reviewed)</u>	2015 <u>(Audited)</u>
Cash flows from operating activities:		
Cash receipts from:		
Child care grants and fees	\$ 57,980	231,636
Parent fees	-	17,296
Student activity fees	-	55,566
Other	34	285
Cash payments to/for:		
Employees for salaries	(14,582)	(238,330)
Benefits	(38,558)	(123,290)
Vendors	(16,615)	(38,260)
Other	<u>(10,768)</u>	<u>-</u>
Net cash used in operating activities	(22,509)	(95,097)
Cash flow provided by noncapital financing activity - contributions	<u>10,600</u>	<u>120,000</u>
Net increase (decrease) in cash and equivalents	(11,909)	24,903
Cash and equivalents at beginning of year	<u>38,768</u>	<u>13,865</u>
Cash and equivalents at end of year	<u>\$ 26,859</u>	<u>38,768</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Operating loss	(16,845)	(74,527)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Changes in:		
Child care grants and fees receivable	911	(4,922)
Prepaid expenses	4,193	18
Account payable and accrued expenses	-	(15,834)
Due to related parties	<u>(10,768)</u>	<u>168</u>
Net cash used in operating activities	<u>\$ (22,509)</u>	<u>(95,097)</u>
Supplemental schedule of cash flow information:		
Donated space and services	<u>\$ 182,364</u>	<u>245,008</u>
Donated professional services	31,962	137,578
Donated facilities	<u>150,402</u>	<u>107,430</u>
	<u>\$ 182,364</u>	<u>245,008</u>

See accompanying notes to financial statements and independent accountants' review report.

# THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### (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, 2016, 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 at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
CUNY Research Foundation	\$ -	56,689
NYS Child and Adult Food Program	-	1,291
Student activity fees	<u>57,069</u>	<u>-</u>
Total	\$ <u>57,069</u>	<u>57,980</u>

(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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
The City College of the City University of New York	\$ 200,259	211,027
The City College Auxiliary Enterprises Corporation	<u>50,000</u>	<u>50,000</u>
Total	\$ <u>250,259</u>	<u>261,027</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, 2016 and 2015 amounted to the following:

	<u>2016</u>	<u>2015</u>
Professional services	\$ 31,962	137,578
Facilities	<u>150,402</u>	<u>107,430</u>
Total	\$ <u>182,364</u>	<u>245,008</u>



THE CITY COLLEGE CHILD DEVELOPMENT CENTER, INC.

Notes to Financial Statements, Continued

(7) Going Concern

As shown in the financial statements, CDC has incurred losses from operations in 2016 and prior years, and only had cash and equivalents to support operations for a short period of time. These factors raise substantial doubt its ability to continue as a going concern. Management continues a cost reduction plan, which includes maintaining a reduced level of staff and developing additional funding from new and existing funding sources. Management believes these factors will allow CDC to achieve sustainability. The financial statements do not include any adjustments that might be necessary if CDC is unable to continue as a going concern.