



Domus Kids, Inc.

Financial Statements

June 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors Domus Kids, Inc.

We have audited the accompanying financial statements of Domus Kids, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Domus Kids, Inc. as of June 30, 2018 and 2017 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.

PKF O'Connor Davies, LLP
Stamford, Connecticut
January 11, 2019

Domus Kids, Inc.

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 3,546,964	\$ 3,490,516
Accounts, grants and other receivables	795,212	1,429,535
Prepaid expenses	22,379	14,597
Investments	4,234,334	3,942,121
Beneficial interest in assets held by others	1,689,284	1,593,171
Property and equipment, net	<u>1,301,635</u>	<u>2,194,504</u>
	<u>\$ 11,589,808</u>	<u>\$ 12,664,444</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 135,002	\$ 197,544
Accrued payroll and related expenses	170,611	169,249
Due to affiliates, net	<u>146,264</u>	<u>58,809</u>
Total Liabilities	<u>451,877</u>	<u>425,602</u>
Net Assets		
Unrestricted and undesignated funds	3,114,637	3,911,150
Board designated unrestricted funds	6,767,749	7,253,942
Temporarily restricted	<u>1,255,545</u>	<u>1,073,750</u>
Total Net Assets	<u>11,137,931</u>	<u>12,238,842</u>
	<u>\$ 11,589,808</u>	<u>\$ 12,664,444</u>

See notes to financial statements

Domus Kids, Inc.

Statement of Activities

	Year Ended June 30, 2018				
	Unrestricted		Temporarily Restricted	Total	
	Programs	Board Designated			
REVENUE AND SUPPORT					
Contributions	\$ 3,237,171	\$ -	\$ 3,237,171	\$ 71,079	\$ 3,308,250
Government grants and contracts	2,267,039	-	2,267,039	-	2,267,039
Service fees charged to affiliates	953,153	-	953,153	-	953,153
Foundation grants	1,474,443	-	1,474,443	611,671	2,086,114
In-kind rent and support	173,903	-	173,903	-	173,903
Investment income, net	-	111,623	111,623	-	111,623
Income from beneficial interest in assets held by others	53,384	(53,384)	-	-	-
Rental income	47,875	-	47,875	-	47,875
Other grants and miscellaneous income	12,445	-	12,445	-	12,445
Net assets released from restrictions	500,955	-	500,955	(500,955)	-
Total Operating Revenue and Support	8,720,368	58,239	8,778,607	181,795	8,960,402
EXPENSES					
Program services	8,614,723	-	8,614,723	-	8,614,723
Management and general	303,980	-	303,980	-	303,980
Fundraising	563,194	-	563,194	-	563,194
Total Expenses	9,481,897	-	9,481,897	-	9,481,897
Excess (Deficit) of Operating Revenue and Support Over Expenses	(761,529)	58,239	(703,290)	181,795	(521,495)
NONOPERATING ACTIVITIES					
Impairment charge	(833,902)	-	(833,902)	-	(833,902)
Change in value of investment in limited partnership	(87,698)	-	(87,698)	-	(87,698)
Net change in beneficial interest in assets held by others	-	138,600	138,600	-	138,600
Net realized and unrealized gains on investments	-	203,584	203,584	-	203,584
Board authorized transfers	886,616	(886,616)	-	-	-
Total Nonoperating Activities	(34,984)	(544,432)	(579,416)	-	(579,416)
Change in Net Assets	(796,513)	(486,193)	(1,282,706)	181,795	(1,100,911)
NET ASSETS					
Beginning of year	3,911,150	7,253,942	11,165,092	1,073,750	12,238,842
End of year	\$ 3,114,637	\$ 6,767,749	\$ 9,882,386	\$ 1,255,545	\$ 11,137,931

See notes to financial statements

Domus Kids, Inc.

Statement of Activities

	Year Ended June 30, 2017				
	Unrestricted			Temporarily	
	Programs	Board Designated	Total	Restricted	Total
REVENUE AND SUPPORT					
Contributions	\$ 3,649,282	\$ -	\$ 3,649,282	\$ 1,016	\$ 3,650,298
Government grants and contracts	2,359,255	-	2,359,255	-	2,359,255
Service fees charged to affiliates	907,156	-	907,156	-	907,156
Foundation grants	1,211,513	-	1,211,513	510,814	1,722,327
In-kind rent and support	148,354	-	148,354	-	148,354
Investment income, net	-	102,588	102,588	-	102,588
Rental income	48,660	-	48,660	-	48,660
Other grants and miscellaneous income	13,766	-	13,766	-	13,766
Refunds of unrelated business income taxes paid in the prior fiscal year	197,179	-	197,179	-	197,179
Investment income appropriated for operations	51,067	(51,067)	-	-	-
Net assets released from restrictions	511,975	-	511,975	(511,975)	-
 Total Operating Revenue and Support	 9,098,207	 51,521	 9,149,728	 (145)	 9,149,583
EXPENSES					
Program services	8,475,862	-	8,475,862	-	8,475,862
Management and general	304,786	-	304,786	-	304,786
Fundraising	630,488	-	630,488	-	630,488
 Total Expenses	 9,411,136	 -	 9,411,136	 -	 9,411,136
 Excess (Deficit) of Operating Revenue and Support Over Expenses	 (312,929)	 51,521	 (261,408)	 (145)	 (261,553)
NONOPERATING ACTIVITIES					
Net change in beneficial interest in assets held by others	-	184,730	184,730	-	184,730
Net realized and unrealized gains on investments	-	161,570	161,570	-	161,570
Board authorized transfers	358,933	(358,933)	-	-	-
Total Nonoperating Activities	358,933	(12,633)	346,300	-	346,300
 Change in Net Assets	 46,004	 38,888	 84,892	 (145)	 84,747
NET ASSETS					
Beginning of year	3,865,146	7,215,054	11,080,200	1,073,895	12,154,095
End of year	\$ 3,911,150	\$ 7,253,942	\$ 11,165,092	\$ 1,073,750	\$ 12,238,842

See notes to financial statements

Domus Kids, Inc.

Statements of Functional Expenses

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Personnel costs	\$ 5,416,707	\$ 287,557	\$ 340,493	\$ 6,044,757	\$ 5,587,156	\$ 290,790	\$ 347,877	\$ 6,225,823
Grants to affiliated schools	1,185,784	-	-	1,185,784	834,603	-	-	834,603
Direct youth services	514,013	-	-	514,013	525,995	-	-	525,995
Professional and consulting fees	444,017	2,215	2,096	448,328	517,820	2,928	984	521,732
Office expense	264,331	4,544	35,640	304,515	186,043	2,402	47,471	235,916
Facilities costs	263,938	4,328	-	268,266	274,054	3,988	-	278,042
Fundraising and related expenses	-	-	175,737	175,737	-	-	219,308	219,308
Depreciation and amortization expense	143,697	2,148	-	145,845	165,661	2,421	-	168,082
Insurance expense	132,049	2,592	7,093	141,734	160,904	1,533	9,077	171,514
Other program expenses	123,307	-	861	124,168	98,617	-	4,659	103,276
Transportation expenses	110,541	527	1,057	112,125	88,908	209	719	89,836
Staff development expenses	16,339	69	217	16,625	36,101	515	393	37,009
Total Expenses	<u>\$ 8,614,723</u>	<u>\$ 303,980</u>	<u>\$ 563,194</u>	<u>\$ 9,481,897</u>	<u>\$ 8,475,862</u>	<u>\$ 304,786</u>	<u>\$ 630,488</u>	<u>\$ 9,411,136</u>

See notes to financial statements

Domus Kids, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,100,911)	\$ 84,747
Adjustments to reconcile change in net assets to net cash from operating activities		
Gain in beneficial interest in assets held by others	(149,497)	(197,820)
Change in value of investment in limited partnership	87,698	-
Depreciation and amortization	145,845	168,082
Impairment expense	833,902	-
In-kind donation of equipment	(25,565)	-
Realized and unrealized gains on investments	(203,584)	(161,570)
Changes in operating assets and liabilities		
Accounts, grants and other receivables	546,625	(846)
Prepaid expenses	(7,782)	(8,976)
Accounts payable and accrued expenses	(62,542)	15,051
Accrued payroll and related expenses	1,362	(48,406)
Due to / from affiliates	87,455	223,230
Net Cash from Operating Activities	153,006	73,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property, buildings and equipment	(61,313)	(54,356)
Purchases of investments	(88,629)	(1,057,661)
Net distributions from beneficial interest in assets held by others	53,384	51,067
Net Cash from Investing Activities	(96,558)	(1,060,950)
Net Change in Cash and Cash Equivalents	56,448	(987,458)
CASH AND CASH EQUIVALENTS		
Beginning of year	3,490,516	4,477,974
End of year	\$ 3,546,964	\$ 3,490,516
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-Cash Investing Activities		
Disposal of fully depreciated equipment	\$ 63,557	\$ -

See notes to financial statements

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

1. Organization

Domus Kids, Inc. ("Domus") is a not-for-profit organization serving children and families through a variety of programs within the Fairfield and New Haven County communities. Domus provided services to over 1,200 young adults (unaudited) during the year ended June 30, 2018.

Domus shares corporate office space, certain management functions and other general and administrative costs and services with the independent charter schools Trailblazers Academy, Inc. ("Trailblazers Academy") and Stamford Academy, Inc. ("Stamford Academy").

Program Services – Domus provides the following services:

Domus SWET – Domus SWET serves eight young men, who are age 18 to 23, on parole, and referred to Domus by various State agencies. The youth live in a supervised apartment setting and are responsible for their own cooking, shopping, and cleaning. Domus works with them to strengthen their independent living skills and avoid re-arrest, and the job developer supports their education, vocational training, soft job skills, and eventual employment.

Chester Addison Community Center – The Chester Addison Community Center provides services to residents of Southwood Square and the surrounding Waterside district in Stamford, Connecticut. Educational, recreational and life skills programs are provided to a variety of age groups.

Lion's Den – The Lion's Den out-of-school-time program serves the students of Trailblazers Academy, who 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.

After-School Programming at Turn of River and KT Murphy – Domus operates after-school programs at the Turn of River Middle School and KT Murphy Elementary School in Stamford. The programs offer a diverse array of recreational and academic enrichment programming, providing a safe space for over 100 students at each school to build new skills, improve their academic outcomes, and build relationships with caring adults.

Family Advocates – Family Advocates help students and their families address social, emotional, and life challenges to reduce their impact on school-day learning. Family Advocates work in the Domus schools and the Stamford Public Schools.

The Work and Learn Business Center – The Work and Learn Business Center is a youth employment program comprised of several youth-run businesses. Working alongside professionals, youth are paid while they learn vital hard and soft skills which help them get and keep jobs. The program's target population is Stamford youth aged 14 to 25 at high risk for adult unemployment and/or justice system involvement. Businesses include bike repair, small engine repair, culinary, nail-hair salon and woodworking.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

1. Organization (*continued*)

Program Services (continued)

Prison Visitation Program – The 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.

Bridgeport Juvenile Detention Center Summer Program – The Bridgeport Juvenile Detention Center (“BJDC”) Summer Program is a summer academic enrichment program conducted at BJDC through a contract with the State Court Support Services Division, who funds the program. Staff work with youth detained at BJDC prior to sentencing or after sentencing but before assignment to a correctional facility on academic, social, and emotional skill building and enrichment.

Hartford Juvenile Detention Center Program – The Hartford Juvenile Detention Center (“HJDC”) Program is a ten-month academic enrichment program conducted at the Hartford Detention Center through a contract with Hartford Board of Education who funds the program. Staff work with youth detained at HJDC prior to sentencing or after sentencing but before assignment to a correctional facility on academic, social, and emotional skill building and enrichment.

Special Initiatives – Special Initiatives encompasses incubation/pilot efforts and organization-wide initiatives such as implementing the Sanctuary Model of trauma-informed care, providing holiday support to children and families in our care, and supporting our data collection and analysis initiatives associated with our efforts to become a more data-driven organization.

Passages – Passages was discontinued during the fiscal year end June 30, 2017. Passaged provided housing and services to adolescent males ages 14 to 19 who were placed there by the Connecticut Department of Children and Families (“DCF”). The youth lived in a group home setting; activities focused on life skills training and educational attainment with the goal of making a successful transition to post-secondary training, education, or the skilled workforce. The youth also received group and individual counseling, therapeutic recreation and health care.

Domus Academy – Domus Academy was discontinued during the fiscal year end June 30, 2017. Domus Academy was a New Haven public turnaround middle school serving students who had been unsuccessful in a traditional school environment and needed a smaller school and individualized attention to meet their full potential. Domus Academy offered small classes, free breakfast and lunch, and Domus’ Family Advocates to help every student thrive socially and emotionally while they caught up academically.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Some of the more significant estimates required to be made by management include the allowance for uncollectible receivables and allocation of certain functional expenses.

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions, including net assets set aside for program support, emergency needs and long-term investment as and when approved by the Domus' Board of Directors ("Board Designated Unrestricted Funds").

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 Domus.

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 Domus. Domus did not have any permanently restricted net assets at June 30, 2018 and 2017.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of historical bad debts, aging analysis and any specifically known troubled accounts. Management has concluded that an allowance is not required at June 30, 2018 and 2017.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments having maturities of three months or less at the time of purchase, excluding cash held in investment accounts.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Domus follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments and Investment Income

Investments are reported at fair value in the statement of financial position. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include Domus' gains and losses on investments bought and sold as well as those held during the year are included in the determination of net assets.

Domus' Investment Committee determines Domus' valuation policies and procedures. The Committee utilized information provided by the investment brokers and foundation with which investments are held to value investments.

Investment in Limited Partnership

The investment in limited partnership represents an interest in the non-voting, restricted Class A and Class B units of an operating limited partnership contributed to Domus in August 2013. This investment was valued at the estimated fair value on the date the contribution was received and is accounted for under the cost method. Under the cost method, income distributed to Domus from the accumulated earnings of the limited partnership is recorded as revenue in the period received, net of unrelated business income tax. Income distributed to Domus in excess of accumulated earnings of the limited partnership is considered a return of investment and recorded as a reduction of the cost of the investment. This investment was sold during the year ended June 30, 2016 (see Note 6).

Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others represents investments held by The Fairfield County Community Foundation, Inc. ("FCCF") on behalf of Domus, which are recorded as unrestricted net assets. The beneficial interest in assets held by others is reported at estimated fair value in the statements of financial position.

Revenue Recognition

Domus recognizes revenue from government grants and contracts, which are treated as exchange transactions, and from service fees charged to affiliated organizations, in the period in which the services are provided.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost, or, if donated, at fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives, which are generally between three and twenty-seven and a half years. Purchases or donations of property and equipment of less than \$5,000 are generally expensed.

Contributions

Contributions are recognized when the donor makes a promise to give to Domus that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Goods and Services

Donated goods and services are recognized as contributions if they either: a) create or enhance non-financial assets, or b) require specialized skills, are performed by people with those skills and would otherwise be purchased by Domus if not donated. Numerous volunteers have donated time to Domus' programs. However, the general volunteer services did not meet the criteria for recognition in the financial statements for the years ended June 30, 2018 and 2017.

Impairment or Disposal of Long-lived Assets

U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. Domus recorded impairment expense of \$833,902 during the year ended June 30, 2018 (see Note 8). There was no impairment expense recorded during the year ended June 30, 2017.

Functional Expenses

Domus allocates its expenses on a functional basis among its program, management and general and fundraising activities. Expenses that can be specifically identified with a program or support service are allocated directly according to their natural classifications. Other expenses that are common to several functions are allocated based on estimates made by management. Domus has adopted and follows a cost allocation plan in accordance with Connecticut state regulations.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Income Taxes

Domus is generally exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code; however, Domus is subject to tax on unrelated business activities, primarily those that flow through from its limited partnership investment. Domus recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Domus had no uncertain tax positions that would require financial statement recognition or disclosure. Domus is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to July 1, 2015.

Measure of Operations

Domus has elected to include an operating measure in its statement of activities titled *excess (deficit) of operating revenue and support over expenses*. The measure of operations includes all grants, contributions and other support, revenue and expenses with the exception of realized and unrealized gains and losses from its investments, beneficial interest in assets held by others, and investment in limited partnerships. Significant, non-routine contributions designated by the board at the time of receipt as an asset to be held for long-term investment are also reported outside of the measure of operation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is January 11, 2019.

3. Concentration of Risk

Financial instruments that potentially subject Domus to significant concentrations of credit risk consist principally of cash and cash equivalents, investments and governmental grants. At times, cash balances held at financial institutions may be in excess of federally insured limits. Domus has not experienced any losses in its cash deposits. Domus' investments consist of money market funds and a U.S. Treasury note. The money market funds are not protected by federal depository insurance. The value of the U.S. Treasury note is subject to fluctuations due to general market conditions and interest rates.

A significant portion of Domus' support and revenue is derived from government sources. As with all government funding, this funding may be subject to reduction or termination in future years. Any significant reduction in these grants could have a negative impact on Domus' program services. Domus received approximately 27% and 27% of its revenue and support from government sources for the years ended June 30, 2018 and 2017.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

4. Investments

Investments, measured at fair value using Level 1 and Level 2 inputs grouped by the fair value hierarchy, consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Level 1		
U.S. Treasury note	\$ 685,671	\$ 706,995
Money market funds	119,972	153,670
Major index mutual fund	<u>2,408,330</u>	<u>2,133,775</u>
	3,213,973	2,994,440
Level 2		
Corporate bonds	<u>1,003,475</u>	<u>934,603</u>
	4,217,448	3,929,043
Cash equivalents	<u>16,886</u>	<u>13,078</u>
Total Investments	<u>\$ 4,234,334</u>	<u>\$ 3,942,121</u>

5. Beneficial Interest in Assets Held By Others

The beneficial interest in assets held by others consists of assets transferred to FCCF for investment on behalf of Domus. This beneficial interest is valued using Level 3 inputs. In accordance with the spending policy of FCCF, up to 4% of the fund value for 2018 and 2017 is available for annual distribution for and to Domus. In addition, the agreement allows for release of funds in excess of the FCCF's spending policy when requested and approved by the Domus Executive Committee to meet working capital, program support and emergency needs and other unforeseen circumstances. Any such release of funds in excess of the FCCF's spending policy must also be approved by FCCF.

Changes in the beneficial interest in assets held by others for the years ended June 30, 2018 and 2017 is as follows:

Beginning balance July 1, 2016	\$ 1,446,418
Contributions	-
Distributions	(51,067)
Depreciation and investment income, net of fees	<u>197,820</u>
Ending balance June 30, 2017	1,593,171
Contributions	-
Distributions	(53,384)
Appreciation and investment income, net of fees	<u>149,497</u>
Ending balance June 30, 2018	<u>\$ 1,689,284</u>

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

6. Investment in Limited Partnership

During 2015, it was announced that the limited partnership in which Domus held an investment was to be acquired. Domus' portion of the sales proceeds is a total of \$5,108,646. Through June 30, 2018, \$5,060,886 of the sales proceeds has been collected, of which \$268,921 and \$269,920 was collected during the years ended June 30, 2018 and 2017. At June 30, 2018, the amount of the proceeds expected to be received was reduced by \$87,698, and is reflected as a change in investment in limited partnership in the June 30, 2018 statement of activities. At June 30, 2018 and 2017, the sales proceeds receivable of \$47,760 and \$404,379 are included in accounts, grants and other receivables. The remaining balance of \$47,760 was collected in December 2018.

7. Related Party Transactions

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

	2018	2017
	<u> </u>	<u> </u>
Due (to) from Stamford Academy		
Grant	\$ (180,000)	\$ (250,000)
For Services / Shared Services	<u>278,259</u>	<u>381,892</u>
	<u>98,259</u>	<u>131,892</u>
 Due from (to) Trailblazers Academy		
Grant	(370,000)	(250,000)
For Services / Shared Services	<u>125,477</u>	<u>59,299</u>
	<u>(244,523)</u>	<u>(190,701)</u>
 Due (to) from Affiliates, net	<u>\$ (146,264)</u>	<u>\$ (58,809)</u>

During the years ended June 30, 2018 and 2017, Domus granted Stamford Academy \$430,000 and \$250,000. During the years ended June 30, 2018 and 2017, Domus granted Trailblazers Academy \$620,000 and \$500,000. These grants are included in grants to affiliated schools in the accompanying statements of functional expenses. Any grants due to Stamford Academy and Trailblazers Academy that were unpaid at June 30, 2018 or 2017 were paid subsequent to the applicable year-end.

The amounts due to and due from Stamford Academy and Trailblazers Academy for services/shared services were paid and received subsequent to June 30, 2018 and 2017.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

7. Related Party Transactions *(continued)*

Domus has separate service agreements with Stamford Academy and Trailblazers Academy (together the “Schools”) that expire on June 30, 2019 and June 30, 2021. Under the service agreements, Domus provides the Schools with certain administrative and program services. The fees charged to the Schools for these services are calculated annually by Domus and approved by the respective Schools’ Board of Directors. Fees charged for these services were as follows during the years ended June 30:

	2018	2017
Stamford Academy	\$ 395,112	\$ 373,303
Trailblazers Academy	558,041	533,853
	<u>\$ 953,153</u>	<u>\$ 907,156</u>

8. Property and Equipment

At June 30, 2018, management believed that it was more likely than not that certain building property related to a program that ended would be disposed of before the end of its estimated useful life. Accordingly, during the year ended June 30, 2018, Domus recorded a \$833,902 impairment charge to write the building down to its anticipated recoverable value.

Property and equipment consisted of the following at June 30:

	2018	2017
Building and improvements	\$ 1,636,668	\$ 2,431,760
Leasehold improvements	106,158	122,358
Furniture and fixtures	195,411	195,411
Vehicles and school bus	358,634	369,373
Computer and office equipment	218,985	207,535
Software	82,754	82,754
	<u>2,598,610</u>	<u>3,409,191</u>
Accumulated depreciation and amortization	<u>(1,695,482)</u>	<u>(1,613,194)</u>
	903,128	1,795,997
Land	<u>398,507</u>	<u>398,507</u>
Property and Equipment, net	<u>\$ 1,301,635</u>	<u>\$ 2,194,504</u>

9. Bank Line of Credit

Domus has an available line of credit of \$500,000 that expires on December 31, 2019. Borrowings are due on demand and are collateralized by substantially all of the assets of Domus. The yearly interest rate is equal to the London Interbank Offer Rate Daily Floating Rate plus 2.75%. There were no outstanding borrowings on this line of credit as of June 30, 2018 and 2017. The agreement also includes various restrictions and financial covenants of which Domus is in compliance.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

10. Leases

Domus and the City of Stamford have an agreement for the lease of a building in Stamford, Connecticut to host Trailblazers Academy, as well as the corporate offices of Domus. The lease term was for a five year period through June 30, 2014, with four consecutive five-year renewal terms at the City's discretion. The City has approved the first of the four five-year extensions. The lease agreement allows Domus to use approximately 78,300 square feet of space for Trailblazers Academy and administrative offices for \$1 annually in addition to paying for utilities and repair and maintenance costs. Domus has recorded the estimated fair value of the corporate office space portion, approximately 5,100 square feet, of this lease of \$62,500 and \$62,500 as in-kind rent for 2018 and 2017. Domus' rent expense under this operating lease totaled \$62,500 and \$62,500 for 2018 and 2017.

Domus also has a month-to-month lease with the City of Stamford for additional office space. Lease payments are \$1 per year. Domus has recorded the estimated fair value of this lease of \$18,000 and \$18,000 as in-kind rent for 2018 and 2017. Rent expense under this operating lease totaled \$18,000 and \$18,000 for 2018 and 2017.

11. Board Designated Endowment

Domus has board-designated funds of approximately \$6,770,000 and \$7,250,000 at June 30, 2018 and 2017. The purpose of the board-designed funds is to provide long-term support for Domus' charitable programs (the "Endowment Funds"). Net assets associated with the Endowment Funds are classified and reported based upon the existence or absence of donor-imposed restrictions. In classifying such funds, the Board looks to the explicit directions of the donor, where applicable, and the laws and regulations of the State of Connecticut.

The Board has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted Endowment Funds, as applicable, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Domus classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with CUPMIFA, the Domus considers the specified factors in making a determination to appropriate or accumulate donor-restricted endowment funds. There were no donor-restricted endowment funds at June 30, 2018 and 2017.

Investment Return Objectives, Risk Parameters and Strategies: Domus has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its Endowment Funds while also maintaining the purchasing power of those endowment assets. Domus' investment goals are to meet payout requirements calculated in accordance with the established spending rule, to provide sufficient liquidity to meet distribution requirements and to achieve successful investment performance using "total return" as the accepted measurement. Domus' investment strategy is to highly diversify its portfolio in order to minimize volatility and increase returns over time. The asset allocation seeks to balance the relative percentage invested in equity securities, fixed income, money market instruments and other financial instruments.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

11. Board Designated Endowment *(continued)*

Spending Policy: Domus has a policy of approving for distribution each year 5% of its Endowment Fund's fair value. Absent the need for a larger distribution to fund operations in a given year, Domus expects the current spending policy to allow its Endowment Funds to grow at a nominal average rate approximately equal to inflation. This is consistent with Domus' objective of maintaining the purchasing power of the endowment assets as well as providing additional real growth through new funds and investment return.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2018	2017
Purposes		
Property, buildings, building improvements, and and other equipment subject to liens	\$ 547,274	\$ 578,684
Programs		
Reentry programs	375,000	-
Lion's Den	163,023	170,617
Chester Addison Community Center	47,645	30,573
Project Hope	30,000	-
Domus House	18,237	19,242
Scholarships	14,875	-
Pelican emergency fund	13,304	-
The Trafigura Work and Learn Business Center	12,396	10,000
Holiday Fund	12,003	17,488
Staff wellness	9,088	14,684
Corporate	7,812	8,319
Stone Soup Event	4,736	4,736
Domus Niner	152	-
Security and emergency system enhancements	-	214,657
Multicultural	-	4,750
Total Temporarily Restricted Net Assets	<u>\$ 1,255,545</u>	<u>\$ 1,073,750</u>

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

12. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets released from restrictions consisted of the following during the years ended June 30:

	<u>2018</u>	<u>2017</u>
Purposes		
Property, buildings, building improvements, and and other equipment subject to liens	\$ 58,100	\$ 72,744
Programs		
Security and emergency system enhancements	214,657	50,000
Lion's Den	170,616	164,348
Chester Addison Community Center	22,740	51,014
Staff wellness	10,596	-
The Trafigura Work and Learn Business Center	10,000	-
Holiday Fund	5,485	12,782
Multicultural	4,750	-
Domus Academy, Passages and Domus House	3,505	1,500
Corporate	506	563
Domus Niner	-	25,000
Arts	-	17,024
Project Hope	-	17,000
Time Periods		
Funds held for future use	-	100,000
Net assets released from restrictions	<u>\$ 500,955</u>	<u>\$ 511,975</u>

13. In-Kind Rent and Support

In-kind rent and support recorded at estimated fair value was as follows for years ended June 30:

	<u>2018</u>	<u>2017</u>
Included in Revenue and Support:		
Office space	\$ 80,500	\$ 80,500
Donated program supplies	67,838	67,854
Donated vehicle	25,565	-
	<u>\$ 173,903</u>	<u>\$ 148,354</u>
Included in Functional Expenses:		
Facilities costs	\$ 80,500	\$ 80,500
Other program expenses	67,838	67,854
	148,338	148,354
Included in Property and Equipment:		
Vehicles and school bus	25,565	-
	<u>\$ 173,903</u>	<u>\$ 148,354</u>

Domus Kids, Inc.

Notes to Financial Statements June 30, 2018 and 2017

14. 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 buildings until various ongoing terms and conditions of these grants are fulfilled. Liens expire at various times through 2023.

15. Retirement Plan

Domus maintains a defined contribution retirement plan under section 403(b) of the Internal Revenue Code. All employees over 21 years of age, who work a minimum of 1,000 hours per year, become eligible to participate immediately upon hire. Employees may make optional contributions to the plan on a tax-deferred basis up to the maximum amount allowed by the Internal Revenue Service. Domus matches up to 4% of each eligible employee's compensation following one year of service for employees who contributed to the plan. Domus' contributions to the plan were \$119,019 and \$56,641 for the years ended June 30, 2018 and 2017.

16. Subsequent Event

In December 2018, Domus sold to a third-party certain property that consisted of a building, land and related improvements for a gross selling price of \$817,000. As of June 30, 2018, Domus had written-down this property to the estimated net realizable value of \$817,000. Closing and other costs at the time of the sale amounted to \$58,000, resulting in net proceeds to Domus in the amount of \$759,000. The net proceeds were received by Domus on December 12, 2018.
