
THE ASTOR LEARNING CENTER

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

YEARS ENDED JUNE 30, 2011 AND 2010



Marks Paneth & Shron^{LLP}
Certified Public Accountants & Consultants
IT ALL ADDS UP.

THE ASTOR LEARNING CENTER
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
The Astor Learning Center

We have audited the accompanying statements of financial position of The Astor Learning Center (the "Center") 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 the Center'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 The Astor Learning Center 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 The Astor Learning Center taken as a whole. The supplementary information (shown on page 9) is the responsibility of the Center'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 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

**THE ASTOR LEARNING CENTER
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 600	\$ 599
Accounts receivable, net (Note 2G)	939,886	863,430
Contribution in-kind - rent receivable, current, net (Notes 2C, 2H and 3)	<u>100,802</u>	<u>100,802</u>
Total current assets	1,041,288	964,831
Contribution in-kind - rent receivable, noncurrent, net (Notes 2C, 2H and 3)	1,464,107	1,491,810
Property and equipment, net (Notes 2D and 4)	1,898,707	1,979,031
Deferred financing fees, net (Note 6)	<u>98,204</u>	<u>105,569</u>
TOTAL ASSETS	<u>\$ 4,502,306</u>	<u>\$ 4,541,241</u>
LIABILITIES AND NET ASSETS		
Accrued expenses	\$ 46,702	\$ 18,939
Due to related parties (Note 5)	970,933	681,886
Due to funding sources (Note 8)	25,033	38,646
Bonds payable, current (Note 7)	<u>100,000</u>	<u>95,000</u>
Total current liabilities	1,142,668	834,471
Bonds payable, noncurrent (Note 7)	<u>1,820,000</u>	<u>1,920,000</u>
TOTAL LIABILITIES	<u>2,962,668</u>	<u>2,754,471</u>
CONTINGENCIES (Note 9)		
NET ASSETS (Note 2C)		
Unrestricted	(25,271)	194,158
Temporarily restricted	<u>1,564,909</u>	<u>1,592,612</u>
TOTAL NET ASSETS	<u>1,539,638</u>	<u>1,786,770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,502,306</u>	<u>\$ 4,541,241</u>

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

THE ASTOR LEARNING CENTER
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	Total 2011	Unrestricted	Temporarily Restricted	Total 2010
REVENUE AND SUPPORT:						
Service fees and grants from governmental agencies (Notes 2E and 2F)	\$ 3,119,535	\$ -	\$ 3,119,535	\$ 3,199,529	\$ -	\$ 3,199,529
Contribution in-kind - rent (Notes 2C, 2H and 5)	-	73,099	73,099	-	74,393	74,393
Individuals with Disabilities Education Act grant and other	257,302	-	257,302	251,450	-	251,450
Net assets released from restrictions (Note 2C)	100,802	(100,802)	-	100,802	(100,802)	-
TOTAL REVENUE AND SUPPORT	3,477,639	(27,703)	3,449,936	3,551,781	(26,409)	3,525,372
EXPENSES:						
Program services education:						
Learning center	3,162,629	-	3,162,629	2,995,630	-	2,995,630
Individuals with Disabilities Education Act grant and other	263,478	-	263,478	257,115	-	257,115
Total program services education	3,426,107	-	3,426,107	3,252,745	-	3,252,745
Support services:						
Management and administration (Note 5)	270,961	-	270,961	256,855	-	256,855
TOTAL EXPENSES	3,697,068	-	3,697,068	3,509,600	-	3,509,600
CHANGE IN NET ASSETS	(219,429)	(27,703)	(247,132)	42,181	(26,409)	15,772
Net assets - beginning of year	194,158	1,592,612	1,786,770	151,977	1,619,021	1,770,998
NET ASSETS - END OF YEAR	\$ (25,271)	\$ 1,564,909	\$ 1,539,638	\$ 194,158	\$ 1,592,612	\$ 1,786,770

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

**THE ASTOR LEARNING CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (247,132)	\$ 15,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	84,886	83,697
Amortization of contribution in-kind - rent receivable	(73,099)	(74,393)
Amortization of deferred financing fees	<u>7,365</u>	<u>7,365</u>
Subtotal	(227,980)	32,441
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(76,456)	(256,560)
Contribution in-kind - rent receivable	100,802	100,802
Increase (decrease) in liabilities:		
Accrued expenses	27,763	1,439
Due to funding sources	(13,613)	(58,146)
Due to related parties	<u>289,047</u>	<u>271,374</u>
Net Cash Provided by Operating Activities	<u>99,563</u>	<u>91,350</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(4,562)</u>	<u>(1,350)</u>
Net Cash Used by Investing Activities	<u>(4,562)</u>	<u>(1,350)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on bonds	<u>(95,000)</u>	<u>(90,000)</u>
Net Cash Used by Financing Activities	<u>(95,000)</u>	<u>(90,000)</u>
NET INCREASE IN CASH	1	-
Cash - beginning of year	<u>599</u>	<u>599</u>
CASH - END OF YEAR	<u>\$ 600</u>	<u>\$ 599</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest during the year	<u>\$ 98,235</u>	<u>\$ 103,042</u>

**THE ASTOR LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

The Astor Learning Center (the "Center"), located in Rhinebeck, New York is a not-for-profit membership corporation chartered by the New York State Education Department 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. The Center provides special education programs for children with learning disabilities. The Center's major source of revenue is provided by the New York State Department of Education. The Center is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal and state income taxes.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Center's financial statements have been prepared on the accrual basis of accounting. The Center adheres to accounting principles generally accepted in the United States of America.
- B. 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 disclosures 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.
- C. The Center reports contributions of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated assets; 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 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, the Center reports the contribution as unrestricted. The unrestricted net assets are resources available for support of the Center's operations over which the Board has discretionary control. In-kind contributions of rent-free use of facilities are recognized at estimated fair value.
- D. Property and equipment is stated at cost, less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. The Center capitalizes acquisitions that cost \$1,000 or more and have a useful life 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.
- E. There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to governmental funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. The New York State Education Department ("SED") has a "reconciliation" process which retroactively assesses the difference between allowed costs and income earned. The results of SED's reconciliation process (either increases or decreases previously issued tuition rates) are generally reflected in the accompanying financial statements in the year that the rates are made available to the Center. During the years ended June 30, 2011 and 2010, the Center recognized a (decrease) increase of (\$22,600) and \$44,183, respectively, in tuition revenue based on SED's reconciliation process for the years ended June 30, 2010 and prior. The Center also received a decrease in income relating to the prior year for other programs amounting to \$7,348 for the year ended June 30, 2010. Both amounts are reflected in service fees and grants from governmental agencies in the accompanying financial statements.

**THE ASTOR LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. The Center estimates the effect of SED's reconciliation process and records increases or decreases in tuition revenue for that year. The purpose is to more closely match reimbursable expenses with tuition revenue. For the years ended June 30, 2011 and 2010, the Center recognized an estimated increase of \$201,342 and \$160,324, respectively, for tuition revenue based on SED's reconciliation process. These amounts are reflected in service fees and grants from governmental agencies and accounts receivable.
- G. As of June 30, 2011 and 2010, the Center determined that an allowance for doubtful accounts of approximately \$23,000 and \$38,000, respectively, should be provided for accounts receivable. Such an 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, current economic conditions and historical experience. A significant portion of the accounts receivable consists of amounts due from New York State sources.
- H. Pledges of contribution in-kind rent are recorded as revenue when made. The Center considers these pledges received in future periods to be implicitly time restricted. The Center 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.
- I. Management has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position dated through November 18, 2011, the date the financial statements were issued. See Note 11.
- J. The Center 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. The Center is no longer subject to federal or state and local income tax examinations by tax authorities for fiscal years before 2008.

NOTE 3 – CONTRIBUTION IN-KIND - RENT 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	\$ 100,802	\$ 100,802
Amount due from one to five years	403,208	403,208
Amount due in greater than five years	<u>2,217,643</u>	<u>2,318,445</u>
	2,721,653	2,822,455
Less: Unamortized discount to present value	<u>1,156,744</u>	<u>1,229,843</u>
	<u>\$ 1,564,909</u>	<u>\$ 1,592,612</u>

The Center has a 40-year lease agreement, effective October 1, 1998, with Astor Services for Children & Families ("Astor"), a related party (see Note 5), for the use of the land and improvements at the Rhinebeck location. The Center is required to pay a nominal rent of \$1 per year. The Center has estimated the fair value of the annual lease payment to be approximately \$101,000. 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 \$73,099 and \$74,393 for the years ended June 30, 2011 and 2010, respectively.

**THE ASTOR LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

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>
Buildings (Note 7)	\$ 2,747,566	\$ 2,747,566	40 years
Furniture and equipment	179,588	179,588	3 to 10 years
Leasehold improvements	142,879	138,317	Remaining lease term
Land improvements	<u>3,800</u>	<u>3,800</u>	
Total cost	3,073,833	3,069,271	
Less: Accumulated depreciation and amortization	<u>1,175,126</u>	<u>1,090,240</u>	
Net book value	<u>\$ 1,898,707</u>	<u>\$ 1,979,031</u>	

Depreciation and amortization expense amounted to \$84,886 and \$83,697 for the years ended June 30, 2011 and 2010, respectively.

NOTE 5—RELATED PARTY TRANSACTIONS

The Center is related to Astor through common board membership. During the years ended June 30, 2011 and 2010, Astor allocated \$270,961 and \$256,855, respectively, in joint administrative costs (such as administrative salaries, supplies, telephone, rent, etc.) to the Center. Astor also provides operating and maintenance services to the Center. The Center reimburses Astor for these costs (salaries, fringe benefits, utilities, insurance, etc.). As of June 30, 2011 and 2010, the Center owed Astor \$969,292 and \$680,245, respectively.

The Center uses property and facilities owned by the Archdiocese of New York under a sublease from Astor free of charge (see notes 2H and 3).

The Center and Astor are also related, by being equal corporate members, to The Children's Foundation for Astor (the "Foundation"). The Center owed the Foundation \$1,641 as of June 30, 2011 and 2010.

NOTE 6—DEFERRED FINANCING FEES

Deferred financing fees represent finance costs related to the issuance of the Industrial Development Agency bonds (see Note 7) and are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis (which approximates the effective interest method) over the life of the bonds. Amortization expense amounted to \$7,365 for each of the years ended June 30, 2011 and 2010, respectively.

NOTE 7—BONDS PAYABLE

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"). The bonds are collateralized by an irrevocable letter of credit for approximately \$2,250,466, which expires on December 31, 2011. Interest on the bonds is payable semi-annually at rates ranging between 4.30% 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. This obligation of the Center is guaranteed by Astor and the Foundation, related parties, which is described in Note 5 of the financial statements.

**THE ASTOR LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 7—BONDS PAYABLE (Continued)

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 portion 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 bonds are collateralized by the property and equipment and accounts receivable of the Center.

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

2012	\$ 100,000
2013	105,000
2014	105,000
2015	115,000
2016	120,000
2017 and thereafter	<u>1,375,000</u>
	<u>\$ 1,920,000</u>

Interest expense amounted to \$98,235 and \$102,390 for the years ended June 30, 2011 and 2010, respectively.

NOTE 8—DUE TO FUNDING SOURCES

The account balance in due to funding sources primarily represents excess reimbursements made to the Center by the funding sources for the educational program. Most of these amounts will be recovered by the funding sources over time as future services are billed.

NOTE 9—CONTINGENCIES

Pursuant to the Center's contractual relationships with certain funding sources, outside governmental agencies have the right to examine the books and records of the Center involving transactions relating to these 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—PENSION PLAN

The Center participates in the Archdiocesan Pension Plan (the "Plan") which is a 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. The Center's pension expense for the years ended June 30, 2011 and 2010 amounted to \$124,774 and \$106,496, respectively.

NOTE 11—SUBSEQUENT EVENT

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.

**THE ASTOR LEARNING CENTER
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	Year Ended June 30, 2011			Year Ended June 30, 2010		
	Learning Center	IDEA	Total 2011	Learning Center	IDEA	Total 2010
Salaries	\$ 1,942,708	\$ 145,091	\$ 2,087,799	\$ 1,841,982	\$ 85,041	\$ 1,927,023
Social security	136,284	10,104	146,388	131,125	6,018	137,143
Health insurance	293,489	22,049	315,538	249,478	11,448	260,926
Pension	116,055	8,719	124,774	101,823	4,673	106,496
Workers' compensation and other benefits	28,537	1,980	30,517	30,810	1,217	32,027
Travel	618	377	995	747	101	848
Children's activities	7,542	119	7,661	83	13,856	13,939
Tuition	34,664	-	34,664	52,540	-	52,540
Purchase of health services	2,023	-	2,023	3,392	-	3,392
Purchase of other services	16,154	-	16,154	15,288	-	15,288
Food	175	-	175	514	-	514
Supplies & equipment	19,149	47,578	66,727	20,837	104,940	125,777
Rent:						
Property	7,994	-	7,994	7,920	-	7,920
Furniture and equipment	14,414	-	14,414	24,224	-	24,224
Vehicle	1,632	-	1,632	3,791	-	3,791
Donated facilities	99,965	837	100,802	99,929	873	100,802
Utilities	75,002	-	75,002	72,649	-	72,649
Repair and maintenance:						
Buildings	15,533	-	15,533	12,234	-	12,234
Equipment	13,122	-	13,122	11,253	1,256	12,509
Vehicles	132	-	132	203	-	203
Telephone	34,497	-	34,497	30,710	-	30,710
Postage	3,010	-	3,010	3,685	-	3,685
Dues, licenses and permits	11,350	-	11,350	3,064	-	3,064
Office supplies	4,633	-	4,633	3,761	-	3,761
Subscriptions and publications	181	258	439	799	1,026	1,825
Conferences	100	4,460	4,560	-	605	605
Administrative	4,625	-	4,625	4,658	-	4,658
Staff development	728	10,701	11,429	1,690	12,527	14,217
Publicity			-	116	-	116
Other professional services	16,932	29	16,961	5,070	1,029	6,099
Insurance	32,876	2,918	35,794	30,509	2,804	33,313
Interest	98,235	-	98,235	102,390	-	102,390
Letter of credit fee	46,277	-	46,277	44,804	-	44,804
Depreciation and amortization	83,993	8,258	92,251	81,361	9,701	91,062
Allocated depreciation from related party	-	-	-	2,188	-	2,188
Total program expense	<u>3,162,629</u>	<u>263,478</u>	<u>3,426,107</u>	<u>2,995,627</u>	<u>257,115</u>	<u>3,252,742</u>
Allocation of administration from related party	<u>248,870</u>	<u>22,091</u>	<u>270,961</u>	<u>235,240</u>	<u>21,615</u>	<u>256,855</u>
TOTAL EXPENSES AFTER ALLOCATION	<u>\$ 3,411,499</u>	<u>\$ 285,569</u>	<u>\$ 3,697,068</u>	<u>\$ 3,230,867</u>	<u>\$ 278,730</u>	<u>\$ 3,509,597</u>