



caron

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Annual Report | 2008 - 2009



Shining Through

The year, 2008-2009 will long be remembered by Americans as one of the most challenging financial times in decades. We experienced a recession, dramatic stock market decline, rising unemployment rates, home foreclosures, and failing of businesses large and small. The stress on all Americans, regardless of one's socio-economic status, seemed to increase on a daily basis.

In spite of this daunting backdrop, Caron had another remarkable year. In the early 1990s when we last experienced a similar challenging financial crisis with the advent of the managed care era, our board of directors and senior leadership members vowed to be prepared for the next fiscal downturn. During the past decade, Caron has faithfully set aside financial resources to be prepared for the type of situation that our country faced in 2008-2009, and continues to face. As a result, we did not have to resort to the type of business strategies that were routinely implemented in healthcare and businesses in general—layoffs, furloughs, wage reductions, 401K eliminations, health insurance reductions, etc. None of these negative solutions were initiated by Caron since they would compromise the quality of care we provide our patients.

We believe our patients deserve the highest quality of care regardless of what's happening in the economy. When people are suffering from the disease of addiction, recovery is always a challenge. Regardless of when individuals seek treatment at Caron, we want them to be assured that every day they will receive the very best care.

By being strong financially, Caron was also able to continue to upgrade and enhance its facilities. In fact, this past year we completed the construction of the Breakthrough Mansion and Harmony House. In addition, Caron provided nearly \$9 million in charity care to individuals and families that needed financial assistance to access treatment at Caron. We also continued to do research regarding outcomes with the University of Pennsylvania's Treatment Research Institute; and we continued to add and enhance programs such as Caron's Pain and Chemical Dependency Program and the new Young Adult Female Program.

Caron not only achieved its budgeted bottom line, but we had our third best financial year in our 50+ year history – the net result of simply utilizing all of our resources to the

fullest in order to provide the very best care every day. We know that none of this would have been possible without the diligent support of all of our alumni, friends, staff and referrals. Alumni continue to be Caron's number one referral base for patients and the number one source for philanthropy. Last year, alumni and friends contributed more than \$7 million to the Caron mission.

As you read this report, we hope you truly realize the important role each of you played in helping us touch the lives of tens of thousands of individuals in 2008-2009—lives that are far better today because of their interaction with Caron during the past year. The battle is certainly not over. We're in a marathon, so we will sustain the diligent activities of 08-09 as we move into the future. Patients and families will always need the lifesaving help at Caron, and we need to be prepared to provide the very best every day.

Sincerely,

Michael J. McGlenn, Chairman, Board of Directors

Douglas Tieman, President



Michael McGlenn



Douglas Tieman

Human Resources Committee

During this difficult economic year, the efforts of Caron's Human Resources have continued to focus on the retention, growth and development of our employees. Some of the highlights from this past year include:

- Staff turnover rate was at its lowest in more than 10 years at 9%.
- With the launch of the new Breakthrough at Caron program, HR was able to fill key positions, including the hiring of Ann Smith, Executive Director of Breakthrough, as well as several therapists.
- In this era of rising healthcare costs, Caron restructured its medical benefits program to ensure employees' costs remained the same, while still retaining a rich benefit plan. In addition, an electronic benefit enrollment process was established, as well as the expansion of our Healthy Connection wellness program.
- A strong focus was placed on the training of our employees.

We launched two key all-employee trainings:

- "Spirit of Recovery" helped employees apply the 12-Steps of Alcoholics Anonymous to their everyday work.
- Big Book Trainings - this course of trainings covered the first 164 pages of the Big Book of Alcoholics Anonymous, Dr. Bob's Nightmare, and supporting research documents about the founding and development of Alcoholics Anonymous. The trainings were provided by a team of 15



**John J. Duffy, Esq.,
Chairman**

Caron employees who covered a portion of the Big Book each month. The feedback from this series of training was extremely positive and approximately 200 employees attended each month.

- Motivational Interviewing training was provided to both our Clinical Leadership and Department Heads.
- Two professional development programs for Counselor Assistants debuted – one which focuses on further developing the Counselor Assistants' knowledge and skill set within their current positions, and one for those completing a college degree and aspiring to become a counselor.



Caron's main campus – Wernersville, PA



Finance Committee



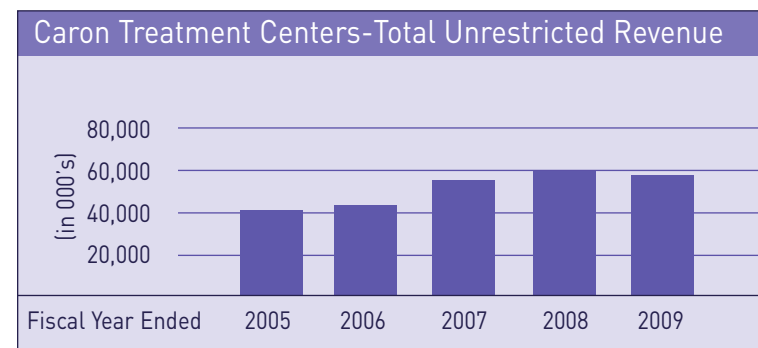
Michael A. Lawrence,
Chairman

Caron enjoyed another year of strong financial performance despite a very difficult economic environment. The external economic crisis made executing our strategic plan initiatives challenging; however, our well-executed "Critical vs. Important" strategy resulted in Caron meeting its financial goals for the year.

Some highlights of Caron's impressive financial performance during this difficult year are as follows:

- Caron provided \$8.9M in charity care.
- Net assets grew by \$4.5M.
- Total Revenue remained strong at close to \$60M.

The 2008-2009 fiscal year successes now allow Caron to enter what may prove to be another challenging year from a position of strength and optimism.



Nominating Committee



Benjamin Zintak, III,
Chairman

When you review this annual report, you will read of the numerous individuals that are involved with Caron in a meaningful capacity—Corporate Board of Directors, Regional Board of Directors, Regional Leadership Councils, Medical Advisory Board members, Alumni Councils and Committee Members. All of these individuals play an important role in helping Caron achieve its charitable mission. The expertise, advice, service work, philanthropy and counsel

provided by all of these members, whether it's individual or collective, helps Caron on a daily basis to be the very best. The dollar value of this group's collective involvement is immeasurable.

One of the defining features of a non-profit organization is the organization's ability to provide those who wish to "give back" with an opportunity to make a profound difference in the organization's ability to make a difference in the lives of others.

The Nominating Committee of Caron's Board of Directors has the responsibility of evaluating the effectiveness of all of these groups and annually preparing a slate of directors and officers that have the fiduciary responsibility for Caron's mission. While this is a daunting task, it is also a real pleasure to have hundreds of individuals willingly step up to be of service. A special "thank you" to all those who volunteer, many of whom are listed on the pages in this book, and the many more who are not listed. All of you in your own special way help Caron provide the very best care possible.

Caron is truly blessed with all of the individuals who serve in an official capacity and the hundreds of others who serve in a temporary capacity to help plan an event or activity, and provide valuable input and recommendations.

Development Committee



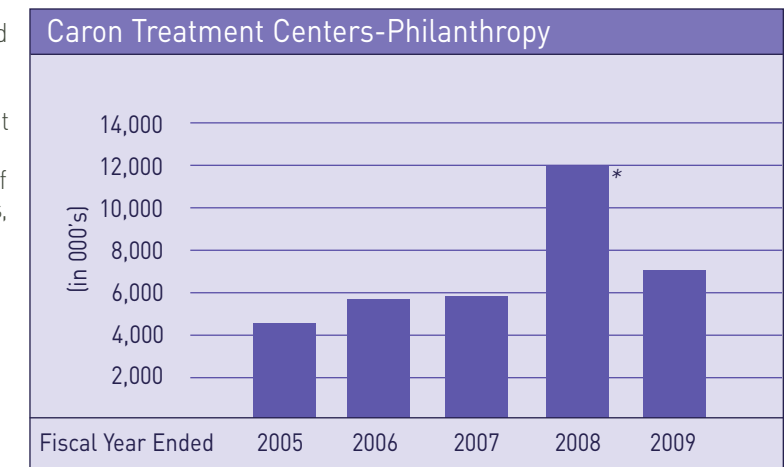
John Gallen,
Chairman

According to a recent report published by the Giving USA Foundation, charitable giving in the United States declined for the first time since 1987. In 2008, estimated charitable giving in the U.S. was \$314.07 billion, which is a 5.7% drop from 2007. The health subsector received about 10% less in charitable donations.

I am happy to report that total giving to Caron for the 2008-2009 fiscal year was \$7,046,090. Although this was 8.5% behind our goal, it was only 3.5% behind last year's actual of \$7,300,824. Thanks to the generous support of our loyal donors, Caron fared better than national giving trends.

A major philanthropic highlight for the year was the successful completion of Caron's Berks County Capital Campaign that exceeded its goal by raising \$2,523,757. Chaired by long-time Caron friend and community leader, Terrence J. McGlenn, Jr., the campaign to build a new 24-bed adolescent male facility on Caron's Wernersville campus involved more than 75 enthusiastic community volunteers who solicited more than 300 individual and corporate gifts. Once again, Berks County demonstrated its deep level of commitment to Caron and its charitable mission.

Support of our 2008-2009 Annual Fund Campaign – the heart of Caron's treatment scholarship program – generated \$4.5 million in charitable gifts. These generous gifts of hope and healing directly benefited individuals and families who lacked the adequate financial resources to access the treatment they so desperately needed. As you can see from the quotes of some of our scholarship recipients, the success of our annual fund is vitally important to Caron's charitable mission.



* Reflects lead gift to Caron's 50th Anniversary Capital Campaign.

"Your foundation is obviously centered in love and enlightening and healing the frailties of the human spirit. Our heartfelt and sincerest thanks for all you have done." – Warmly, Ray G.

"Words cannot describe the gratitude that has grown within me over the last four weeks. I am so grateful to have had this opportunity." – Sincerely, Jalina B.

50th Anniversary Campaign

Caron has reached 60% of its goal for the 50th Anniversary Campaign, A Special Place...A Special Time. This multi-faceted campaign seeks to raise \$50 million over a six-to seven-year period in support of capital improvements, patient aid and growing Caron's endowment. Pledges to the Campaign as of June 30, 2009 totaled \$29,907,567.92.

We are proud of the fact that among treatment centers nationwide, Caron provides the highest percentage of financial assistance for families who could not otherwise afford treatment. Caron is a leader



in developing cutting-edge and innovative treatment methods. The Capital Campaign helps to provide the facilities, research and treatment programs to make such innovations possible.

Your gifts, in light of the current state of the economy, are more important than ever. The economic decline has impacted everyone, and we are extremely grateful for the trust and confidence our donors have placed in us. We look forward to your continued support in the future.



Treatment Committee

Caron finished the 08-09 fiscal year with high patient, referral and family satisfaction (in terms of their treatment experience), and high employee morale. The Clinical Leadership Team at Caron worked tirelessly to assure our patients and families received quality care with a clear understanding of the meaning of *Recovery For Life*.

- Key leadership appointments were made within Caron’s clinical, medical and psychological departments to help better serve our diverse patient population.
- Caron continued a strong focus on the total integration of medical, psychological and spiritual addiction counseling into the treatment process.
- Clinical staff started on-site training in evidence-based practices, such as 12-Step facilitation, motivational interviewing, cognitive behavioral therapy and follow-up continuing care.
- To meet the various needs of our patients, Caron continued to develop new programs and implement key treatment philosophies, which are essential components in the enhancement of our comprehensive continuum of care.
 - Breakthrough at Caron – Caron launched a revised version of our 5 ½-day program. Under the leadership of Ann Smith, a pioneer in codependency treatment, this 5 ½-day program is designed to help individuals “break through” old defenses and patterns with an atmosphere similar to that of a healthy family. The program is offered on Caron’s main campus in the restored and remodeled Breakthrough mansion.
 - Young Adult Female Program – This program was designed to treat women 20-25 years old and follows the same treatment modalities of our highly-successful Young Adult Male Program.
 - Pain & Chemical Dependency Program – Caron has partnered with the Pain Medicine Center in Philadelphia, under the direction of Dr. Martin Cheatle, to offer comprehensive multidisciplinary assessments for individuals suffering from chronic pain and addiction.
 - Redesigned/Restructured Gender-Sensitive Relapse Program – As a pioneer in relapse treatment, Caron restructured this program, which takes an in-depth look at what aspects of an individual’s previous addiction treatment failed. The new program structure incorporates the latest research findings into Caron’s innovative



**Kenneth D. Gill, Jr.,
Chairman**

evidence-based 12-Step treatment model. The program was purposefully designed to be co-ed to provide supported opportunities for patients to relate to members of the opposite sex in a healthy manner, which allows for better assessment and identification of potential relapse triggers.

- The Research Department continues to be involved in a wide range of studies and initiatives.
 - The Director of Research was appointed as an Adjunct Assistant Professor of Psychology in Psychiatry in the Associated Faculty of the School of Medicine at the University of Pennsylvania.
 - A study with the Reading Hospital, made possible by a NIDA grant, has begun to examine opiate use and chronic pain.
 - Caron’s Department of Recovery Care Services is working in conjunction with the University of Pennsylvania to determine rates of abstinence in Caron patients one year from discharge.
 - An ongoing study continues that is specific to spirituality in relation to alcohol and drug cravings, hope, optimism, depression and anxiety.
 - The department is also conducting a study of impaired women professionals, specifically lawyers. In this specific population and profession, there seems to be limited resources for chemical dependency support.

Regional Highlights



- Two key staff appointments were made—Gita Blakeney Saltus was named Regional Vice President, and Jennifer Vargenko-Burgess was named Director of Operations.

- Mr. Michael Collins, Executive Vice President, Corporate Development, of Butterfield Bank and former Chief Operating Officer of HSBC Bermuda, has been appointed as the new Caron Bermuda Chairman.
- 58 individuals were served through services offered at Bermuda, as well as residential treatment at Caron Renaissance and Caron’s main campus.
- \$60,000 in Bermuda scholarship funding was awarded to individuals who otherwise would not have been able to receive treatment.
- Caron’s Student Assistance Program (SAP), in collaboration with PRIDE Bermuda, was introduced to the Island.
- Funding was obtained from Catlin Bermuda and Tokio Millennium Re Ltd. to conduct an island-wide needs assessment with more than 60 participants as the first step in launching Student Assistance Services in Bermuda.
- More than 30 agency professionals, including Bermuda school educators, participated in SAP training focused on group facilitation and prevention programming.



**Rory Gorman,
Chairman**



- Patient revenue reached \$8.9 million.
- Caron New York raised \$872,000 in philanthropy.

- Caron New York continues to provide ongoing support groups for alumni, as well as other recovering individuals, parents and professionals. Daily 12-Step meetings also continue to be offered.
- The 14th Annual Gala honoring Marci Piasecki, CEO of Torre Lazur McCann Healthcare Group and Grammy-winning singer and songwriter Roseanne Cash, raised more than \$642,000 for funding of programs in the New York Office.
- Dr. Harris Stratyner continued the teaching of Addiction Fellows from Mount Sinai School of Medicine. In addition, plans are underway to relocate NYU’s Medical Pediatric Resident Addiction Training to Caron, in conjunction with Dr. Nicholas Pace.
- Dr. Stratyner was also a featured addiction expert on Good Morning America, The Today Show, Nancy Grace, Fox Morning Show, CNN International, Addiction Radio and in the New York Times, to name a few.
- New York held its 4th Annual Community Service Awards program at the Mutual of America Building, which was a resounding success.



**Allen H. Arrow, Esq.,
Chairman**



Regional Highlights (cont'd)



- Patient revenue achieved a regional record of \$8.8 million.
- More than \$750,000 in donor gifts was received.
- Caron Philadelphia's weekly parent support group continues to grow. Due to the resounding success and feedback from members of this group, an additional parent support group was formed in West Chester this past year.

Caron's Student Assistance Program (SAP) saw significant growth in programming in the Greater Philadelphia region. Thirty-nine schools and more than 3,500 students benefited from some type of SAP service.

- The 3rd Annual Philadelphia Comedy Night, made possible by the Philadelphia Alumni Chapter Group, raised \$21,000 for regional patient scholarships.
- The Annual Philadelphia Honoree Dinner, honoring Walter D'Alessio of NorthMarq Capital, attracted close to 500 people and raised close to \$325,000 for patient scholarships.
- Philadelphia held its 9th Annual Community Service Awards Breakfast at the Hyatt Regency at Penn's Landing, which was attended by more than 180 people.



Casey Duffy,
Chairman



- Caron Renaissance served 258 patients, of which 85% had their family and/or significant others attend the three-day Family Intensive Workshop. Telemedicine video conferencing services continue to be an invaluable asset during the patient assessment process.

The Residential Family Re-Structuring Program continued to evolve as a groundbreaking clinical service. During the 08-09 fiscal year, the program served more than 36 family members.

- In December 2008, all of the Renaissance Clinical Programs and offices relocated to the Beacon Square Professional Campus – a 22,000-square-foot treatment space.
- The 4th Annual Caron Renaissance Lifesaver Gala, which awarded Patrick J. Kennedy and Jim Ramstead with the Richard J. Caron Award of Excellence, raised more than \$770,000 for The Caron Renaissance Lifesaver Scholarship Fund.
- More than \$860,000 in charity care was provided to individuals seeking treatment at Caron Renaissance. The Caron Renaissance Institute Alumni Association, Inc. (RIAA, Inc.) continues to be a large contributor to Renaissance's philanthropic efforts.
- More than 900 students, parents and educational professionals benefited from some form of service through Caron's Student Assistance Program (SAP).

Caron's SAP was present in 11 Florida schools.

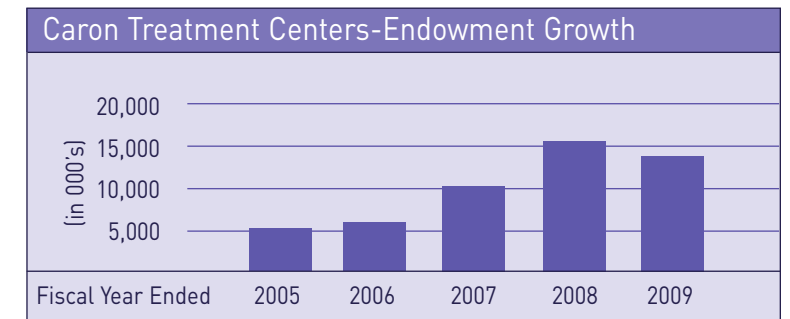


Sally Marks,
Chairman

Our Endowment: Preserving Access to Treatment for Future Generations

Caron's endowment fund generates a predictable, reliable income stream that guarantees the long-term financial health of Caron and provides financial assistance for individuals and families in need.

Currently Caron's endowment is at \$14.8 million thanks to Caron's investment and finance committees for overseeing Caron's Endowment. In light of the unstable economic climate, our endowment only decreased by 4.6% over the previous year. Even though we have started to focus on longer-term stability, we are still very revenue-driven. Increasing our endowment is one of the best ways to ensure Caron will be here tomorrow for future generations of children, grandchildren and great-grandchildren.



Scholarships

The following Caron Endowed Scholarship Funds are legacies that are impacting lives today and will continue to do so in the future. We are grateful to the following families for giving the gift of recovery to the families who come to Magic Mountain each year.

Caron Treatment Scholarships

Set up to provide scholarships for individuals seeking chemical dependency treatment.

James Billerbeck Endowed Scholarship Fund

Established in 1997 in memory of James Billerbeck by his family and friends. This endowment is currently at \$199,403.74 and provides \$5,682.39 in scholarship support each year.

John J. Flannery Endowed Scholarship Fund*

Established in memory of John Flannery by the Caron Board of Directors, his family and friends. This endowed fund of \$202,861.68 provides \$6,870.45 in scholarship aid each year.

Ann Marie and McKay Kelly Endowed Scholarship Fund

Established in 2008 by Michael Kelly in memory of his sister, Ann Marie, and as a tribute to his daughter, McKay. This fund for adolescent females will be awarded for the first time during the 2010-2011 fiscal year.

Charles A. Leeds, Jr. Endowed Scholarship Fund

Funded in 2002 by Susan Bridges, her children and friends and family in memory of her husband, Charles A. Leeds, Jr. This endowed scholarship fund has reached \$381,972.91 and will award \$12,247.24 each year in scholarship support.

Martin E. Mulhern Endowed Scholarship Fund

Established in December 2006 by Martin Mulhern's parents to honor his memory. This fund of \$87,927.15 will award \$2,877.69 each year.

Vivian E. Nicely Endowed Scholarship Fund

Established in the fall of 2007 by her husband and daughters in memory of Vivian E. Nicely. This fund of \$131,011.63 provides scholarship support to women seeking relapse treatment and will award \$3,948.29 this year.

Patrick Rogers Endowed Scholarship Fund

Established in memory of Patrick Rogers by his family and friends in 2001. This scholarship has grown to \$776,971.69 and awards \$23,083.51 in scholarship support each year to adolescents seeking treatment.

Miller - Skibbie Family Endowed Scholarship Fund

Established with an initial gift in 2008, this scholarship fund is being funded over a period of several years and will support patient aid for individuals and families from the Greater Washington, D.C. and Hartford, CT regions.

* This scholarship was originally established by Caron's Board of Directors with a designated amount from Caron's endowment.

Scholarships (cont'd)

John and Sandra Taylor Endowed Scholarship Fund

Established in 2007 to provide scholarship aid to families from selected counties in New York state. This scholarship fund of \$110,146.14 will award \$3,464.01 in patient aid.

Parker Family Endowed Scholarship Fund

Established in 2007 by the Parker family in honor and recognition of their granddaughter's recovery, this endowed fund has grown to \$277,068.53 and awards patient aid in the amount of \$4,722.55.

Subak Family Endowed Scholarship Fund

Established in January 2008 by the Subak Family. This endowed fund of \$273,006.67 will award \$8,540.95 in patient aid this year.

Family Treatment Scholarships through Breakthrough at Caron

These funds provide scholarships for individuals needing treatment at Breakthrough at Caron.

Richard D. Kelley Endowed Scholarship Fund*

This fund was established in memory of Richard Kelley by Caron's Board of Directors, his family and friends. Funds from the Annual Richard Kelley Golf Tournament help to grow this scholarship each year. The current endowment has reached \$167,685.33 and awards \$5,118.27 in scholarship support each year.

Ivan Small Endowed Scholarship Fund

Established in 2001 in memory of Ivan Small by his family and friends for individuals from the state of Maine. This fund has reached \$41,648.27 and this past fiscal year was able to help two residents from Maine attend the Breakthrough at Caron program. This scholarship awards \$1,317.14 each year.

Frederick Allen Smith Endowed Scholarship Fund

Established in December 1999 by the Andryc family in memory of their uncle, Frederick Allen Smith. This endowed fund has reached \$115,510.84 and provided \$3,694.83 in scholarship support this year.

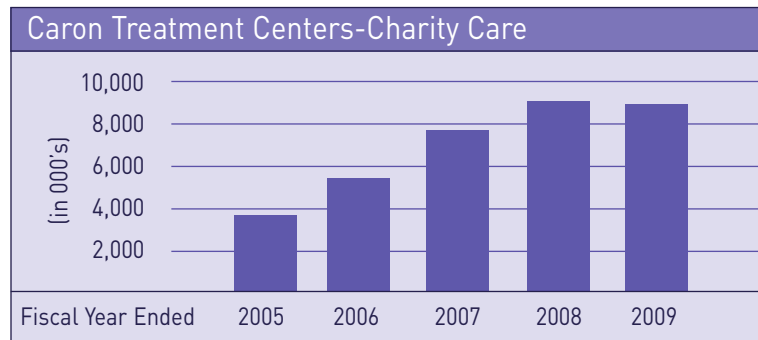
Suzanne Voisin Endowed Scholarship Fund

Established in 1989 by Suzanne Voisin-Wickham to be used for individuals from Titusville and western Pennsylvania. This \$40,130.00 endowment provides financial assistance in the amount of \$1,350.01.

Ziff Family Endowment Scholarship Fund

Established in January 2008 by the Ziff family. The income from this endowment of \$1,294,856 is designated for scholarships for the Breakthrough at Caron program. In the 2008-2009 fiscal year, \$34,361 in scholarships were awarded.

* These scholarships were originally established by Caron's Board of Directors with a designated amount from Caron's endowment.



Family Education Program Scholarships

Providing scholarships to support family education.

Rev. William J. "Father Bill" Hultberg Endowed Scholarship Fund*

Established in 2001 to commemorate Father Bill's 70th birthday by the Caron Board of Directors, his family, and friends. This scholarship helps bring families back together through scholarship support for family education. Additional gifts were made to the scholarship this year with another surprise "Birthday Card Shower." Father Bill could not have been more pleased with the kindness and generosity of everyone. The scholarship is currently at \$150,300.84 and provides \$4,277.08 in scholarship support each year. *These funds provide scholarships for individuals needing treatment at Caron's Center for Self Development.*

Financial Highlights

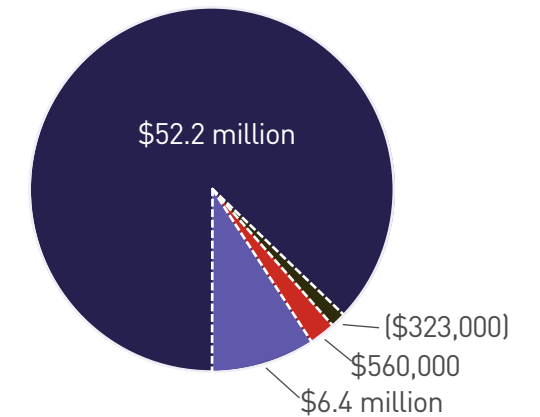
Total Unrestricted Revenue \$58.8 million

Net Patient Service Revenue: \$52.2 million

Other Operating Revenue: \$560,000

Contributions & Assets Released from Restriction: \$6.4 million

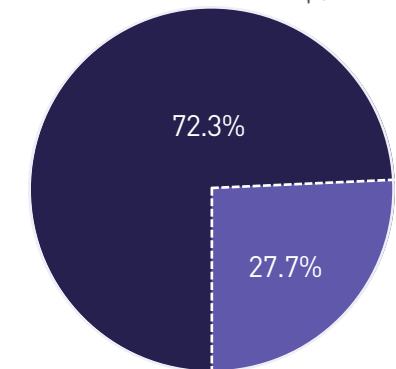
Revenue from Investments: (\$323,000)
Includes \$277,000 gain for sale of property (Mohnton, PA)



Total Expenses \$54.2 million

Program Activities: 72.3%

General and Administrative: 27.7%

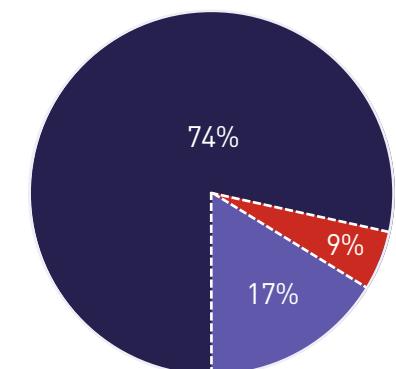


Total Gift Income \$7.0 million

Annual: 74%

Capital: 17%

Endowment: 9%



Annual Charity Care \$8.8 million

- This amount is equivalent to 16.9% of Caron's net patient revenue.
- 897 individuals benefited from charity care in the 08-09 fiscal year.