

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

**JUNE 30, 2013 AND 2012**

**DOMUS KIDS, INC.**

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## Independent Auditors' Report

To the Board of Directors  
Domus Kids, Inc.

We have audited the accompanying financial statements of Domus Kids, Inc. (Domus), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows and functional expenses for the years 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to Domus' 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 Domus' 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Shelton, Connecticut  
December 3, 2013

**DOMUS KIDS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,195,683	\$ 2,513,019
Accounts receivable	114,879	109,279
Grants receivable	188,512	169,460
Pledges receivable	-	2,468
Prepaid expenses	67,208	54,814
Due from affiliates	36,610	10,348
Beneficial interest in assets held by others	1,073,041	1,005,821
Investments	748,639	788,931
Security deposits	-	14,225
Property, buildings and equipment, net	<u>2,546,704</u>	<u>2,600,488</u>
<b>Total Assets</b>	<u><u>\$ 7,971,276</u></u>	<u><u>\$ 7,268,853</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 173,302	\$ 100,790
Accrued payroll and related expenses	131,579	189,536
Grant payable to affiliate	40,000	-
Due to affiliates	155,350	65,648
Refundable advance	-	8,653
Mortgage payable	34,676	37,715
Total liabilities	<u>534,907</u>	<u>402,342</u>
<b>Net Assets</b>		
Unrestricted	6,135,017	5,819,478
Temporarily restricted	<u>1,301,352</u>	<u>1,047,033</u>
Total net assets	<u>7,436,369</u>	<u>6,866,511</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 7,971,276</u></u>	<u><u>\$ 7,268,853</u></u>

The accompanying notes are an integral part of the financial statements

**DOMUS KIDS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Support and Other Changes</b>						
Contributions	\$ 3,739,205	\$ 92,900	\$ 3,832,105	\$ 2,850,270	\$ 97,010	\$ 2,947,280
Governmental grants	2,977,733	-	2,977,733	2,769,715	-	2,769,715
Private foundation grants	1,167,298	466,414	1,633,712	1,754,018	215,801	1,969,819
Donations in-kind	201,396	-	201,396	238,253	-	238,253
Miscellaneous income	48,225	-	48,225	11,036	-	11,036
Rental income	31,185	-	31,185	35,250	-	35,250
Interest income	18,123	-	18,123	18,293	-	18,293
Net assets released from restrictions	304,995	(304,995)	-	1,532,695	(1,532,695)	-
Total revenue, support and other changes	8,488,160	254,319	8,742,479	9,209,530	(1,219,884)	7,989,646
<b>Expenses</b>						
Program services	7,467,543	-	7,467,543	7,147,104	-	7,147,104
Management and general	311,506	-	311,506	310,720	-	310,720
Development and fundraising	480,788	-	480,788	410,805	-	410,805
Total expenses	8,259,837	-	8,259,837	7,868,629	-	7,868,629
<b>Income (Loss) from Operations</b>	228,323	254,319	482,642	1,340,901	(1,219,884)	121,017
<b>Other Changes in Net Assets</b>						
Net change in beneficial interests in assets held by others	126,440	-	126,440	7,332	-	7,332
Realized and unrealized gains (losses) on investments, net	(39,224)	-	(39,224)	90,126	-	90,126
Gain on sale of property, building and equipment	-	-	-	700	-	700
<b>Increase (Decrease) in Net Assets</b>	315,539	254,319	569,858	1,439,059	(1,219,884)	219,175
<b>Net Assets - Beginning of Year</b>	5,819,478	1,047,033	6,866,511	4,380,419	2,266,917	6,647,336
<b>Net Assets - End of Year</b>	\$ 6,135,017	\$ 1,301,352	\$ 7,436,369	\$ 5,819,478	\$ 1,047,033	\$ 6,866,511

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The accompanying notes are an integral part of the financial statements

**DOMUS KIDS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 569,858	\$ 219,175
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
In-kind donation of securities	(15,012)	(279,148)
Depreciation and amortization	151,509	168,004
Realized and unrealized (gains) losses on investments	39,224	(90,126)
Gain on sale of property, building and equipment	-	(700)
(Increase) decrease in operating assets:		
Accounts receivable	(5,600)	(9,029)
Grants receivable	(19,052)	32,732
Pledges receivable	2,468	22,754
Prepaid expenses	(12,394)	(20,529)
Due from affiliates	(26,262)	(503)
Beneficial interest in assets held by others	(67,220)	(407,332)
Security deposits	14,225	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	72,512	(70,655)
Grant payable to affiliate	40,000	-
Refundable advance	(8,653)	8,653
Accrued payroll and related expenses	(57,957)	123,236
Due to affiliates	89,702	(424,352)
Net cash provided by (used in) operating activities	<u>767,348</u>	<u>(727,820)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property, buildings and equipment	-	700
Cash outlay for property, building, and equipment	(97,725)	(65,149)
Purchase of investments	-	(21,042)
Proceeds from sales of investments	16,080	276,107
Net cash provided by (used in) investing activities	<u>(81,645)</u>	<u>190,616</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on mortgage payable	(3,039)	(2,898)
Net cash used in financing activities	<u>(3,039)</u>	<u>(2,898)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	682,664	(540,102)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,513,019</u>	<u>3,053,121</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 3,195,683</u>	<u>\$ 2,513,019</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ 1,566</u>	<u>\$ 1,706</u>

The accompanying notes are an integral part of the financial statements

**DOMUS KIDS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013				2012			
	Program Services	General and Administrative	Development and Fundraising	Total	Program Services	General and Administrative	Development and Fundraising	Total
Personnel costs	\$ 4,801,357	\$ 299,447	\$ 258,787	\$ 5,359,591	\$ 4,640,504	\$ 278,597	\$ 256,600	\$ 5,175,701
Grants to schools	705,000	-	-	705,000	580,000	-	-	580,000
Direct youth services	548,814	-	-	548,814	616,795	-	-	616,795
Facilities costs	369,096	2,892	-	371,988	328,012	1,498	-	329,510
Office expenses	175,406	3,208	43,401	222,015	185,638	3,961	30,301	219,900
Insurance	205,581	1,495	9,775	216,851	181,777	11,097	13,277	206,151
Professional fees	204,394	1,611	10,250	216,255	199,074	10,131	4,679	213,884
Other program expenses	164,722	-	2,943	167,665	132,383	-	986	133,369
Fundraising expenses	-	-	154,287	154,287	-	-	103,292	103,292
Depreciation and amortization	148,941	2,568	-	151,509	164,715	3,289	-	168,004
Transportation	133,763	241	825	134,829	99,930	1,932	1,296	103,158
Staff development	8,903	44	520	9,467	16,570	215	374	17,159
Interest	1,566	-	-	1,566	1,706	-	-	1,706
<b>Total</b>	<b>\$ 7,467,543</b>	<b>\$ 311,506</b>	<b>\$ 480,788</b>	<b>\$ 8,259,837</b>	<b>\$ 7,147,104</b>	<b>\$ 310,720</b>	<b>\$ 410,805</b>	<b>\$ 7,868,629</b>

The accompanying notes are an integral part of the financial statements



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

**NOTE 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., 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 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 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.

**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 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, 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.

**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. On July 1, 2013, FUTURE 5 became an independent organization.

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

**NOTE 1 - ORGANIZATION (Continued)**

**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.

**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.

**After-School Programming at Turn of River** - Domus operates an after-school program at the Turn of River Middle School in Stamford. 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.

**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.

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

**Basis of Accounting and Presentation** – Domus' financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Domus 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, 2013 and 2012.

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

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

**Measure of Operations** - Domus' measure of operations includes all changes in net assets except for the net change in beneficial interests in assets held by others, realized and unrealized gains (losses) on investments and 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 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 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, 2013 and 2012.

**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, 2013 and 2012.

**Beneficial Interest in Assets Held by Others** - Beneficial interests in assets held by others represents amounts held by a community foundation for investment, which are recorded as unrestricted net assets.

**Investment Valuation and Income Recognition** - Investments are reported at fair value. Fair value is 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. See Note 8 for a discussion of fair value measurements.

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's gains and losses on investments bought and sold as well as held during the year.

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

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

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

**Property, Buildings and Equipment** - Property acquisitions and improvements thereon that individually exceed \$5,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

**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 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.

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. is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). Domus Kids, Inc. informational returns for the years ended June 30, 2010 through 2013 are subject to examination by the Internal Revenue Service and the State of Connecticut.

**Subsequent Events** - In preparing these financial statements, management has evaluated subsequent events through December 3, 2013, which represents the date the financial statements were available to be issued.

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

**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.

**NOTE 4 - CASH FLOWS**

**Additional Cash Flow Information** - Domus received contributions of stock valued at \$15,012 and \$279,148 for the years ended June 30, 2013 and 2012, respectively.

**NOTE 5 - PLEDGES RECEIVABLE**

Pledges receivable consist of receivables due in less than one year. At June 30, 2013 and 2012, pledges receivable were \$-0- and \$2,468, respectively. Management has determined that an allowance for pledges receivable is not necessary at June 30, 2013 and 2012.

**NOTE 6 - DUE FROM AFFILIATES**

Domus had amounts due from its affiliate, Stamford Academy, Inc., of \$36,610 and \$10,348 for shared expenses at June 30, 2013 and 2012, respectively. These amounts were received subsequent to June 30, 2013 and 2012.

**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, 4% and 5% of the fund value for 2013 and 2012, respectively, will be available for annual distribution for and 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.

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

**NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Continued)**

Domus deposited \$-0- and \$400,000 to FCCF for the years ended June 30, 2013 and 2012, respectively. Domus requested and received distributions totaling \$59,220 and \$-0- from FCCF for the year ended June 30, 2013 and 2012, respectively.

The value of this beneficial interest was \$1,073,041 and \$1,005,821 at June 30, 2013 and 2012, respectively.

**NOTE 8 - FAIR VALUE MEASUREMENT**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Domus has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2013 consist of \$34,903 in money market funds and \$713,736 in a U.S. Treasury note, totaling \$748,625. 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.

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

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

Property, buildings and equipment, consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 398,507	\$ 398,507
Buildings and improvements	2,290,898	2,285,638
Leasehold improvements	74,198	74,198
Furniture and fixtures	195,411	195,411
Vehicles and school bus	275,198	188,633
Computer and office equipment	176,312	176,312
Construction in progress	5,900	-
Software	82,754	82,754
	<u>3,499,178</u>	<u>3,401,453</u>
Less accumulated depreciation	<u>952,474</u>	<u>800,965</u>
Property, Building and Equipment, Net	<u>\$ 2,546,704</u>	<u>\$ 2,600,488</u>

**NOTE 10 - BANK LINE OF CREDIT**

Domus has an available line of credit of \$500,000 that expires on December 31, 2013. 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, 2013 and 2012. The agreement also includes various restrictions and financial covenants. There were no outstanding borrowings on this line of credit as of June 30, 2013 and 2012.

**NOTE 11 - GRANT PAYABLE TO AFFILIATE**

Domus owed its affiliate, Stamford Academy, \$40,000 for a grant to the school as of June 30, 2013, which was paid subsequent to year end June 30, 2013.

**NOTE 12 - DUE TO AFFILIATES**

Domus owed Trailblazers Academy, Inc. \$155,350 and \$65,648 for shared expenses as of June 30, 2013 and 2012, which was paid subsequent to year end June 30, 2013 and 2012, respectively.

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

**NOTE 13 - 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, 2013 are as follows:

**Year Ending June 30,**

2014	\$	3,163
2015		3,304
2016		3,451
2017		3,605
2018		3,766
Thereafter		<u>17,387</u>
Total	\$	<u><u>34,676</u></u>

**NOTE 14 - DONATED PROPERTY AND SERVICES**

Domus has recorded the estimated fair value of donated property and services as follows for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Included in revenue and support:		
Donated office space	\$ 80,500	\$ 80,500
Donated program supplies	<u>120,896</u>	<u>157,753</u>
Total Donated In-Kind Support	<u><u>\$ 201,396</u></u>	<u><u>\$ 238,253</u></u>
Included in functional expenses:		
Facilities costs	\$ 80,500	\$ 80,500
Direct youth services	<u>120,896</u>	<u>157,753</u>
Total Expenses	<u><u>\$ 201,396</u></u>	<u><u>\$ 238,253</u></u>



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

**NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or time periods as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Purposes:		
Building improvements and other equipment subject to liens	\$ 328,540	\$ 334,477
Property, buildings and equipment	284,381	300,232
Programs:		
Passages	3,000	-
Chester Addison Community Center	158,610	156,512
Domus Academy	1,456	2,839
Lion's Den	108,320	19,240
Future 5	-	6,100
The Trafigura Work and Learn Business Center	109,450	45,711
Time periods:		
Funds held for future use	<u>307,595</u>	<u>181,922</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,301,352</u>	<u>\$ 1,047,033</u>

**NOTE 16 - 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Purposes:		
Building improvements and other equipment subject to liens	\$ 5,937	\$ -
Property, buildings and equipment	94,722	46,426
Programs:		
Chester Addison Community Center	53,277	66,739
Domus Academy	2,839	-
Lion's Den	19,240	12,700
Future 5	6,100	38,000
The Trafigura Work and Learn Business Center	32,800	-
Time periods:		
Funds held for future use	90,080	95,619
Funds for long-term investment	<u>-</u>	<u>1,273,211</u>
Net Assets Released From Restrictions	<u>\$ 304,995</u>	<u>\$ 1,532,695</u>

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

**NOTE 17 - 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.

**NOTE 18 - 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 the corporate office space portion of this lease of \$62,500 as an in-kind donation for 2013 and 2012. Rent expense under this operating lease totaled \$62,500 for 2013 and 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 2013 and 2012. Rent expense under this operating lease totaled \$18,000 for 2013 and 2012.

Domus has various noncancelable 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 total \$14,376 and \$19,708 for 2013 and 2012, respectively.

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

**Year Ending June 30**

2014	\$	15,683
2015		15,683
2016		15,683
2017		<u>9,148</u>
Total	\$	<u><u>56,197</u></u>

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

**NOTE 19 - 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 \$100,163 and \$62,781 for 2013 and 2012, respectively.

**NOTE 20 - SUBSEQUENT EVENT**

In August 2013, the Board of Directors accepted a donation of restricted Class A and Class B shares in a limited partnership valued at \$4.9 million. Under the partnership agreement, Domus is entitled to receive an annual distribution of 3% based on the value of the Class A shares. Domus maintains no voting rights in the partnership.