

STAMFORD ACADEMY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

STAMFORD ACADEMY, INC.

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Independent Auditors' Report

To the Board of Directors
Stamford Academy, Inc.

We have audited the accompanying statements of financial position of Stamford Academy, Inc. (Stamford) as of June 30, 2010 and 2009, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Stamford's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stamford's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stamford as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2010 on our consideration of Stamford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Blum, Shapiro & Company, P.C.

December 21, 2010

STAMFORD ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 299,714	\$ 191,331
Grants receivable	5,719	4,592
Other receivables	2,945	444
Prepaid expenses	38,375	16,249
Property and equipment, net	<u>27,575</u>	<u>50,475</u>
Total Assets	\$ <u>374,328</u>	\$ <u>263,091</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 41,712	\$ 26,649
Accrued payroll and related expenses	80,460	200,400
Due to affiliate	153,469	3,384
Total liabilities	<u>275,641</u>	<u>230,433</u>
Net Assets (Deficit)		
Unrestricted	71,069	(832)
Temporarily restricted	27,618	33,490
Total net assets	<u>98,687</u>	<u>32,658</u>
Total Liabilities and Net Assets	\$ <u>374,328</u>	\$ <u>263,091</u>

The accompanying notes are an integral part of the financial statements

STAMFORD ACADEMY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Support and Other Changes						
Contributions	\$ 434,385	\$ 2,500	\$ 436,885	\$ 321,061	\$ -	\$ 321,061
Governmental grants	1,959,131	-	1,959,131	2,005,899	-	2,005,899
Donations in-kind	356,674	-	356,674	444,697	-	444,697
Other income	3,089	-	3,089	630	-	630
Interest income	1,380	-	1,380	5,660	-	5,660
Net assets released from restrictions	8,372	(8,372)	-	9,102	(9,102)	-
Total revenue, support and other changes	<u>2,763,031</u>	<u>(5,872)</u>	<u>2,757,159</u>	<u>2,787,049</u>	<u>(9,102)</u>	<u>2,777,947</u>
Expenses						
Program services	2,400,906	-	2,400,906	2,559,169	-	2,559,169
Management and general	272,785	-	272,785	296,893	-	296,893
Development and fundraising	17,439	-	17,439	15,569	-	15,569
Total expenses	<u>2,691,130</u>	<u>-</u>	<u>2,691,130</u>	<u>2,871,631</u>	<u>-</u>	<u>2,871,631</u>
Increase (Decrease) in Net Assets	71,901	(5,872)	66,029	(84,582)	(9,102)	(93,684)
Net Assets (Deficit) - Beginning of Year	(832)	33,490	32,658	83,750	42,592	126,342
Net Assets - End of Year	<u>\$ 71,069</u>	<u>\$ 27,618</u>	<u>\$ 98,687</u>	<u>\$ (832)</u>	<u>\$ 33,490</u>	<u>\$ 32,658</u>

The accompanying notes are an integral part of the financial statements

STAMFORD ACADEMY, INC.
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	\$ 66,029	\$ (93,684)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,900	39,172
(Increase) decrease in operating assets:		
Grants receivable	(2,501)	2,175
Other receivables	(1,127)	11,352
Prepaid expenses	(22,126)	8,058
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	15,063	(3,162)
Accrued payroll and related expenses	(119,940)	73,519
Due to affiliate	150,085	(15,051)
Net cash provided by operating activities	<u>108,383</u>	<u>22,379</u>
Cash Flows from Financing Activities		
Principal payments under capital lease obligation	<u>-</u>	<u>(18,547)</u>
Net cash used in financing activities	<u>-</u>	<u>(18,547)</u>
Net Increase in Cash and Cash Equivalents	108,383	3,832
Cash and Cash Equivalents - Beginning of Year	<u>191,331</u>	<u>187,499</u>
Cash and Cash Equivalents - End of Year	<u>\$ 299,714</u>	<u>\$ 191,331</u>

The accompanying notes are an integral part of the financial statements

STAMFORD ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010				2009			
	Program Services	Development and Fundraising		Total	Program Services	Development and Fundraising		Total
		General and Administrative	Fundraising			General and Administrative	Fundraising	
Functional Expenses								
Personnel costs	\$ 1,788,016	\$ 224,003	\$ 17,439	\$ 2,029,458	\$ 1,816,843	\$ 231,441	\$ 15,569	\$ 2,063,853
Depreciation and amortization	20,377	2,523	-	22,900	34,779	4,393	-	39,172
Facilities costs	208,753	25,852	-	234,605	242,268	30,013	-	272,281
Insurance	72,203	8,942	-	81,145	74,290	9,383	-	83,673
Office	56,150	6,954	-	63,104	59,089	10,407	-	69,496
Other program	27,104	-	-	27,104	22,223	-	-	22,223
Professional fees	41,520	4,511	-	46,031	101,818	11,256	-	113,074
Student support services	158,933	-	-	158,933	180,279	-	-	180,279
Transportation	27,850	-	-	27,850	27,580	-	-	27,580
Total	<u>\$ 2,400,906</u>	<u>\$ 272,785</u>	<u>\$ 17,439</u>	<u>\$ 2,691,130</u>	<u>\$ 2,559,169</u>	<u>\$ 296,893</u>	<u>\$ 15,569</u>	<u>\$ 2,871,631</u>

The accompanying notes are an integral part of the financial statements

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - Stamford's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Stamford are reported in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit Stamford to expend the income earned thereon. Stamford did not have any permanently restricted net assets as of June 30, 2010 and 2009.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates. Management has used estimates primarily in valuing donations in-kind. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

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

Grants Receivable - Grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred or revenue otherwise earned. Grants receivable represent unreimbursed expenses at June 30, 2010 and 2009.

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

Contributions - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges receivable expected to be collected beyond one year are discounted to their present value. Stamford reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Property and Services - Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Stamford.

Donated property and the use of equipment and facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor.

While many individuals volunteer their time and perform a variety of tasks that assist Stamford, most amounts have not been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

Functional Expense Allocation - Expenses are charged directly to program services, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated 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 Stamford.

Advertising - Stamford uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs totaled \$175 and \$3,006 during 2010 and 2009, respectively.

**STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through December 21, 2010, which represents the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

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

Cash and Cash Equivalents - Stamford places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that its deposits are not subject to significant credit risk.

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

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 12,600	\$ 12,600
Furniture and fixtures	1,028	1,028
Computer equipment	70,262	70,262
School bus	41,862	41,862
	<u>125,752</u>	<u>125,752</u>
Less accumulated depreciation	<u>(98,177)</u>	<u>(75,277)</u>
Property and Equipment, Net	<u>\$ 27,575</u>	<u>\$ 50,475</u>

Depreciation expense was \$22,900 and \$25,184 for 2010 and 2009, respectively.

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - BANK LINE OF CREDIT

Domus Foundation, Inc. entered into a \$300,000 bank line of credit with Bank of America, N.A. on June 5, 2008, which was amended on January 5, 2009 to also include Trailblazers Academy, Inc. and Stamford 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 Foundation, Inc., Trailblazers Academy, Inc. and Stamford. 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 as of June 30, 2010 and 2009.

NOTE 6 - DUE TO AFFILIATE

Stamford owed its affiliate, Domus Foundation, Inc., \$153,469 and \$3,384 for shared expenses as of June 30, 2010 and 2009, respectively.

NOTE 7 - DONATED PROPERTY AND SERVICES

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

	<u>2010</u>	<u>2009</u>
Included in revenue and support:		
Donated school space	\$ 200,368	\$ 214,680
Donated special education services	155,673	159,362
Donated consulting services	-	70,655
Donated supplies	<u>633</u>	<u>-</u>
Total Donated In-Kind Support	<u>\$ 356,674</u>	<u>\$ 444,697</u>
Included in functional expenses:		
Facilities costs	\$ 200,368	\$ 214,680
Student support services	155,673	159,362
Professional fees	-	70,655
Other program expenses	<u>633</u>	<u>-</u>
Total Expenses	<u>\$ 356,674</u>	<u>\$ 444,697</u>

**STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2010 and 2009:

	2010	2009
Funds available for use in future periods	\$ 2,500	\$ -
Fixed assets	25,118	33,490
 Total Temporarily Restricted Net Assets	 \$ 27,618	 \$ 33,490

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were depreciation expense of \$8,372 and \$9,102 for the years ended June 30, 2010 and 2009, respectively.

NOTE 10 - LEASE COMMITMENTS

Stamford maintains its teaching facility within a State of Connecticut Department of Education - owned facility located in Stamford and is currently operating on a month-to-month agreement while a new lease is being negotiated. The agreement allows Stamford to lease the facility for \$2 per year in addition to paying for its share of the facility's utilities and internet access fees. The estimated fair value of this lease has been recorded as facilities costs of \$200,368 and \$214,680, along with the related in-kind donation of \$200,368 and \$214,680 for 2010 and 2009, respectively.

Stamford has noncancelable operating leases for copier equipment, which expire in March 2011. Lease payments are \$577 per month.

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

Year Ending June 30

2011	\$ <u>4,039</u>
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Rent expense under this operating lease totaled \$6,924 for 2010 and 2009.

STAMFORD ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - DEFINED CONTRIBUTION RETIREMENT PLAN

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

Stamford maintains a defined contribution retirement plan as defined under Section 403(b) of the Internal Revenue Code. All 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 a maximum amount allowed by the Internal Revenue Service. Stamford matches up to 2% of each eligible employee's compensation for employees who contribute to the plan. Stamford's contributions to the plan were \$10,943 and \$14,236 for 2010 and 2009, respectively.