

**STAMFORD ACADEMY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

# STAMFORD ACADEMY

## TABLE OF CONTENTS

	<u>Page</u>
Independent auditors' report	1-2
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Statement of functional expenses	6
Notes to financial statements	7 - 12

# BlumShapiro

Accounting | Tax | Business Consulting

**To the Board of Directors  
Stamford Academy  
Stamford, Connecticut 06902**

## **Independent Auditors' Report**

We have audited the accompanying statement of financial position of Stamford Academy as of June 30, 2009, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Stamford Academy as of June 30, 2008, were audited by other auditors, whose report dated, November 7, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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 the Academy'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 audit provides 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 Academy as June 30, 2009, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-1-

Blum, Shapiro & Company, P.C.

WEST HARTFORD • SHELTON  
Westport • Waterbury • New York

An Independent Member of Baker Tilly International

In accordance with Government Auditing Standards, we have also issued a report dated December 22, 2009 on our consideration of Stamford Academy'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 22, 2009

**STAMFORD ACADEMY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30,**

**ASSETS**

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 191,331	\$ 187,499
Grants receivable	4,592	6,767
Other receivables	444	11,796
Prepaid expenses	16,249	24,307
Property and equipment, net	50,475	75,659
Software, net	-	13,988
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 263,091</b>	<b>\$ 320,016</b>
	<hr/> <hr/>	<hr/> <hr/>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$ 26,649	\$ 29,811
Accrued payroll and related expenses	200,400	126,881
Current portion of capital lease obligation	-	18,547
Due to affiliate	3,384	18,435
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>230,433</b>	<b>193,674</b>
	<hr/> <hr/>	<hr/> <hr/>

**Net assets (deficit)**

Unrestricted	(832)	83,750
Temporarily restricted	33,490	42,592
	<hr/>	<hr/>
<b>Total net assets</b>	<b>32,658</b>	<b>126,342</b>
	<hr/> <hr/>	<hr/> <hr/>

<b>Total liabilities and net assets</b>	<b>\$ 263,091</b>	<b>\$ 320,016</b>
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

**STAMFORD ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

	Unrestricted		Temporarily Restricted		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenue, support and other changes</b>						
Contributions	\$ 321,061	\$ 163,750	\$ -	\$ 42,592	\$ 321,061	\$ 206,342
Governmental grants	2,005,899	1,914,184	-	-	2,005,899	1,914,184
Private foundation grants	-	47,000	-	-	-	47,000
Donations in-kind	444,697	332,702	-	-	444,697	332,702
Other income	630	4,584	-	-	630	4,584
Interest income	5,660	828	-	-	5,660	828
Net assets released from restrictions	9,102	17,975	(9,102)	(17,975)	-	-
<b>Total revenue, support and other changes</b>	<b>2,787,049</b>	<b>2,481,023</b>	<b>(9,102)</b>	<b>24,617</b>	<b>2,777,947</b>	<b>2,505,640</b>
<b>Expenses and losses</b>						
Program services	2,559,169	2,122,965	-	-	2,559,169	2,122,965
Management and general	296,893	299,768	-	-	296,893	299,768
Development and fundraising	15,569	10,421	-	-	15,569	10,421
<b>Total expenses</b>	<b>2,871,631</b>	<b>2,433,154</b>	<b>-</b>	<b>-</b>	<b>2,871,631</b>	<b>2,433,154</b>
<b>Increase (decrease) in net assets</b>	<b>(84,582)</b>	<b>47,869</b>	<b>(9,102)</b>	<b>24,617</b>	<b>(93,684)</b>	<b>72,486</b>
Net assets - beginning	83,750	35,881	42,592	17,975	126,342	53,856
<b>Net assets - ending</b>	<b>(832)</b>	<b>83,750</b>	<b>33,490</b>	<b>42,592</b>	<b>\$ 32,658</b>	<b>\$ 126,342</b>

The accompanying notes are an integral part of the financial statements

**STAMFORD ACADEMY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,**

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (93,684)	\$ 72,486
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities		
Depreciation and amortization	39,172	17,414
Change in grants receivable	2,175	(987)
Change in other receivables	11,352	(9,969)
Change in prepaid expenses	8,058	(6,881)
Change in due from affiliates	-	21,213
Change in accounts payable and accrued expenses	(3,162)	9,306
Change in accrued payroll and related expenses	73,519	17,389
Change in due to affiliate	(15,051)	(33,819)
<b>Total adjustments</b>	<u>116,063</u>	<u>13,666</u>
<b>Net cash provided by operating activities</b>	<u>22,379</u>	<u>86,152</u>
 <b>Cash flows from investing activities</b>		
Capital expenditures	-	(41,862)
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(41,862)</u>
 <b>Cash flows from financing activities</b>		
Principal payments under capital lease obligation	(18,547)	(14,745)
<b>Net cash used in financing activities</b>	<u>(18,547)</u>	<u>(14,745)</u>
 <b>Net increase in cash and cash equivalents</b>	<b>3,832</b>	<b>29,545</b>
 Cash and cash equivalents - beginning	<u>187,499</u>	<u>157,954</u>
 <b>Cash and cash equivalents - ending</b>	<b>\$ <u>191,331</u></b>	<b>\$ <u>187,499</u></b>
 <b>Cash paid during the year for:</b>		
Interest	\$ -	\$ 2,335

The accompanying notes are an integral part of the financial statements

**STAMFORD ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30,**

	Program Services			Management and General			Development and Fundraising			Total	
	2009	2008		2009	2008		2009	2008		2009	2008
<b>Functional expenses</b>											
Personnel costs	\$ 1,816,843	\$ 1,426,297	\$	231,441	\$ 226,212	\$	15,569	\$ 10,421	\$	2,063,853	\$ 1,662,930
Depreciation and amortization	34,779	15,053		4,393	2,361		-	-		39,172	17,414
Facilities costs	237,621	227,318		30,013	35,657		-	-		267,634	262,975
Insurance	74,290	41,123		9,383	6,451		-	-		83,673	47,574
Interest	-	2,335		-	-		-	-		-	2,335
Office	82,397	70,102		10,407	10,969		-	-		92,804	81,071
Other program	11,615	4,394		-	-		-	-		11,615	4,394
Professional fees	89,118	1,911		11,256	18,118		-	-		100,374	20,029
Student support services	184,926	302,086		-	-		-	-		184,926	302,086
Transportation	27,580	32,346		-	-		-	-		27,580	32,346
<b>Total</b>	<b>\$ 2,559,169</b>	<b>\$ 2,122,965</b>	<b>\$</b>	<b>296,893</b>	<b>\$ 299,768</b>	<b>\$</b>	<b>15,569</b>	<b>\$ 10,421</b>	<b>\$</b>	<b>2,871,631</b>	<b>\$ 2,433,154</b>

The accompanying notes are an integral part of the financial statements

**STAMFORD ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Summary of significant accounting policies**

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

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

*Basis of accounting* – the Academy’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 and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Basis of presentation* – the Academy reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, 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 Academy.

**Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Academy.

*Income tax status* – the Academy is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). In addition, the Academy qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation.

*Cash and cash equivalents* – for purposes of the statement of financial position and the statement of cash flows, the Academy considers cash in bank accounts, cash on hand, and certificates of deposit as cash and cash equivalents.

**STAMFORD ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Summary of significant accounting policies (continued)**

*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 expenditures at June 30, 2009 and 2008.

*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

Depreciation expense was \$25,184 and \$16,811 for 2009 and 2008, respectively.

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 remaining estimated useful lives of three to seven years. Accumulated amortization was \$21,705 and \$7,717 at June 30, 2009 and 2008, respectively. Amortization expense was \$13,988 and \$603 for 2009 and 2008, respectively.

*Restricted and unrestricted revenue* – contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions”.

Similarly, grants and contributions received for the acquisition of property and equipment are classified as increases in temporarily restricted net assets when received, and reclassified to unrestricted net assets over the useful life of the asset acquired or the period during which there are restrictions or conditions governing the use of the assets.

**STAMFORD ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Summary of significant accounting policies (continued)**

*Donated property and services* - donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Academy.

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 the Academy, most amounts are not 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 the Academy.

*Advertising* - the Academy uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs totaled \$3,006 and \$7,471 during 2009 and 2008, respectively.

*Reclassifications* - certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

*Use of estimates in financial statements* - 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. Accordingly, actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of determination of bad debt allowance on accounts receivable, and in valuing donations in-kind. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

*Subsequent events* - In preparing these financial statements, management has evaluated subsequent events through December 22, 2009, which represents the date the financial statements were available to be issued.

**STAMFORD ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Property and equipment**

Property and equipment consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 12,600	\$ 12,600
Furniture and fixtures	1,028	1,028
Computer equipment	70,262	70,262
School bus	<u>41,862</u>	<u>41,862</u>
Total property and equipment	125,752	125,752
Less: accumulated depreciation	<u>(75,277)</u>	<u>(50,093)</u>
Net property and equipment	<u>\$ 50,475</u>	<u>\$ 75,659</u>

**Bank line of credit**

The Academy, along with its affiliates Domus Foundation, Inc. and Trailblazers Academy, had a \$300,000 bank line of credit with Citibank, F.S.B., which was terminated on June 2, 2008. On June 5, 2008, Domus Foundation entered into a \$300,000 bank line of credit with Bank of America, N.A., which agreement was amended on January 5, 2009 to also include Trailblazers and the Academy as borrowers. This agreement expires on January 5, 2010. Borrowings are due on demand and are collateralized by substantially all of the assets of Domus Foundation, Trailblazers and Stamford Academy. Interest on the outstanding balance is due monthly at 1% above the bank's prime rate of 3.25% and 5.00% at June 30, 2009 and 2008, respectively. 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, 2009 and 2008.

**Capital lease obligation**

The Academy had entered into a capital lease with Dell Financial for computer equipment that expired in June 2009. In reflecting this lease in the financial statements, interest was imputed at a rate of 9.6%. The computer equipment had a capitalized cost of \$56,548. Accumulated depreciation on these assets was \$32,986 and \$21,677 at June 30, 2009 and 2008, respectively.

**Due to affiliate**

The academy owed its affiliate, Domus Foundation Inc., \$3,384 and \$18,435 for shared expenses at June 30, 2009 and 2008, respectively.

**STAMFORD ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Donated property and services**

The Academy has recorded the estimated fair market value of donated property and services for the years ended June 30 as follows:

	<u>2009</u>	<u>2008</u>
Included in revenue and support		
Donated school space	\$ 214,680	\$ 236,148
Donated special education services	159,362	96,554
Donated consulting services	<u>70,655</u>	<u>-0-</u>
Total donated in-kind support	<u>\$ 444,697</u>	<u>\$ 332,702</u>
 Included in functional expenses		
Facilities cost	\$ 214,680	\$ 236,148
Student support services	159,362	96,554
Professional fees	<u>70,655</u>	<u>-0-</u>
Total expenses	<u>\$ 444,697</u>	<u>\$ 332,702</u>

**Lease commitments**

The Academy 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 the Academy 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 value of this lease has been recorded as facilities costs of \$214,680 and \$236,148 along with the related in-kind donation of \$214,680 and \$236,148 for 2009 and 2008, respectively.

The Academy has noncancellable operating leases for copier equipment, which expire from August 2008 through March 2011. Lease payments are \$577 per month.

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

<u>Year ending June 30,</u>	
2010	\$ 6,924
2011	<u>4,039</u>
Total	<u>\$10,963</u>

Rent expense under this operating lease totaled \$6,924 and \$10,376 for 2009 and 2008, respectively.

**STAMFORD ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Retirement plans**

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

The Academy 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. The Academy matches up to 2% of each eligible employee's compensation for employees who contribute to the plan. The Academy's contributions to the plan were \$14,236 and \$14,974 for 2009 and 2008, respectively.

**Restrictions on net assets**

Restrictions on net assets are as follows at June 30:

	<u>2009</u>	<u>2008</u>
Temporarily restricted net assets		
Funds available for use in future periods	\$ -0-	\$ 730
Fixed assets	<u>33,490</u>	<u>41,862</u>
	<u>\$33,490</u>	<u>\$42,592</u>

**Concentrations of credit risk**

The Academy maintains cash accounts at a bank that is insured by the Federal Deposit Insurance Corporation (FDIC). At various times during 2009 and 2008, the Academy had balances in excess of the FDIC insured limit. The Academy has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on those balances because of the credit worthiness of the institution.

The Academy 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 the Academy's programs.