

Domus Kids, Inc.

Financial Statements

June 30, 2014 and 2013

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
Domus Kids, Inc.**

We have audited the accompanying financial statements of Domus Kids, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Domus Kids, Inc. 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.

Prior Period Financial Statements

The financial statements of Domus Kids, Inc. as of and for the year ended June 30, 2013 were audited by other auditors whose report dated December 3, 2013 expressed an unmodified opinion on those financial statements.

O'Connor Davies, LLP

Stamford, Connecticut
December 5, 2014

Domus Kids, Inc.

Statements of Financial Position

	June 30,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 2,815,011	\$ 3,195,683
Accounts and grants receivable	411,835	303,391
Prepaid expenses	56,248	67,208
Investments	746,394	748,639
Beneficial interest in assets held by others	1,613,807	1,073,041
Investment in limited partnership	4,919,839	-
Property and equipment, net	2,556,020	2,546,704
	\$ 13,119,154	\$ 7,934,666
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 170,109	\$ 173,302
Accrued payroll and related expenses	243,362	131,579
Due to affiliates, net	257,056	158,740
Mortgage payable	-	34,676
Total Liabilities	670,527	498,297
Net Assets		
Unrestricted	6,310,170	6,135,017
Board Designated Unrestricted - Funds Held for Long-Term Investment	4,919,839	-
Temporarily restricted	1,218,618	1,301,352
Total Net Assets	12,448,627	7,436,369
	\$ 13,119,154	\$ 7,934,666

See notes to financial statements

Domus Kids, Inc.

Statements of Activities

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Contributions	\$ 3,821,531	\$ 38,930	\$ 3,860,461	\$ 3,739,205	\$ 92,900	\$ 3,832,105
Government grants	2,822,927	62,793	2,885,720	2,977,733	-	2,977,733
Foundation grants	832,512	465,253	1,297,765	1,167,298	466,414	1,633,712
Donations, in-kind	188,798	-	188,798	201,396	-	201,396
Miscellaneous income	16,706	-	16,706	48,225	-	48,225
Rental income	45,450	-	45,450	31,185	-	31,185
Investment income	39,255	-	39,255	18,123	-	18,123
Income from investment in limited partnership, net of unrelated business income tax expense	108,866	-	108,866	-	-	-
Net assets released from restrictions	649,710	(649,710)	-	304,995	(304,995)	-
Total Revenue and Support	<u>8,525,755</u>	<u>(82,734)</u>	<u>8,443,021</u>	<u>8,488,160</u>	<u>254,319</u>	<u>8,742,479</u>
EXPENSES						
Program services	7,646,860	-	7,646,860	7,467,543	-	7,467,543
Management and general	299,791	-	299,791	311,506	-	311,506
Fundraising	552,225	-	552,225	480,788	-	480,788
Total Expenses	<u>8,498,876</u>	<u>-</u>	<u>8,498,876</u>	<u>8,259,837</u>	<u>-</u>	<u>8,259,837</u>
Change in Net Assets from Operations	<u>26,879</u>	<u>(82,734)</u>	<u>(55,855)</u>	<u>228,323</u>	<u>254,319</u>	<u>482,642</u>
OTHER CHANGES						
Contribution of limited partnership interest	4,919,839	-	4,919,839	-	-	-
Net change in beneficial interest in assets held by others	150,519	-	150,519	126,440	-	126,440
Realized and unrealized losses on investments, net	(2,245)	-	(2,245)	(39,224)	-	(39,224)
Total Other Changes	<u>5,068,113</u>	<u>-</u>	<u>5,068,113</u>	<u>87,216</u>	<u>-</u>	<u>87,216</u>
Change in Net Assets	5,094,992	(82,734)	5,012,258	315,539	254,319	569,858
NET ASSETS						
Beginning of year	6,135,017	1,301,352	7,436,369	5,819,478	1,047,033	6,866,511
End of year	<u>\$ 11,230,009</u>	<u>\$ 1,218,618</u>	<u>\$ 12,448,627</u>	<u>\$ 6,135,017</u>	<u>\$ 1,301,352</u>	<u>\$ 7,436,369</u>

See notes to financial statements

Domus Kids, Inc.

Statements of Functional Expenses

	For the Year Ended June 30, 2014				For the Year Ended June 30, 2013			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Personnel costs	\$ 5,072,540	\$ 288,959	\$ 287,511	\$ 5,649,010	\$ 4,801,357	\$ 299,447	\$ 258,787	\$ 5,359,591
Grants to affiliated schools	620,000	-	-	620,000	705,000	-	-	705,000
Direct youth services	549,807	-	-	549,807	548,814	-	-	548,814
Facilities costs	317,601	1,324	-	318,925	369,096	2,892	-	371,988
Office expenses	261,407	3,908	47,851	313,166	175,406	3,208	43,401	222,015
Professional fees	187,466	1,288	12,681	201,435	204,394	1,611	10,250	216,255
Fundraising and related expenses	-	-	192,866	192,866	-	-	154,287	154,287
Insurance expense	169,690	1,202	8,881	179,773	205,581	1,495	9,775	216,851
Depreciation expense	160,685	2,760	-	163,445	148,941	2,568	-	151,509
Other program expenses	151,847	-	498	152,345	164,722	-	2,943	167,665
Transportation expenses	138,226	210	1,547	139,983	133,763	241	825	134,829
Staff development expenses	17,591	140	390	18,121	8,903	44	520	9,467
Interest expense	-	-	-	-	1,566	-	-	1,566
Total Expenses	<u>\$ 7,646,860</u>	<u>\$ 299,791</u>	<u>\$ 552,225</u>	<u>\$ 8,498,876</u>	<u>\$ 7,467,543</u>	<u>\$ 311,506</u>	<u>\$ 480,788</u>	<u>\$ 8,259,837</u>

Domus Kids, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,012,258	\$ 569,858
Adjustments to reconcile change in net assets to net cash from operating activities		
Contribution of interest in limited partnership	(4,919,839)	-
Donation of marketable securities	-	(15,012)
Depreciation and amortization	163,445	151,509
Realized and unrealized losses on investments	2,245	39,224
Changes in operating assets and liabilities		
Accounts and grants receivable	(108,444)	(22,184)
Prepaid expenses	10,960	(12,394)
Security deposits	-	14,225
Beneficial interest in assets held by others	(140,766)	(67,220)
Accounts payable and accrued expenses	(3,193)	72,512
Accrued payroll and related expenses	111,783	(57,957)
Refundable advance	-	(8,653)
Due to affiliates	98,316	103,440
	<u>226,765</u>	<u>767,348</u>
Net Cash from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property, buildings and equipment	(172,761)	(97,725)
Additions to beneficial interest in assets held by others	(400,000)	-
Proceeds from sales of investments	-	16,080
	<u>(572,761)</u>	<u>(81,645)</u>
Net Cash from Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(34,676)	(3,039)
	<u>(34,676)</u>	<u>(3,039)</u>
Net Change in Cash and Cash Equivalents	(380,672)	682,664
CASH AND CASH EQUIVALENTS		
Beginning of year	3,195,683	2,513,019
	<u>3,195,683</u>	<u>2,513,019</u>
End of year	\$ 2,815,011	\$ 3,195,683
	<u>\$ 2,815,011</u>	<u>\$ 3,195,683</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ -	\$ 1,566

See notes to financial statements

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

1. Organization

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

Domus shares corporate office space and other general and administrative costs and services with Trailblazers Academy, Inc. (“Trailblazers Academy”), and Stamford Academy, Inc. (“Stamford Academy”), which are affiliated through common management but are each governed by a separate Board of Directors.

Program Services – Domus provides the following services:

Domus House – Domus House provides housing and services to adolescent males ages 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.

Passages – Passages provides housing and services to adolescent males ages 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.

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 Academy – Domus Academy is a New Haven public turnaround 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, and Domus’ Family Advocates to help every student thrive socially and emotionally while they catch up academically.

Lion’s Den – The Lion’s Den out-of-school-time program serves the students of Trailblazers Academy, 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.

After-School Programming at Turn of River and KT Murphy – Domus operates after-school programs at the Turn of River Middle School and KT Murphy Elementary School in Stamford. The programs offer a diverse array of recreational and academic enrichment programming, providing a safe space for over 100 students at each school to build new skills, improve their academic outcomes, and build relationships with caring adults.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

1. Organization (*continued*)

Program Services (*continued*)

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.

The Trafigura Work and Learn Business Center – The Trafigura Work and Learn Business Center 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 adult unemployment and/or justice system involvement. Businesses include bike repair, small engine repair, culinary, nail-hair salon and woodworking.

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.

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.

Bridgeport Detention Center Summer Program – The Bridgeport Detention Center (BDC) Summer Program is a summer academic enrichment program conducted at BDC through a contract with the State Court Support Services Division, who funds the program. Staff work with youth detained at BDC prior to sentencing or after sentencing but before assignment to a correctional facility on academic, social, and emotional skill building and enrichment.

Special Initiatives – Special Initiatives encompasses incubation/pilot efforts and organization-wide initiatives such as implementing the Sanctuary Model of trauma-informed care, providing holiday support to children and families in our care, and supporting our data collection and analysis initiatives associated with our efforts to become a more data-driven organization.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Some of the more significant estimates required to be made by management include the allowance for uncollectible receivables and allocation of certain functional expenses.

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of Domus.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Domus.

Domus did not have any permanently restricted net assets at June 30, 2014 and 2013.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is December 5, 2014.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specifically known troubled accounts. Management has concluded that an allowance is not required at June 30, 2014 and 2013.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments having maturities of three months or less at the time of purchase.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Domus follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments and Investment Income

Investments are reported at fair value in the statement of financial position. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include Domus' gains and losses on investments bought and sold as well as those held during the year.

Domus' Investment Committee determines Domus' valuation policies and procedures. The Committee utilized information provided by the investment brokers and foundation with which investments are held to value investments.

Investment in Limited Partnership

The investment in limited partnership represents an interest in the non-voting, restricted Class A and Class B units of an operating limited partnership contributed to Domus in August 2013. This investment was valued at the estimated fair value on the date the contribution was received and is accounted for under the cost method. Under the cost method, income distributed to Domus from the accumulated earnings of the limited partnership is recorded as revenue in the period received, net of unrelated business income tax. Income distributed to Domus in excess of accumulated earnings of the limited partnership is considered a return of investment and recorded as a reduction of the cost of the investment. The investment is evaluated annually for impairment. No impairment losses have been recognized to date. Domus' Board of Directors has designated the investment in the limited partnership as assets held for long-term investment.

Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others represents amounts held by The Fairfield County Community Foundation, Inc. ("FCCF") for investment, which are recorded as unrestricted net assets. The beneficial interest in assets held by others is reported at estimated fair value in the statements of financial position.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost, or, if donated, at fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives, which are generally between three and seven years. Purchases or donations of property and equipment of less than \$5,000 are generally expensed.

Contributions

Contributions are recognized when the donor makes a promise to give to Domus that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition

Domus recognizes revenue from government grants, which are treated as exchange transactions, in the period in which the services are provided.

Contributed Goods and Services

Donated goods and services are recognized as contributions if the services either: a) create or enhance non-financial assets, or b) require specialized skills, are performed by people with those skills and would otherwise be purchased by Domus if not donated. Numerous volunteers have donated time to Domus' programs. However, the general volunteer services did not meet the criteria for recognition in the financial statements for the years ended June 30, 2014 and 2013.

Reclassifications

Certain reclassifications have been made to the June 30, 2013 financial statements to conform to the June 30, 2014 presentation. Such reclassifications had no effect on the June 30, 2013 net assets of Domus.

Impairment or Disposal of Long-lived Assets

U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. No impairment losses have been recorded to date.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies *(continued)*

Functional Expenses

Domus allocates its expenses on a functional basis among its program, management and general and fundraising activities. Expenses that can be specifically identified with a program or support service are allocated directly according to their natural classifications. Other expenses that are common to several functions are allocated based on estimates made by management. Domus has adopted and follows a cost allocation plan in accordance with Connecticut state regulations

Income Taxes

Domus is generally exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code; however, Domus is subject to tax on unrelated business activities, primarily those that flow through from its limited partnership investment. Domus recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Domus had no uncertain tax positions that would require financial statement recognition or disclosure. Domus is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to July 1, 2011.

3. Concentration of Risk

Financial instruments that potentially subject Domus to significant concentrations of credit risk consist principally of cash and cash equivalents, investments and governmental grants. At times, cash balances held at financial institutions may be in excess of federally insured limits. Domus has not experienced any losses in its cash deposits. 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.

A significant portion of Domus' support and revenue is derived from government sources. As with all government funding, this funding may be subject to reduction or termination in future years. Any significant reduction in these grants could have a negative impact on Domus' program services. Domus received approximately 35% of its revenue and support from government sources for the years ended June 30, 2014 and 2013.

4. Investments

Investments, all valued using Level 1 inputs, consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
U.S Treasury note	\$ 711,544	\$ 713,736
Money market funds	<u>34,850</u>	<u>34,903</u>
Total Investments	<u>\$ 746,394</u>	<u>\$ 748,639</u>

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

5. Beneficial Interest in Assets Held By Others

The beneficial interest in assets held by others consists of assets transferred to FCCF for investment. This beneficial interest is valued using Level 3 inputs. In accordance with the spending policy of FCCF, 4% of the fund value for 2014 and 2013 is available for annual distribution for and to Domus. In addition, the agreement allows for release of funds in excess of the 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. Any such release of funds in excess of the FCCF's spending policy must also be approved by FCCF.

Changes in the beneficial interest in assets held by others for the years ended June 30, 2014 and 2013 is as follows:

Beginning balance July 1, 2012	\$ 1,005,821
Contributions	-
Distributions	(59,220)
Appreciation and investment income, net of fees	<u>126,440</u>
Ending balance June 30, 2013	1,073,041
Contributions	400,000
Distributions	(30,740)
Appreciation and investment income, net of fees	<u>171,506</u>
Ending balance June 30, 2014	<u>\$ 1,613,807</u>

6. Income from Investment in Limited Partnership

Domus' income from its investment in a limited partnership is as follows for the year ended June 30, 2014:

Cash distribution received	\$ 394,866
Unrelated business income tax expense	<u>(286,000)</u>
Income from investment in limited partnership, net	<u>\$ 108,866</u>

Domus is subject to the unrelated business income tax on its pro rata share of the limited partnership's income, which was approximately \$800,000 for the partnership's year ended December 31, 2013. However, for financial reporting purposes, Domus recognizes income only to the extent that it receives cash distributions from the limited partnership. Due to the operation of the unrelated business income tax, Domus may or may not realize a future tax benefit for the taxes it has paid on the undistributed income of the limited partnership. Accordingly, a deferred tax asset for this difference has not been recognized.

Domus Kids, Inc.

Notes to Financial Statements
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7. Due to Affiliates

Due to affiliates consisted of the following at June 30:

	2014	2013
Grant due to Stamford Academy	\$ (310,000)	\$ (40,000)
Grant due to Trailblazers Academy	(310,000)	-
Due from Stamford Academy for Shared Services	257,978	36,610
Due (to) from Trailblazers Academy for Shared Services	104,966	(155,350)
Due to Affiliates, net	\$ (257,056)	\$ (158,740)

During each of the years ended June 30, 2014 and 2013 Domus granted Stamford Academy \$310,000. During the years ended June 30, 2014 and 2013 Domus granted Trailblazers Academy \$310,000 and \$395,000. These grants are included in grants to affiliated schools in the accompanying statements of functional expenses. Grants due to Stamford Academy and Trailblazers Academy were paid subsequent to June 30, 2014 and 2013.

The amounts due to and due from Stamford Academy and Trailblazers Academy for shared services were paid and received subsequent to June 30, 2014 and 2013.

8. Property and Equipment

Property and equipment consisted of the following at June 30:

	2014	2013
Building and improvements	\$ 2,375,972	\$ 2,290,898
Leasehold improvements	122,358	74,198
Furniture and fixtures	195,411	195,411
Vehicles and school bus	320,625	275,198
Computer and office equipment	176,312	176,312
Construction in progress	-	5,900
Software	82,754	82,754
	3,273,432	3,100,671
Less accumulated depreciation	(1,115,919)	(952,474)
	2,157,513	2,148,197
Land	398,507	398,507
Property and Equipment, net	\$ 2,556,020	\$ 2,546,704

Domus Kids, Inc.

Notes to Financial Statements June 30, 2014 and 2013

9. Bank Line of Credit

Domus has an available line of credit of \$500,000 that expires on December 31, 2014. 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 2% and 3% above the bank's prime rate of 3.25% per annum at June 30, 2014 and 2013. There were no outstanding borrowings on this line of credit as of June 30, 2014 and 2013. The agreement also includes various restrictions and financial covenants of which Domus believes they are in compliance.

10. Lease Commitments

Domus and the City of Stamford have an agreement for the lease of a building in Stamford, Connecticut to host Trailblazers Academy, as well as corporate offices of Domus. The lease term was for a five year period through June 30, 2014, with an option to renew for four consecutive five-year terms. Domus is in the process of renewing the lease agreement for the first of the four five-year lease terms with the City of Stamford. The lease agreement allows Domus and Trailblazers Academy 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 the corporate office space portion of this lease of \$62,500 as an in-kind donation for 2014 and 2013. Rent expense under this operating lease totaled \$62,500 for 2014 and 2013.

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 2014 and 2013. Rent expense under this operating lease totaled \$18,000 for 2014 and 2013.

Domus has various non cancelable operating leases for office equipment, which expire at various times through January 2017. Monthly lease payments range from \$184 to \$502. Expense under these operating leases totaled \$18,888 and \$14,376 for 2014 and 2013.

Future minimum lease payments under these operating leases are as follows for the years ending June 30:

2015	\$	15,683
2016		15,683
2017		<u>9,148</u>
Total	\$	<u>40,514</u>

11. Mortgage Payable

In 2006 Domus obtained a \$65,000 mortgage payable to a bank with an interest rate of 4.375% per annum and monthly principal and interest payments of \$384. The mortgage balance of \$34,676 was paid in full during fiscal year 2014.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2014 and 2013

12. Donated Property and Program Supplies

Donated property and program supplies recorded at estimated fair value was as follows for June 30:

	2014	2013
Included in Revenue and Support:		
Donated office space	\$ 80,500	\$ 80,500
Donated program supplies	108,298	120,896
 Total Donated In-Kind Support	 \$ 188,798	 \$ 201,396
 Included in Functional Expenses:		
Facilities costs	\$ 80,500	\$ 80,500
Direct youth services	108,298	120,896
 Total Expenses	 \$ 188,798	 \$ 201,396

13. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2014	2013
Purposes		
Building improvements and other equipment subject to liens	\$ 390,711	\$ 328,540
Property, buildings and equipment	269,460	284,381
Programs		
Passages	1,250	3,000
Chester Addison Community Center	98,676	158,610
Domus Academy	2,158	1,456
Lion's Den	124,509	108,320
The Trafigura Work and Learn Business Center	4,050	109,450
Domus House	1,250	-
Golf Event	3,000	-
Juvenile Review Board	75,000	-
Time Periods		
Funds held for future use	248,554	307,595
 Total Temporarily Restricted Net Assets	 \$ 1,218,618	 \$ 1,301,352

Domus Kids, Inc.

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13. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets released from restrictions consisted of the following during the years ended June 30:

	<u>2014</u>	<u>2013</u>
Purposes		
Building improvements and other equipment subject to liens	\$ 622	\$ 5,937
Property, buildings and equipment	14,921	94,722
Programs		
Passages	3,000	-
Chester Addison Community Center	87,434	53,277
Domus Academy	1,456	2,839
Lion's Den	108,320	19,240
Future 5	-	6,100
The Trafigura Work and Learn Business Center	105,400	32,800
Golf Event	3,000	-
Intern Program	17,303	-
Domus Niner	1,122	-
Holiday Fund	12,100	-
Time Periods		
Funds held for future use	295,032	90,080
Net assets released from restrictions	<u>\$ 649,710</u>	<u>\$ 304,995</u>

14. 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 various ongoing terms and conditions of these grants are fulfilled. Liens expire at various times through 2023.

15. Retirement Plan

Domus maintains a defined contribution retirement plan under section 403(b) of the Internal Revenue Code. All employees over 21 years of age, 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 \$104,243 and \$100,163 for the years ended June 30, 2014 and 2013.
