CHILD DEVELOPMENT CENTER
AT QUEENS COLLEGE, INC.

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

CHILD DEVELOPMENT CENTER AT QUEENS COLLEGE, INC.

Table of Contents

*   *   *   *   *   *

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Child Development Center at Queens College, Inc. (the Center) as of and for the years ended June 30, 2019 and 2018, 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 financial position of Child Development Center at Queens College, Inc. as of June 30, 2019 and 2018, 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 4, 2019

CHILD DEVELOPMENT CENTER AT QUEENS COLLEGE, INC.

Management's Discussion and Analysis

June 30, 2019

The intent of management's discussion and analysis (MD&A) is to provide readers with a comprehensive overview of Child Development Center at Queens College, Inc.'s (the Center) financial position as of June 30, 2019, 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 $32,830 or 19%.
- Operating revenue increased by $39,986 or 5%.
- Operating expenses increased by $60,468 or 6%.

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, 2019 and 2018, under the accrual basis of accounting:

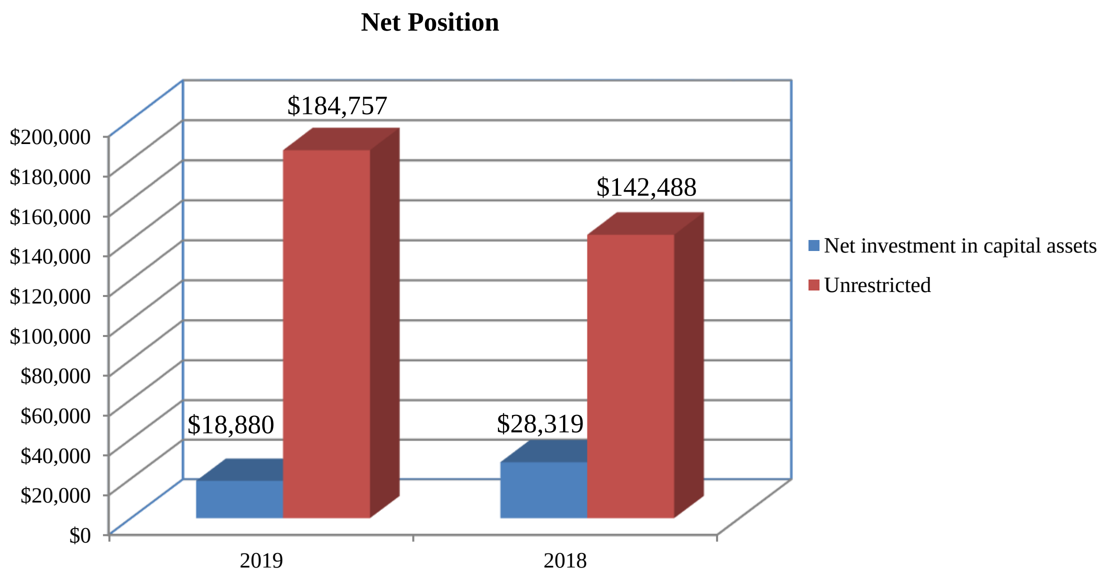
	2019	2018	Dollar change	Percent change
Assets:				
Current assets	$ 214,374	222,055	(7,681)	(3%)
Noncurrent assets - capital assets, net	18,880	28,319	(9,439)	(33%)
Total assets	233,254	250,374	(17,120)	(7%)
Liabilities	29,617	79,567	(49,950)	(63%)
Net position:				
Net investment in capital assets	18,880	28,319	(9,439)	(33%)
Unrestricted	184,757	142,488	42,269	30%
Total net position	$ 203,637	170,807	32,830	19%

At June 30, 2019, the Center's current assets decreased by $7,681 or 3%, compared to the previous year. This variance was principally due to decreases in grants receivable and cash and equivalents of $64,998 and $48,727, respectively. The decrease in grants receivable was due to the timing of receipt and application of the Federal Block Grants in fiscal year 2019 compared to 2018. The decrease in cash and equivalents was due to prepayment to the Research Foundation for FY20 payroll. Noncurrent assets decreased by $9,439 or 33%, as a result of annual depreciation.

At June 30, 2019, the Center's total current liabilities decreased by $49,950 or 63%, compared to the previous year. This variance was due to a decrease in the amount due to Research Foundation of $48,430 which was the result of the timing of the receipt of the Federal Block Grant funds from 2018 in 2019. The grant was received in June 30, 2019 and was used to offset salary expenses incurred prior to year-end.

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, 2019 and 2018 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, 2019 and 2018, are as follows:

Revenue

	2019	2018	Dollar change	Percent change
Operating revenue:				
Tuition and registration fees	$ 64,367	44,142	20,225	46%
Student activity fees	115,766	120,115	(4,349)	(4%)
State grant	179,231	183,612	(4,381)	(2%)
Federal block grant	47,469	47,511	(42)	(1%)
Donated space and services	470,717	455,944	14,773	3%
Donated equipment	13,834	-	13,834	100%
Other	420	494	(74)	(15%)
Total operating revenue	891,804	851,818	39,986	5%
Nonoperating revenue:				
Interest income	62	65	(3)	(5%)
Tax levy support	108,222	119,911	(11,689)	(10%)
Related parties support	674	-	674	100%
Rental space	36,000	36,000	-	-
Total nonoperating revenue	144,958	155,976	(11,018)	(7%)
Total revenue	$ 1,036,762	1,007,794	28,968	3%

The Center's total revenue for the year ended June 30, 2019 amounted to $1,036,762, an increase of $28,968 or 3%, compared to the previous year. This variance was principally due to an increase in operating revenue of $39,986.

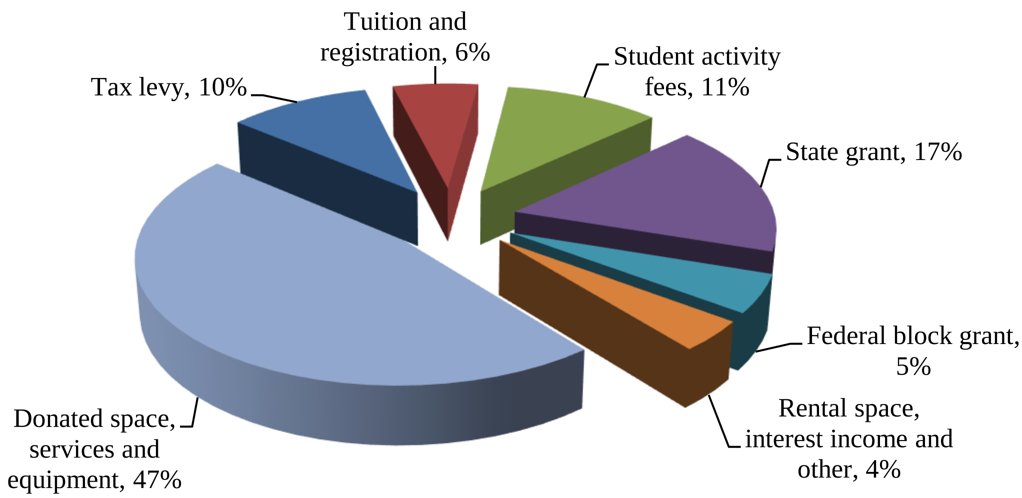
Nonoperating revenue decreased by $11,018 or 7%, which was due to the decrease of $11,689 in tax levy support in fiscal year 2019. The decrease in tax levy funding was due to temporary services personnel costs in 2019.

Total operating revenue increased by $39,986 or 5%, compared to the previous year. The major components of this variance were related to an increase in donated space and services, donated equipment and tuition and registration fees of $14,773, $13,834 and $20,225, respectively. The increase in donated space and services was due to the increase in the fair market value of space from fiscal year 2018. The increase in tuition and registration fees revenue was due to an increase in enrollment.

State grant, student activity fees, Federal block grant and donated space and services represented approximately 17%, 11%, 5% and 47%, respectively, of total revenue and, accordingly, the Center is dependent upon this support to carry out its operations.

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, 2019:



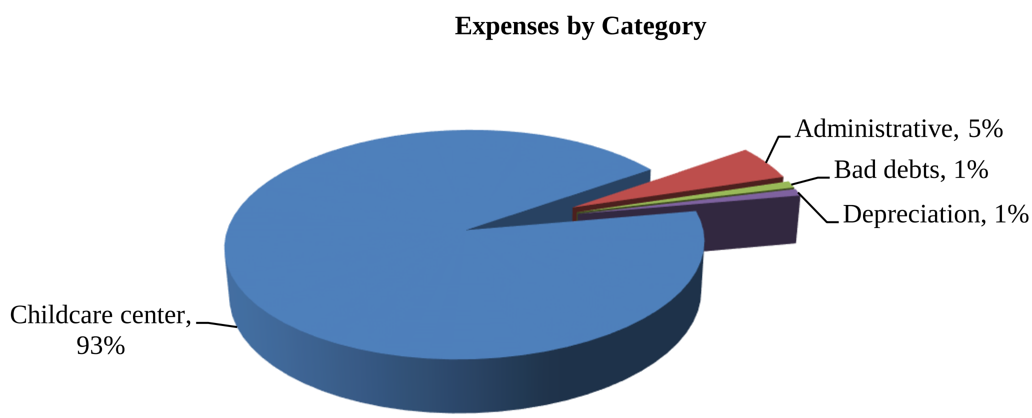
Expenses

		2019	2018	Dollar change	Percent change
Operating expenses:					
Childcare center	$	941,885	903,195	38,690	4%
Administrative		48,350	30,830	17,520	57%
Bad debts		4,258	-	4,258	100%
Depreciation		9,439	9,439	-	-
Total operating expenses	$	1,003,932	943,464	60,468	6%

Total expenses for fiscal 2019 were $1,003,932, an increase of $60,468 or 6%, compared to the previous year. The variance was due to increases in childcare center expenses in the amount of $38,690 and administrative expenses of $17,520. The increase in childcare center expenses was due an increase in part-time salaries due to filling vacant positions in 2019. The increase in administrative services was due to equipment purchased with tax levy funds.

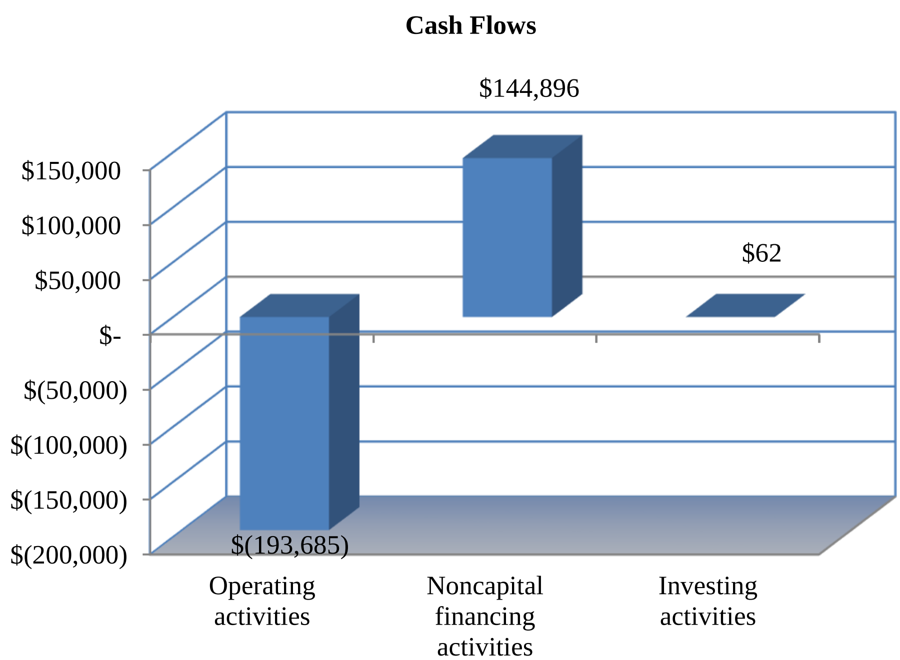
There were no other significant or unexpected changes in the Center's expenses.

The following illustrates the Center's expenses, by category, for the year ended June 30, 2019:



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, 2019:



Economic Factors That May Affect the Future

There are no known economic factors that may influence the future, with the exception of government grant support and student enrollment, which directly relates to the amount of revenue earned, as well as related expenses incurred.

CHILD DEVELOPMENT CENTER AT QUEENS COLLEGE, INC.
Statements of Net Position
June 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and equivalents	$ 52,845	101,572
Accounts receivable	5,974	6,589
Grants receivable	37,950	102,948
Due from Queens College	8,645	7,632
Prepaid expenses	108,960	3,314
Total current assets	214,374	222,055
Noncurrent assets - capital assets, net	18,880	28,319
Total current assets	233,254	250,374
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	4,601	6,121
Due to Research Foundation of The City University of New York	22,016	70,446
Security deposits	3,000	3,000
Total current liabilities	29,617	79,567
Net Position		
Net investment in capital assets	18,880	28,319
Unrestricted	184,757	142,488
Total net position	$ 203,637	170,807

See accompanying notes to financial statements.

CHILD DEVELOPMENT CENTER AT QUEENS COLLEGE, INC.
Statements of Revenue, Expenses and Changes in Net Position
Years ended June 30, 2019 and 2018

	2019	2018
Operating revenue:		
Tuition and registration fees	$ 64,367	44,142
Student activity fees	115,766	120,115
State grant	179,231	183,612
Federal block grant	47,469	47,511
Donated space and services	470,717	455,944
Donated equipment	13,834	-
Other	420	494
Total operating revenue	891,804	851,818
Operating expenses:		
Childcare center	941,885	903,195
Administrative	48,350	30,830
Bad debts	4,258	-
Depreciation	9,439	9,439
Total operating expenses	1,003,932	943,464
Loss from operations	(112,128)	(91,646)
Nonoperating revenue:		
Interest income	62	65
Tax levy support	108,222	119,911
Related parties support	674	-
Rental space	36,000	36,000
Total nonoperating revenue	144,958	155,976
Change in net position	32,830	64,330
Net position at beginning of year	170,807	106,477
Net position at end of year	$ 203,637	170,807

See accompanying notes to financial statements.

CHILD DEVELOPMENT CENTER AT QUEENS COLLEGE, INC.
Statements of Cash Flows
Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash receipts from:		
Tuition and registration fees	$ 60,724	45,311
Student activity fees	114,753	114,914
State grant	179,231	183,612
Federal block grant	112,467	-
Other	420	494
Cash payments to/for:		
Salaries and fringe benefits	(619,658)	(445,347)
Vendors	(41,622)	(35,997)
Net cash used in operating activities	(193,685)	(137,013)
Cash flows from noncapital financing activities:		
Tax levy support	108,222	119,911
Related parties support	674	
Rental space	36,000	36,000
Net cash provided by noncapital financing activities	144,896	155,911
Cash flows from investing activities - interest	62	65
Net change in cash and equivalents	(48,727)	18,963
Cash and equivalents at beginning of year	101,572	82,609
Cash and equivalents at end of year	$ 52,845	101,572

(Continued)

See accompanying notes to financial statements.

CHILD DEVELOPMENT CENTER AT QUEENS COLLEGE, INC.
Statements of Cash Flows, Continued

	2019	2018
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	$ (112,128)	(91,646)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	9,439	9,439
Bad debts	4,258	-
Changes in:		
Accounts receivable	(3,643)	1,169
Grants receivable	64,998	(47,511)
Due from Queens College	(1,013)	(5,201)
Prepaid expenses	(105,646)	430
Accounts payable and accrued expenses	(1,520)	(754)
Due to Research Foundation	(48,430)	(2,939)
Net cash used in operating activities	$ (193,685)	(137,013)
Supplemental schedule of cash flow information:		
Donated space and services revenue	$ 470,717	455,944
Donated space expense	452,200	440,300
Donated services expense	18,517	15,644
	$ 470,717	455,944
Donated non-capital equipment	$ 13,834	-

See accompanying notes to financial statements.

(1) Nature of Organization

The Child Development Center at Queens College, Inc. (the Center) was formed for the purpose of assisting students of Queens College (the College) of The City University of New York (CUNY) with child care needs.

(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, 2019, the Center had no restricted net position.

(c) Cash and Equivalents

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

(2) Summary of Significant Accounting Policies, Continued

(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) 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.

(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 - nonexpendable, restricted - spendable, 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.

Federal Block Grant - The Center is not a direct recipient of the Federal Block grant, rather funds are received by a related entity and disbursed directly, on behalf of the Center, as expenses are incurred (note 5). Funds are considered to be tuition subsidies paid on behalf of eligible parents.

State Grant - The Center receives a state grant provided that it adheres to the regulations set forth by the State Childcare Advisory Committee. Among other things, these regulations stipulate that the Center must (1) be licensed by New York City Board of Health; (2) have proper liability insurance; and (3) provide services to children of students. Funds are considered to be tuition subsidies paid on behalf of eligible parents. Revenue is recognized as expenses are incurred.

(g) Donated Space and Services

The Center operates on the campus of the College and utilizes facilities, 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).

(2) Summary of Significant Accounting Policies, Continued

(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

The Center 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

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 times, the Center's cash and equivalents may exceed federally insured limits. At June 30, 2019, the Center's bank balance was fully insured.

(4) Capital Assets

At June 30, 2019 and 2018, capital assets, net, consisted of the following:

	2019			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment and improvements	$ 141,588	-	-	141,588
Less accumulated depreciation	(113,269)	(9,439)	-	(122,708)
Total capital assets, net	$ 28,319	(9,439)	-	18,880

(4) Capital Assets, Continued

	2018			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment and improvements	$ 141,588	-	-	141,588
Less accumulated depreciation	(103,830)	(9,439)	-	(113,269)
Total capital assets, net	$ 37,758	(9,439)	-	28,319

(5) Related Party Transactions

Related party transactions at June 30, 2019 and 2018 were as follows:

(a) Federal Block Grant

The Center's Federal Block grant is administered by the Research Foundation of The City University of New York (RF-CUNY or the Foundation), a related entity, on behalf of the Center. The purpose of this grant is to increase the availability, affordability and quality of child care as stated in Section 5082 of the Omnibus Budget Reconciliation Act of 1990, Public Law 101-508, entitled the Child Care and Development Block Grant Act of 1990.

The Center enters into a memorandum of understanding (MOU) each year with the Foundation related to its annual grant reimbursement. The Center's MOU with RF-CUNY requires the Foundation to maintain custody of the Federal Block grant and disburse funds directly, on behalf of the Center, as allowable costs are incurred. The Foundation also receives revenue allocations from CUNY to fund salaries and fringe benefits not funded by the Federal Block grant.

(b) Due to Research Foundation

At June 30, 2019 and 2018, due to Research Foundation of The City University of New York represented noninterest-bearing transactions with no specific due dates; however, such transactions are expected to be settled within one year.

(c) Queens College and Related Entities

At June 30, 2019 and 2018, the Center had a $8,645 and $7,632, respectively, receivable from the Queens College.

(d) Student Activity Fees

For the years ended June 30, 2019 and 2018, student activity fees of $115,766 and $120,115, respectively, were collected by the College on behalf of the Center.

(e) Interest Income

At June 30, 2019 and 2018, the Center remitted interest income totaling $62 and $65, respectively, to the College to settle certain administrative, bookkeeping and other costs incurred on behalf of the Center.

(6) Donated Space and Services

The Center recognizes donations of services if the services received: (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Center operates on the campus of the College, and as such, utilizes space and certain services made available to it. For the years ended June 30, 2019 and 2018, the estimated fair value of space utilized was $452,200 and $440,300, respectively. In addition, College employee salaries donated to the Center totaled $18,517 and $15,644 for the years ended 2019 and 2018, respectively. The combined amounts have been recorded as donated services and recognized as both revenue and expenses in the accompanying statements of revenue, expenses and changes in net position. Donated services and promises to give services that do not meet the above criteria are not recognized.

(7) Contingency

The Center receives a significant amount of its support from New York State and the Federal Child Care Development Block Grant. A significant reduction in the level of this support, if it were to occur, could have a significant effect on the Center's programs and activities.

(8) Accounting Standards Issued But Not Yet Implemented

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.

(8) 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.

GASB Statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning July 1, 2021 for the Center. This Statement is not expected to have a material effect on the financial statements of the Center.