

STAMFORD ACADEMY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

STAMFORD ACADEMY, INC.

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Independent Auditors' Report

To the Board of Directors
Stamford Academy, Inc.

We have audited the accompanying statements of financial position of Stamford Academy, Inc., (Stamford) as of June 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Stamford's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of 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 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 Stamford's 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Stamford as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2012 on our consideration of Stamford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Blum, Shapiro & Company, P.C.

November 5, 2012

STAMFORD ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 162,870	\$ 158,485
Accounts receivables, net	39,715	-
Grants receivable	138,392	6,366
Prepaid expenses	21,269	29,617
Due from affiliate	-	220,000
Property and equipment, net	<u>33,438</u>	<u>30,447</u>
Total Assets	\$ <u>395,684</u>	\$ <u>444,915</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 25,116	\$ 51,576
Accrued payroll and related expenses	157,617	204,222
Due to affiliates	81,620	70,820
Refundable advance	-	12,377
Total liabilities	<u>264,353</u>	<u>338,995</u>
Net Assets		
Unrestricted	106,457	89,174
Temporarily restricted	<u>24,874</u>	<u>16,746</u>
Total net assets	<u>131,331</u>	<u>105,920</u>
Total Liabilities and Net Assets	\$ <u>395,684</u>	\$ <u>444,915</u>

The accompanying notes are an integral part of the financial statements

STAMFORD ACADEMY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>			<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Support and Other Changes						
Governmental grants	\$ 2,389,395	\$ -	\$ 2,389,395	\$ 2,404,765	\$ -	\$ 2,404,765
Contributions	300,609	1,000	301,609	495,115	-	495,115
Donations in-kind	202,968	-	202,968	356,089	-	356,089
Private foundation grants	176,158	15,500	191,658	116,612	-	116,612
Other income	3,208	-	3,208	3,331	-	3,331
Interest income	394	-	394	782	-	782
Net assets released from restrictions	8,372	(8,372)	-	10,872	(10,872)	-
Total revenue, support and other changes	<u>3,081,104</u>	<u>8,128</u>	<u>3,089,232</u>	<u>3,387,566</u>	<u>(10,872)</u>	<u>3,376,694</u>
Expenses						
Program services	2,724,343	-	2,724,343	3,022,285	-	3,022,285
Management and general	310,489	-	310,489	302,442	-	302,442
Development and fundraising	28,989	-	28,989	44,734	-	44,734
Total expenses	<u>3,063,821</u>	<u>-</u>	<u>3,063,821</u>	<u>3,369,461</u>	<u>-</u>	<u>3,369,461</u>
Increase (Decrease) in Net Assets	17,283	8,128	25,411	18,105	(10,872)	7,233
Net Assets - Beginning of Year	<u>89,174</u>	<u>16,746</u>	<u>105,920</u>	<u>71,069</u>	<u>27,618</u>	<u>98,687</u>
Net Assets - End of Year	<u>\$ 106,457</u>	<u>\$ 24,874</u>	<u>\$ 131,331</u>	<u>\$ 89,174</u>	<u>\$ 16,746</u>	<u>\$ 105,920</u>

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The accompanying notes are an integral part of the financial statements

STAMFORD ACADEMY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 25,411	\$ 7,233
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,609	10,128
(Increase) decrease in operating assets:		
Accounts receivable	(39,715)	-
Grants receivable	(132,026)	2,298
Prepaid expenses	8,348	8,758
Due from affiliate	220,000	(220,000)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(26,460)	9,864
Accrued payroll and related expenses	(46,605)	123,762
Due to affiliates	10,800	(82,649)
Refundable advance	(12,377)	12,377
Net cash provided by (used in) operating activities	<u>20,985</u>	<u>(128,229)</u>
Cash Flows from Investing Activities		
Cash outlay for property and equipment	<u>(16,600)</u>	<u>(13,000)</u>
Net cash used in investing activities	<u>(16,600)</u>	<u>(13,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,385	(141,229)
Cash and Cash Equivalents - Beginning of Year	<u>158,485</u>	<u>299,714</u>
Cash and Cash Equivalents - End of Year	<u>\$ 162,870</u>	<u>\$ 158,485</u>

The accompanying notes are an integral part of the financial statements

STAMFORD ACADEMY, INC.
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	\$ 2,053,815	\$ 257,830	\$ 28,989	\$ 2,340,634	\$ 2,175,507	\$ 248,493	\$ 44,734	\$ 2,468,734
Facilities costs	205,680	27,431	-	233,111	209,001	23,392	-	232,393
Student support services	196,761	-	-	196,761	277,671	-	-	277,671
Insurance	74,558	9,229	-	83,787	80,318	8,989	-	89,307
Professional fees	72,194	8,937	-	81,131	122,403	14,091	-	136,494
Office expenses	60,849	5,563	-	66,412	58,017	6,458	-	64,475
Transportation	34,445	-	-	34,445	28,397	-	-	28,397
Other program expenses	13,931	-	-	13,931	61,862	-	-	61,862
Depreciation	12,110	1,499	-	13,609	9,109	1,019	-	10,128
Total	\$ 2,724,343	\$ 310,489	\$ 28,989	\$ 3,063,821	\$ 3,022,285	\$ 302,442	\$ 44,734	\$ 3,369,461

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Stamford Academy, Inc. (Stamford), a not-for-profit organization, is recognized by the State of Connecticut as a charter school in accordance with the provisions of Section 10-66bb of the Connecticut General Statutes. Stamford was granted a charter to operate a public high school located in the City of Stamford through June 30, 2012. In June 2012, Stamford's charter was renewed for three years, from July 1, 2012 through June 30, 2015. The mission of Stamford is to create a positive learning environment for students who have been unsuccessful in the traditional public school setting. Stamford pursues this mission by, among other things, lowering class size, lengthening the school day, providing more structure and developing strong relationships with each student and family.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - Stamford's 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 Stamford 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 that the principal be maintained in perpetuity but permit Stamford to expend the income earned thereon. Stamford did not have any permanently restricted net assets as of June 30, 2012 and 2011.

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 estimates primarily in valuing donations in-kind. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Cash and Cash Equivalents - Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable, Net - Accounts receivable are presented net of allowance for doubtful accounts. Uncollectible account 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 determined that no allowance for doubtful accounts was necessary as of June 30, 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 represent unreimbursed expenses at June 30, 2012 and 2011.

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

Leasehold improvements	Lease term
Furniture and fixtures	7 years
Computer equipment	5 years
School bus	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.

Refundable Advance - Amounts of grants that are received but unearned are reflected as refundable advances in the accompanying statements of financial position and are subsequently reflected in the accompanying statements of activities during the period to which they apply as the funds are expended.

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. Pledges receivable expected to be collected beyond one year are discounted to their present value. Stamford 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 Stamford.

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Stamford, most amounts have not been recognized in the accompanying 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 Stamford.

Income Tax Status - Stamford is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). Stamford's informational returns for the years ended June 30, 2009 through June 30, 2012 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 November 5, 2012, which represents the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

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

Cash and Cash Equivalents - Stamford 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 its deposits are not subject to significant credit risk.

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

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - DUE FROM AFFILIATE

Stamford has amounts due from its affiliate, Domus Kids, Inc., of \$-0- and \$220,000, respectively, for school support as of June 30, 2012 and 2011, respectively. The outstanding balance was received subsequent to June 30, 2011.

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 29,200	\$ 12,600
Furniture and fixtures	1,028	1,028
Computer equipment	70,262	70,262
School bus	41,862	41,862
Software	34,705	34,705
	<u>177,057</u>	<u>160,457</u>
Less accumulated depreciation	<u>(143,619)</u>	<u>(130,010)</u>
Property and Equipment, Net	<u>\$ 33,438</u>	<u>\$ 30,447</u>

NOTE 6 - BANK LINE OF CREDIT

Domus Kids, Inc., Trailblazers Academy, Inc. and Stamford, 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 Kids, Inc., Trailblazers Academy, Inc., and Stamford. 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 7 - DUE TO AFFILIATES

Stamford owed its affiliate Domus Kids, Inc., \$10,348 and \$8,945, respectively, and Trailblazers Academy, Inc., \$71,272 and \$61,875, respectively, for shared expenses as of June 30, 2012 and 2011. The outstanding balances were paid subsequent to June 30, 2012 and 2011, respectively.

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DONATED PROPERTY AND SERVICES

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

	<u>2012</u>	<u>2011</u>
Included in revenue and support:		
Donated school space	\$ 200,368	\$ 200,368
Donated special education services	-	154,871
Donated supplies	<u>2,600</u>	<u>850</u>
 Total Donated In-Kind Support	 <u>\$ 202,968</u>	 <u>\$ 356,089</u>
 Included in functional expenses:		
Facilities costs	\$ 200,368	\$ 200,368
Personnel costs	-	154,871
Other program expenses	<u>2,600</u>	<u>850</u>
 Total Expenses	 <u>\$ 202,968</u>	 <u>\$ 356,089</u>

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Programs	\$ 16,500	\$ -
Property and equipment	<u>8,374</u>	<u>16,746</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 24,874</u>	 <u>\$ 16,746</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2012</u>	<u>2011</u>
Programs	\$ -	\$ 2,500
Property and equipment	<u>8,372</u>	<u>8,372</u>
 Total Net Assets Released from Restrictions	 <u>\$ 8,372</u>	 <u>\$ 10,872</u>

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - LEASE COMMITMENTS

Stamford maintains its teaching facility within a facility owned by the City of Stamford and is currently operating on a month-to-month agreement while a new lease is being negotiated. The agreement allows Stamford to lease the facility for \$2 per year in addition to paying for its share of the facility's internet access fees. The estimated fair value of this lease has been recorded as facilities costs of \$200,368 along with the related in-kind donation of \$200,368 for 2012 and 2011.

Stamford has various noncancellable operating leases for office equipment, which expire in January 2017. Monthly lease payments range from \$192 to \$531.

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

Year Ending June 30

2013	\$	8,673
2014		8,673
2015		8,673
2016		8,673
Thereafter		<u>5,060</u>
Total	\$	<u><u>39,752</u></u>

Expense under these operating leases total \$6,086 and \$11,628 for 2012 and 2011, respectively.

NOTE 12 - DEFINED CONTRIBUTION RETIREMENT PLAN

The teachers who work for Stamford participate in the State of Connecticut-sponsored major employee retirement system, which is administered by the Teachers' Retirement Board. Teachers are required to contribute 7.25% of their annual salary, while the State of Connecticut is required to contribute at an actuarially determined rate, which may be reduced by an act of the State Legislature. Administrative costs of the plan are funded by the State of Connecticut. Stamford has no obligations under this plan.

Stamford maintains a defined contribution retirement plan as defined 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 a maximum amount allowed by the Internal Revenue Service. Stamford matches up to 4% of each eligible employee's compensation following one year of service for employees who contribute to the plan. Stamford's contributions to the plan were \$17,008 and \$14,582 for 2012 and 2011, respectively.