

Stamford Academy, Inc.

Financial Statements

June 30, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Stamford Academy, Inc.

We have audited the accompanying financial statements of Stamford Academy, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Stamford Academy, Inc. as of June 30, 2015 and 2014, 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.

O'CONNOR DAVIES, LLP
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of Stamford Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stamford Academy, Inc.'s internal control over financial reporting and compliance.

O'Connor Davies, LLP

Stamford, Connecticut
December 18, 2015

Stamford Academy, Inc.

Statements of Financial Position

	June 30,	
	2015	2014
ASSETS		
Cash	\$ 543,839	\$ 324,918
Accounts and grants receivable	66,739	22,293
Due from affiliate, net	-	52,022
Prepaid expenses	778	15,069
Property and equipment, net	<u>12,450</u>	<u>13,556</u>
	<u>\$ 623,806</u>	<u>\$ 427,858</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 26,137	\$ 14,637
Accrued payroll and related expenses	139,593	150,933
Due to affiliates	<u>233,506</u>	<u>95,554</u>
Total Liabilities	<u>399,236</u>	<u>261,124</u>
Net Assets		
Unrestricted	161,293	142,234
Temporarily restricted	<u>63,277</u>	<u>24,500</u>
Total Net Assets	<u>224,570</u>	<u>166,734</u>
	<u>\$ 623,806</u>	<u>\$ 427,858</u>

See notes to financial statements

Stamford Academy, Inc.

Statements of Activities

	For the Year Ended June 30, 2015			For the Year Ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Government grants	\$ 2,244,860	\$ -	\$ 2,244,860	\$ 2,244,407	\$ -	\$ 2,244,407
Contributions	394,378	1,000	395,378	406,381	9,000	415,381
Donations, in-kind	200,368	-	200,368	200,468	-	200,468
Foundation grants	135,595	61,627	197,222	96,272	15,500	111,772
Other income	7,174	650	7,824	1,219	-	1,219
Interest income	-	-	-	178	-	178
Net assets released from restrictions	24,500	(24,500)	-	26,410	(26,410)	-
Total Revenue and Support	<u>3,006,875</u>	<u>38,777</u>	<u>3,045,652</u>	<u>2,975,335</u>	<u>(1,910)</u>	<u>2,973,425</u>
EXPENSES						
Program services	2,608,282	-	2,608,282	2,598,586	-	2,598,586
Management and general	341,000	-	341,000	331,253	-	331,253
Fundraising	38,534	-	38,534	35,211	-	35,211
Total Expenses	<u>2,987,816</u>	<u>-</u>	<u>2,987,816</u>	<u>2,965,050</u>	<u>-</u>	<u>2,965,050</u>
Change in Net Assets	19,059	38,777	57,836	10,285	(1,910)	8,375
NET ASSETS						
Beginning of year	<u>142,234</u>	<u>24,500</u>	<u>166,734</u>	<u>131,949</u>	<u>26,410</u>	<u>158,359</u>
End of year	<u>\$ 161,293</u>	<u>\$ 63,277</u>	<u>\$ 224,570</u>	<u>\$ 142,234</u>	<u>\$ 24,500</u>	<u>\$ 166,734</u>

See notes to financial statements

Stamford Academy, Inc.

Statements of Functional Expenses

	For the Year Ended June 30, 2015				For the Year Ended June 30, 2014			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Personnel costs	\$ 1,687,277	\$ 248,145	\$ 38,534	\$ 1,973,956	\$ 1,719,173	\$ 241,353	\$ 35,211	\$ 1,995,737
Professional fees	324,553	46,666	-	371,219	337,699	46,458	-	384,157
Facilities costs	205,336	29,524	-	234,860	210,342	28,937	-	239,279
Student support services	214,159	-	-	214,159	158,995	-	-	158,995
Insurance expense	67,799	9,749	-	77,548	60,563	8,332	-	68,895
Transportation expense	59,106	-	-	59,106	64,724	-	-	64,724
Office expenses	47,138	6,778	-	53,916	40,090	5,515	-	45,605
Depreciation expense	968	138	-	1,106	4,782	658	-	5,440
Other program expenses	1,946	-	-	1,946	2,218	-	-	2,218
Total Expenses	\$ 2,608,282	\$ 341,000	\$ 38,534	\$ 2,987,816	\$ 2,598,586	\$ 331,253	\$ 35,211	\$ 2,965,050

Stamford Academy, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 57,836	\$ 8,375
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,106	5,440
Changes in operating assets and liabilities		
Accounts and grants receivable	(44,446)	(10,840)
Due to/from affiliates	189,976	(25,629)
Prepaid expenses	14,291	1,917
Accounts payable and accrued expenses	11,500	(19,867)
Accrued payroll and related expenses	<u>(11,342)</u>	<u>(41,216)</u>
Net Cash from Operating Activities	218,921	(81,820)
CASH		
Beginning of year	<u>324,918</u>	<u>406,738</u>
End of year	<u>\$ 543,839</u>	<u>\$ 324,918</u>

See notes to financial statements

Stamford Academy, Inc.

Notes to Financial Statements
June 30, 2015 and 2014

1. Organization

Stamford Academy, Inc. ("Stamford Academy"), 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 Academy was granted a charter to operate a public high school located in the City of Stamford through June 30, 2018. The mission of Stamford Academy is to create a positive learning environment for students who have been unsuccessful in the traditional public school setting. Stamford Academy 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 Academy shares corporate office space and other general and administrative costs and services with Domus Kids, Inc. ("Domus Kids") and Trailblazers Academy, Inc. ("Trailblazers Academy"), which are affiliated through common management but are each governed by a separate Board of Directors.

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 Stamford Academy.

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 Stamford Academy.

Stamford Academy did not have any permanently restricted net assets at June 30, 2015 and 2014.

Stamford Academy, Inc.

Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

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 18, 2015.

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, 2015 and 2014.

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 Stamford Academy 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

Stamford Academy 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 Stamford Academy if not donated. Numerous volunteers have donated time to Stamford Academy's programs. However, the general volunteer services did not meet the criteria for recognition in the financial statements for the years ended June 30, 2015 and 2014.

Stamford Academy, Inc.

Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

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.

Functional Expenses

Stamford Academy 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. Stamford Academy has adopted and follows a cost allocation plan in accordance with Connecticut state regulations.

Accounting for Uncertainty in Income Taxes

Stamford Academy is generally exempt from income tax under section 501(c)(3) of the U.S. Internal Revenue Code. Stamford Academy recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Stamford Academy had no uncertain tax positions that would require financial statement recognition or disclosure. Stamford Academy is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to July 1, 2012.

3. Concentration of Risk

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

A significant portion of Stamford Academy's support and revenue is from government agencies. As with all government funding, these grants may be subject to reduction or termination in future years. Any significant reduction in these grants could have a negative impact on Stamford Academy's program services.

Stamford Academy, Inc.

Notes to Financial Statements
June 30, 2015 and 2014

4. Due To/From Affiliates

Due to/from affiliates consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Due From Affiliate, net		
Grant due from Domus Kids	\$ -	\$ 310,000
Due to Domus Kids for shared services	<u>-</u>	<u>(257,978)</u>
Total Due from Affiliate, net	<u>\$ -</u>	<u>\$ 52,022</u>
Due To Affiliate		
Due to Domus Kids for shared services	\$ 139,777	\$ -
Due to Trailblazers Academy for shared services	<u>93,729</u>	<u>95,554</u>
Total Due To Affiliates	<u>\$ 233,506</u>	<u>\$ 95,554</u>

During the years ended June 30, 2015 and 2014 Domus Kids granted Stamford Academy \$270,000 and \$310,000, which is included in contribution revenue in the accompanying statements of activities.

The amounts due to Domus Kids and Trailblazers Academy for shared services were paid subsequent to June 30, 2015 and 2014.

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 29,200	\$ 29,200
Furniture and fixtures	1,028	1,028
Computer equipment	70,262	70,262
School bus	41,862	41,862
Software	<u>34,705</u>	<u>34,705</u>
	177,057	177,057
Less accumulated depreciation	<u>(164,607)</u>	<u>(163,501)</u>
Property and Equipment, net	<u>\$ 12,450</u>	<u>\$ 13,556</u>

Stamford Academy, Inc.

Notes to Financial Statements
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6. Lease Commitments

Stamford Academy maintains its teaching facility within a facility owned by the City of Stamford and is currently operating on a month-to-month agreement, pending a new lease. The agreement allows Stamford Academy 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 an in-kind donation of \$200,368 for the years ended June 30, 2015 and 2014.

Stamford Academy has various non cancellable operating leases for office equipment, which expire in January 2017. Monthly lease payments range from \$531 to \$778.

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

2016	\$ 15,707
2017	<u>9,162</u>
Total	<u>\$ 24,869</u>

7. Donated Property and Program Supplies

Donated property and program supplies was as follows for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Included in Revenue and Support		
Donated school space	\$ 200,368	\$ 200,368
Donated supplies	<u>-</u>	<u>100</u>
Total Donated In-kind Support	<u>\$ 200,368</u>	<u>\$ 200,468</u>
Included in Functional Expenses		
Facilities costs	\$ 200,368	\$ 200,368
Other program expenses	<u>-</u>	<u>100</u>
Total expenses	<u>\$ 200,368</u>	<u>\$ 200,468</u>

Stamford Academy, Inc.

Notes to Financial Statements
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8. Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
School bus	\$ 42,500	\$ -
For use in subsequent fiscal year	14,150	-
Tutoring programs	5,627	-
Software program	1,000	-
School programs	<u>-</u>	<u>24,500</u>
	<u>\$ 63,277</u>	<u>\$ 24,500</u>

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

	<u>2015</u>	<u>2014</u>
School programs	<u>\$ 24,500</u>	<u>\$ 26,410</u>

9. Retirement Plan

The teachers who work for Stamford Academy 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 State Legislature. Administrative costs of the plan are funded by the State of Connecticut. Stamford Academy has no obligation under this plan.

Stamford Academy maintains a defined contribution retirement plan as defined under Section 403(b) of the Internal Revenue Code. All employees over twenty-one 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. Stamford Academy matches up to 4% of each eligible employee's compensation following one year of service for employees who contributed to the plan. Stamford Academy's contributions to the plan were \$32,382 and \$24,107 for the years ended June 30, 2015 and 2014.
