



**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED JUNE 30, 2011 AND 2010**

ASTOR SERVICES FOR CHILDREN & FAMILIES

FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2011 AND 2010

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Astor Services for Children & Families

We have audited the accompanying statements of financial position of Astor Services for Children & Families ("Astor") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Astor's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Astor Services for Children & Families as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements of Astor Services for Children & Families taken as a whole. The supplementary information (shown on page 13) is the responsibility of Astor's management and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the June 30, 2011 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Marks Paneth & Shron LLP*

New York, NY  
November 18, 2011

**ASTOR SERVICES FOR CHILDREN AND FAMILIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2D and 10)	\$ 3,757,194	\$ 4,282,639
Accounts receivable, net (Note 2G)	5,535,916	5,165,096
Contribution in kind - rent receivable, current, net (Notes 2F, 2J and 3)	514,944	514,944
Prepaid expenses, deposits and other assets	207,171	146,975
Due from related parties (Note 7)	<u>1,305,397</u>	<u>963,570</u>
<b>Total current assets</b>	11,320,622	11,073,224
Contribution in kind - rent receivable, non-current, net (Notes 2F, 2J and 3)	7,479,350	7,620,871
Property and equipment, net (Notes 2I, 4 and 5)	5,390,144	5,074,181
Beneficial interest in Astor Services for Children Foundation, Inc. (Note 11)	<u>500,000</u>	<u>500,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 24,690,116</u>	<u>\$ 24,268,276</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,713,564	\$ 2,010,331
Accrued salaries, vacation and benefits	2,027,433	1,774,685
Due to funding sources and deferred revenue (Note 2E)	5,960,202	5,377,520
Note payable to related party, current (Note 6)	27,756	27,756
Grant payable to related party, current (Note 7)	100,802	100,802
Long-term debt, current (Note 5)	<u>126,255</u>	<u>119,150</u>
<b>Total current liabilities</b>	10,956,012	9,410,244
Note payable to related party, noncurrent (Note 6)	11,505	39,261
Grant payable to related party, noncurrent (Note 7)	1,464,107	1,491,810
Long-term debt, noncurrent (Note 5)	<u>387,381</u>	<u>513,636</u>
<b>TOTAL LIABILITIES</b>	<u>12,819,005</u>	<u>11,454,951</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 9)		
<b>NET ASSETS</b> (Note 2B)		
Unrestricted (Note 12)	3,108,065	3,738,094
Temporarily restricted	8,263,046	8,575,231
Permanently restricted (Note 11)	<u>500,000</u>	<u>500,000</u>
<b>TOTAL NET ASSETS</b>	<u>11,871,111</u>	<u>12,813,325</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 24,690,116</u>	<u>\$ 24,268,276</u>

**ASTOR SERVICES FOR CHILDREN AND FAMILIES  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	For the Year Ended June 30, 2011			For the Year Ended June 30, 2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:								
Revenue								
Government contracts and grants (Note 2E)	\$ 26,192,315	\$ 64,787	\$ -	\$ 26,257,102	\$ 25,729,806	\$ 148,284	\$ -	\$ 25,878,090
Contracts with non-governmental entities	1,659,565	-	-	1,659,565	1,824,732	-	-	1,824,732
Medicaid (Note 2E)	17,971,571	-	-	17,971,571	16,835,944	-	-	16,835,944
Private fees	864,209	-	-	864,209	807,010	-	-	807,010
Support								
Donated services and facilities (Notes 2F, 2J and 7)	809,348	373,423	-	1,182,771	785,227	380,033	-	1,165,260
Other (Note 7)	405,513	-	-	405,513	249,319	-	-	249,319
Grants								
United Way and Catholic Charities	299,775	-	-	299,775	155,188	-	-	155,188
Net assets released from restrictions (Note 2B)	750,395	(750,395)	-	-	514,944	(514,944)	-	-
TOTAL REVENUE AND SUPPORT	48,952,691	(312,185)	-	48,640,506	46,902,170	13,373	-	46,915,543
EXPENSES (Note 2H):								
Program services:								
Residential	14,704,857	-	-	14,704,857	14,126,118	-	-	14,126,118
Child guidance clinics	6,489,126	-	-	6,489,126	6,392,440	-	-	6,392,440
Day treatment	9,714,660	-	-	9,714,660	9,468,241	-	-	9,468,241
Prevention	5,558,918	-	-	5,558,918	4,240,896	-	-	4,240,896
Head start	5,878,372	-	-	5,878,372	5,631,487	-	-	5,631,487
Early head start	1,955,740	-	-	1,955,740	1,715,185	-	-	1,715,185
Universal pre-kindergarten	266,116	-	-	266,116	271,486	-	-	271,486
Special education	1,227,692	-	-	1,227,692	1,340,151	-	-	1,340,151
Total program services	45,795,481	-	-	45,795,481	43,186,004	-	-	43,186,004
Support services:								
Management and administration	3,737,037	-	-	3,737,037	3,560,577	-	-	3,560,577
Fundraising	50,202	-	-	50,202	62,117	-	-	62,117
Total support services	3,787,239	-	-	3,787,239	3,622,694	-	-	3,622,694
TOTAL EXPENSES	49,582,720	-	-	49,582,720	46,808,698	-	-	46,808,698
CHANGE IN NET ASSETS								
Net assets - beginning of year	(630,029)	(312,185)	-	(942,214)	93,472	13,373	-	106,845
	3,738,094	8,575,231	500,000	12,813,325	3,644,622	8,561,858	500,000	12,706,480
NET ASSETS - END OF YEAR	\$ 3,108,065	\$ 8,263,046	\$ 500,000	\$ 11,871,111	\$ 3,738,094	\$ 8,575,231	\$ 500,000	\$ 12,813,325

The accompanying notes are an integral part of these financial statements.

**ASTOR SERVICES FOR CHILDREN AND FAMILIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (942,214)	\$ 106,845
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	666,321	746,990
Amortization of discount on grants payable	73,099	74,393
Amortization of discount on contribution in kind receivable	<u>(373,423)</u>	<u>(380,033)</u>
	(576,217)	548,195
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(370,820)	189,620
Contribution in kind - rent receivable	514,944	514,944
Prepaid expenses, deposits and other assets	(60,196)	107,373
Due from related parties	<u>(341,827)</u>	<u>(360,329)</u>
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	703,233	285,080
Accrued salaries, vacation and benefits	252,748	411,088
Due to funding sources and deferred revenue	582,682	360,079
Grant payable to related party	<u>(100,802)</u>	<u>(100,802)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>603,745</u>	<u>1,955,248</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	<u>(982,284)</u>	<u>(1,008,493)</u>
<b>Net Cash Used by Investing Activities</b>	<u>(982,284)</u>	<u>(1,008,493)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(119,150)	(80,113)
Borrowings of long-term debt	-	430,598
Principal payment on borrowing from related parties	<u>(27,756)</u>	<u>(27,756)</u>
<b>Net Cash (Used) Provided by Financing Activities</b>	<u>(146,906)</u>	<u>322,729</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(525,445)	1,269,484
Cash and cash equivalents - beginning of year	<u>4,282,639</u>	<u>3,013,155</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 3,757,194</u>	<u>\$ 4,282,639</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 37,575</u>	<u>\$ 36,901</u>

The accompanying notes are an integral part of these financial statements.

**ASTOR SERVICES FOR CHILDREN & FAMILIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES**

Astor Services for Children & Families ("Astor") is a not-for-profit membership corporation whose sole member is the Catholic Charities Alliance (the "Alliance"). The Alliance oversees the Board of Directors, including the election of Directors, determination of the size of the Board, approval of the Board's choice of Executive Director and approval of certain transactions, such as large loans. Astor is a child care agency serving emotionally disturbed and mentally ill children from throughout New York State through various sites in Dutchess County, Orange County and the Bronx. Astor provides residential, educational and clinical services to these children and provides community-based, family-oriented services for children and adolescents who are experiencing difficulty at home, in school or in the community. In addition, other programs are provided in preventive, day care and educational formats. Astor's major sources of revenue are federal, New York State and local agencies. Astor is exempt from federal and State income tax under section 501(c)(3) of the Internal Revenue Code.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Astor prepares its financial statements using the accrual basis of accounting. Astor adheres to accounting principles generally accepted in the United States of America.
- B. Revenue and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Astor and changes therein are classified and reported as follows:
- Unrestricted Net Assets – Represents resources available for support of Astor's operations, over which the Board of Directors has discretionary control.
  - Temporarily Restricted Net Assets – Astor reports contributions of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated asset; such assets are considered temporarily or permanently restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Astor reports the contribution as unrestricted. Astor has purpose and time restricted temporarily restricted net assets of \$8,263,046 and \$8,575,231 as of June 30, 2011 and 2010, respectively.
  - Permanently Restricted Net Assets – Represents assets subject to donor-imposed stipulations that they be maintained permanently by Astor. Astor has permanently restricted net assets of \$500,000 as of June 30, 2011 and 2010.
- C. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Cash and cash equivalents consist of: cash, money market securities and securities backed by the U.S. Government with maturities, when purchased, of three months or less.
- E. Contracts and grants consist of revenue received through various federal, state and local governmental agencies. Astor also receives residential, day treatment, medical and tuition support from various New York State counties and school districts. Reimbursement rates are preliminarily based upon prior years' actual cost data provided to the Department of Social Services ("DSS"), the State Education Department ("SED") and the Office of Mental Health ("OMH"). Final determination of rates is based upon DSS, SED and OMH's review and audit of actual expenditures for the applicable year.

Due to funding sources and deferred revenue also includes advances paid from Medicaid programs in excess of allowable amounts. Such amounts may be required to be repaid to funding sources through the Medicaid recoupment process. Provisions for amounts due to or from funding sources based on estimated financial rates have been made in the financial statements. Differences between estimated and actual financial rates will be reflected in the statement of activities in the year the final rates are approved. In the opinion of management, no material adjustments are expected from these audits.



**ASTOR SERVICES FOR CHILDREN & FAMILIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Approximately 90% and 91% of Astor's unrestricted revenues were provided by Medicaid reimbursement and government contracts and grants during the years ended June 30, 2011 and 2010, respectively.

There are occasions when funding source reimbursements received in prior years are adjusted in the current year. Such adjustments may be due to funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in the change in net assets for the years ended June 30, 2011 and 2010 was approximately \$127,000 and \$117,000, respectively, of prior year increases, relating to such adjustments.

- F. Astor receives donated services, equipment, supplies and other items which supplement the efforts of Astor's professional staff in providing services. Astor records these contributions in the accompanying financial statements as support and expenses at the estimated value of the donated goods and services. In addition, Astor receives contributed space as further described in Note 3.
- G. As of June 30, 2011 and 2010, Astor determined that an allowance for doubtful accounts of approximately \$40,000 is necessary for accounts receivable. Such estimate is based on a combination of factors, such as management's assessment of the aged basis of its government funding sources, creditworthiness of funders and its donors, current economic conditions and historical experience. A significant portion of accounts receivable consists of amounts due from federal and New York State sources.
- H. Astor allocates certain expenses among the various program and supporting services categories. The expense allocated to a particular category is based on a number of factors. Salary expense is based on the estimated time spent on each program and certain other expenses are allocated based on the ratio-value method (a NYS government accepted allocation method) for each program.
- I. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Astor capitalizes property and equipment with a cost of \$1,000 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease.
- J. Pledges of contributions-in-kind rent are recorded as revenue when made. Astor considers these pledges to be received in future periods as implicitly time restricted. Astor discounts long-term pledges using a risk-free interest rate for the expected term of the promise to give applicable to the years in which the pledges are received. As of June 30, 2011 and 2010, the discount on pledges receivable amounted to \$5,909,194 and \$6,282,617, respectively.
- K. Management has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through November 18, 2011, the date the financial statements were issued. See Note 13.
- L. Astor had no uncertain income tax positions as of June 30, 2011 and 2010 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. Astor is no longer subject to federal or state and local income tax examinations by tax authorities for fiscal years before 2008.



**ASTOR SERVICES FOR CHILDREN & FAMILIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 3—CONTRIBUTION IN-KIND RECEIVABLE**

Contribution in-kind rent receivable consists of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Amount due in less than one year	\$ 514,944	\$ 514,944
Amount due from one to five years	2,059,776	2,059,776
Amount due in greater than five years	<u>11,328,768</u>	<u>11,843,712</u>
	13,903,488	14,418,432
Less: Unamortized discount to present value	<u>(5,909,194)</u>	<u>(6,282,617)</u>
	<u>\$ 7,994,294</u>	<u>\$ 8,135,815</u>

Astor has a 40-year lease agreement, effective October 1, 1998, with the Archbishop of New York for the use of the land and improvements at the Rhinebeck location. Astor is required to pay a nominal rent of \$1 per year. Astor has estimated the fair value of the annual lease payment to be approximately \$515,000. The fair value associated with the use of the property is amortized over the term of the lease.

Amortization of the discount on the contribution-in-kind amounted to \$373,423 and \$380,033 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 4—PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Land	\$ 117,993	\$ 117,993	-
Buildings	4,937,618	4,937,618	40 years
Furniture and equipment	3,501,601	4,483,891	3-10 years
Vehicles	53,888	53,888	5 years
Leasehold improvements	7,498,115	7,045,556	Remaining lease term
Construction in process (see below)	<u>468,661</u>	<u>74,974</u>	-
Total cost	16,577,876	16,713,920	
Accumulated depreciation and amortization	<u>(11,187,732)</u>	<u>(11,639,739)</u>	
Net book value	<u>\$ 5,390,144</u>	<u>\$ 5,074,181</u>	

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 amounted to \$666,321 and \$746,990, respectively. During the year ended June 30, 2011, Astor retired fully depreciated property and equipment amounting to \$1,118,328.

Construction in process primarily consists of replacement of a driveway and a parking lot at one of Astor's locations and architect and attorney fees relating to the construction of a new Residential Treatment Facility ("RTF").

In June 2009, Astor submitted a request to the New York State Office of Mental Health ("NYSOMH") for a prior property approval ("PPA") to commence construction of new residential units for its RTF program. As of June 30, 2011, the estimated cost to complete this project is approximately \$8,500,000. See Note 13.

**ASTOR SERVICES FOR CHILDREN & FAMILIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 5—LONG-TERM DEBT**

Long-term debt consists of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Note payable to a bank, due October 2012, payable in monthly installments of \$7,828 (principal and interest). The interest rate is fixed at 5.54%; collateralized by certain property and equipment.	\$ 117,458	\$ 202,188
Note payable to a bank, due August 2014, payable in monthly installments of \$5,099 (principal and interest). The interest rate is fixed at 6.36%; collateralized by certain property and equipment.	<u>396,178</u>	<u>430,598</u>
Total	513,636	632,786
Less: Current portion	<u>(126,255)</u>	<u>(119,150)</u>
Long term debt, net of current portion	<u>\$ 387,381</u>	<u>\$ 513,636</u>

Future principal payments for the fiscal years subsequent to June 30, 2011 are as follows:

2012	\$ 126,255
2013	66,986
2014	41,742
2015	<u>278,653</u>
	<u>\$ 513,636</u>

Interest expense related to long-term debt for the years ended June 30, 2011 and 2010 amounted to \$37,575 and \$36,901, respectively.

Astor has an unsecured line of credit with a bank aggregating \$2,000,000, of which no amounts were outstanding at June 30, 2011 and 2010. The line of credit carries interest at LIBOR plus 275 basis points and expired on May 10, 2011. In June 2011, the line of credit was renewed for an additional year subject to the terms mentioned above. As of November 18, 2011, there was no balance outstanding.

**NOTE 6—NOTE PAYABLE TO RELATED PARTY**

The note payable is payable to The Children's Foundation of Astor (a related party as further described in Note 7) and consists of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Due November 26, 2012. This note is payable in monthly installments of \$2,313 for principal plus interest, and is based on a ten-year amortization period. Interest is calculated at LIBOR plus 1.75% (2.94% at June 30, 2011). This note is unsecured.	\$ 39,261	\$ 67,017
Current portion	<u>(27,756)</u>	<u>(27,756)</u>
Note payable to related party, net of current portion	<u>\$ 11,505</u>	<u>\$ 39,261</u>

Future principal payments for the fiscal years subsequent to June 30, 2011 are as follows:

2012	\$ 27,756
2013	<u>11,505</u>
	<u>\$ 39,261</u>

**ASTOR SERVICES FOR CHILDREN & FAMILIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 7—RELATED-PARTY TRANSACTIONS**

Astor conducts its residential programs and has its administrative offices in facilities owned by the Archdiocese of New York. No rent is paid for the use of these facilities. The estimated value of such contributed rent was \$515,000 for the years ended June 30, 2011 and 2010. See Note 3.

Astor is related to The Astor Learning Center (the "Center") through common board membership. During the years ended June 30, 2011 and 2010, Astor allocated \$270,962 and \$256,855, respectively, in joint administrative costs (such as administrative salaries, supplies, telephone, etc.) to the Center. In addition, Astor also provides operating and maintenance services to the Center. The Center reimburses Astor for these costs (salaries, fringe benefits, utilities, insurance, etc.) Astor has a receivable from the Center as of June 30, 2011 and 2010 amounting to \$969,292 and \$680,245, respectively. Astor subleases a facility to the Center at a nominal rent of \$1 per year for a period of 40 years beginning October 1, 1998.

There are also grants payable to the Center and they consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Amount due in less than one year	\$ 100,802	\$ 100,802
Amount due from one to five years	403,208	403,208
Amount due in greater than five years	<u>2,217,644</u>	<u>2,318,446</u>
	2,721,654	2,822,456
Less: Unamortized discount to present value	<u>1,156,745</u>	<u>1,229,844</u>
	<u>\$ 1,564,909</u>	<u>\$ 1,592,612</u>

Amortization of the discount on grants payable amounted to \$73,099 and \$74,393 for the years ended June 30, 2011 and 2010, respectively.

In October 1998, the Center issued \$2,755,000 (\$1,920,000 and \$2,015,000 outstanding as of June 30, 2011 and 2010, respectively) of Dutchess County Industrial Development Agency Civic Facility Revenue Bonds, Series 1998 (the "bonds"), which are guaranteed by Astor and The Children's Foundation of Astor (the "Foundation") which is a related party to Astor since Astor is an equal corporate member of the Foundation together with the Center. Interest is payable semiannually at rates ranging between 4.3% to 5.15%. Principal payments began November 1, 2000 and end November 1, 2024. The bond proceeds were used primarily for the renovation, construction, furnishing, equipping, and improvement of a facility in Rhinebeck, New York, which is used for the education of students by the Center. The bonds are collateralized by a letter of credit in the amount of \$2,250,466, which expires on December 31, 2011. The Center and Astor must comply with certain administrative and financial covenants, the most restrictive of which requires that the Center and Astor maintain a fixed charge coverage ratio (defined for any period as earnings before accounting for current period interest, income taxes, depreciation and amortization over the sum of the current portion of principal payments on long term debt plus current portion interest expense) of not less than 1.25 to 1.00. The bond is collateralized by the fixed assets and accounts receivable of the Center.

**ASTOR SERVICES FOR CHILDREN & FAMILIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 7—RELATED PARTY TRANSACTIONS (Continued)**

Principal payments required on these bonds for the years subsequent to June 30, 2011 are as follows:

2012	\$ 100,000
2013	105,000
2014	105,000
2015	115,000
2016	120,000
Thereafter	<u>1,375,000</u>
	<u>\$ 1,920,000</u>

Astor and the Center are related to the Foundation, by being equal corporate members. Astor is a tenant in buildings owned by the Foundation. Rental expense paid to the Foundation amounted to \$106,380 and \$104,172 for the years ended June 30, 2011 and 2010, respectively. Astor charges the Foundation for certain administrative expenses incurred, which amounted to \$157,090 and \$155,017 for the years ended June 30, 2011 and 2010, respectively. Such amounts are included in other support in the accompanying statements of activities. Astor has a receivable from the Foundation amounting to \$336,105 and \$283,325 as of June 30, 2011 and 2010, respectively.

Astor has a Board member whose firm is its insurance broker, which receives commission income from various insurance companies providing coverage to Astor. For the years ended June 30, 2011 and 2010, the insurance brokerage commissions paid to the Board member's firm amounted to \$286,224 and \$279,903, respectively. In addition, Astor paid consulting fees to another Board member amounting \$33,171 and \$18,046 for the years ended June 30, 2011 and 2010, respectively. Also, Astor has a Board member who is a partner in a law firm that provides legal services to Astor. For the years ended June 30, 2011 and 2010, Astor paid legal fees to the Board member's law firm amounting to \$5,385 and \$11,186, respectively. In addition, Astor maintains certain cash accounts and loans with a bank that employs an Astor Board member. Astor has conflict of interest policies and disclosures that are regularly reviewed by the Board. In addition, it is the policy of Astor to ensure that any person in a conflict of interest position recuse themselves from voting on business transactions in which the individual has a conflict of interest. Astor routinely evaluates the pricing of the services rendered for purposes of determining that they are at or below fair market value.

**NOTE 8—PENSION PLAN**

Astor participates in the Archdiocesan Pension Plan (the "Plan"), a defined benefit multiemployer plan. All employees who meet the age and years of service requirements are noncontributory participants in the Plan. The Plan is under the aggregate funding method with an assumed rate of return of 7.5%. The contributions of all participating employers are pooled; therefore, no specific calculation of the present value of the vested benefits for employees of Astor has been made by the Plan. However, the Plan's consultant has indicated that the Plan's assets are 92.4% of the actuarially computed value of the Plan benefits for all participating employers as of the latest valuation date, January 1, 2007. The Plan is a Church Plan approved by the Internal Revenue Service and is exempt from compliance with ERISA. Astor's pension expense for the years ended June 30, 2011 and 2010 amounted to \$1,698,526 and \$1,478,077, respectively.

**ASTOR SERVICES FOR CHILDREN & FAMILIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 9—COMMITMENTS AND CONTINGENCIES**

- A. Astor has operating lease commitments for certain facilities, vehicles and equipment expiring on various dates through 2019. Aggregate minimum rentals for the fiscal years ending after June 30, 2011 are as follows:

	<u>Facilities</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
2012	\$ 621,000	\$ 179,000	\$ 78,000	\$ 878,000
2013	512,000	174,000	73,000	759,000
2014	413,000	170,000	72,000	655,000
2015	342,000	100,000	69,000	511,000
2016	417,000	34,000	58,000	509,000
Thereafter	<u>862,000</u>	<u>1,000</u>	<u>-</u>	<u>863,000</u>
	<u>\$ 3,167,000</u>	<u>\$ 658,000</u>	<u>\$ 350,000</u>	<u>\$ 4,175,000</u>

Rent expense for the facilities, vehicles and equipment amounted to \$928,554, \$206,573 and \$163,400, respectively and \$728,700, \$201,884 and \$163,571, respectively for the years ended June 30, 2011 and 2010, respectively.

- B. Pursuant to Astor's contractual relationships with certain funding sources, outside governmental agencies have the right to examine Astor's books and records involving transactions relating to those contracts. The accompanying financial statements make no provision for possible disallowances, although such possible disallowances could be substantial in amount. In the opinion of management, any actual disallowances would be immaterial.

**NOTE 10—CONCENTRATION OF CREDIT RISK**

Cash and cash equivalents that potentially subject Astor to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$573,000 and \$349,000 as of June 30, 2011 and 2010, respectively. In 2010, the FDIC insurance limit was increased to \$250,000 and, beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing accounts are fully insured, regardless of the amount in the account, at all FDIC-insured institutions.

**NOTE 11—BENEFICIAL INTEREST IN FOUNDATION**

In 1997, the Foundation received a grant of \$500,000 for the establishment of an endowment fund for Astor.

Astor recorded its interest in the net assets of the Foundation as permanently restricted net assets.

**NOTE 12 – DEFICIT UNRESTRICTED NET ASSETS – OPERATIONS**

Astor's operations resulted in a decrease in unrestricted net assets of approximately \$630,000 for the year ended June 30, 2011. As a result, the unrestricted net assets decreased to approximately \$3.1 million as of June 30, 2011. After subtracting the unrestricted net assets that relate to Astor's net investment in property and equipment, Astor has an unrestricted deficit from operations of approximately \$1.8 million as of June 30, 2011. This deficit is mitigated by the fact that the Foundation, which was formed to raise funds and provide grants as well as support the activities of Astor, has approximately \$3.6 million of operating net assets (after subtracting its investment in property and equipment) as of June 30, 2011. It is conceivable that all or a portion of such amount could be used to alleviate Astor's deficit if necessary. In addition, Astor continues to closely monitor its operations including budgeting and monitoring of expenses, monitoring of Medicaid billings, rebillings and participant eligibility so that Astor receives all billing revenue to which it is entitled.

**ASTOR SERVICES FOR CHILDREN & FAMILIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 13—SUBSEQUENT EVENTS**

Astor has begun construction of an approximate 22,000 square foot addition to its facility in Rhinebeck. The addition will provide residence for the 20 children that are served by its RTF program. The construction period is scheduled to last one year with occupancy scheduled for October 2012. The estimated cost to complete this project is approximately \$8,500,000 in addition to capitalized interest of approximately \$500,000. The annual financing costs will be reimbursed through an increase in Astor's daily Medicaid rate for the RTF program.

The project also includes the refinancing, in whole or in part, of the outstanding \$2,755,000 Civic Facility Revenue Bonds, Series 1998 of the Astor Learning Center (see Note 7).

Astor is in the process of obtaining a 10-year 5% fixed rate construction loan from a bank that will be amortized over 20 years, to finance the entire project. At the end of 10 years the interest rate will reset.

ASTOR SERVICES FOR CHILDREN AND FAMILIES  
SCHEDULE OF FUNCTIONAL AND ALLOCATED EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011  
(With Comparative Totals for 2010)

June 30, 2011												
	Program services					Supporting Services						
	Residential Programs	Child Guidance Clinics	Day Treatment	Prevention	Head Start	Early Head Start	Universal Pre-K	Special Education	Total Program Services	Supporting Services		
										Fund-raising	Admini- stration	Total 2011
Salaries and related expenses:												
Salaries	\$ 8,140,189	\$ 3,949,379	\$ 6,165,978	\$ 3,496,265	\$ 2,750,794	\$ 966,272	\$ 137,506	\$ 816,428	\$ 26,422,811	\$ 2,063,495	\$ 28,486,306	\$ 27,045,542
Social security	577,281	271,591	432,433	250,341	194,779	69,054	10,312	58,490	1,864,281	142,846	2,007,127	1,941,121
Health insurance	1,229,896	595,670	932,779	521,852	414,753	146,230	20,106	124,246	3,985,532	309,813	4,295,345	3,621,451
Pension	486,345	235,548	368,852	206,358	164,007	57,824	7,950	49,131	1,576,015	122,511	1,698,526	1,478,077
Workers' compensation and other benefits	302,020	73,186	110,875	98,684	186,627	17,914	6,808	28,701	824,815	129,812	954,627	751,873
Total salaries and related expenses	10,735,731	5,125,374	8,010,917	4,573,500	3,710,960	1,257,294	182,682	1,076,996	34,673,454	2,768,477	37,441,931	34,838,064
Transportation	107,075	33,283	9,738	67,511	331,005	15,388	-	2,372	566,372	28,000	594,372	579,589
Allowance to parents	498	-	-	-	-	-	-	-	498	-	498	1,588
Children's activities	72,412	1,967	48,326	6,636	2,388	1,458	-	582	133,769	-	142,993	151,413
Related school	-	119	10,387	327	33,840	-	-	-	44,673	-	44,673	46,648
Religious	1,402	-	-	-	-	-	-	-	1,402	-	1,402	1,755
Purchase of other services	141,506	279,491	162,901	51,325	132,690	53,955	14,429	19,526	855,823	367,184	1,223,007	1,098,091
Purchase of health services	464,224	258,888	340,340	93,771	14,981	-	-	17,550	1,189,754	2,272	1,192,026	1,202,193
Food	288,400	2,517	110,670	2,059	133,446	41,389	3,308	18,379	580,168	4,013	584,181	559,596
Clothing	26,700	-	-	-	-	-	-	-	26,700	-	26,700	31,361
Bedding and linen	712	-	-	-	-	-	-	-	712	-	712	6,136
Supplies and equipment												
Other	137,663	29,085	105,383	62,607	55,699	29,651	4,366	15,904	440,358	69,766	510,124	633,091
Medical	716,031	681	2,402	480	-	-	-	-	719,594	-	719,594	616,710
Rent												
Property	159,887	183,019	257,415	116,355	130,947	37,136	6,701	16,762	908,222	20,332	928,554	728,700
Furniture and equipment	37,727	33,126	20,924	32,152	19,433	3,497	938	1,131	148,928	14,472	163,400	163,571
Vehicles	66,782	8,674	8,819	43,387	52,509	14,098	-	(62)	194,207	12,366	206,573	201,883
Utilities	176,166	43,285	85,793	41,387	88,316	37,456	12,647	17,387	502,437	42,884	545,321	501,273
Repairs and maintenance												
Plant	27,839	15,948	36,631	12,047	39,384	20,565	1,834	3,727	157,975	5,078	163,053	136,558
Equipment	30,812	15,062	31,863	11,041	27,564	10,136	3,626	4,620	134,724	6,678	141,402	157,674
Vehicles	5,975	793	259	8,440	1,870	914	120	115	18,486	1,031	19,517	14,988
Telephone	149,408	120,456	46,713	90,070	36,873	19,234	4,088	6,494	473,336	53,192	526,528	428,058
Postage	11,011	6,221	3,078	5,923	1,779	627	114	532	29,285	14,757	44,042	50,102
Dues, licenses and permits	35,954	1,281	18,356	9,259	5,755	260	43	610	71,518	105,259	176,777	124,064
Office supplies	540	36,755	25,688	38,190	20,112	4,892	1,155	2,104	129,436	13,803	143,239	365,670
Subscriptions and publications	473	3,693	4,959	103	165	-	-	-	9,393	19,614	29,007	26,815
Conferences	8,409	12,212	12,203	4,045	695	3,218	-	-	40,782	8,451	49,233	48,546
Administrative	8,057	19,507	798	7,517	11,696	-	-	-	47,575	53,425	102,050	72,448
Staff development	6,084	81,600	75,498	54,779	17,278	444	-	1,501	237,184	50,676	287,960	348,122
Parent development	693	-	3	-	3,840	1,881	57	54	6,528	-	6,528	8,949
Grant expense	-	-	-	-	-	-	-	-	-	-	-	-
Publicity	1,147	3,444	1,095	2,455	200	-	-	-	8,341	73,099	112,927	131,237
Legal/audit	28,757	2,337	7,766	8,874	17,208	-	-	-	64,942	45,985	54,326	62,446
Insurance	167,174	70,719	106,203	60,516	54,400	17,393	2,955	13,854	493,214	127,626	192,568	169,045
Interest	-	-	27,898	-	6,774	1,935	-	968	37,575	-	493,214	467,124
Depreciation and amortization	73,004	79,314	111,185	28,385	200,172	43,363	26	2,614	538,063	128,258	666,321	746,990
Boarding home payments - special	117,685	-	-	-	-	-	-	-	117,685	-	117,685	164,808
Boarding home payments - exceptional	751,184	-	-	-	-	-	-	-	751,184	-	751,184	762,038
Boarding home payments - clothing payments	26,416	-	-	-	-	-	-	-	26,416	-	26,416	26,508
Stimulus expense	-	-	-	-	-	-	-	-	63,429	-	63,429	62,814
Delegated donated services	117,937	20,275	30,449	47,487	662,964	339,556	847	3,972	1,223,487	-	1,223,487	1,199,370
ICM demand expense	-	-	-	18,274	-	-	-	-	18,274	-	18,274	14,685
ICM crisis expense	-	-	-	10,215	-	-	-	-	10,215	-	10,215	4,820
Wrap around expense	-	-	-	49,801	-	-	-	-	99,363	-	99,363	97,166
Total expenses before allocation	23,382	-	-	5,558,918	-	9,714,660	26,180	-	45,795,481	-	49,882,381	47,089,608
	14,704,857	6,489,126	-	-	5,878,372	1,955,740	266,116	1,227,692	-	50,202	49,882,381	-
Allocation of central administration	1,237,112	535,362	803,989	458,120	380,453	121,650	22,371	104,881	3,663,938	(3,663,938)	-	-
Central administration income	-	-	-	-	-	-	-	-	-	(28,699)	(28,699)	(21,869)
Allocated depreciation to related party	-	-	-	-	-	-	-	-	-	-	-	(2,186)
Allocation to related party	-	-	-	-	-	-	-	-	-	(270,962)	(270,962)	(256,855)
Total expenses after allocation	\$ 15,941,969	\$ 7,024,488	\$ 10,518,649	\$ 6,017,038	\$ 6,258,825	\$ 2,077,390	\$ 288,487	\$ 1,332,573	\$ 49,459,419	\$ 73,099	\$ 49,582,720	\$ 46,808,698

See independent auditors' report.