

DOMUS FOUNDATION, INC. AND AFFILIATE

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

DOMUS FOUNDATION, INC. AND AFFILIATE

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Independent Auditors' Report

To the Board of Directors
Domus Foundation, Inc. and Affiliate

We have audited the accompanying consolidated statements of financial position of Domus Foundation, Inc. and Affiliate (Domus) as of June 30, 2010 and 2009, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended. These consolidated financial statements are the responsibility of Domus' management. Our responsibility is to express an opinion on these consolidated 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 audits 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 Domus 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Domus Foundation, Inc. and Affiliate as of June 30, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

November 2, 2010

DOMUS FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 1,169,196	\$ 2,755,497
Pledges receivable	164,031	-
Grants and accounts receivable, net	192,909	242,084
Prepaid expenses	63,217	76,219
Due from affiliates	275,667	43,837
Beneficial interest in assets held by others	523,189	1,012,466
Investments	637,654	-
Security deposits	13,625	24,490
Deposits on property	150,000	-
Property, buildings and equipment, net	1,086,922	1,047,197
Software, net	35,870	26,632
Total Assets	\$ <u>4,312,280</u>	\$ <u>5,228,422</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 147,450	\$ 109,632
Accrued payroll and related expenses	139,700	170,628
Other liability	182,701	-
Mortgages payable	42,925	229,494
Total liabilities	<u>512,776</u>	<u>509,754</u>
Net Assets		
Unrestricted	1,209,145	1,156,138
Board designated for future use	-	140,397
Total unrestricted	<u>1,209,145</u>	<u>1,296,535</u>
Temporarily restricted	2,590,359	2,409,667
Permanently restricted	-	1,012,466
Total net assets	<u>3,799,504</u>	<u>4,718,668</u>
Total Liabilities and Net Assets	\$ <u>4,312,280</u>	\$ <u>5,228,422</u>

The accompanying notes are an integral part of the consolidated financial statements

**DOMUS FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010		2009			Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Permanently Restricted					
Revenue, Support and Other Changes										
Contributions	\$ 1,049,242	\$ 461,928	\$ -	\$ 1,511,170	\$ 1,364,326	\$ 1,419,122	\$ 808,199	\$ -	\$ 3,591,647	
Governmental grants	2,292,320	-	-	2,292,320	2,509,238	-	-	-	2,509,238	
Private foundation grants	670,113	54,000	-	724,113	385,311	23,667	-	-	408,978	
Donations in-kind	127,363	-	-	127,363	243,941	-	-	-	243,941	
Interest income	10,137	-	-	10,137	30,869	-	-	-	30,869	
Gain on sale of fixed assets	-	-	-	-	5,200	-	-	-	5,200	
Net change in beneficial interests in assets held by others	-	23,377	-	23,377	-	-	-	(435)	(435)	
Net assets released from restrictions	1,371,079	(1,371,079)	-	-	1,318,406	(1,523,108)	204,702	-	-	
Total revenue, support and other changes	5,520,254	(831,774)	-	4,688,480	5,857,291	(80,319)	1,012,466	-	6,789,438	
Expenses										
Program services	4,933,817	-	-	4,933,817	4,557,738	-	-	-	4,557,738	
Management and general	328,643	-	-	328,643	252,150	-	-	-	252,150	
Development and fundraising	345,184	-	-	345,184	500,386	-	-	-	500,386	
Total expenses	5,607,644	-	-	5,607,644	5,310,274	-	-	-	5,310,274	
Increase (Decrease) in Net Assets	(87,390)	(831,774)	-	(919,164)	547,017	(80,319)	1,012,466	-	1,479,164	
Net Assets - Beginning of Year	1,296,535	2,409,667	1,012,466	4,718,668	749,518	2,489,986	-	-	3,239,504	
Reclass for release of beneficial interest in assets held by others	-	1,012,466	(1,012,466)	-	-	-	-	-	-	
Net Assets - End of Year	\$ 1,209,145	\$ 2,590,359	\$ -	\$ 3,799,504	\$ 1,296,535	\$ 2,409,667	\$ 1,012,466	\$ -	\$ 4,718,668	

The accompanying notes are an integral part of the consolidated financial statements

**DOMUS FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (919,164)	\$ 1,479,164
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	118,166	88,385
Bad debts	-	29,210
Gain on sale of fixed assets	-	(5,200)
(Increase) decrease in operating assets:		
Pledges receivable	(164,031)	108,436
Grants and accounts receivable, net	49,175	(13,257)
Prepaid expenses	13,002	(23,648)
Due from affiliates	(231,830)	(10,866)
Beneficial interest in assets held by others	489,277	(1,012,466)
Security deposits	10,865	(15,250)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	37,818	(58,117)
Accrued payroll and related expenses	(30,928)	53,772
Other liability	182,701	-
Net cash provided by (used in) operating activities	<u>(444,949)</u>	<u>620,163</u>
Cash Flows from Investing Activities		
Proceeds from sale of fixed assets	-	5,200
Capital expenditures	(317,129)	(150,424)
Purchase of investments	(637,654)	-
Proceeds from sales of investments	-	205,139
Net cash provided by (used in) investing activities	<u>(954,783)</u>	<u>59,915</u>
Cash Flows from Financing Activities		
Principal payments on mortgages payable	(186,569)	(20,240)
Net cash used in financing activities	<u>(186,569)</u>	<u>(20,240)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,586,301)	659,838
Cash and Cash Equivalents - Beginning of Year	<u>2,755,497</u>	<u>2,095,659</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,169,196</u>	<u>\$ 2,755,497</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 3,253</u>	<u>\$ 19,456</u>

The accompanying notes are an integral part of the consolidated financial statements

**DOMUS FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010			2009			
	Program Services	General and Administrative	Development and Fundraising	Program Services	General and Administrative	Development and Fundraising	Total
Functional Expenses							
Personnel costs	\$ 3,093,879	\$ 239,154	\$ 215,553	\$ 3,103,027	\$ 188,596	\$ 207,592	\$ 3,499,215
Grants to schools	425,000	-	-	-	-	-	-
Bad debts	-	-	-	29,210	-	-	29,210
Depreciation and amortization	111,801	6,365	-	83,911	4,474	-	88,385
Facilities costs	368,505	29,307	-	366,106	5,741	2,692	374,539
Fundraising	-	-	98,339	(111,099)	-	258,422	147,323
Residential youth support	303,111	-	-	263,420	-	-	263,420
Insurance	59,817	4,085	-	78,366	4,374	-	82,740
Interest	3,253	-	-	19,148	308	-	19,456
Miscellaneous	34,604	2,965	65	8,007	517	3,690	12,214
Office	132,446	25,926	19,968	146,093	25,638	15,465	187,196
Other programs	226,327	-	1,517	235,093	-	6,371	241,464
Professional fees	80,327	13,783	8,607	238,796	20,845	4,295	263,936
Transportation	94,747	7,058	1,135	97,660	1,657	1,859	101,176
Total	\$ 4,933,817	\$ 328,643	\$ 345,184	\$ 4,557,738	\$ 252,150	\$ 500,386	\$ 5,310,274

The accompanying notes are an integral part of the consolidated financial statements

**DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION

Domus Foundation, Inc. is a non-profit organization serving children and families through a variety of programs within the Fairfield County community.

Passages, Inc. is a not-for-profit organization, which offers transitional residential living for young men ages 16 to 21 in a number of supervised apartments in Stamford, Connecticut. These young men continue their schooling while working with the staff to learn the skills they need to live on their own. Passages, Inc. is funded primarily by the State of Connecticut Department of Children and Families (DCF).

Domus Foundation, Inc. and Affiliate (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 for adolescents between the ages of 12 and 18 referred by DCF. The participants live in a group home and are trained in activities such as life skills, money management, budgeting and HIV/AIDS prevention, with the goal of integrating themselves back into the community. They also receive group and individual counseling, therapeutic recreation and health care.

Bridges - Bridges provides supervision of adolescents 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 leased by Domus. Case managers visit participants several times a week to assist them in their goal of independent living.

Domus Middle School Summer Camp - Domus Middle School Summer Camp provides a free day camp for middle school students within the community who would otherwise be unable to afford a day camp experience.

Lion's Den - The Lion's Den out-of-school-time program is funded through private grants and donations. The students of Trailblazers Academy, Inc. 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.

Chester Addison Community Center Program - The Chester Addison Community Center Program provides services to residents of Southwood Square and the surrounding Waterside district in Stamford, Connecticut. The program is funded through private grants and donations. Services include after school, teen, summer, weekend and computer training programs.

Domus Prison Visitation Program - The Domus 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.

**DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION (Continued)

Project Hope - Project Hope is an outreach program intended to reduce youth violence by helping connect disenfranchised or disengaged youth and others to positive activities.

Juvenile Review Board - The Juvenile Review Board provides an opportunity for first-time, misdemeanor juvenile offenders to keep their records clean by working with staff to address the situations that caused them to break the law. This program is operated in partnership with the Stamford Police Department and the Mayor's Youth Services Bureau of Stamford.

Mentoring - The Mentoring program matches youth with caring citizens who commit to meet with their assigned youth weekly for at least one year. The mentor is a vital non-parental adult resource to the young person, providing valuable advice and guidance as the young person moves through adolescence.

Family Advocates - When a child's family is struggling with poverty, death, substance abuse, and other traumas, focusing on school work becomes next to impossible. Family Advocates help students and their families address these challenges to reduce the impact on school-day learning that life's troubles can produce. Family Advocates work in the Domus schools, the Stamford Public Schools and an early childhood program.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements are presented on a consolidated basis to include the transactions of Domus and its affiliate, Passages, Inc. All material intercompany balances and transactions have been eliminated from the financial statements. The consolidated financial statements of Domus and its affiliate have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Domus and its affiliate 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.

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 consolidated 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 consolidated financial statements is reasonable.

**DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Grants and Accounts Receivable, Net - Domus has grants and accounts receivable related to grants and special events. 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, 2010 and 2009. Uncollectible accounts receivable balances are written off when management determines the probably of collection is remote. Management has determined that an allowance for doubtful accounts is deemed unnecessary as of June 30, 2010 and 2009.

Investments - Investments in equity securities with readily determinable fair values and investments in debt securities are carried at their fair value in the consolidated statements of financial position. Realized and unrealized gains and losses on these investments are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Beneficial Interest in Funds Held By Others - Beneficial interests in funds held by others represents amounts held by a community foundation for investment, which are recorded as temporarily restricted net assets.

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

Buildings and improvements	5-27½ years
Leasehold improvements	3-5 years
Furniture and fixtures	5-7 years
Vehicles and school bus	5 years
Office equipment	5 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.

Software - Software is recorded at cost, net of previously recorded amortization, and is being amortized on a straight-line basis over its remaining estimated useful life of three years. Accumulated amortization was \$40,676 and \$21,929 at June 30, 2010 and 2009, respectively, and amortization expense was \$18,718 and \$1,564 for 2010 and 2009, respectively.

**DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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 based on periodic time and expense studies. 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.

Advertising - Domus uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs totaled \$225 and \$639 during 2010 and 2009, respectively.

Reclassifications - Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's consolidated financial statements.

Income Tax Status - Domus is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). Domus tax returns for the years ended June 30, 2007 through June 30, 2010 are subject to examination by the Internal Revenue Service and the State of Connecticut.

Subsequent Events - In preparing these consolidated financial statements, management has evaluated subsequent events through November 2, 2010, which represents the date the consolidated financial statements were available to be issued.

**DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED 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. The money market funds are not protected by federal depository insurance.

Governmental Grants - Domus 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 Domus' programs.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consist of receivables due in less than one year. At June 30, 2010 and 2009, pledges receivable were \$164,031 and \$-0-, respectively. Management has determined that an allowance for pledges receivable is not necessary at this time.

NOTE 5 - DUE FROM AFFILIATES

Domus had amounts due from its affiliate, Stamford Academy, Inc., of \$153,469 and \$3,384 for shared expenses at June 30, 2010 and 2009, respectively.

Domus also had amounts due from its affiliate, Trailblazers Academy, Inc., of \$122,198 and \$40,453 for shared expenses at June 30, 2010 and 2009, respectively.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

During 2009, Domus transferred cash in the amount of \$1,012,900 to Fairfield County Community Foundation (FCCF) to establish a long-term investment fund. The agreement grants variance power to the FCCF Board of Directors to modify any restrictions or conditions on the distribution of funds. For fiscal years 2010, 2011 and 2012, 5% of the endowment value will be available for distribution to Domus. Based on a majority vote of the Domus Executive Committee, recommendations for distributions in excess of the spending policy may be requested to FCCF to meet working capital, program support and emergency and other unforeseen circumstances.

During the fiscal year ended June 30, 2010, Domus requested FCCF to release funds upon request and the Domus Executive Committee voted to approve the withdrawal of \$512,755. The value of this beneficial interest was \$523,189 and \$1,012,466 at June 30, 2010 and 2009, respectively, and has been reclassified as temporarily restricted net assets.

**DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 - INVESTMENTS

Accounting principles generally accepted in the United States of America has established a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. Highest rank is given to unadjusted quoted prices in active markets for identical assets (Level 1) and lowest rank to unobservable inputs (Level 3). Investments are ranked based on the lowest level of input that is significant to their fair value measurement.

The fair values of all investments are determined using quoted prices for identical assets in active markets in which Domus has access (Level 1, as defined in accounting principles generally accepted in the United States of America).

Investments of \$637,654 and \$-0- as of June 30, 2010 and 2009, respectively, consist of money market funds.

NOTE 8 - PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment, consist of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 40,000	\$ 40,000
Buildings and improvements	1,301,764	1,274,739
Leasehold improvements	57,998	57,998
Furniture and fixtures	148,016	35,868
Vehicles and school bus	166,116	166,116
Office equipment	187,851	187,851
	<u>1,901,745</u>	<u>1,762,572</u>
Less accumulated depreciation	<u>(814,823)</u>	<u>(715,375)</u>
Property, Building and Equipment, Net	<u>\$ 1,086,922</u>	<u>\$ 1,047,197</u>

Depreciation expense was \$99,448 and \$86,821 for 2010 and 2009, respectively.

NOTE 9 - BANK LINE OF CREDIT

On June 5, 2008, Domus entered into a \$300,000 bank line of credit with Bank of America, N.A., which was amended on January 5, 2009 to also include Trailblazers Academy, Inc. and Stamford Academy, Inc. as borrowers. This agreement expires on December 31, 2010. Borrowings are due on demand and are collateralized by substantially all of the assets of Domus, Trailblazers Academy, Inc. and Stamford Academy, Inc. Interest on the outstanding balance is due monthly at 1% above the bank's prime rate of 3.25% at June 30, 2010 and 2009. The amended agreement with Bank of America, N.A. also includes various restrictions and financial covenants. There were no outstanding borrowings on this line of credit at June 30, 2010 and 2009.

**DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 - MORTGAGES PAYABLE

Mortgages payable consist of the following as of June 30, 2010 and 2009:

	2010	2009
EverHome Mortgage Company - \$65,000 mortgage payable, due July 2022, payable in monthly installments of \$413, including interest of 6.0% per annum. The mortgage is secured by all assets and equipment of Domus.	\$ 42,925	\$ 45,073
Citimortgage - \$300,000 mortgage payable, due July 2019, payable in monthly installments of \$2,670, including interest at 7.0% per annum. The mortgage is secured by all assets and equipment of Domus. The outstanding balance was paid in full during July, 2009 (see Note 18).	-	184,421
Total	\$ 42,925	\$ 229,494

Future maturities of mortgages payable at June 30, 2010 are as follows:

Year Ending June 30,

2011	\$ 2,312
2012	2,489
2013	2,678
2014	2,883
2015	3,103
Thereafter	29,460
Total	\$ 42,925

NOTE 11 - DONATED PROPERTY AND SERVICES

Domus has recorded the estimated fair market value of donated property and services as follows for the years ended June 30, 2010 and 2009:

	2010	2009
Included in revenue and support:		
Donated office space	\$ 18,000	\$ 18,000
Donated consulting services	-	163,945
Donated program supplies	109,363	61,996
Total Donated In-Kind Support	\$ 127,363	\$ 243,941

**DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 11 - DONATED PROPERTY AND SERVICES (Continued)

	<u>2010</u>	<u>2009</u>
Included in functional expenses:		
Facilities costs	\$ 18,000	\$ 18,000
Professional fees	-	163,945
Other program expenses	<u>109,363</u>	<u>61,996</u>
Total Expenses	<u>\$ 127,363</u>	<u>\$ 243,941</u>

NOTE 12 - BOARD DESIGNATED FUNDS

As of June 30, 2010 and 2009, the Board of Directors has designated \$0- and \$140,397, respectively, of unrestricted net assets for future scheduled repairs and maintenance.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or time periods as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Building improvements and other equipment subject to liens	\$ 755,234	\$ 755,234
Fixed assets	450,487	347,989
Funds held for future use	223,795	1,306,444
Funds for long-term investment	<u>1,160,843</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,590,359</u>	<u>\$ 2,409,667</u>

NOTE 14 - 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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Programs	\$ 1,305,651	\$ 1,487,234
Depreciation	<u>65,428</u>	<u>35,874</u>
Net Assets Released From Restrictions	<u>\$ 1,371,079</u>	<u>\$ 1,523,108</u>

DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - 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 building until the various ongoing terms and conditions of these grants are fulfilled. Liens expire at various times through 2023.

NOTE 16 - LEASE COMMITMENTS

Domus had a five-year lease for corporate office space that was to expire in January 2011. Under the terms of this lease, monthly rent expense was \$3,172. Rent expense under this operating lease totaled \$31,380 and \$38,069 for 2010 and 2009, respectively. On October 30, 2009, Domus was released from its future obligations under this lease for a payment of \$12,000.

In July 2006, Domus entered into a three-year lease for additional office space. The lease expired in June 2009 and had monthly payments of \$2,099. This lease was not renewed. Rent expense under this operating lease totaled \$25,188 for 2009.

Domus leases apartments throughout the City of Stamford as part of the Bridges program. The leases expire from July 2008 through March 2010. The lease terms are generally for one or two years. Monthly rent payments ranged from \$1,000 to \$1,500. Rent expense under these operating leases totaled \$141,257 and \$99,739 for 2010 and 2009, respectively.

Domus has various noncancelable operating leases for office equipment, which expire from June 2011 through August 2014. Monthly lease payments range from \$118 to \$358. Rent expense under these operating leases total \$13,108 and \$12,158 for 2010 and 2009, respectively.

Domus has a lease with the City of Stamford for additional office space, which expired in June 2010, and has been extended month-to-month as a new agreement is being negotiated. Lease payments are \$1 per year. Domus has recorded the estimated fair value of this lease of \$18,000 per year as an in-kind donation for 2010 and 2009. Rent expense under this operating lease totaled \$18,000 for 2010 and 2009.

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

Year Ending June 30

2011	\$ 112,529
2012	26,585
2013	9,150
2014	5,354
2015	<u>118</u>
Total	\$ <u>153,736</u>

DOMUS FOUNDATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - DEFINED CONTRIBUTION RETIREMENT PLAN

Domus maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. All full time employees, who work a minimum of 1,000 hours per year, become eligible to participate following one year of service. Employees may make optional contributions to the plan on a tax deferred basis up to the maximum amount allowed by the Internal Revenue Code. Domus matches up to 2% of each eligible employee's compensation for employees who contributed to the plan. Domus' contributions to the plan were \$34,769 and \$28,631 for 2010 and 2009, respectively.

NOTE 18 - SUBSEQUENT EVENTS

On May 7, 2009, Passages, Inc. (Passages) and RBS Americas Property Corp. (RBS) entered into a preliminary agreement for the sale of a property which houses Passages residential youth program located on Clinton Avenue, Stamford, Connecticut, for \$2.5 million. This agreement was amended on July 29, 2010 to increase the sale price to \$2.9 million. The agreement allows Passages to continue to occupy and use the current building until a new residence is purchased and can be occupied. In addition, under the agreement, RBS agreed to assume responsibility for payments on the outstanding mortgage for this property (see Note 10), totaling \$190,699 on the date of the agreement. The outstanding mortgage of \$182,701 was paid in full on July 14, 2009 by RBS through an escrow account. In the event the sale was not closed, this amount was due back to RBS and has been recorded as "other liability" as of June 30, 2010. In addition, RBS agreed to make payments on behalf of Passages totaling \$144,489 to federal and state agencies to remove liens on the property related to capital improvements previously funded by federal or state grants (see Note 15). Finally, RBS has agreed to pay \$273,000 for improvements to a new building to house Passages. As a result, when the transaction is completed upon Passages vacating the current building, total proceeds to be received (including payment of the aforementioned liens) will approximate \$3,508,000, representing a gain to Domus of approximately \$3 million.

Also on July 29, 2010, Domus purchased a new building in Stamford for \$1.5 million, which was paid from funds advanced by RBS. This property will house the Passages program. The new building is expected to be occupied in March 2011, at which time, Passages is expected to vacate the current building and the remaining funds held in escrow totaling approximately \$993,000 under the sale agreement will be released and paid to Passages.

In order to secure performance by Passages under the agreement to vacate the current building, Passages executed a non-recourse promissory note and security agreement with RBS for \$2,485,188, which represents the amounts advanced by RBS to date. The note matures on December 31, 2010. This note also secures RBS' interest in the Clinton Avenue property, which is still being occupied by Passages. The note and security agreement will be released when Passages vacates the property. At the final closing of the sale to RBS and the purchase of the new building in Stamford, approximately \$1 million of excess funds could be available as an additional long-term investment.