

**STAMFORD ACADEMY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

## **STAMFORD ACADEMY, INC.**

### **CONTENTS**

Independent Auditors' Report	1
Statements of Financial Position - June 30, 2011 and 2010	2
Statements of Activities for the Years Ended June 30, 2011 and 2010	3
Statements of Cash Flows for the Years Ended June 30, 2011 and 2010	4
Statements of Functional Expenses for the Years Ended June 30, 2011 and 2010	5
Notes to Financial Statements	6-11

# BlumShapiro

Accounting | Tax | Business Consulting

## 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, 2011 and 2010, 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, 2011 and 2010, 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 22, 2011 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 22, 2011

**STAMFORD ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 158,485	\$ 299,714
Grants receivable	6,366	8,664
Prepaid expenses	29,617	38,375
Due from affiliate	220,000	-
Property and equipment, net	<u>30,447</u>	<u>27,575</u>
<b>Total Assets</b>	<b>\$ <u>444,915</u></b>	<b>\$ <u>374,328</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 51,576	\$ 41,712
Accrued payroll and related expenses	204,222	80,460
Due to affiliates	70,820	153,469
Refundable advance	<u>12,377</u>	<u>-</u>
Total liabilities	<u>338,995</u>	<u>275,641</u>
<b>Net Assets</b>		
Unrestricted	89,174	71,069
Temporarily restricted	<u>16,746</u>	<u>27,618</u>
Total net assets	<u>105,920</u>	<u>98,687</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>444,915</u></b>	<b>\$ <u>374,328</u></b>

The accompanying notes are an integral part of the financial statements

**STAMFORD ACADEMY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>			<u>2010</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue, Support and Other Changes</b>						
Governmental grants	\$ 2,404,765	\$ -	\$ 2,404,765	\$ 1,959,131	\$ -	\$ 1,959,131
Contributions	495,115	-	495,115	345,135	2,500	347,635
Donations in-kind	356,089	-	356,089	356,674	-	356,674
Private foundation grants	116,612	-	116,612	89,250	-	89,250
Other income	3,331	-	3,331	3,089	-	3,089
Interest income	782	-	782	1,380	-	1,380
Net assets released from restrictions	10,872	(10,872)	-	8,372	(8,372)	-
Total revenue, support and other changes	<u>3,387,566</u>	<u>(10,872)</u>	<u>3,376,694</u>	<u>2,763,031</u>	<u>(5,872)</u>	<u>2,757,159</u>
<b>Expenses</b>						
Program services	3,022,285	-	3,022,285	2,400,906	-	2,400,906
Management and general	302,442	-	302,442	272,785	-	272,785
Development and fundraising	44,734	-	44,734	17,439	-	17,439
Total expenses	<u>3,369,461</u>	<u>-</u>	<u>3,369,461</u>	<u>2,691,130</u>	<u>-</u>	<u>2,691,130</u>
<b>Increase (Decrease) in Net Assets</b>	18,105	(10,872)	7,233	71,901	(5,872)	66,029
<b>Net Assets (Deficit) - Beginning of Year</b>	<u>71,069</u>	<u>27,618</u>	<u>98,687</u>	<u>(832)</u>	<u>33,490</u>	<u>32,658</u>
<b>Net Assets - End of Year</b>	<u>\$ 89,174</u>	<u>\$ 16,746</u>	<u>\$ 105,920</u>	<u>\$ 71,069</u>	<u>\$ 27,618</u>	<u>\$ 98,687</u>

٤

The accompanying notes are an integral part of the financial statements

**STAMFORD ACADEMY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 7,233	\$ 66,029
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,128	22,900
(Increase) decrease in operating assets:		
Grants receivable	2,298	(3,628)
Prepaid expenses	8,758	(22,126)
Due from affiliate	(220,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	9,864	15,063
Accrued payroll and related expenses	123,762	(119,940)
Due to affiliates	(82,649)	150,085
Refundable advance	12,377	-
Net cash provided by (used in) operating activities	<u>(128,229)</u>	<u>108,383</u>
<b>Cash Flows from Investing Activities</b>		
Cash outlay for property and equipment	<u>(13,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(13,000)</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(141,229)	108,383
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>299,714</u>	<u>191,331</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 158,485</u>	<u>\$ 299,714</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, 2011 AND 2010**

	<u>2011</u>				<u>2010</u>			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Development and Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Development and Fundraising</u>	<u>Total</u>
Personnel costs	\$ 2,175,507	\$ 248,493	\$ 44,734	\$ 2,468,734	\$ 1,788,016	\$ 224,003	\$ 17,439	\$ 2,029,458
Student support services	277,671	-	-	277,671	158,933	-	-	158,933
Facilities costs	209,001	23,392	-	232,393	202,488	25,852	-	228,340
Professional fees	122,403	14,091	-	136,494	36,429	4,511	-	40,940
Insurance	80,318	8,989	-	89,307	72,203	8,942	-	81,145
Office	58,017	6,458	-	64,475	62,415	6,954	-	69,369
Other program	61,862	-	-	61,862	32,195	-	-	32,195
Transportation	28,397	-	-	28,397	27,850	-	-	27,850
Depreciation	9,109	1,019	-	10,128	20,377	2,523	-	22,900
<b>Total</b>	<b>\$ 3,022,285</b>	<b>\$ 302,442</b>	<b>\$ 44,734</b>	<b>\$ 3,369,461</b>	<b>\$ 2,400,906</b>	<b>\$ 272,785</b>	<b>\$ 17,439</b>	<b>\$ 2,691,130</b>

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, 2011 and 2010.

**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, 2011 and 2010.



**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
Software	3 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.

**Refundable Advance** - Amounts of grants that are received but unearned are reflected as refundable advances in the accompanying statements of financial position and are subsequently reflected in the accompanying statements of activities during the period to which they apply as the funds are expended.

**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.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 using reasonable ratios determined by management. 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.

**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, 2008 through June 30, 2011 are subject to examination by the Internal Revenue Service and the State of Connecticut.

**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.

**Subsequent Events** - In preparing these financial statements, management has evaluated subsequent events through December 22, 2011, 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 - DUE FROM AFFILIATE**

Stamford has amounts due from its affiliate, Domus Foundation, Inc., of \$220,000 and \$-0-, respectively, for shared contributions as of June 30, 2011 and 2010, respectively.

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

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</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
Software	<u>13,000</u>	<u>-</u>
	138,752	125,752
Less accumulated depreciation	<u>(108,305)</u>	<u>(98,177)</u>
Property and Equipment, Net	<u>\$ 30,447</u>	<u>\$ 27,575</u>

Depreciation expense was \$10,128 and \$22,900 for 2011 and 2010, respectively.

**NOTE 6 - BANK LINE OF CREDIT**

Domus Foundation, Inc., Trailblazers Academy, Inc., and Stamford Academy, Inc., have a \$300,000 bank line of credit with Bank of America, N.A. that expires on December 31, 2011. 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, 2011 and 2010. The 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, 2011 and 2010.

**NOTE 7 - DUE TO AFFILIATES**

Stamford owed its affiliate Domus Foundation, Inc., \$8,945 and \$153,469, respectively, and Trailblazers Academy, Inc., \$61,875 and \$-0-, respectively, for shared expenses as of June 30, 2011 and 2010.

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

**NOTE 8 - DONATED PROPERTY AND SERVICES**

Stamford has recorded the estimated fair market value of donated property and services for the years ended June 30, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Included in revenue and support:		
Donated school space	\$ 200,368	\$ 200,368
Donated special education services	154,871	155,673
Donated supplies	<u>850</u>	<u>633</u>
Total Donated In-Kind Support	<u>\$ 356,089</u>	<u>\$ 356,674</u>
Included in functional expenses:		
Facilities costs	\$ 200,368	\$ 200,368
Student support services	154,871	155,673
Other program expenses	<u>850</u>	<u>633</u>
Total Expenses	<u>\$ 356,089</u>	<u>\$ 356,674</u>

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Funds available for use in future periods	\$ -	\$ 2,500
Property and equipment	<u>16,746</u>	<u>25,118</u>
Total Temporarily Restricted Net Assets	<u>\$ 16,746</u>	<u>\$ 27,618</u>

**NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Programs	\$ 2,500	\$ -
Property and equipment	<u>8,372</u>	<u>8,372</u>
Total Net Assets Released from Restrictions	<u>\$ 10,872</u>	<u>\$ 8,372</u>

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

**NOTE 11 - LEASE COMMITMENTS**

Stamford maintains its teaching facility within a facility owned by the City of 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 internet access fees. The estimated fair value of this lease has been recorded as facilities costs of \$200,368 along with the related in-kind donation of \$200,368 for 2011 and 2010.

Stamford has a non-cancelable operating lease for copier equipment, which expires in January 2012. Lease payments are \$412 per month. Future minimum lease payments under this operating lease are \$2,472 for year ended June 30, 2011. Stamford also had a non-cancelable operating lease for copier equipment which expired in March 2011 and has continued on a month-to-month basis while a new lease is being negotiated. Lease payments are \$557 per month. Rent expense under these operating leases totaled \$11,628 for 2011 and 2010.

**NOTE 12 - 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 4% of each eligible employee's compensation for employees who contribute to the plan. Stamford's contributions to the plan were \$14,582 and \$10,943 for 2011 and 2010, respectively.