

ST. CATHERINE'S CENTER FOR CHILDREN

**Financial Statements as of
June 30, 2014
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

September 22, 2014

To the Board of Directors of
St. Catherine's Center for Children:

Report on the Financial Statements

We have audited the accompanying financial statements of St. Catherine's Center for Children (a New York not-for-profit corporation) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Catherine's Center for Children as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The prior year summarized comparative information has been derived from St. Catherine's Center for Children's 2013 financial statements. Those financial statements were audited by other auditors whose report, dated September 16, 2013, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in Schedules I and II is presented for the purpose of additional analysis and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The 2013 comparative information presented in Schedules I and II was subjected to the auditing procedures applied in the 2013 audit of the financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2013 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, on our consideration of St. Catherine's Center for Children's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Catherine's Center for Children's internal control over financial reporting and compliance.

ST. CATHERINE'S CENTER FOR CHILDREN

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(With Comparative Totals for 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,258,532	\$ 175,893
Accounts receivable, net	1,996,969	2,131,451
Prepaid expenses	21,236	20,728
Due from related party	<u>5,941</u>	<u>8,404</u>
Total current assets	3,282,678	2,336,476
PROPERTY AND EQUIPMENT, net	1,796,469	1,767,042
INTEREST IN NET ASSETS OF THE FOUNDATION OF ST. CATHERINE'S CENTER FOR CHILDREN	<u>358,204</u>	<u>256,361</u>
	<u>\$ 5,437,351</u>	<u>\$ 4,359,879</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 51,300	\$ 38,464
Accounts payable	223,703	440,716
Due to Diocese	25,160	540,664
Accrued expenses	388,888	260,092
Current portion of due to funding sources	40,781	-
Deferred revenue	<u>107,466</u>	<u>126,124</u>
Total current liabilities	837,298	1,406,060
LONG-TERM DEBT, net of current portion	605,953	600,316
DUE TO FUNDING SOURCES, net of current portion	<u>415,617</u>	<u>150,338</u>
Total liabilities	<u>1,858,868</u>	<u>2,156,714</u>
NET ASSETS:		
Unrestricted	3,220,279	1,922,503
Temporarily restricted	<u>358,204</u>	<u>280,662</u>
Total net assets	<u>3,578,483</u>	<u>2,203,165</u>
	<u>\$ 5,437,351</u>	<u>\$ 4,359,879</u>

The accompanying notes are an integral part of these statements.

ST. CATHERINE'S CENTER FOR CHILDREN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014 (With Comparative Totals for 2013)

	2014			2013
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Board and care	\$ 4,881,606	\$ -	\$ 4,881,606	3,564,141
Homeless shelter	1,805,021	-	1,805,021	1,712,861
Medical assistance	1,891,757	-	1,891,757	1,217,016
Preventive services	1,131,805	-	1,131,805	787,120
Tuition	2,509,301	-	2,509,301	2,007,751
Other program revenue	120,806	-	120,806	152,704
Miscellaneous	37,002	-	37,002	7,613
Net assets released from restrictions	<u>66,356</u>	<u>(66,356)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>12,443,654</u>	<u>(66,356)</u>	<u>12,377,298</u>	<u>9,449,206</u>
EXPENSES:				
Program services				
Group residence	40,773	-	40,773	19,531
Copson	1,954,068	-	1,954,068	1,482,255
Foster care	1,001,878	-	1,001,878	928,590
Group home	528,529	-	528,529	520,819
Medical	596,929	-	596,929	400,638
Special education	1,974,035	-	1,974,035	1,785,613
Clinic	544,573	-	544,573	491,413
Prevention	676,031	-	676,031	356,242
Transitional housing	1,078,672	-	1,078,672	1,034,700
Community based services	526,961	-	526,961	507,298
Addiction and recovery center for hope (ARCH)	334,430	-	334,430	341,528
Homeless school liaison	44,654	-	44,654	51,160
Supportive housing	<u>107,389</u>	<u>-</u>	<u>107,389</u>	<u>46,113</u>
Total program services	9,408,922	-	9,408,922	7,965,900
Management and general	1,454,591	-	1,454,591	1,352,671
Bad debts	<u>121,950</u>	<u>-</u>	<u>121,950</u>	<u>30,000</u>
Total expenses	<u>10,985,463</u>	<u>-</u>	<u>10,985,463</u>	<u>9,348,571</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (EXPENSE)	<u>1,458,191</u>	<u>(66,356)</u>	<u>1,391,835</u>	<u>100,635</u>
NON-OPERATING INCOME (EXPENSE):				
Prior year revenue adjustments and settlements	(193,991)	-	(193,991)	72,876
Contributions	37,661	42,055	79,716	137,941
Interest and dividends	645	-	645	70
Gain (loss) on sale of equipment	(4,730)	-	(4,730)	23,789
Change in interest in net assets of The Foundation for St. Catherine's Center for Children	<u>-</u>	<u>101,843</u>	<u>101,843</u>	<u>(7,931)</u>
Total non-operating income (expense)	<u>(160,415)</u>	<u>143,898</u>	<u>(16,517)</u>	<u>226,745</u>
CHANGE IN NET ASSETS	1,297,776	77,542	1,375,318	327,380
NET ASSETS - beginning of year	<u>1,922,503</u>	<u>280,662</u>	<u>2,203,165</u>	<u>1,875,785</u>
NET ASSETS - end of year	<u>\$ 3,220,279</u>	<u>\$ 358,204</u>	<u>\$ 3,578,483</u>	<u>\$ 2,203,165</u>

The accompanying notes are an integral part of these statements.

ST. CATHERINE'S CENTER FOR CHILDREN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2014 (With Comparative Totals for 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,375,318	\$ 327,380
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Provision for bad debts	121,950	30,000
Depreciation and amortization	177,032	186,829
(Gain) loss on sale of equipment	4,730	(23,789)
Non-cash contributions	-	(69,528)
Change in interest in net assets of The Foundation For St. Catherine's Center for Children	(101,843)	7,931
Changes in:		
Accounts receivable	12,532	(771,314)
Prepaid expenses	(508)	5,286
Due from related party	2,463	277
Accounts payable	(217,013)	317,854
Due to Diocese	(15,504)	31,608
Accrued expenses	128,796	1,348
Deferred revenue	(18,658)	63,264
Due to funding sources	<u>306,060</u>	<u>29,081</u>
Net cash flow from operating activities	<u>1,775,355</u>	<u>136,227</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(151,045)	(53,745)
Proceeds from sale of equipment	<u>-</u>	<u>166,577</u>
Net cash flow from investing activities	<u>(151,045)</u>	<u>112,832</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) on line-of-credit	-	(257,166)
Net borrowings (repayments) on Diocese cash advances	(500,000)	200,000
Payments on long-term debt	<u>(41,671)</u>	<u>(48,489)</u>
Net cash flow from financing activities	<u>(541,671)</u>	<u>(105,655)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,082,639	143,404
CASH AND CASH EQUIVALENTS - beginning of year	<u>175,893</u>	<u>32,489</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,258,532</u>	<u>\$ 175,893</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 30,276</u>	<u>\$ 43,809</u>
Equipment purchases financed with long-term debt	<u>\$ 60,144</u>	<u>\$ 71,205</u>

The accompanying notes are an integral part of these statements.

ST. CATHERINE'S CENTER FOR CHILDREN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

1. THE ORGANIZATION

St. Catherine's Center for Children (Center) is a not-for-profit corporation operated under the auspices of the Roman Catholic Diocese of Albany (Diocese). The Center provides a variety of residential, community, and school based programs for children and families directed toward the prevention of personal and family dysfunction. Included are services to assess and treat children with mental illness, as well as education and support for parents of these children. In addition to providing a special education program for children ages five to twelve with social, emotional, and/or intellectual developmental conditions, the Center offers residential programs such as group care housing, specialized foster families for children, shelters for homeless families, and other educational programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Center's financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes bank demand deposit accounts and money market accounts. The Center's cash balances may at times exceed federally insured limits. The Center has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Accounts Receivable

Accounts receivable primarily include uncollateralized obligations from individuals, Medicaid, and various county, state, and federal agencies under credit terms that are customary for nonprofit human service agencies. Accounts receivable are generally billed monthly and payment is generally due within 30-60 days.

Accounts for which no payments have been received for several months are considered delinquent and customary collection efforts are begun. After all collection efforts are exhausted the account is written off. The carrying amount of accounts receivable is reduced by a valuation that reflects management's best estimate of amounts that will not be collected. Management estimates the portion, if any, of the balance that will not be collected based upon the Center's past credit loss experience, an assessment of the payor's current creditworthiness, and applicable funding source billing regulations. The allowance for doubtful accounts was \$100,000 and \$75,000 as of June 30, 2014 and 2013, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost or, in the case of donated assets, at fair market value at the date of donation, less accumulated depreciation and amortization. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation, and any resultant gain or loss is included in the Center's change in net assets. Depreciation is computed over the estimated useful lives of the respective assets using the straight-line method with lives ranging from three to fifty years. Leasehold improvements are amortized over the shorter of the estimated life of the asset or the remaining lease term.

Equipment under capital lease is capitalized at the present value of future minimum lease payments at the inception of the lease. Assets subject to capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to assets subject to capital leases is included within depreciation expense.

The Center reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

The Center assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2014 or 2013.

Deferred Revenue

Deferred revenue represents contract advances received under restricted grant agreements which pertain to programs or activities to be performed in the following year.

Due to Funding Sources

Due to funding sources consists of amounts due to various counties and other third parties. Amounts represent funding advances and overpayments received by the Center not yet repaid to the funding source. Amounts are recorded in the period in which they may be reasonably estimated. Amounts have been classified as current or long-term based on the anticipated repayment date.

Financial Reporting

The Center reports its activities and the related net assets using three net asset categories: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets include resources which are available for the support of the Center's operating activities. This category may also include resources designated by the Board for specific purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting (Continued)

Temporarily restricted net assets include resources that have been donated to the Center subject to purpose or time restrictions as defined by the donor. These restrictions will be met either by actions of the Center and/or the passage of time. Temporarily restricted net assets include the Center's beneficial interest in the net assets of The Foundation of St. Catherine's Center for Children.

As of June 30, 2014 and 2013, management has determined that there are no permanently restricted net assets.

Revenue Recognition

The Center renders services under agreements with various third-party payors and is reimbursed under provisions of the approved contracts. Amounts received from third-party payors are based upon established billing rates. Certain billing rates are established at the beginning of the year and subsequently adjusted. The ultimate settlement of billing rates with payors may result in the Center recording either additional revenue or expense attributable to its service provision. Final determination of the revenue earned by the Center is subject to audit by third-party payors. Any changes resulting from these audits are recognized in the year when the amounts can be reasonably measured.

The Center also receives revenue from government agencies which is recognized when expenses are incurred under approved contracts. These contracts are primarily budget-based and revenue is determined by allowable expenditures in contract periods.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited.

Income Taxes

The Center is a New York not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Center has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of June 30, 2014 and 2013, the Center does not have a liability for unrecognized tax benefits. The Center files exempt organization returns in the U.S. federal jurisdiction. The Center is no longer subject to U.S. federal tax examinations by tax authorities for years before 2010.

Donated Services

The value of donated services is not reflected in the accompanying financial statements since either no specific skills are required for the services or there is no objective basis available by which to measure value. However, a substantial number of volunteers have donated significant amounts of time to the Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2013, from which the summarized comparative information was obtained.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land, buildings, and improvements	\$ 3,289,398	\$ 3,301,159
Leasehold improvements	290,565	285,224
Furnishings and equipment	507,191	975,572
Vehicles	<u>496,357</u>	<u>457,971</u>
	4,583,511	5,019,926
Less: Accumulated depreciation	<u>(2,787,042)</u>	<u>(3,252,884)</u>
	<u>\$ 1,796,469</u>	<u>\$ 1,767,042</u>

Capital Leases

The Center is the lessee of various vehicles and equipment under capital leases. Assets held under capital leases are as follows at June 30:

	<u>2014</u>	<u>2013</u>
Vehicles and equipment	\$ 51,217	\$ 51,217
Less: Accumulated amortization	<u>(10,021)</u>	<u>(1,167)</u>
	<u>\$ 41,196</u>	<u>\$ 50,050</u>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was \$177,032 and \$186,829, respectively.

4. INTEREST IN NET ASSETS OF THE FOUNDATION OF ST. CATHERINE'S CENTER FOR CHILDREN

The Foundation of St. Catherine's Center for Children (Foundation) was organized to engage in activities to promote the purpose, goals, and objectives of the Center to solicit contributions to carry out those purposes. The Center is required to report its ongoing economic interest in the net assets of the Foundation. Each year the change in this interest is reported in the statement of activities.

4. INTEREST IN NET ASSETS OF THE FOUNDATION OF ST. CATHERINE'S CENTER FOR CHILDREN (Continued)

A summary of the Foundation's financial position and liquidity is as follows:

	June 30, <u>2014</u>	June 30, <u>2013</u>
Total assets	\$ <u>364,919</u>	\$ <u>278,019</u>
Liabilities	\$ <u>6,715</u>	\$ <u>21,658</u>
Net assets - unrestricted	129,519	60,302
Net assets - temporarily restricted	218,685	186,059
Net assets - permanently restricted	<u>10,000</u>	<u>10,000</u>
	<u>358,204</u>	<u>256,361</u>
Total liabilities and net assets	\$ <u>364,919</u>	\$ <u>278,019</u>

A summary of the Foundation's change in net assets is as follows:

	Year Ended <u>June 30, 2014</u>	Year Ended <u>June 30, 2013</u>
Revenue and support	\$ 318,057	\$ 277,661
Expenses	<u>216,214</u>	<u>285,592</u>
Change in net assets	<u>\$ 101,843</u>	<u>\$ (7,931)</u>

Transactions with the Foundation

The Center has an agreement with the Foundation to provide personnel, office space, and certain administrative services to the Foundation. The agreement is renewable on an annual basis. Reimbursement for these services totaled \$47,833 and \$77,231 for the years ended June 30, 2014 and 2013, respectively.

The Center received unrestricted contributions totaling \$36,600 and \$71,580 during the year ended June 30, 2014 and 2013, respectively. The Center also received \$43,118 and \$66,361 of temporarily restricted contributions during 2014 and 2013, respectively, which were used in the Center's program services in accordance with the donors' wishes. In addition, during 2014 and 2013, the Center provided to the Foundation in-kind administrative professional services valued at approximately \$36,600.

5. LINES-OF-CREDIT

The Center has available a \$700,000 working capital line-of-credit with First Niagara Bank, N.A. of which \$0 was outstanding at June 30, 2014 and 2013. This line-of-credit is secured by accounts receivable and property and equipment not otherwise secured. The line-of-credit expires December 31, 2014. Interest is charged at the bank's prime rate with a floor of 4.0% (4.0% at June 30, 2014) or the three month LIBOR rate plus 2/5%, with a floor of 4.0% at the election of management. The Center is required to maintain a zero balance for 30 consecutive days during the loan year.

5. LINES-OF-CREDIT (Continued)

The Center also has a \$250,000 equipment line-of-credit with First Niagara Bank, N.A., of which approximately \$193,100 was available June 30, 2014. The line-of-credit expires December 31, 2014 and is secured by the related equipment financed through the line. Interest is charged at the bank's prime rate with a floor of 4.0% (4.0% at June 30, 2014) or the three month LIBOR rate plus 2/5%, with a floor of 4.0% at the election of management. Any outstanding amounts on the line-of-credit are converted, at the time of the advance, to a term loan with payment periods not to exceed sixty months at the election of management. There was no outstanding balance on this line-of-credit at June 30, 2014.

6. LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Mortgage payable to First Niagara Bank in monthly installments of \$3,682, including interest at 4.09%, maturing in December 2021. This mortgage is secured by real property.	\$ 549,275	\$ 570,211
Notes payable to First Niagara Bank in monthly installments ranging from \$422 to \$501, including interest ranging from 3.87% to 3.99%, with various maturity dates from January 2018 to May 2018. These notes are secured by vehicles.	56,937	-
Notes payable to First Niagara Bank in monthly installments totaling \$831, including interest at 5.15% and 6.64%. These notes matured during 2013 and were secured by vehicles.	-	2,893
Note payable to GMAC Financing in monthly installments of \$382, including interest at 5.40%, maturing April 2018. This note is secured by a vehicle.	15,554	19,114
Present value of net minimum obligations under capital leases, interest ranging from 2.28% to 7.07%	<u>35,487</u>	<u>46,562</u>
	<u>\$ 657,253</u>	<u>\$ 638,780</u>

6. LONG-TERM DEBT (Continued)

Future maturities of long-term debt are as follows at June 30:

	<u>Mortgages and Notes Payable</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
2015	\$ 39,498	\$ 13,019	\$ 52,517
2016	42,004	9,045	51,049
2017	43,782	8,684	52,466
2018	41,603	7,185	48,788
2019	26,108	-	26,108
Thereafter	<u>428,771</u>	<u>-</u>	<u>428,771</u>
	621,766	37,933	659,699
Less: amount representing interest	<u>-</u>	<u>(2,446)</u>	<u>(2,446)</u>
	<u>\$ 621,766</u>	<u>\$ 35,487</u>	<u>\$ 657,253</u>

In 2014 and 2013, total interest expense incurred, including amounts paid to the Diocese (see Note 7), was \$30,276 and \$42,981, respectively. There was no capitalized interest during the years ended June 30, 2014 and 2013.

7. RELATED PARTY TRANSACTIONS WITH THE DIOCESE

The Center is affiliated with the Roman Catholic Diocese of Albany (Diocese). At times, the Center receives cash advances from the Diocese for working capital purposes. Interest on cash advances was charged at a rate of 4.75% during the years ended June 30, 2014 and 2013. Interest expense paid to the Diocese totaled \$1,042 and \$7,240 for the years ended June 30, 2014 and 2013, respectively.

The Center is also a member of a multiemployer pension plan administered by the Diocese and rents office space from the Diocese, as more fully described in Notes 8 and 10, respectively. As a result of these transactions and cash advances, the amount due to the Diocese as of June 30, 2014 and 2013 was \$25,160 and \$540,664, respectively.

8. PENSION PLAN

The Center is a member of a multiemployer defined benefit plan (Plan). The Plan is administered by the Diocese and is available to all eligible lay employees of the Diocese and all Diocesan-related parties.

Employees who work at least 20 hours per week (1,000 hours per year) are eligible to participate in this Plan on July 1 immediately following their hire date. In order to participate, employees are required to contribute 2% of their gross salary in after-tax dollars. The Plan's trustees have established an employer contribution based on 7% of an employee's salary upon completion of three years of service. An employee is vested upon completion of five years of service. The retirement plan is a Church Plan, and as such, it is not subject to the minimum funding requirements of ERISA. Pension contributions totaled \$99,281 and \$102,723 for the years ended June 30, 2014 and 2013, respectively.

The Center also has a defined contribution 403(b) plan for their employees. There are no employer contributions to this plan and there are no age or service requirements.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2014</u>	<u>2013</u>
Interest in net assets of the Foundation	\$ 358,204	\$ 256,361
Programs and renovations, capital projects	<u>-</u>	<u>24,301</u>
	<u>\$ 358,204</u>	<u>\$ 280,662</u>

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Center leases office space at 40 North Main Avenue, Albany, NY from the Diocese on an annual basis. The lease required payments of \$7,727 per month for the year ended June 30, 2014. Rent expense for this space totaled \$92,719 and \$86,572 for the years ended June 30, 2014 and 2013, respectively. This lease is renewed annually with a one-year term.

The Center leases program space at 401 New Scotland Avenue, Albany NY from St. Teresa of Avila Church, a related party. The current monthly lease payments are \$6,631. The lease will expire during October 2017. Rent expense on this lease was \$79,567 and \$77,250 for the years ended June 30, 2014 and 2013, respectively.

In addition, the Center has various other lease agreements with payments ranging from \$650 to \$900 per month. These leases expired at various dates through July 2014. There are also annual apartment leases that the Center pays as part of its Supportive Housing program.

Total rent expense for all property and equipment leases were \$267,136 and \$206,502 for the years ended June 30, 2014 and 2013, respectively. The minimum future rental payments under non-cancelable operating leases are as follows:

<u>Year Ending June 30:</u>	
2015	\$ 175,077
2016	79,567
2017	79,567
2018	<u>26,522</u>
	<u>\$ 360,735</u>

Significant Concentration

Approximately 47% of the Center's total revenue and support was derived from three funding sources as of June 30, 2014. Approximately 35% of the Center's total revenue and support was derived from two funding sources as of June 30, 2013. Accounts receivable due from these payers was approximately \$1,072,200 and \$817,300 at June 30, 2014 and 2013, respectively. No other funding source accounted for more than 10% of the Center's total revenue and support.

10. COMMITMENTS AND CONTINGENCIES (Continued)

Funding Sources

The Center receives funding for various programs that are subject to review and audit by various governmental agencies. Such audits could result in a request for reimbursement by these agencies for expenditures disallowed or other revenue adjustments under the terms and conditions of the appropriate agency. In the opinion of the management, such disallowances, if any, will not be significant to the Center's financial statements. In the event that a subsequent audit or evaluation determines that an adjustment is required, the amount will be recognized in the period in which it can be reasonably measured.

New York Office of Medicaid Inspector General (OMIG) Audit

During the year ended June 30, 2011, the Center's Family Based Treatment program was audited by OMIG for the period January 1, 2005 through December 31, 2007. As of the date of this report, OMIG has yet to issue a draft report but has issued an exit conference summary indicating the potential recoupment may range between \$141,000 and \$187,000. Management has elected to record an estimated recoupment of \$141,000, which is included in due to funding sources in the accompanying financial statements. However, the Center is strongly contesting the liability and the final settlement amount cannot be determined as of the date of this report.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 22, 2014, which is the date the financial statements were available to be issued.

ST. CATHERINE'S CENTER FOR CHILDREN

SCHEDULE I

SCHEDULE OF FUNCTIONAL EXPENSES (Excluding bad debts)
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

	2014														2013		
	Group Residence	Copson	Foster Care	Group Home	Medical	Special Education	Clinic	Prevention	Transitional Housing	Community Based Services	Addiction and Recovery Center for Hope	Homeless School Liaison	Supportive Housing	Total Program Services	Management and General	Total	Total
EXPENSES:																	
Salaries	\$ 13,293	\$ 1,328,069	\$ 307,993	\$ 334,791	\$ 217,563	\$ 1,402,558	\$ 354,905	\$ 464,675	\$ 700,837	\$ 370,518	\$ 87,007	\$ 37,123	\$ 12,256	\$ 5,631,588	\$ 869,004	\$ 6,500,592	\$ 5,548,098
Payroll taxes and fringe benefits	2,806	259,508	57,365	64,550	43,299	267,487	66,372	109,639	133,425	50,326	15,030	6,007	2,370	1,078,184	174,409	1,252,593	1,128,549
Transportation and worker expense	432	24,207	48,843	10,188	2,615	2,581	603	27,279	13,879	22,230	3,749	1,176	907	158,689	4,440	163,129	136,432
Children's activities/program supplies	(85)	59,448	2,466	21,396	2,757	60,632	2,162	19,731	11,320	13,290	3,029	(61)	163	196,248	2,673	198,921	158,088
Purchase of services	1,771	6,632	799	1,219	278	18,105	2,398	735	5,768	6,419	190,494	30	-	234,648	85,025	319,673	277,372
Purchase of health services	-	-	-	-	147,943	-	46,875	-	-	15,560	-	-	-	210,378	-	210,378	169,000
Food	-	48,473	-	17,976	-	42,524	-	-	398	-	285	-	-	109,656	214	109,870	93,141
Clothing	-	10,620	(200)	5,478	-	-	-	58	36	-	-	-	-	15,992	-	15,992	44,213
Bedding and linens	-	3,333	-	176	-	-	-	-	323	-	-	-	-	3,832	-	3,832	-
Supplies and equipment	442	27,339	23	13,779	1,510	15,426	4,840	514	25,302	-	204	-	88	89,467	7,725	97,192	100,875
Supplies and equipment, medical	-	75	146	665	155,224	-	6,415	-	-	-	-	-	-	162,525	-	162,525	100,496
Rent, occupancy	-	71,714	11,193	2,444	8,935	-	-	10,690	-	11,951	-	-	90,797	207,724	52,778	260,502	199,758
Rent, equipment and fixtures	166	887	187	257	89	1,116	269	249	755	134	47	19	6	4,181	2,453	6,634	6,744
Utilities	975	9,568	51	8,534	1,516	31,619	7,800	40	59,675	21	4,865	-	-	124,664	1,543	126,207	134,906
Repairs and maintenance, plant	2,786	34,501	48	15,130	4,632	36,670	9,051	-	48,753	-	7,534	-	-	159,105	4,832	163,937	123,503
Repairs and maintenance, equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	612
Repairs and maintenance, vehicles	220	6,607	965	2,752	-	1,714	399	3,465	5,971	2,492	1,670	-	-	26,255	44	26,299	20,371
Telephone	738	8,422	5,111	3,864	2,846	7,238	5,355	7,256	8,378	7,532	3,258	274	81	60,353	15,749	76,102	80,674
Postage	-	14	-	-	-	104	6	-	10	-	-	-	-	134	2,893	3,027	8,694
Dues, licenses, and permits	11	5,304	3,186	2,278	11	9,948	9,958	2,177	667	246	50	-	721	34,557	6,965	41,522	19,672
Office supplies	8	9,704	3,464	1,515	3,097	8,218	4,580	3,144	3,111	1,698	1,293	-	-	39,832	32,905	72,737	65,979
Subscriptions and publications	-	90	90	-	-	206	51	-	-	-	-	-	-	437	2,045	2,482	546
Conference expense	-	330	466	7	30	1,198	202	67	1	3	5,625	-	-	7,929	2,422	10,351	6,628
Administrative	10	1,087	779	257	344	1,008	288	440	1,012	835	96	86	-	6,242	17,423	23,665	10,994
Staff development	-	5,500	642	2,260	399	1,025	738	131	1,369	248	-	-	-	12,312	2,228	14,540	9,598
Publicity	-	-	340	-	-	-	-	-	-	-	-	-	-	340	3,863	4,203	4,274
Professional fees	975	2,165	576	736	1,428	1,120	307	3,506	767	230	-	-	-	11,810	124,860	136,670	87,154
Insurance	361	5,191	1,103	4,899	1,944	9,970	2,439	4,440	29,543	4,011	3,106	-	-	67,007	164	67,171	58,971
Interest	-	507	342	392	152	54	4	1,530	17	1,472	-	-	-	4,470	25,806	30,276	42,981
Boarding home payments	-	-	554,508	-	-	-	-	9,225	-	11,625	-	-	-	575,358	-	575,358	487,626
Replacement reserve/amortization	-	17,852	-	390	-	-	-	-	10,101	-	-	-	-	28,343	301	28,644	23,750
Total expenses before depreciation	24,909	1,947,147	1,000,486	515,933	596,612	1,920,521	526,017	668,991	1,061,418	520,841	327,342	44,654	107,389	9,262,260	1,442,764	10,705,024	9,149,699
Depreciation, building	15,567	169	-	8,101	-	49,224	14,971	-	8,939	-	1,113	-	-	98,084	7,122	105,206	99,871
Depreciation, equipment	52	1,116	44	201	-	3,533	3,435	932	3,431	-	245	-	-	12,989	4,672	17,661	23,222
Depreciation, vehicles	245	5,636	1,348	4,294	317	757	150	6,108	4,884	6,120	5,730	-	-	35,589	33	35,622	45,779
Total expenses excluding bad debts	\$ 40,773	\$ 1,954,068	\$ 1,001,878	\$ 528,529	\$ 596,929	\$ 1,974,035	\$ 544,573	\$ 676,031	\$ 1,078,672	\$ 526,961	\$ 334,430	\$ 44,654	\$ 107,389	\$ 9,408,922	\$ 1,454,591	\$ 10,863,513	\$ 9,318,571

The accompanying notes are an integral part of these schedules.

ST. CATHERINE'S CENTER FOR CHILDREN

SCHEDULE II

SCHEDULE OF FUNCTIONAL EXPENSES AS PRESENTED IN NEW YORK STATE COST REPORTS
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

	2014													2013	
	Group Residence	Copson	Foster Care	Group Home	Medical	Special Education	Clinic	Prevention	Transitional Housing	Community Based Services	Addiction and Recovery Center for Hope	Homeless School Liaison	Supportive Housing	Total	Total
EXPENSES:															
Salaries	\$ 15,770	\$ 1,517,049	\$ 353,808	\$ 386,521	\$ 277,351	\$ 1,597,969	\$ 408,466	\$ 542,515	\$ 805,371	\$ 410,834	\$ 120,207	\$ 41,475	\$ 23,256	\$ 6,500,592	\$ 5,548,098
Payroll taxes and fringe benefits	3,304	297,447	66,563	74,935	55,301	306,665	77,125	125,268	154,411	58,420	21,696	6,880	4,578	1,252,593	1,128,549
Transportation and worker expense	444	25,135	49,336	10,442	2,909	3,541	866	27,661	14,392	22,428	3,816	1,197	962	163,129	136,432
Children's activities/program supplies	(78)	60,007	2,763	21,549	2,934	61,210	2,320	19,961	11,629	13,409	3,070	(48)	195	198,921	158,088
Purchase of services	2,004	24,403	10,246	6,084	5,901	36,481	7,435	8,055	15,598	10,210	191,782	439	1,035	319,673	277,372
Purchase of health services	-	-	-	-	147,943	-	46,875	-	-	15,560	-	-	-	210,378	169,000
Food	1	48,518	24	17,988	14	42,570	13	18	423	10	288	1	2	109,870	93,141
Clothing	-	10,620	(200)	5,478	-	-	-	58	36	-	-	-	-	15,992	44,213
Bedding and linens	-	3,333	-	176	-	-	-	-	323	-	-	-	-	3,832	-
Supplies and equipment	463	28,954	881	14,221	2,021	17,096	5,298	1,179	26,195	344	321	37	182	97,192	100,875
Supplies and equipment, medical	-	75	146	665	155,224	-	6,415	-	-	-	-	-	-	162,525	100,496
Rent, occupancy	145	82,745	17,057	5,464	12,425	11,407	3,127	15,234	6,102	14,304	800	254	91,438	260,502	199,758
Rent, equipment and fixtures	173	1,400	460	397	251	1,646	414	460	1,039	243	84	31	36	6,634	6,744
Utilities	979	9,891	222	8,622	1,618	31,952	7,891	173	59,853	90	4,888	7	21	126,207	134,906
Repairs and maintenance, plant	2,799	35,511	585	15,406	4,952	37,714	9,337	416	49,312	215	7,607	23	60	163,937	123,503
Repairs and maintenance, equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	612
Repairs and maintenance, vehicles	220	6,616	970	2,755	3	1,724	402	3,469	5,976	2,494	1,670	-	-	26,299	20,371
Telephone	781	11,714	6,861	4,765	3,887	10,642	6,288	8,612	10,199	8,234	3,497	350	272	76,102	80,674
Postage	8	619	321	166	191	729	177	249	344	129	44	14	36	3,027	8,694
Dues, licenses, and permits	30	6,760	3,960	2,677	472	11,453	10,371	2,777	1,472	557	156	34	803	41,522	19,672
Office supplies	94	16,582	7,120	3,398	5,273	15,330	6,529	5,977	6,915	3,165	1,792	158	404	72,737	65,979
Subscriptions and publications	6	517	317	117	135	648	172	176	236	91	31	10	26	2,482	546
Conference expense	7	836	735	146	190	1,721	345	276	281	111	5,662	12	29	10,351	6,628
Administrative	58	4,729	2,715	1,254	1,496	4,774	1,320	1,940	3,026	1,612	360	170	211	23,665	10,994
Staff development	6	5,966	890	2,387	546	1,507	870	323	1,627	347	34	11	26	14,540	9,598
Publicity	11	807	769	221	255	835	229	333	447	172	59	19	46	4,203	4,274
Professional fees	1,317	28,262	14,449	7,880	9,685	28,105	7,704	14,255	15,203	5,798	1,892	601	1,519	136,670	87,154
Insurance	361	5,225	1,121	4,908	1,955	10,005	2,449	4,454	29,562	4,018	3,108	1	4	67,171	58,971
Interest	71	5,901	3,209	1,868	1,859	5,631	1,533	3,752	3,001	2,623	391	124	313	30,276	42,981
Boarding home payments	-	-	554,508	-	-	-	-	9,225	-	11,625	-	-	-	575,358	487,626
Replace reserve/amortization	1	17,915	33	407	20	65	18	26	10,136	13	5	1	4	28,644	23,750
Total expenses before depreciation	28,975	2,257,537	1,099,869	600,897	694,811	2,241,420	613,989	796,842	1,233,109	587,056	373,260	51,801	125,458	10,705,024	9,149,699
Depreciation, building	15,587	1,658	791	8,508	471	50,763	15,393	613	9,762	318	1,221	34	87	105,206	99,871
Depreciation, equipment	65	2,093	563	468	309	4,543	3,712	1,334	3,971	208	316	22	57	17,661	23,222
Depreciation, vehicles	245	5,643	1,352	4,296	319	764	152	6,111	4,888	6,121	5,731	-	-	35,622	45,779
Total expenses excluding bad debts	\$ 44,872	\$ 2,266,931	\$ 1,102,575	\$ 614,169	\$ 695,910	\$ 2,297,490	\$ 633,246	\$ 804,900	\$ 1,251,730	\$ 593,703	\$ 380,528	\$ 51,857	\$ 125,602	\$ 10,863,513	\$ 9,318,571

The accompanying notes are an integral part of these schedules.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 22, 2014

To the Board of Directors of
St. Catherine's Center for Children:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Catherine's Center for Children (a New York nonprofit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Catherine's Center for Children's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Catherine's Center for Children's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Catherine's Center for Children's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Catherine's Center for Children's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.