



FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED June 30, 2011 AND 2010

THE CHILDREN'S FOUNDATION OF ASTOR, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2011 AND 2010

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-11



INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Children's Foundation of Astor

We have audited the accompanying statements of financial position of The Children's Foundation of Astor (the "Foundation") 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 Foundation'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 Children's Foundation of Astor 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.

Marks Paneth & Shron LLP

New York, NY
November 18, 2011

THE CHILDREN'S FOUNDATION OF ASTOR
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Note 2C)	\$ 165,787	\$ 187,543
Investments in securities (Notes 2E, 3 and 9)	3,748,057	2,982,835
Due from a related party (Note 7)	1,641	1,641
Note receivable from related party, current (Note 4)	27,756	27,756
Other assets	<u>1,250</u>	<u>-</u>
Total current assets	3,944,491	3,199,775
Property and equipment, net (Notes 2F and 5)	1,863,942	1,945,711
Note receivable from related party, noncurrent (Note 4)	11,505	39,261
Restricted endowment investments (Notes 2B, 2E, 3, 8 and 9)	<u>500,000</u>	<u>500,000</u>
TOTAL ASSETS	<u>\$ 6,319,938</u>	<u>\$ 5,684,747</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,006	\$ 1,006
Due to a related party (Note 7)	334,111	283,314
Mortgages payable, current (Note 6)	<u>179,739</u>	<u>51,666</u>
Total current liabilities	514,856	335,986
Mortgages payable, noncurrent (Note 6)	<u>11,505</u>	<u>191,072</u>
TOTAL LIABILITIES	<u>526,361</u>	<u>527,058</u>
NET ASSETS (Note 2B)		
Unrestricted	5,241,412	4,648,611
Temporarily restricted	52,165	9,078
Permanently restricted	<u>500,000</u>	<u>500,000</u>
TOTAL NET ASSETS	<u>5,793,577</u>	<u>5,157,689</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,319,938</u>	<u>\$ 5,684,747</u>

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

THE CHILDREN'S FOUNDATION OF ASTOR
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	Year Ended June 30, 2011			Year Ended June 30, 2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010
PUBLIC SUPPORT AND REVENUE:								
Contributions and fundraising	\$ 152,171	\$ 43,087	\$ -	\$ 195,258	\$ 150,821	\$ 7,107	\$ -	\$ 157,928
Rental income from related party (Note 7)	106,380	-	-	106,380	104,172	-	-	104,172
Investment activity (Note 3)	757,139	-	-	757,139	225,765	-	-	225,765
Interest income on note receivable from related party (Note 4)	1,250	-	-	1,250	1,687	-	-	1,687
Net assets released from restrictions (Note 2B)	-	-	-	-	14,875	(14,875)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,016,940	43,087	-	1,060,027	497,320	(7,768)	-	489,552
EXPENSES:								
Program service expenses:								
Property taxes	416	-	-	416	417	-	-	417
Interest expense (Note 6)	11,831	-	-	11,831	15,155	-	-	15,155
Grant expense, related party (Note 7)	83,844	-	-	83,844	-	-	-	-
Depreciation expense	65,869	-	-	65,869	65,868	-	-	65,868
Repairs and maintenance expense	1,291	-	-	1,291	855	-	-	855
Total program service expenses	163,251	-	-	163,251	82,295	-	-	82,295
Management and general:								
Administrative (Note 7)	159,670	-	-	159,670	162,429	-	-	162,429
Legal, audit and other professional services	35,237	-	-	35,237	30,316	-	-	30,316
Total management and general	194,907	-	-	194,907	192,745	-	-	192,745
Fundraising	65,981	-	-	65,981	76,034	-	-	76,034
TOTAL EXPENSES	424,139	-	-	424,139	351,074	-	-	351,074
CHANGE IN NET ASSETS								
Net assets - beginning of year	592,801	43,087	-	635,888	146,246	(7,768)	-	138,478
	4,648,611	9,078	500,000	5,157,689	4,502,365	16,846	500,000	5,019,211
NET ASSETS - END OF YEAR	\$ 5,241,412	\$ 52,165	\$ 500,000	\$ 5,793,577	\$ 4,648,611	\$ 9,078	\$ 500,000	\$ 5,157,689

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

THE CHILDREN'S FOUNDATION OF ASTOR
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	\$ 635,888	\$ 138,478
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	65,869	65,869
Contributed securities	(3,042)	-
Loss on sale of land	4,792	-
Realized/unrealized gain on investments	<u>(690,690)</u>	<u>(167,602)</u>
Subtotal	12,817	36,745
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	-	14,875
Other assets	(1,250)	2,000
Due from a related party	-	(180)
Increase in liabilities:		
Due to a related party	<u>50,797</u>	<u>89,124</u>
Net Cash Provided by Operating Activities	<u>62,364</u>	<u>142,564</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal payments received on note receivable from related party	27,756	27,756
Purchase of securities	(861,526)	(2,787,585)
Proceeds from sales of securities	790,036	2,730,770
Proceeds from sale of land	<u>11,108</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(32,626)</u>	<u>(29,059)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages	<u>(51,494)</u>	<u>(49,856)</u>
Net Cash Used by Financing Activities	<u>(51,494)</u>	<u>(49,856)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(21,756)	63,649
Cash and cash equivalents - beginning of year	<u>187,543</u>	<u>123,894</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 165,787</u>	<u>\$ 187,543</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 11,831</u>	<u>\$ 15,155</u>

THE CHILDREN'S FOUNDATION OF ASTOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Children's Foundation of Astor (the "Foundation") was incorporated in 1990 under the Not-For-Profit Corporation Law of the State of New York. The Foundation has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to raise funds and provide grants as well as support the activities of Astor Services for Children & Families ("Astor").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Foundation prepares its financial statements using the accrual basis of accounting. The Foundation adheres to accounting principles generally accepted in the United States of America.
- B. The Foundation maintains its net assets under the following three classes:
- Unrestricted – represents resources available for support of the Foundation's operations over which the Board of Directors has discretionary control.
 - Temporarily restricted – represents assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When a 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. The Foundation had temporarily restricted net assets of \$52,165 and \$9,078 (purpose restricted), as of June 30, 2011 and 2010, respectively.
 - Permanently restricted – represents assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Foundation. The donor of these assets permits the Foundation to use the income earned from related investments for general or specific purposes (meaning that the earnings are accounted for in the unrestricted net asset class) to benefit Astor.
- C. For purposes of the statements of cash flows, the Foundation defines cash and cash equivalents as cash and money market funds with maturities of three months or less when acquired.
- D. Pledges are recorded as income when the Foundation is formally notified of the grants or contributions by the respective donors. Unless material, the Foundation does not discount multiyear pledges.

The Foundation determined that no allowance for doubtful accounts is necessary as of June 30, 2011 and 2010. This determination is based on management's assessment of the creditworthiness of the donor as well as historical experience.

- E. Investments in equity and debt securities are measured at fair value.
- F. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. The Foundation 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.
- G. 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 certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- H. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 9.

THE CHILDREN'S FOUNDATION OF ASTOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective July 1, 2010, the Foundation partially adopted Accounting Standards Update 2010-6 ("ASU 2010-6"), Fair Value Measurements and Disclosures (Topic 820), *"Improving Disclosures about Fair Value Measurements."* ASU 2010-6 modified existing disclosures to require disclosures by asset or liability class when providing fair value measurement disclosures (see Note 9).

- I. The Foundation has no uncertain 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 Foundation is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2008 and prior years.
- J. Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 18, 2011, the date the financial statements were issued. See Note 10.

NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Mutual funds		
Domestic equity	\$ 1,542,348	\$ 1,272,316
International equity	1,122,495	767,292
Fixed income	567,786	177,360
Exchange traded funds		
Domestic equity	259,792	197,938
Fixed income	215,882	174,241
Money market funds	16,450	79,012
Corporate bonds	-	301,376
Certificates of deposit	519,120	512,052
Common stocks	<u>4,184</u>	<u>1,248</u>
Subtotal	4,248,057	3,482,835
Restricted investments	<u>(500,000)</u>	<u>(500,000)</u>
Investments, net of restricted amounts	<u>\$ 3,748,057</u>	<u>\$ 2,982,835</u>

Investments are subject to market volatility that could change their carrying values in the near term.

Investment activity consists of the following for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 66,449	\$ 58,163
Net realized/unrealized gain	<u>690,690</u>	<u>167,602</u>
	<u>\$ 757,139</u>	<u>\$ 225,765</u>

THE CHILDREN'S FOUNDATION OF ASTOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 4 – NOTE RECEIVABLE FROM RELATED PARTY

The note receivable from related party is due from Astor 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 receivable in monthly principal installments of \$2,313 plus interest, based on a ten year amortization period. Interest is calculated at LIBOR plus 1.75% (2.94% as of June 30, 2011)	\$ 39,261	\$ 67,017
Less: Current portion	<u>27,756</u>	<u>27,756</u>
Note receivable from related party, noncurrent	<u>\$ 11,505</u>	<u>\$ 39,261</u>

NOTE 5 – 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	\$ 387,365	\$ 403,265	
Buildings and improvements	<u>2,190,561</u>	<u>2,190,561</u>	5-40 Years
Total cost	2,577,926	2,593,826	
Accumulated depreciation	<u>(713,984)</u>	<u>(648,115)</u>	
Net book value	<u>\$ 1,863,942</u>	<u>\$ 1,945,711</u>	

Depreciation expense amounted to \$65,869 for each of the years ended June 30, 2011 and 2010.

NOTE 6 – MORTGAGES PAYABLE

As of June 30, 2011 and 2010, the mortgages payable consist of the following:

	<u>2011</u>	<u>2010</u>
Payable to a bank. Due November 2012, this loan bears interest at LIBOR plus 1.75%. (2.94% as of June 30, 2011). This mortgage is collateralized by real property located at Dyre Ave, Bronx, NY.	\$ 39,261	\$ 67,017
Payable to a real estate company. Due July 2011, this loan bears interest at a fixed rate of 7.07%. This mortgage is collateralized by real property located at Lincoln Ave, Poughkeepsie, NY.	<u>151,983</u>	<u>175,721</u>
	191,244	242,738
Less: Current portion	<u>(179,739)</u>	<u>(51,666)</u>
Mortgages payable, noncurrent	<u>\$ 11,505</u>	<u>\$ 191,072</u>

Interest expense amounted \$11,831 and \$15,155 for the years ended June 30, 2011 and 2010, respectively.

Future annual principal payments for the fiscal years ending after June 30, 2011 are as follows:

2012	\$ 179,739
2013	<u>11,505</u>
	<u>\$ 191,244</u>

THE CHILDREN'S FOUNDATION OF ASTOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 7 – RELATED PARTY TRANSACTIONS

Astor and The Astor Learning Center (the "Center") are equal members of the Foundation.

Astor is the lessee of certain real estate property owned by the Foundation. Rental income paid by Astor to the Foundation amounted to \$106,380 and \$104,172 for the years ended June 30, 2011 and 2010, respectively. Astor also charges the Foundation certain administrative expenses, which amounted to \$159,670 and \$162,429 for the years ended June 30, 2011 and 2010, respectively.

The Foundation obtained an original mortgage during the year ended June 30, 1992 for the purpose of lending money to Astor. Astor used this money to finance certain leasehold improvements that were made to a building in which Astor is the tenant and the Foundation is the owner. A second mortgage was obtained in June 2001 for the purpose of purchasing a building in which Astor is the tenant and the Foundation is the owner as further described in Notes 4 and 5.

The Foundation recorded a liability to Astor as of June 30, 2011 and 2010 which amounted to \$334,111 and \$283,314, respectively. These amounts primarily represent administrative expenses charged to the Foundation by Astor, and other expenses paid by Astor on behalf of the Foundation.

For the year ended June 30, 2011, the Foundation contributed \$83,844 to Astor, which was reflected as grant expense in the accompanying financial statements.

The Foundation recorded a receivable from the Center which amounted to \$1,641 as of June 30, 2011 and 2010.

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, which are guaranteed by Astor and the Foundation. 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 expiring 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 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 bond is 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
Thereafter	<u>1,375,000</u>
	<u>\$ 1,920,000</u>

NOTE 8 – ENDOWMENT NET ASSETS

As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on existence or absence of donor imposed restrictions.

For the years ended June 30, 2011 and 2010, permanently restricted net assets consist of \$500,000.

THE CHILDREN'S FOUNDATION OF ASTOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

The Foundation recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaces the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). In addition, the Foundation recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of such endowment funds.

The Foundation's endowment investment policy is to invest the funds in a mix of mutual funds with the objective of long term growth. The investment policy provides for an asset allocation model that is designed to achieve this objective. The endowment's total return performance is reviewed by the Foundation's Board at each meeting. Any adjustments to the mix or allocation of the endowment based upon performance and market conditions would be approved by the Board each meeting.

The Foundation's Board has interpreted NYPMIFA as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

The policy for valuing the Foundation's investments is described in Notes 2E, 2H, 3 and 9. In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. The Foundation has not incurred such deficiencies in its endowment funds as of June 30, 2011 and 2010.

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>
Endowment net assets, beginning of year	\$ 171,918	\$ 500,000	\$ 671,918
Investment activity:			
Interest and dividends	14,775	-	14,775
Unrealized gain on investments	<u>210,384</u>	<u>-</u>	<u>210,384</u>
Transfer of investments not permanently restricted	(250,000)	-	(250,000)
Endowment net assets, end of year	<u>\$ 147,077</u>	<u>\$ 500,000</u>	<u>\$ 647,077</u>

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total 2010</u>
Endowment net assets, beginning of year	\$ 71,627	\$ 500,000	\$ 571,627
Investment activity:			
Interest and dividends	10,440	-	10,440
Unrealized gain on investments	<u>89,851</u>	<u>-</u>	<u>89,851</u>
Endowment net assets, end of year	<u>\$ 171,918</u>	<u>\$ 500,000</u>	<u>\$ 671,918</u>

THE CHILDREN'S FOUNDATION OF ASTOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 9 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The Foundation's financial assets carried at fair value at June 30, 2011 are classified in the table as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Total 2011</u>
ASSETS CARRIED AT FAIR VALUE			
Mutual funds			
Domestic equity	\$ 1,542,348	\$ -	\$ 1,542,348
International equity	1,122,495	-	1,122,495
Fixed income	567,786	-	567,786
Exchange traded funds			
Domestic equity	259,792	-	259,792
Fixed income	215,882	-	215,882
Money market funds	16,450	-	16,450
Certificates of deposit	-	519,120	519,120
Common stocks	4,184	-	4,184
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 3,728,937</u>	<u>\$ 519,120</u>	<u>\$ 4,248,057</u>

The Foundation's financial assets carried at fair value at June 30, 2010 are classified in the table as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Total 2010</u>
ASSETS CARRIED AT FAIR VALUE			
Mutual funds			
Domestic equity	\$ 1,272,316	\$ -	\$ 1,272,316
International equity	767,292	-	767,292
Fixed income	177,360	-	177,360
Exchange traded funds			
Domestic equity	197,938	-	197,938
Fixed income	174,241	-	174,241
Money market funds	79,012	-	79,012
Corporate bonds	-	301,376	301,376
Certificates of deposit	-	512,052	512,052
Common stocks	1,248	-	1,248
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 2,669,407</u>	<u>\$ 813,428</u>	<u>\$ 3,482,835</u>

THE CHILDREN'S FOUNDATION OF ASTOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

Investments in actively traded mutual funds and fixed income are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes of transactions in active exchange markets involving identical assets. Certificates of deposit are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities etc.).

NOTE 10—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.