

Financial Statements

STAMFORD ACADEMY, INC.

Years Ended June 30, 2017 and 2016



DWORKEN, HILLMAN, LAMORTE & STERCZALA, P.C.
Certified Public Accountants / Business Consultants

STAMFORD ACADEMY, INC.

Years Ended June 30, 2017 and 2016

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Independent Auditors' Report

Board of Directors
Stamford Academy, Inc.
Stamford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Stamford Academy, Inc. (the School), which comprise the statements of financial position as of June 30, 2017, 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 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 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 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2017, 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.

Other Matters

The financial statements of the School for the year ended June 30, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on December 16, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the School'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 the School's internal control over financial reporting and compliance.

Dworken, Hillman, LaMorte & Sterczala, P.C.

Shelton, Connecticut
December 15, 2017

STAMFORD ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$498,812	\$567,317
Accounts and grants receivable	9,519	14,727
Property and equipment	<u>75,362</u>	<u>52,073</u>
Total Assets	<u>\$583,693</u>	<u>\$634,117</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 20,135	\$ 15,945
Accrued payroll and related expenses	99,619	191,224
Due to affiliates	<u>207,554</u>	<u>178,497</u>
Total Liabilities	<u>327,308</u>	<u>385,666</u>
Net Assets		
Unrestricted	198,704	186,253
Temporarily restricted	<u>57,681</u>	<u>62,198</u>
Total Net Assets	<u>256,385</u>	<u>248,451</u>
Total Liabilities and Net Assets	<u>\$583,693</u>	<u>\$634,117</u>

See notes to financial statements.

STAMFORD ACADEMY, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Governmental grants and contracts	\$ 2,315,317	\$ -	\$ 2,315,317	\$ 2,333,992	\$ -	\$ 2,333,992
Contributions	328,527	-	328,527	537,568	1,032	538,600
In-kind rent	214,993	-	214,993	200,368	-	200,368
Foundation grants	53,000	22,265	75,265	83,788	20,437	104,225
Other income	2,180	-	2,180	5,329	-	5,329
Net assets released from restrictions	26,782	(26,782)	-	22,548	(22,548)	-
Total revenue and support	<u>2,940,799</u>	<u>(4,517)</u>	<u>2,936,282</u>	<u>3,183,593</u>	<u>(1,079)</u>	<u>3,182,514</u>
Expenses:						
Program services	2,599,422	-	2,599,422	2,768,362	-	2,768,362
Managment and general	292,236	-	292,236	353,722	-	353,722
Fundraising	36,690	-	36,690	36,549	-	36,549
Total expenses	<u>2,928,348</u>	<u>-</u>	<u>2,928,348</u>	<u>3,158,633</u>	<u>-</u>	<u>3,158,633</u>
Change in net assets	12,451	(4,517)	7,934	24,960	(1,079)	23,881
Net assets, beginning	186,253	62,198	248,451	161,293	63,277	224,570
Net assets, ending	<u>\$ 198,704</u>	<u>\$ 57,681</u>	<u>\$ 256,385</u>	<u>\$ 186,253</u>	<u>\$ 62,198</u>	<u>\$ 248,451</u>

See notes to financial statements.

STAMFORD ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Program	Management and General	Fund Raising	Total	Program	Management and General	Fund Raising	Total
Personnel costs	\$ 2,041,758	\$ 248,487	\$ 36,690	\$2,326,935	\$1,834,313	\$ 257,988	\$ 36,549	\$2,128,850
Professional and consulting fees	47,702	5,896	-	53,598	394,283	54,371	-	448,654
Facilities costs	199,065	24,604	-	223,669	202,256	27,891	-	230,147
Student support services	145,367	-	-	145,367	172,150	-	-	172,150
Insurance expense	56,337	6,963	-	63,300	51,563	7,110	-	58,673
Transportation expense	55,932	-	-	55,932	62,684	-	-	62,684
Office expenses	44,847	5,542	-	50,389	43,608	6,013	-	49,621
Depreciation and amortization expense	6,226	744	-	6,970	2,528	349	-	2,877
Other program expenses	2,188	-	-	2,188	4,977	-	-	4,977
Total Expenses	\$ 2,599,422	\$ 292,236	\$ 36,690	\$ 2,928,348	\$2,768,362	\$ 353,722	\$ 36,549	\$3,158,633

See notes to financial statements.

STAMFORD ACADEMY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,934	\$ 23,881
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Donated vehicle	(14,625)	2,877
Depreciation and amortization	6,971	
Changes in operating assets and liabilities:		
Accounts and grants receivable	5,208	52,012
Prepaid expenses	-	778
Accounts payable and accrued expenses	4,190	(10,192)
Accrued payroll and related expenses	(91,605)	51,631
Due to/from affiliates	<u>29,057</u>	<u>(55,009)</u>
Net cash provided by (used in) operating activities	<u>(52,870)</u>	<u>65,978</u>
Cash flows from investing activities		
Purchases of equipment	<u>(15,635)</u>	<u>(42,500)</u>
Net cash used in investing activities	<u>(15,635)</u>	<u>(42,500)</u>
Net change in cash	(68,505)	23,478
Cash, beginning of year	<u>567,317</u>	<u>543,839</u>
Cash, ending	<u>\$ 498,812</u>	<u>\$567,317</u>

STAMFORD ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

1. Description of the School and summary of significant accounting policies:

Description of School:

Stamford Academy, Inc. (the School), 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. The School was granted a charter to operate a public high school located in the City of Stamford through June 30, 2018. The mission of the School is to create a positive learning environment for students who have been unsuccessful in the traditional public school setting. The School 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.

The School shares corporate office space and other general and administrative costs and services with Domus Kids, Inc. and Trailblazers Academy, Inc., which are governed by a separate Board of Directors and affiliated through common resources.

Basis of accounting and presentation:

The School'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 the School are reported in the following net asset categories.

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 the School.

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 the School.

The School did not have any permanently restricted net assets at June 30, 2017 and 2016.

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.

STAMFORD ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

1. Description of the School and summary of significant accounting policies (continued):

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, 2017 and 2016.

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 the School 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:

The School 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 the School if not donated. Numerous volunteers have donated time to the School's programs. However, the general volunteer services did not meet the criteria for recognition in the financial statements for the years ended June 30, 2017 and 2016.

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.

STAMFORD ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

1. Description of the School and summary of significant accounting policies (continued):

Functional expenses:

The School 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. The School has adopted and follows a cost allocation plan in accordance with Connecticut state regulations.

Accounting for uncertainty in income taxes:

The School is generally exempt from income tax under section 501(c)(3) of the U.S. Internal Revenue Code. The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to July 1, 2014.

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 15, 2017.

2. Concentration of risk:

Financial instruments that potentially subject the School 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. The School has not experienced any losses in its cash deposits.

A significant portion of the School'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 the School's program services.

The School received approximately 75% and 70% of its support from two granting agencies in 2017 and 2016, respectively. The loss of these revenue sources could have a material adverse effect on the operations of the School.

STAMFORD ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

3. Due to/from affiliates:

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

	<u>2017</u>	<u>2016</u>
Due from (to) Domus Kids, Inc.		
Grant		\$ 175,000
For shared services	(<u>\$ 131,892</u>)	(<u>299,508</u>)
	(<u>131,892</u>)	(<u>124,508</u>)
Due (to) Trailblazers Academy		
For shared services	(<u>75,662</u>)	(<u>53,989</u>)
Total Due to Affiliates, net	(<u>\$ 207,554</u>)	(<u>\$178,497</u>)

During the years ended June 30, 2017 and 2016 Domus Kids, Inc. granted the School \$250,000 and \$425,000 respectively, which is included in contribution revenue in the accompanying statements of activities.

The amounts due to Domus Kids, Inc. and Trailblazers Academy, Inc. for shared services were paid subsequent to June 30, 2017 and 2016.

The School has a service agreement with Domus Kids, Inc. which expires on June 30, 2018. Under the service agreement Domus Kids, Inc. provides the School with certain administrative services. The fees for these services charged to the School are calculated by Domus Kids, Inc. and approved by the School's Board of Directors on an annual basis at or prior to the start of each fiscal year. Prior to 2017, Domus Kids, Inc. also provided family advocacy services, the State of Connecticut recommended the transfer of family advocate employees to the School in 2017. Fees charged to the School for administrative services during the year ended June 30, 2017 totaled \$373,303 which is included in personnel costs in the statement of functional expenses. Fees charged to the School for these services during the year ended June 30, 2016 totaled \$706,297, of which \$405,135 and \$301,162 are included in professional fees and personnel costs in the statements of functional expenses, respectively.

STAMFORD ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

4. Property and equipment:

Property and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 44,835	\$ 29,200
Furniture and fixtures	1,028	1,028
Computer equipment	70,262	70,262
Vehicles	98,987	84,362
Software	<u>34,705</u>	<u>34,705</u>
	249,817	219,557
Less accumulated depreciation and amortization	<u>(174,455)</u>	<u>(167,484)</u>
Property and Equipment	<u>\$ 75,362</u>	<u>\$ 52,073</u>

5. Lease commitments:

The School 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 the School 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 in-kind rent of \$200,368 for the years ended June 30, 2017 and 2016.

The School has a noncancellable operating lease for office equipment, which expire in December 2022 with lease payment of \$840 per month.

6. Contributed facilities and goods:

The School recorded the estimated fair value of donated facilities and goods for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Included in revenue and support:		
School space	<u>\$200,368</u>	\$200,368
Vehicle	<u>14,625</u>	-
	<u>214,993</u>	<u>\$200,368</u>
Included in Functional Expenses:		
Facilities costs	<u>\$200,368</u>	\$200,368
Included in property and equipment:		
School busses	<u>14,625</u>	-
	<u>\$214,993</u>	<u>\$200,368</u>

STAMFORD ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

7. **Temporarily restricted net assets:**

Temporarily restricted net assets are subject to the following time or purpose restrictions at June 30:

	<u>2017</u>	<u>2016</u>
School bus	\$35,416	\$40,729
Tutoring programs	-	15,437
For use in subsequent fiscal year	<u>22,265</u>	<u>6,032</u>
	<u>\$57,681</u>	<u>\$62,198</u>

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following time and purpose restrictions for the years ended June 30:

	<u>2017</u>	<u>2016</u>
For use in subsequent fiscal year	\$ -	\$19,777
School bus	5,313	1,771
School programs	6,032	1,000
Tutoring programs	<u>15,437</u>	-
	<u>\$26,782</u>	<u>\$22,548</u>

8. **Retirement Plan**

The teachers who work for the School 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. The School has no obligation under this plan.

The School 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. The School matches up to 4% of each eligible employee's compensation following one year of service for employees who contributed to the plan. The School's contributions to the plan were \$24,270 and \$25,484 for the years ended June 30, 2017 and 2016, respectively.



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

**Board of Directors
Stamford Academy, Inc.
Stamford, Connecticut**

We have audited, in accordance with the 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, the financial statements of Stamford Academy, Inc. (the School), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-1.

The School's response to findings:

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dworken, Hillman, LaMorte & Sterczala, P.C.

December 15, 2017
Shelton, Connecticut



DWORKEN, HILLMAN, LAMORTE & STERCZALA, P.C.
Certified Public Accountants / Business Consultants

**Report on Compliance for the Major State Program;
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State
Financial Assistance Required by the State Single Audit Act**

Independent Auditors' Report

**Board of Directors
Stamford Academy, Inc.
Stamford, Connecticut**

Report on Compliance for the Major State Program

We have audited Stamford Academy, Inc.'s (the School) compliance with the types of compliance requirements described in the Office of Policy and Management *Compliance Supplement* that could have a direct and material effect on the School's major state program for the year ended June 30, 2017. The School's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on the Major State Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2017.



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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as item 2017-1. Our opinion on each major state program is not modified with respects to these matters.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-1, that we considered significant deficiencies.

The School's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the School, as of and for the year ended June 30, 2017 and have issued our report thereon dated December 15, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Dworken, Hillman, LaMorte & Sterczala, P.C.

Shelton, Connecticut
December 15, 2017

STAMFORD ACADEMY, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2017

<u>State Grantor and Program</u>	<u>State Grant Program Core – CT Number</u>	<u>Expenditures</u>
Connecticut Department of Education		
Direct:		
Child Nutrition Program	11000-SDE64000-16211	\$ 904
Healthy Foods Initiative	11000-SDE64000-16212	2,915
School Breakfast	11000-SDE64000-17046	1,833
Pass-Through from:		
City of Stamford Charter Schools	11000-SDE64000-16119	<u>1,628,000</u>
Total State Financial Assistance		<u>\$1,633,652</u>

STAMFORD ACADEMY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2017

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of Stamford Academy, Inc. (the School) under programs of the State of Connecticut for the year ended June 30, 2017. A department and agency of the State of Connecticut has provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including Education and Training Services, Health Services and Child Nutrition Services.

1. Summary of significant accounting policies:

The accounting policies of the School conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting:

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditures activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

STAMFORD ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

I. Summary of auditors' results:

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X none reported
- Noncompliance material to financial statements noted? ___ Yes X No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? X Yes ___ none reported

Type of auditor's opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

X Yes ___ No

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education:		
Charter Schools	11000-SDE64000-16119	\$1,628,000
• Dollar threshold used to distinguish between Type A and Type B programs		\$ 200,000

II. Financial statement findings:

- We issued reports, dated December 15, 2017, on internal control over financing reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated one reportable instance of noncompliance as described in Section III.
- Our report on internal control over financial reporting indicated no significant deficiencies

STAMFORD ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued):

Year Ended June 30, 2017

III. State financial assistance findings and questioned costs:

Finding No. 2017-1

Criteria: The School must be in compliance with certain provisions of laws, regulations, contracts, and grant agreements. Connecticut General Statutes 10-145(2) requires that all teachers, supervisors, administrators, special staff members or school superintendent employed by the School to possess an appropriate state certificate prior to the first day of employment.

Condition: During fiscal 2017 the School had one employee without proper certification credentials.

Context: 1 out of 13 teachers and administrators tested was not certified in his/her content area.

Effect: The School funds these positions with non-governmental funds; however, the State Board of Education may still levy fines or withhold State funding.

Cause: Current policies and procedures do not provide adequate oversight of compliance with this regulation.

Recommendation: The School should ensure compliance with Connecticut General Statutes 10-145(2).

Planned Corrective Actions: See response included in the current year Corrective Action Plan.



To: Office of Policy and Management

Finding Reference Number: 2017-01

Description of Finding:

The special education teacher, EIN # 4163485782, was not certified for the school year 2016-17. She came to our school in 2016, eligible for an interim certificate. It took her until August of 2017 to complete the requisite paperwork and she is now certified for the 2017-8 school year. Her certification expires in August of 2018.

Statement of Concurrence or Nonconcurrence:

We concur with the finding.

Corrective Action:

We met with the teacher and encouraged her to complete the paperwork necessary for permanent certification. We have further required that she take the Ct. Foundations of Reading test, which, if passed will make her eligible for the permanent CT. certification.

Name of Contact Person:

Andrea Weller – Director of Stamford Academy – 203-324-6300 – aweller@stamfordacademy.org
Michael McGuire – Director of School Support – 203-219-4238 – mmcguire@trailblazersacademy.org

Projected Completion Date: April 2018.

