

MONSIGNOR CARR INSTITUTE

FINANCIAL STATEMENTS

December 31, 2010

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Catholic Charities of Buffalo, N.Y., Inc.

We have audited the accompanying balance sheets of Monsignor Carr Institute as of December 31, 2010 and 2009 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of 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 audits 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 Monsignor Carr Institute as of December 31, 2010 and 2009, and the changes in its net assets and cash flows and functional expenses for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



June 3, 2011

MONSIGNOR CARR INSTITUTE

Balance Sheets

December 31,	2010	2009
Assets		
Current assets:		
Cash	\$ 2,931,393	\$ 2,499,013
Accounts receivable, net (Note 2)	985,181	983,427
Prepaid expenses	33,883	22,267
	<u>3,950,457</u>	<u>3,504,707</u>
Property and equipment, net (Note 3)	354,646	258,285
	<u>\$ 4,305,103</u>	<u>\$ 3,762,992</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long term debt (Note 4)	\$ 30,546	\$ 20,264
Accounts payable:		
Related party (Note 5)	1,838,791	862,570
Others	108,552	123,837
Estimated third-party payor settlements	3,840,000	3,092,000
	<u>5,817,889</u>	<u>4,098,671</u>
Long term debt (Note 4)	291,887	144,580
Net assets:		
Unrestricted (deficit)	(1,804,673)	(480,259)
	<u>\$ 4,305,103</u>	<u>\$ 3,762,992</u>

MONSIGNOR CARR INSTITUTE

Statements of Activities

For the years ended December 31,	2010	2009
Changes in unrestricted net assets:		
Revenues:		
Net patient service revenue	\$ 4,058,268	\$ 4,774,016
Government grants and contracts	472,070	600,074
Catholic Charities allocation	110,262	108,924
Other income	95,058	100,738
Total revenues	<u>4,735,658</u>	<u>5,583,752</u>
Expenses:		
Program services:		
Clinics:		
Niagara Falls	1,230,351	1,276,995
Main	1,080,726	1,072,106
Satellite	1,050,723	954,355
North Tonawanda	785,799	873,883
Lockport	1,070,660	1,034,725
Day Training	215,658	203,925
Substance Abuse Program	313,122	293,283
Children's Preventive Service	-	9,586
Senior Advocacy Services	133,544	130,697
Total program services	<u>5,880,583</u>	<u>5,849,555</u>
Management and general	179,489	219,317
Total expenses	<u>6,060,072</u>	<u>6,068,872</u>
Change in net assets	(1,324,414)	(485,120)
Net assets (deficit) - beginning	<u>(480,259)</u>	4,861
Net deficit - ending	<u>\$ (1,804,673)</u>	<u>\$ (480,259)</u>

MONSIGNOR CARR INSTITUTE

Statements of Cash Flows

For the years ended December 31,	2010	2009
Operating activities:		
Change in net assets	\$ (1,324,414)	\$ (485,120)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Bad debts expense	104,831	148,815
Depreciation	83,934	93,860
Changes in operating assets and liabilities:		
Accounts receivable	(106,585)	(217,040)
Prepaid expenses	(11,616)	28,572
Accounts payable	960,936	293,234
Estimated third party payor settlements	748,000	(109,000)
Net operating activities	455,086	(246,679)
Investing activities:		
Property acquisition	(180,295)	-
Financing activities:		
Proceeds from long-term debt	180,295	-
Payments on long-term debt	(22,706)	(19,181)
Net financing activities	157,589	(19,181)
Net change in cash	432,380	(265,860)
Cash - beginning	2,499,013	2,764,873
Cash - ending	\$ 2,931,393	\$ 2,499,013

MONSIGNOR CARR INSTITUTE

Statement of Functional Expenses

For the year ended December 31, 2010

	Clinics				
	Niagara Falls	Main	Satellite	North Tonawanda	Lockport
Salaries	\$ 507,364	\$ 519,381	\$ 570,146	\$ 345,273	\$ 428,427
Payroll taxes and benefits	141,250	138,993	152,061	107,530	115,435
Total salaries and benefits	648,614	658,374	722,207	452,803	543,862
Professional fees	314,776	168,109	128,755	150,194	304,846
Purchased services	101,616	80,520	72,336	62,724	78,168
Rent	36,592	48,775	42,444	-	54,600
Contracted services	20,365	28,162	6,202	19,390	5,627
Telephone	19,832	19,588	23,780	12,862	14,510
Minor equipment	3,884	2,185	7,509	-	288
Program supplies	3,043	1,518	2,597	86	1,986
Insurance	8,897	16,385	5,337	6,257	6,851
Employee travel	597	1,905	13,675	81	2,217
Food	-	-	-	-	-
Office supplies	2,882	4,932	1,370	1,029	1,335
Utilities	11,127	-	-	9,398	-
Client travel	-	3,300	530	-	-
Temporary services	2,796	7,054	5,312	4,732	27,506
Equipment repair	1,296	594	424	2,913	237
Conferences	398	212	359	287	326
Janitorial supplies	74	2,612	2,262	24	12
Postage	-	20	-	-	126
Other	1,091	1,421	736	9,170	562
Bad debt	30,924	20,868	14,888	5,922	27,601
Depreciation	21,547	14,192	-	47,927	-
	\$ 1,230,351	\$ 1,080,726	\$ 1,050,723	\$ 785,799	\$ 1,070,660

See accompanying notes.

Day Training	Substance Abuse Program	Senior Advocacy Services	Total Program Services	Management and General	Total
\$ 115,833	\$ 171,853	\$ 92,024	\$ 2,750,301	\$ 114,313	\$ 2,864,614
24,375	46,585	21,237	747,466	28,901	776,367
140,208	218,438	113,261	3,497,767	143,214	3,640,981
-	35,887	-	1,102,567	18,002	1,120,569
17,244	24,792	9,876	447,276	-	447,276
-	16,203	-	198,614	7,089	205,703
830	-	-	80,576	3,130	83,706
6,679	6,548	2,623	106,422	3,700	110,122
205	228	-	14,299	-	14,299
1,837	2,350	-	13,417	46	13,463
8,837	1,198	473	54,235	1,108	55,343
2,773	282	7,187	28,717	561	29,278
16,015	-	-	16,015	-	16,015
130	201	4	11,883	194	12,077
5,142	-	-	25,667	-	25,667
2,282	-	-	6,112	-	6,112
-	-	-	47,400	-	47,400
12,731	1,277	-	19,472	-	19,472
-	657	120	2,359	707	3,066
397	-	-	5,381	4	5,385
80	-	-	226	-	226
-	433	-	13,413	1,734	15,147
-	4,628	-	104,831	-	104,831
268	-	-	83,934	-	83,934
\$ 215,658	\$ 313,122	\$ 133,544	\$ 5,880,583	\$ 179,489	\$ 6,060,072

MONSIGNOR CARR INSTITUTE

Statement of Functional Expenses

For the year ended December 31, 2009

	Clinics				
	Niagara Falls	Main	Satellite	North Tonawanda	Lockport
Salaries	\$ 541,136	\$ 538,137	\$ 525,351	\$ 365,385	\$ 453,961
Payroll taxes and benefits	142,548	119,090	143,090	98,713	112,072
Total salaries and benefits	683,684	657,227	668,441	464,098	566,033
Professional fees	295,755	136,405	83,843	170,761	237,952
Purchased services	131,812	100,036	90,652	80,920	91,206
Rent	36,592	46,087	20,816	-	51,050
Contracted services	19,651	21,600	15,368	17,583	6,041
Telephone	21,221	21,034	23,801	17,051	15,914
Minor equipment	2,278	1,395	3,108	461	2,140
Program supplies	7,656	1,039	3,175	2,300	2,535
Insurance	8,438	9,058	1,955	4,919	5,504
Employee travel	2,592	7,998	16,547	2,758	1,984
Food	-	-	-	-	-
Office supplies	3,370	1,543	426	4,862	1,932
Utilities	11,518	-	-	8,521	-
Client travel	-	4,696	417	-	-
Wrap around funded expenses	-	-	-	-	-
Temporary services	6,587	336	2,895	7,356	7,993
Equipment repair	795	446	200	2,064	36
Conferences	971	2,627	900	91	779
Janitorial supplies	621	2,168	264	87	-
Postage	5	45	-	-	-
Other	3,387	10,750	15,412	556	397
Bad debt	16,081	29,504	6,135	38,562	43,229
Depreciation	23,981	18,112	-	50,933	-
	\$ 1,276,995	\$ 1,072,106	\$ 954,355	\$ 873,883	\$ 1,034,725

See accompanying notes.

Day Training	Substance Abuse Program	Children's Preventive Services	Senior Advocacy Services	Total Program Services	Management and General	Total
\$ 110,030	\$ 162,407	\$ -	\$ 85,978	\$ 2,782,385	\$ 151,303	\$ 2,933,688
22,634	42,376	-	20,247	700,770	30,899	731,669
132,664	204,783	-	106,225	3,483,155	182,202	3,665,357
-	21,658	-	-	946,374	13,250	959,624
21,958	33,059	-	12,000	561,643	-	561,643
-	16,203	-	-	170,748	8,560	179,308
1,475	153	-	-	81,871	3,762	85,633
5,865	5,842	-	2,363	113,091	4,393	117,484
-	195	-	-	9,577	-	9,577
1,528	2,162	-	-	20,395	85	20,480
8,003	523	-	584	38,984	327	39,311
2,544	913	-	9,445	44,781	1,538	46,319
18,566	-	-	-	18,566	-	18,566
-	124	-	-	12,257	287	12,544
5,963	-	-	-	26,002	-	26,002
2,029	-	-	-	7,142	-	7,142
-	-	-	-	-	-	-
-	-	-	-	25,167	-	25,167
1,612	88	-	80	5,321	16	5,337
-	1,694	-	-	7,062	2,881	9,943
807	-	-	-	3,947	-	3,947
47	-	-	-	97	-	97
30	168	-	-	30,700	2,016	32,716
-	5,718	9,586	-	148,815	-	148,815
834	-	-	-	93,860	-	93,860
\$ 203,925	\$ 293,283	\$ 9,586	\$ 130,697	\$ 5,849,555	\$ 219,317	\$ 6,068,872

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization:

Monsignor Carr Institute (the Organization) provides individual and group mental health and substance abuse services to residents of Erie and Niagara Counties, New York. Catholic Charities of Buffalo, N.Y., Inc. (Catholic Charities) is the sole corporate member of the Organization. The Organization is currently seeking approval from certain funding agencies to merge with Catholic Charities.

Cash:

Cash in financial institutions may exceed insured limits at various times during the year and subject the Organization to concentrations of credit risk.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. An allowance for doubtful accounts is recorded based on management's assessment of the collectability of individual account balances and historical trends. Amounts outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts.

Property and Equipment:

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful asset lives.

Subsequent Events:

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 3, 2011 (the date the financial statements were available to be issued).

Net Patient Service Revenue:

The majority of the Organization's total patient service revenue is derived from patients admitted under Medicaid and other third-party insurance programs. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per visit and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenue from the Medicaid and Medicare programs accounted for approximately 66% of the Organization's net patient revenue for the year ended December 31, 2010 (65% in 2009). Laws and regulations governing the programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. In 2010, the Organization received a final settlement letter from the New York State Office of Mental Health for Medicaid payments from the period 2003 through 2005. The estimated liability for third-party payor settlements was increased by approximately \$700,000 as a result.

Tax Status:

The Organization is a 501(c)(3) corporation exempt from income taxes under Section 501(a) of the Internal Revenue Code. The Organization believes it is no longer subject to examination by Federal and State taxing authorities for years prior to 2007.

Use of Estimates:

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Accounts Receivable:

	2010	2009
Patient receivables	\$1,064,979	\$ 803,997
Government grants and contracts	172,202	327,430
	<u>1,237,181</u>	<u>1,131,427</u>
Less allowance for doubtful accounts	252,000	148,000
	<u>\$ 985,181</u>	<u>\$ 983,427</u>

3. Property and Equipment:

	2010	2009
Building and leasehold improvements	\$ 832,302	\$ 652,007
Office equipment	373,721	373,721
Program equipment	55,788	55,788
	<u>1,261,811</u>	<u>1,081,516</u>
Less accumulated depreciation	907,165	823,231
	<u>\$ 354,646</u>	<u>\$ 258,285</u>

4. Long-Term Debt:

	2010	2009
Bank note payable, secured by vehicle, payable in monthly installments of \$602 including interest at 6.49%, due November 2011.	\$ 6,404	\$ 13,019
Note payable to Catholic Charities, payable in monthly installments of \$1,749 including interest at 5%, due December 2018.	138,123	151,825
Note payable to Catholic Charities, payable in monthly installments of \$1,245 including interest at 3%, due September 2025.	177,906	-
	<u>322,433</u>	<u>164,844</u>
Less current portion	30,546	20,264
	<u>\$ 291,887</u>	<u>\$ 144,580</u>

Aggregate maturities on long-term debt subsequent to December 31, 2010 are:

2011	\$ 30,546
2012	25,174
2013	26,254
2014	27,383
2015	28,563
Thereafter	184,513
	<u>\$ 322,433</u>

5. Related Party Transactions:

The Organization is party to certain transactions in the normal course of business with Catholic Charities. These transactions include facility rental, payroll processing fees, pension plan contributions based on percentage of salary, and miscellaneous advances.

Significant related party transactions not disclosed elsewhere are:

	2010	2009
Rent expense	\$ 114,498	\$ 91,666
Purchased services	\$ 447,276	\$ 561,643
Pension expense	\$ 166,030	\$ 123,359

6. Lease Obligations:

The Organization leases office space under the terms of non-cancelable operating leases with unrelated parties. Rental expense for these leases totaled \$91,205 and \$87,642 for 2010 and 2009.

Future minimum rentals to be paid for all noncancelable operating leases are as follows:

2011	\$ 55,200
2012	55,200
2013	32,200
	<u>\$ 142,600</u>

7. Financial Outlook:

During the five year period ended December 31, 2010, the Organization incurred a combined decrease in net assets of \$2,150,000 and at December 31, 2010, its current liabilities exceeded current assets by approximately \$1,867,000. The Organization also has a deficit net assets balance of \$1,804,674 at December 31, 2010.

As disclosed in Note 1, the Organization is currently seeking approval from certain funding agencies to merge with Catholic Charities. In addition, during 2010, the Organization developed a fiscal strategies plan to improve operations that includes the consideration or implementation of the following:

- Reduce the deficit attributable to inadequate third party reimbursement.
- Reduce uncompensated care (charity care).
- Increase clinical productivity.
- Implement various operational expense reduction strategies.
- Improve patient billing processes and accounts receivable collections.

**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

The Board of Trustees
Catholic Charities of Buffalo, N.Y., Inc.

We have audited the financial statements of Monsignor Carr Institute as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 3, 2011 which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The additional information on pages 11 and 12 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 audits 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.

Lumsden & McCormick, LLP

June 3, 2011

MONSIGNOR CARR INSTITUTE

**Additional Information
Schedules of Net Patient Service Revenue
and Government Grants and Contracts**

For the years ended December 31,

2010

2009

Net patient service revenue:

Clinics:

Niagara Falls	\$ 850,011	\$ 1,123,056
Main	762,135	920,927
Satellite	862,549	783,903
North Tonawanda	450,211	671,224
Lockport	647,282	820,631
Day training	226,806	220,525
Substance abuse program	219,690	195,300
Senior advocacy services	39,584	38,450

\$ 4,058,268 \$ 4,774,016

Government grants and contracts:

New York State Department of Mental Health passed
through County of Erie Department of Mental Health:

Day training	\$ 162	\$ 165
Senior advocacy services	49,893	38,300
Child and Family Clinic-Plus	103,597	66,681
	153,652	105,146

New York State Department of Mental Health passed
through County of Niagara Department of Mental Health:

Clinics	318,418	494,928
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\$ 472,070 \$ 600,074

MONSIGNOR CARR INSTITUTE

Additional Information
Schedule of Operating Results by Program

For the year ended December 31, 2010

	Clinics				
	Niagara Falls	Main	Satellite	North Tonawanda	Lockport
Revenues:					
Net patient service revenue	\$ 850,011	\$ 762,135	\$ 862,549	\$ 450,211	\$ 647,282
Government grants and contracts	143,740	103,597	-	72,468	102,210
Catholic Charities allocation	-	-	-	-	-
Other income	2,030	7,474	4,180	551	10,407
Total revenues	995,781	873,206	866,729	523,230	759,899
Expenses:					
Salaries	507,364	519,381	570,146	345,273	428,427
Payroll taxes and benefits	141,250	138,993	152,061	107,530	115,435
Total salaries and benefits	648,614	658,374	722,207	452,803	543,862
Professional fees	314,776	168,109	128,755	150,194	304,846
Purchased services	101,616	80,520	72,336	62,724	78,168
Rent	36,592	48,775	42,444	-	54,600
Contracted services	20,365	28,162	6,202	19,390	5,627
Telephone	19,832	19,588	23,780	12,862	14,510
Minor equipment	3,884	2,185	7,509	-	288
Program supplies	3,043	1,518	2,597	86	1,986
Insurance	8,897	16,385	5,337	6,257	6,851
Employee travel	597	1,905	13,675	81	2,217
Food	-	-	-	-	-
Office supplies	2,882	4,932	1,370	1,029	1,335
Utilities	11,127	-	-	9,398	-
Client travel	-	3,300	530	-	-
Wrap around funded expenses	-	-	-	-	-
Temporary services	2,796	7,054	5,312	4,732	27,506
Equipment repair	1,296	594	424	2,913	237
Conferences	398	212	359	287	326
Janitorial supplies	74	2,612	2,262	24	12
Postage	-	20	-	-	126
Other	1,091	1,421	736	9,170	562
Bad debt	30,924	20,868	14,888	5,922	27,601
Depreciation	21,547	14,192	-	47,927	-
Total expenses	1,230,351	1,080,726	1,050,723	785,799	1,070,660
Change in net assets	\$ (234,570)	\$ (207,520)	\$ (183,994)	\$ (262,569)	\$ (310,761)

See independent auditors' report on additional information.

Day Training	Substance Abuse Program	Senior Advocacy Services	Total Program Services	Management and General	Total 2010	Total 2009
\$ 226,806	\$ 219,690	\$ 39,584	\$ 4,058,268	\$ -	\$ 4,058,268	\$ 4,774,016
162	-	49,893	472,070	-	472,070	600,074
-	-	37,489	37,489	72,773	110,262	108,924
3,303	842	2,822	31,609	63,449	95,058	100,738
230,271	220,532	129,788	4,599,436	136,222	4,735,658	5,583,752
115,833	171,853	92,024	2,750,301	114,313	2,864,614	2,933,688
24,375	46,585	21,237	747,466	28,901	776,367	731,669
140,208	218,438	113,261	3,497,767	143,214	3,640,981	3,665,357
-	35,887	-	1,102,567	18,002	1,120,569	959,624
17,244	24,792	9,876	447,276	-	447,276	561,643
-	16,203	-	198,614	7,089	205,703	179,308
830	-	-	80,576	3,130	83,706	85,633
6,679	6,548	2,623	106,422	3,700	110,122	117,484
205	228	-	14,299	-	14,299	9,577
1,837	2,350	-	13,417	46	13,463	20,480
8,837	1,198	473	54,235	1,108	55,343	39,311
2,773	282	7,187	28,717	561	29,278	46,319
16,015	-	-	16,015	-	16,015	18,566
130	201	4	11,883	194	12,077	12,544
5,142	-	-	25,667	-	25,667	26,002
2,282	-	-	6,112	-	6,112	7,142
-	-	-	-	-	-	-
-	-	-	47,400	-	47,400	25,167
12,731	1,277	-	19,472	-	19,472	5,337
-	657	120	2,359	707	3,066	9,943
397	-	-	5,381	4	5,385	3,947
80	-	-	226	-	226	97
-	433	-	13,413	1,734	15,147	32,716
-	4,628	-	104,831	-	104,831	148,815
268	-	-	83,934	-	83,934	93,860
215,658	313,122	133,544	5,880,583	179,489	6,060,072	6,068,872
\$ 14,613	\$ (92,590)	\$ (3,756)	\$ (1,281,147)	\$ (43,267)	\$ (1,324,414)	\$ (485,120)