

**DOMUS KIDS, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

## **DOMUS KIDS, INC.**

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## Independent Auditors' Report

To the Board of Directors  
Domus Kids, Inc.

We have audited the accompanying consolidated statements of financial position of Domus Kids, Inc. (Domus) as of June 30, 2012 and 2011, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended. These consolidated financial statements are the responsibility of Domus' management. Our responsibility is to express an opinion on these consolidated 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Domus' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Domus Kids, Inc. as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Blum, Shapiro & Company, P.C.*

November 7, 2012

**DOMUS KIDS, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,513,019	\$ 3,053,121
Accounts receivable	109,279	100,250
Grants receivable	169,460	202,192
Pledges receivable	2,468	25,222
Prepaid expenses	54,814	34,285
Due from affiliates	10,348	9,845
Beneficial interest in assets held by others	1,005,821	598,489
Investments	788,931	674,722
Security deposits	14,225	14,225
Property, buildings and equipment, net	<u>2,600,488</u>	<u>2,703,343</u>
<b>Total Assets</b>	<b>\$ <u>7,268,853</u></b>	<b>\$ <u>7,415,694</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 100,790	\$ 171,445
Accrued payroll and related expenses	189,536	66,300
Due to affiliates	65,648	490,000
Refundable advance	8,653	-
Mortgage payable	<u>37,715</u>	<u>40,613</u>
Total liabilities	<u>402,342</u>	<u>768,358</u>
<b>Net Assets</b>		
Unrestricted	5,819,478	4,380,419
Temporarily restricted	<u>1,047,033</u>	<u>2,266,917</u>
Total net assets	<u>6,866,511</u>	<u>6,647,336</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>7,268,853</u></b>	<b>\$ <u>7,415,694</u></b>

The accompanying notes are an integral part of the consolidated financial statements

**DOMUS KIDS, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Support and Other Changes</b>						
Contributions	\$ 2,850,270	\$ 97,010	\$ 2,947,280	\$ 3,225,438	\$ 64,000	\$ 3,289,438
Governmental grants	2,769,715	-	2,769,715	2,702,338	-	2,702,338
Private foundation grants	1,754,018	215,801	1,969,819	1,006,312	151,319	1,157,631
Donations in-kind	238,253	-	238,253	183,837	-	183,837
Investment gains (losses)	108,419	-	108,419	9,815	37,068	46,883
Rental income	35,250	-	35,250	39,726	-	39,726
Miscellaneous income	11,036	-	11,036	101,186	-	101,186
Net change in beneficial interests in assets held by others	7,332	-	7,332	-	75,300	75,300
Net assets released from restrictions	1,532,695	(1,532,695)	-	651,129	(651,129)	-
Total revenue, support and other changes	<u>9,306,988</u>	<u>(1,219,884)</u>	<u>8,087,104</u>	<u>7,919,781</u>	<u>(323,442)</u>	<u>7,596,339</u>
<b>Expenses</b>						
Program services	7,147,104	-	7,147,104	6,782,164	-	6,782,164
Management and general	310,720	-	310,720	368,313	-	368,313
Development and fundraising	410,805	-	410,805	416,079	-	416,079
Total expenses	<u>7,868,629</u>	<u>-</u>	<u>7,868,629</u>	<u>7,566,556</u>	<u>-</u>	<u>7,566,556</u>
<b>Income (Loss) from Operations</b>	1,438,359	(1,219,884)	218,475	353,225	(323,442)	29,783
<b>Other Change in Net Assets</b>						
Gain on sale of property, building and equipment	700	-	700	2,818,049	-	2,818,049
<b>Increase (Decrease) in Net Assets</b>	1,439,059	(1,219,884)	219,175	3,171,274	(323,442)	2,847,832
<b>Net Assets - Beginning of Year</b>	<u>4,380,419</u>	<u>2,266,917</u>	<u>6,647,336</u>	<u>1,209,145</u>	<u>2,590,359</u>	<u>3,799,504</u>
<b>Net Assets - End of Year</b>	<u>\$ 5,819,478</u>	<u>\$ 1,047,033</u>	<u>\$ 6,866,511</u>	<u>\$ 4,380,419</u>	<u>\$ 2,266,917</u>	<u>\$ 6,647,336</u>

**DOMUS KIDS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 219,175	\$ 2,847,832
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
In-kind donation of securities	(279,148)	(277,802)
Depreciation and amortization	168,004	133,357
Realized and unrealized gains on investments	(90,126)	(27,679)
Gain on sale of property, building and equipment	(700)	(2,818,049)
(Increase) decrease in operating assets:		
Accounts receivable	(9,029)	(56,637)
Grants receivable	32,732	(52,896)
Pledges receivable	22,754	138,809
Prepaid expenses	(20,529)	28,932
Due from affiliates	(503)	265,822
Beneficial interest in assets held by others	(407,332)	(75,300)
Security deposits	-	(600)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(70,655)	(3,005)
Refundable advance	8,653	-
Accrued payroll and related expenses	123,236	(46,400)
Other liability	-	(182,701)
Due to affiliates	(424,352)	490,000
Net cash provided by (used in) operating activities	(727,820)	363,683
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property, buildings and equipment	700	3,277,044
Cash outlay for property, building, and equipment	(65,149)	(2,022,903)
Purchase of investments	(21,042)	(630,114)
Proceeds from sales of investments	276,107	898,527
Net cash provided by investing activities	190,616	1,522,554
<b>Cash Flows from Financing Activities</b>		
Principal payments on mortgage payable	(2,898)	(2,312)
Net cash used in financing activities	(2,898)	(2,312)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(540,102)	1,883,925
<b>Cash and Cash Equivalents - Beginning of Year</b>	3,053,121	1,169,196
<b>Cash and Cash Equivalents - End of Year</b>	\$ 2,513,019	\$ 3,053,121
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 1,706	\$ 2,418

The accompanying notes are an integral part of the consolidated financial statements

**DOMUS KIDS, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012				2011			
	Program Services	General and Administrative	Development and Fundraising	Total	Program Services	General and Administrative	Development and Fundraising	Total
Personnel costs	\$ 4,640,504	\$ 278,597	\$ 256,600	\$ 5,175,701	\$ 4,016,661	\$ 251,843	\$ 255,221	\$ 4,523,725
Grants to schools	580,000	-	-	580,000	960,000	-	-	960,000
Direct youth services	522,146	-	-	522,146	488,677	-	-	488,677
Other program expenses	289,532	-	986	290,518	332,006	-	607	332,613
Facilities costs	265,512	1,498	-	267,010	263,886	1,033	-	264,919
Office expenses	185,638	3,961	30,301	219,900	208,909	26,097	19,584	254,590
Professional fees	199,074	10,131	4,679	213,884	192,345	16,026	-	208,371
Insurance	181,777	11,097	13,277	206,151	80,115	4,505	1,500	86,120
Depreciation and amortization	164,715	3,289	-	168,004	128,602	4,755	-	133,357
Fundraising expenses	-	-	103,292	103,292	-	-	136,762	136,762
Transportation	99,930	1,932	1,296	103,158	108,545	3,600	1,955	114,100
Staff development	16,570	215	374	17,159	-	60,454	450	60,904
Interest	1,706	-	-	1,706	2,418	-	-	2,418
<b>Total</b>	<b>\$ 7,147,104</b>	<b>\$ 310,720</b>	<b>\$ 410,805</b>	<b>\$ 7,868,629</b>	<b>\$ 6,782,164</b>	<b>\$ 368,313</b>	<b>\$ 416,079</b>	<b>\$ 7,566,556</b>

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION**

Domus Kids, Inc., (Domus), (formerly Domus Foundation, Inc.), is a not-for-profit organization serving children and families through a variety of programs within the Fairfield and New Haven County communities.

Passages, Inc., an affiliate, is a not-for-profit organization that provides housing and services to adolescent males aged 14 to 19 who are placed there by the State of Connecticut Department of Children and Families (DCF). The youth live in a group home setting; activities focus on life skills training and educational attainment with the goal of making a successful transition to post-secondary training, education, or the skilled workforce. The youth also receive group and individual counseling, therapeutic recreation and health care.

On September 9, 2011, the Board of Directors of Domus Foundation, Inc. approved the merger of Passages, Inc., into Domus, the surviving entity, to become effective as of September 30, 2011. Additionally, on September 9, 2011, the Board of Directors of Domus Foundation, Inc. approved a name change of this corporation to Domus Kids, Inc., to be effective as of September 30, 2011.

Domus shares corporate office space and other general and administrative costs and services with Trailblazers Academy, Inc., and Stamford Academy, Inc., which are affiliated through common management but are governed by separate Boards of Directors.

**Program Services** - Domus provides the following program services:

**Domus House** - Domus House provides housing and services to adolescent males aged 14 to 19 who are placed there by DCF. The youth live in a group home setting; activities focus on life skills training and educational attainment with the goal of making a successful transition to post-secondary training, education, or the skilled workforce. The youth also receive group and individual counseling, therapeutic recreation and health care.

**Bridges** - Bridges provides supervision of older youth aged 18 to 23 in independent apartment-based living situations. These young men and women attend education or vocational programs and work full or part-time jobs while living in apartments. Case managers visit participants several times a week to assist them in their goal of independent living.

**Lion's Den** - The Lion's Den out-of-school-time program serves the students of Trailblazers Academy, Inc., who attend the program before and after school, where they receive tutoring, homework help, recreation, youth and family counseling, and other assorted activities. Youth workers, high school and college students, and certified teachers staff the program.

**Chester Addison Community Center** - The Chester Addison Community Center provides services to residents of Southwood Square and the surrounding Waterside district in Stamford, Connecticut. Educational, recreational and life skills programs are provided to a variety of age groups.



**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION (Continued)**

**Prison Visitation Program** - The Prison Visitation Program provides transportation to area prisons for relatives and children of prisoners in the criminal justice system. The program is funded by DCF.

**Project Hope** - Project Hope is an outreach program that aims to reduce youth violence by helping connect disenfranchised or disengaged youth and others to positive activities.

**Juvenile Review Board** - The Juvenile Review Board provides an opportunity for first-time, misdemeanor juvenile offenders to clear their criminal records by working with staff to address the situations that caused them to break the law. This program is operated in partnership with the Stamford Police Department.

**Family Advocates** - Family Advocates help students and their families address social, emotional, and life challenges to reduce their impact on school-day learning. Family Advocates work in the Domus schools and the Stamford Public Schools.

**FUTURE 5** - FUTURE 5 recruits low- to moderate- income high school students in Stamford who need help gaining the knowledge and tools to instill confidence, build connections and create a plan to transition to post-secondary education, vocational training, or the military.

**The Trafigura Work and Learn Business Center** - The Trafigura Work and Learn Business Center, a collaboration between the Trafigura Foundation, The WorkPlace Inc., and Domus, is a youth employment program comprised of several youth-run businesses. Working alongside professionals, youth are paid while they learn vital hard and soft skills which help them get and keep jobs. The program's target population is Stamford youth aged 14 to 25 at high risk for gang activity and/or homelessness. Businesses include bike repair, small engine repair, culinary, nail-hair salon and woodworking.

**Domus Academy** - Domus Academy is a New Haven public middle school serving approximately 48 students who have been unsuccessful in a traditional school environment and need a smaller school and individualized attention to meet their full potential. Closely following the successful Domus charter middle school model, Domus Academy offers small classes, free breakfast and lunch, a robust extended day program, and Domus' Family Advocates to help every student thrive socially and emotionally while they catch up academically.

**After-School Programming at Turn of River** - Domus was contracted by the Stamford Public Schools to operate an after-school program at its Turn of River Middle School. The program offers a diverse array of recreational and academic enrichment programming, providing a safe space for over 100 students to build new skills, improve their academic outcomes, and build relationships with caring adults.

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation** - The financial statements are presented on a consolidated basis to include the transactions of Domus and its affiliate, Passages, Inc. All material intercompany balances and transactions have been eliminated from the financial statements. The consolidated financial statements of Domus and its affiliate have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Domus and its affiliate are reported in the following net asset categories:

**Unrestricted Net Assets** - Unrestricted net assets represent available resources other than donor restricted contributions. These resources may be expended at the discretion of the Board of Directors.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

**Permanently Restricted Net Assets** - Permanently restricted net assets represent resources that have donor-imposed restrictions that require the principal to be maintained in perpetuity but permit Domus to expend the income earned thereon. Domus did not have any permanently restricted net assets as of June 30, 2012 and 2011.

**Measure of Operations** - Domus' measure of operations includes all changes in net assets except for the gain on sale of property, building and equipment.

**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 certain reported amounts and disclosures in the consolidated financial statements. Accordingly, actual results could differ from those estimates. Management has used an estimate primarily in valuing donations in-kind. It is management's opinion that the estimate applied in the accompanying consolidated financial statements is reasonable.

**Cash and Cash Equivalents** - Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less exclusive of amounts held by brokers, which are considered to be investments.

**Accounts Receivable** - Accounts receivable are presented net of allowance for doubtful accounts. Uncollectible accounts receivable balances are written off when management determines the probability of collection is remote. Management maintains an allowance for doubtful accounts based on a review of specific accounts and general historical experience. Management has determined that an allowance for doubtful accounts is deemed unnecessary as of June 30, 2012 and 2011.

**Grants Receivable** - Grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred or revenue otherwise earned. Grants receivable represents unreimbursed expenses at June 30, 2012 and 2011.

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Beneficial Interest in Funds Held By Others** - Beneficial interests in funds held by others represents amounts held by a community foundation for investment, which are recorded as temporarily restricted net assets.

**Investments** - Investments in equity securities with readily determinable fair values and investments in debt securities are carried at their fair value in the consolidated statements of financial position. Realized and unrealized gains and losses on these investments are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

**Property, Buildings and Equipment** - Property, buildings and equipment are recorded at cost or donated value. Depreciation is provided using the straight-line method based on the following estimated useful lives:

Buildings and improvements	5-30 years
Leasehold improvements	Lease term
Furniture and fixtures	5-7 years
Vehicles and school bus	5 years
Computer and office equipment	5 years
Software	3 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. All capital items which have a cost greater than \$5,000 are capitalized and depreciated.

**Contributions** - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. Domus reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Donated Property and Services** - Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Domus.

Donated property and the use of equipment and facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor.

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

While many individuals volunteer their time and perform a variety of tasks that assist Domus, most amounts have not been recognized in the accompanying consolidated financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

**Functional Expense Allocation** - Expenses are charged directly to program services, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated using reasonable ratios determined by management. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of Domus.

**Income Tax Status** - Domus Kids, Inc. and Passages, Inc. are exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). Domus Kids, Inc. and Passages, Inc. informational returns for the years ended June 30, 2009 through 2012 are subject to examination by the Internal Revenue Service and the State of Connecticut.

**Reclassifications** - Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's consolidated financial statements.

**Subsequent Events** - In preparing these consolidated financial statements, management has evaluated subsequent events through November 7, 2012, which represents the date the consolidated financial statements were available to be issued.

**NOTE 3 - CONCENTRATIONS OF CREDIT RISK**

Domus' financial instruments that are exposed to concentrations of credit risk consist of the following:

**Cash and Cash Equivalents** - Domus places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that Domus' deposits are not subject to significant credit risk.

**Investments** - Domus' investments consist of money market funds and a U.S. Treasury note. The money market funds are not protected by federal depository insurance. The value of the U.S. Treasury note is subject to fluctuations due to general market conditions and interest rates.

**Governmental Grants** - Domus receives a significant portion of its revenue from the State of Connecticut. A significant reduction in the level of this support, if it were to occur, could have a significant effect on Domus' programs.

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 - CASH FLOWS**

**Additional Cash Flow Information** - Domus received contributions of stock valued at \$279,148 and \$277,802 for the years ended June 30, 2012 and 2011, respectively.

**NOTE 5 - PLEDGES RECEIVABLE**

Pledges receivable consist of receivables due in less than one year. At June 30, 2012 and 2011, pledges receivable were \$2,468 and \$25,222, respectively. Management has determined that an allowance for pledges receivable is not necessary at June 30, 2012 and 2011.

**NOTE 6 - DUE FROM AFFILIATES**

Domus had amounts due from its affiliate, Stamford Academy, Inc., of \$10,348 and \$8,945 and Trailblazers Academy, Inc., of \$-0- and \$900 for shared expenses at June 30, 2012 and 2011, respectively. These amounts were received subsequent to June 30, 2012 and 2011.

**NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

The beneficial interest in assets held by others consists of assets transferred to Fairfield County Community Foundation (FCCF) for investment. In accordance with the spending policy of FCCF, 5% of the fund value will be available for annual distribution to Domus. In addition, the agreement allows for release of funds in excess of FCCF's spending policy when requested and approved by the Domus Executive Committee to meet working capital, program support and emergency needs and other unforeseen circumstances.

The value of this beneficial interest was \$1,005,821 and \$598,489 at June 30, 2012 and 2011, respectively.

**NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Accounting standards generally accepted in the United States of America require disclosure of fair value inputs for financial instruments carried at fair value. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

**Level 1** - Quoted market prices for identical assets on an active market to which an entity has access at the measurement date.

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

**Level 2** - Inputs and information other than quoted market indices included in Level 1 that are observable for the asset, either directly or indirectly, and Domus has the ability to redeem the asset in the near term subsequent to the measurement date.

**Level 3** - Unobservable inputs for the asset. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available, and Domus does not have the ability to redeem the asset in the near term

The fair values of all investments are determined using quoted prices for identical assets in active markets in which Domus has access (Level 1.)

Investments at June 30, 2012 consist of \$36,020 in money market funds and \$752,911 in a U.S. Treasury note, totaling \$788,931. Investments at June 30, 2011 consist of \$14,978 in money market funds and \$659,744 in a U.S. Treasury note, totaling \$674,722.

**Fixed-Income** - This investment class seeks growth of capital and income through investing in a U.S. Treasury nominal and inflation-indexed bond. The redemption period for this investment is daily.

Investment income for the years ended June 30, 2012 and 2011 consists of the following:

	<b>2012</b>	<b>2011</b>
Realized and unrealized gains, net	\$ 90,126	\$ 27,679
Interest income	18,293	19,204
Total Investment Gains	\$ 108,419	\$ 46,883

The change in unrealized gains relating to investments that are still held at year end is \$93,167 and \$29,630 for the years ended June 30, 2012 and 2011, respectively.

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 9 - PROPERTY, BUILDINGS AND EQUIPMENT**

Property, buildings and equipment, consist of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 398,507	\$ 398,507
Buildings and improvements	2,285,638	2,285,638
Leasehold improvements	74,198	57,998
Furniture and fixtures	195,411	195,411
Vehicles and school bus	188,633	166,116
Computer and office equipment	176,312	176,312
Software	82,754	82,754
	<u>3,401,453</u>	<u>3,362,736</u>
Less accumulated depreciation	<u>(800,965)</u>	<u>(659,393)</u>
Property, Building and Equipment, Net	<u>\$ 2,600,488</u>	<u>\$ 2,703,343</u>

**NOTE 10 - BANK LINE OF CREDIT**

Domus has an available line of credit of \$500,000 that expires on December 31, 2012. Borrowings are due on demand and are collateralized by substantially all of the assets of Domus. Interest on the outstanding balance is due monthly at 3% above the bank's prime rate of 3.25% at June 30, 2012. The agreement also includes various restrictions and financial covenants. There were no outstanding borrowings on this line of credit as of June 30, 2012.

Domus, Trailblazers Academy, Inc. and Stamford Academy, Inc., had a \$300,000 bank line of credit that expired on December 31, 2011. Borrowings were due on demand and were collateralized by substantially all of the assets of Domus, Trailblazers Academy, Inc. and Stamford Academy, Inc. Interest on the outstanding balance was due monthly at 1% above the bank's prime rate of 3.25% at June 30, 2011. The agreement also included various restrictions and financial covenants. There were no outstanding borrowings on this line of credit as of June 30, 2011.

**NOTE 11 - DUE TO AFFILIATES**

Domus owed its affiliate, Trailblazers Academy, Inc. \$65,648 for shared expenses as of June 30, 2012, which was paid subsequent to year end June 30, 2012.

Domus owed Stamford Academy, Inc. and Trailblazers Academy, Inc. \$220,000 and \$270,000, respectively, for grants to the schools as of June 30, 2011. Both amounts were paid subsequent to year end June 30, 2011.

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 - MORTGAGE PAYABLE**

In 2006, Domus obtained a \$65,000 mortgage payable to a bank having an adjustable interest rate of 4.375% and monthly principal and interest payments of \$384. This mortgage matures during July 2022. The mortgage is secured by certain assets and equipment of Domus.

Future maturities of the mortgage payable at June 30, 2012 are as follows:

**Year Ending June 30,**

2013	\$	3,039
2014		3,163
2015		3,304
2016		3,451
2017		3,605
Thereafter		<u>21,153</u>
Total	\$	<u><u>37,715</u></u>

**NOTE 13 - DONATED PROPERTY AND SERVICES**

Domus has recorded the estimated fair value of donated property and services as follows for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Included in revenue and support:		
Donated office space	\$ 80,500	\$ 18,000
Donated program supplies	<u>157,753</u>	<u>165,837</u>
Total Donated In-Kind Support	<u>\$ 238,253</u>	<u>\$ 183,837</u>
Included in functional expenses:		
Facilities costs	\$ 80,500	\$ 18,000
Direct youth services	<u>157,753</u>	<u>165,837</u>
Total Expenses	<u>\$ 238,253</u>	<u>\$ 183,837</u>



**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or time periods as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Building improvements and other equipment subject to liens	\$ 334,477	\$ 334,477
Property, buildings and equipment	300,232	346,659
Funds held for future use	412,324	312,570
Funds for long-term investment	<u>-</u>	<u>1,273,211</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,047,033</u>	<u>\$ 2,266,917</u>

**NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions during the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Building improvements and other equipment subject to liens	\$ -	\$ 420,757
Property, buildings and equipment	46,426	103,828
Programs	213,058	126,544
Funds for long-term investment	<u>1,273,211</u>	<u>-</u>
Net Assets Released From Restrictions	<u>\$ 1,532,695</u>	<u>\$ 651,129</u>

**NOTE 16 - FEDERAL AND STATE OF CONNECTICUT GRANTS**

Domus has in prior years received funding from the Federal Government's Community Development Block Grants and the State of Connecticut's DCF Bond Act 99-242 and 01-02, for the purpose of facility building improvements. Liens have been placed on Domus' land and buildings until the various ongoing terms and conditions of these grants are fulfilled. Liens expire at various times through 2023.

**DOMUS KIDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 17 - LEASE COMMITMENTS**

Domus and the City of Stamford have an agreement for the lease of a building in Stamford, Connecticut to host Trailblazers Academy, Inc., as well as corporate offices of Domus. The lease term is for a five-year period through June 30, 2014, with an option to renew for four consecutive five-year terms. The lease agreement allows Domus and Trailblazers Academy, Inc., to use approximately 80,500 square feet of space for \$1 annually in addition to paying for utilities and repair and maintenance costs. Domus has recorded the estimated fair value of this lease of \$62,500 as an in-kind donation for 2012. Rent expense under this operating lease totaled \$62,500 for 2012 .

Domus has an additional month-to-month lease with the City of Stamford for additional office space. Lease payments are \$1 per year. Domus has recorded the estimated fair value of this lease of \$18,000 as an in-kind donation for 2012 and 2011. Rent expense under this operating lease totaled \$18,000 for 2012 and 2011.

Domus has various noncancelable operating leases for office equipment, which expire at various times through January 2017. Monthly lease payments range from \$118 to \$501. Expense under these operating leases total \$33,271 and \$13,344 for 2012 and 2011, respectively.

Domus leased apartments in the City of Stamford as part of the Bridges program. Monthly rent payments ranged from \$700 to \$1,500, and the lease terms expired in January 2011. Rent expense under these operating leases totaled \$31,256 for 2011.

Future minimum lease payments under all operating leases are as follows:

**Year Ending June 30**

2013	\$ 21,037
2014	3,152
2015	2,915
2016	2,915
2017	<u>4,348</u>
Total	<u>\$ 34,367</u>

**NOTE 18 - DEFINED CONTRIBUTION RETIREMENT PLAN**

Domus maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. All employees, who work a minimum of 1,000 hours per year, become eligible to participate immediately upon hire. Employees may make optional contributions to the plan on a tax deferred basis up to the maximum amount allowed by the Internal Revenue Service. Domus matches up to 4% of each eligible employee's compensation following one year of service for employees who contributed to the plan. Domus' contributions to the plan were \$37,852 and \$41,960 for 2012 and 2011, respectively.