

**Domus Kids, Inc.**

Financial Statements

June 30, 2019 and 2018

## 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, 2019 and 2018, 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, 2019 and 2018 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.

**To the Board of Directors  
Domus Kids, Inc.**

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***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, Domus Kids, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

*PKF O'Connor Davies, LLP*

Stamford, Connecticut  
December 6, 2019

# Domus Kids, Inc.

## Statements of Financial Position

	June 30,	
	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,268,505	\$ 3,546,964
Accounts, grants and other receivables	568,600	795,212
Prepaid expenses	38,919	22,379
Investments	4,566,644	4,234,334
Beneficial interest in assets held by others	1,650,804	1,689,284
Property and equipment, net	556,110	1,301,635
	<u>\$ 11,649,582</u>	<u>\$ 11,589,808</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 208,266	\$ 135,002
Accrued payroll and related expenses	177,005	170,611
Due to affiliates, net	240,911	146,264
Total Liabilities	<u>626,182</u>	<u>451,877</u>
Net Assets		
Without donor restrictions		
Undesignated funds	2,887,126	3,376,656
Board designated funds	7,426,360	6,767,749
	<u>10,313,486</u>	<u>10,144,405</u>
With donor restrictions		
Restricted for time and purposes	709,914	993,526
Total Net Assets	<u>11,023,400</u>	<u>11,137,931</u>
	<u>\$ 11,649,582</u>	<u>\$ 11,589,808</u>

See notes to financial statements

**Domus Kids, Inc.**

Statement of Activities

	Year Ended June 30, 2019				
	Without Donor Restrictions			With Donor Restrictions	Total
	Programs	Board Designated	Total		
<b>REVENUE AND SUPPORT</b>					
Contributions	\$ 1,947,958	\$ -	\$ 1,947,958	\$ 4,053	\$ 1,952,011
Government grants and contracts	2,992,804	-	2,992,804	-	2,992,804
Service fees charged to affiliates	240,000	-	240,000	-	240,000
Foundation grants	1,296,494	-	1,296,494	142,119	1,438,613
Special events (net of direct donor benefit expenses of \$173,808)	1,110,766	-	1,110,766	-	1,110,766
In-kind rent and support	152,286	-	152,286	-	152,286
Investment income, net	-	118,813	118,813	-	118,813
Income from beneficial interest in assets held by others	52,449	(52,449)	-	-	-
Rental income	42,525	-	42,525	-	42,525
Other grants and miscellaneous income	34,764	-	34,764	-	34,764
Net assets released from restrictions	429,784	-	429,784	(429,784)	-
Total Operating Revenue and Support	8,299,830	66,364	8,366,194	(283,612)	8,082,582
<b>EXPENSES</b>					
Program services	7,077,875	-	7,077,875	-	7,077,875
Management and general	794,350	-	794,350	-	794,350
Fundraising	515,335	-	515,335	-	515,335
Total Expenses	8,387,560	-	8,387,560	-	8,387,560
Excess (Deficit) of Operating Revenue and Support Over Expenses	(87,730)	66,364	(21,366)	(283,612)	(304,978)
<b>NONOPERATING ACTIVITIES</b>					
Loss on disposal of property and equipment	(68,106)	-	(68,106)	-	(68,106)
Net change in beneficial interest in assets held by others	-	(3,396)	(3,396)	-	(3,396)
Net realized and unrealized gains on investments	-	261,949	261,949	-	261,949
Board authorized transfers	(333,694)	333,694	-	-	-
Total Nonoperating Activities	(401,800)	592,247	190,447	-	190,447
Change in Net Assets	(489,530)	658,611	169,081	(283,612)	(114,531)
<b>NET ASSETS</b>					
Beginning of year	3,376,656	6,767,749	10,144,405	993,526	11,137,931
End of year	\$ 2,887,126	\$ 7,426,360	\$ 10,313,486	\$ 709,914	\$ 11,023,400

See notes to financial statements

**Domus Kids, Inc.**

Statement of Activities

	Year Ended June 30, 2018				
	Without Donor Restrictions			With Donor	
	Programs	Board Designated	Total	Restrictions	Total
<b>REVENUE AND SUPPORT</b>					
Contributions	\$ 2,298,121	\$ -	\$ 2,298,121	\$ 71,079	\$ 2,369,200
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	1,501,133	-	1,501,133	584,981	2,086,114
Special events (net of direct donor benefit expenses of \$151,246)	787,804	-	787,804	-	787,804
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	442,855	-	442,855	(442,855)	-
 Total Operating Revenue and Support	 8,537,712	 58,239	 8,595,951	 213,205	 8,809,156
<b>EXPENSES</b>					
Program services	8,010,216	-	8,010,216	-	8,010,216
Management and general	792,199	-	792,199	-	792,199
Fundraising	528,236	-	528,236	-	528,236
 Total Expenses	 9,330,651	 -	 9,330,651	 -	 9,330,651
 Excess (Deficit) of Operating Revenue and Support Over Expenses	 (792,939)	 58,239	 (734,700)	 213,205	 (521,495)
<b>NONOPERATING ACTIVITIES</b>					
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	 (827,923)	 (486,193)	 (1,314,116)	 213,205	 (1,100,911)
<b>NET ASSETS</b>					
Beginning of year	4,204,579	7,253,942	11,458,521	780,321	12,238,842
End of year	\$ 3,376,656	\$ 6,767,749	\$ 10,144,405	\$ 993,526	\$ 11,137,931

See notes to financial statements

**Domus Kids, Inc.**

Statement of Functional Expenses

Year Ended June 30, 2019								
	Program Services				Support Services			Total Expenses
	School	Out of School	Juvenile Justice	Total Program Services	Management and General	Fundraising	Direct Donor Benefits	
Personnel costs	\$ 2,718,363	\$ 1,240,087	\$ 1,387,828	\$ 5,346,278	\$ 595,780	\$ 400,851	\$ -	\$ 6,342,909
Grants to affiliated schools	160,000	-	-	160,000	-	-	-	160,000
Direct youth services	279,199	169,069	176,035	624,303	-	-	-	624,303
Office expense	124,994	54,063	54,061	233,118	60,777	62,019	-	355,914
Facilities costs	6,282	90,594	125,953	222,829	49,398	42,997	-	315,224
Professional and consulting fees	64,487	36,606	14,510	115,603	54,612	-	10,575	180,790
Venues, food and other event costs	-	-	-	-	-	-	153,632	153,632
Insurance expense	45,604	29,910	28,371	103,885	12,158	8,854	-	124,897
Transportation expenses	53,448	28,612	22,712	104,772	8,486	367	-	113,625
Other program expenses	22,759	25,278	30,673	78,710	-	-	-	78,710
Depreciation and amortization expense	7,902	8,738	37,337	53,977	11,451	-	-	65,428
Staff development expenses	22,491	4,432	7,477	34,400	1,688	247	-	36,335
Entertainment	-	-	-	-	-	-	9,601	9,601
	<u>3,505,529</u>	<u>1,687,389</u>	<u>1,884,957</u>	<u>7,077,875</u>	<u>794,350</u>	<u>515,335</u>	<u>173,808</u>	<u>8,561,368</u>
Less: Direct donor benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,808)</u>	<u>(173,808)</u>
Total Expenses	<u>\$ 3,505,529</u>	<u>\$ 1,687,389</u>	<u>\$ 1,884,957</u>	<u>\$ 7,077,875</u>	<u>\$ 794,350</u>	<u>\$ 515,335</u>	<u>\$ -</u>	<u>\$ 8,387,560</u>

See notes to financial statements

**Domus Kids, Inc.**

Statement of Functional Expenses

	Year Ended June 30, 2018							
	Program Services				Support Services			
	School	Out of School	Juvenile Justice	Total Program Services	Management and General	Fundraising	Direct Donor Benefits	Total Expenses
Personnel costs	\$ 2,573,057	\$ 1,285,515	\$ 1,292,511	\$ 5,151,083	\$ 517,693	\$ 375,984	\$ -	\$ 6,044,760
Grants to affiliated schools	1,185,784	-	-	1,185,784	-	-	-	1,185,784
Direct youth services	257,179	203,884	171,937	633,000	-	-	-	633,000
Professional and consulting fees	296,286	37,253	11,968	345,507	72,290	2,096	7,029	426,922
Office expense	52,268	48,728	24,817	125,813	98,461	74,817	-	299,091
Facilities costs	1,251	88,667	87,374	177,292	48,867	42,107	-	268,266
Venues, food and other event costs	-	-	-	-	-	-	144,217	144,217
Depreciation and amortization expense	10,339	4,200	119,238	133,777	12,068	-	-	145,845
Insurance expense	51,720	33,613	33,132	118,465	16,176	7,093	-	141,734
Transportation expenses	33,827	33,972	18,145	85,944	25,124	1,056	-	112,124
Other program expenses	18,582	10,098	9,984	38,664	-	-	-	38,664
Other fundraising related expenses	-	-	-	-	-	24,866	-	24,866
Staff development expenses	9,017	5,537	333	14,887	1,520	217	-	16,624
	4,489,310	1,751,467	1,769,439	8,010,216	792,199	528,236	151,246	9,481,897
Less: Direct donor benefits	-	-	-	-	-	-	(151,246)	(151,246)
Total Expenses	<u>\$ 4,489,310</u>	<u>\$ 1,751,467</u>	<u>\$ 1,769,439</u>	<u>\$ 8,010,216</u>	<u>\$ 792,199</u>	<u>\$ 528,236</u>	<u>\$ -</u>	<u>\$ 9,330,651</u>

See notes to financial statements



# Domus Kids, Inc.

## Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (114,531)	\$ (1,100,911)
Adjustments to reconcile change in net assets to net cash from operating activities		
Gain in beneficial interest in assets held by others	(13,969)	(149,497)
Change in value of investment in limited partnership	-	87,698
Depreciation and amortization	65,428	145,845
Impairment expense	-	833,902
In-kind donation of equipment	-	(25,565)
Realized and unrealized gains on investments	(261,949)	(203,584)
Loss on disposal of property and equipment	68,106	-
Changes in operating assets and liabilities		
Accounts, grants and other receivables	226,612	546,625
Prepaid expenses	(16,540)	(7,782)
Accounts payable and accrued expenses	73,264	(62,542)
Accrued payroll and related expenses	6,394	1,362
Due to / from affiliates	94,647	87,455
Net Cash from Operating Activities	<u>127,462</u>	<u>153,006</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	758,849	-
Cash paid for property and equipment	(146,858)	(61,313)
Purchase of investments	(70,361)	(88,629)
Net distributions from beneficial interest in assets held by others	<u>52,449</u>	<u>53,384</u>
Net Cash from Investing Activities	<u>594,079</u>	<u>(96,558)</u>
Net Change in Cash and Cash Equivalents	721,541	56,448
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>3,546,964</u>	<u>3,490,516</u>
End of year	<u>\$ 4,268,505</u>	<u>\$ 3,546,964</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Non-Cash Investing Activities		
Original cost basis of disposed property and equipment	\$ 2,171,148	\$ 63,557

See notes to financial statements

## **Domus Kids, Inc.**

### **Notes to Financial Statements June 30, 2019 and 2018**

#### **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:

#### ***School***

**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.

**Domus Knights** – The Domus Knights program was launched in the fall of 2017 to engage disengaged high school youth in intensive interpersonal relationships in order to help them acquire the social and emotional skills, attitudes, and habits needed to graduate high school and be ready, willing, and able to succeed in their post-secondary environment.

**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.

**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.

#### ***Out of School***

**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.

**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.

## **Domus Kids, Inc.**

### **Notes to Financial Statements June 30, 2019 and 2018**

#### **1. Organization (*continued*)**

##### ***Program Services (continued)***

###### ***Out of School (continued)***

***Lion's Den out-of-school-time program*** – 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.

***Summer Camps*** – Summer camps serve 350 youth with recreation and academic enrichment each summer, two camps one at Lockwood Avenue site and one at Chester Addison.

###### ***Juvenile Justice***

***Bridges*** – The Bridges program helps participants transition into adulthood by assisting with independent apartment living in Bridgeport, Norwalk, and Stamford.

***Invictus, pre-release/re-entry program*** – The Invictus, pre-release/re-entry program works with youth six months before released from incarceration and up to a year after to help them prepare for and gain employment, in order to ensure a successful transition back to the community.

***Juvenile Review Board*** – The Juvenile Review Board (JRB) program offers first-time misdemeanor offenders an alternative to the juvenile justice system.

***Lockwood Avenue Community Center*** – In addition to housing Trailblazers, Work & Learn, and Lion's Den, the Lockwood Avenue facility is also a vibrant community center for Stamford's East Side.

***Project New Hope street outreach program*** – The Project New Hope program engages high-risk youth who are on the path to/or are already engaged in violence and/or gang activity.

***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 the Department of Children and Families ("DCF").

***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.

## **Domus Kids, Inc.**

Notes to Financial Statements  
June 30, 2019 and 2018

### **1. Organization (*continued*)**

#### ***Program Services (continued)***

##### ***Juvenile Justice (continued)***

***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.

### **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.

#### ***Change in Accounting Principle***

In 2019, Domus adopted Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Domus has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of Domus' financial statements:

- The temporarily restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

## Domus Kids, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

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

### ***Change in Accounting Principle (continued)***

The changes have the following effect on classes of net assets at June 30, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Net Asset Class		
Unrestricted net assets	\$ 11,165,092	\$ -
Temporarily restricted net assets	1,073,750	-
Net assets without donor restrictions	-	11,458,521
Net assets with donor restrictions	-	780,321
Total Net Assets	<u>\$ 12,238,842</u>	<u>\$ 12,238,842</u>

The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

### ***Net Asset Presentation***

Net assets of Domus are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met. This category may also include amounts designated by the Board of Directors.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of Domus. Certain restrictions may require the assets to be maintained in perpetuity.

### ***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.

### ***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, 2019 and 2018.

## **Domus Kids, Inc.**

Notes to Financial Statements  
June 30, 2019 and 2018

### **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.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at June 30, 2019 and 2018.

*Money market funds:* Valued at the quoted net asset value of shares held by Domus at year end.

*Mutual funds:* Valued at the quoted net asset value of shares reported in the active market in which the funds are traded at year end.

*Corporate bonds:* Valued at the closing price reported on the active market on which the individual securities are traded. If prices in active markets are not available, government obligations and corporate bonds are valued based on yields currently available on comparable securities of issues with similar credit ratings.

#### ***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 7).

## **Domus Kids, Inc.**

Notes to Financial Statements  
June 30, 2019 and 2018

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

#### ***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 net assets without donor restrictions. 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.

#### ***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, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as with donor restrictions. Domus reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### ***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, 2019 and 2018.

## **Domus Kids, Inc.**

Notes to Financial Statements  
June 30, 2019 and 2018

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

#### ***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. There was no impairment expense recorded during the year ended June 30, 2019. Domus recorded impairment expense of \$833,902 during the year ended June 30, 2018 (see Note 9).

#### ***Functional Expenses***

For financial reporting in accordance with GAAP, Domus allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support service are allocated directly according to their natural classifications. Expenses that are common to several functions are allocated based on estimates made by management using a salary-weighted method and/or facility square footage, as applicable. Allocated expenses include personnel costs, direct youth services, professional fees, facilities costs, depreciation and amortization, insurance, other program expenses, transportation, and staff development.

For required reporting to governmental agencies and other grantors, expenses are allocated based on the specific terms of the application regulations and/or grant agreement. These expense allocations may be different than those used in preparing these financial statements.

#### ***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, 2016.

#### ***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.



## Domus Kids, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

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

### ***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 December 6, 2019.

## 3. Liquidity and Availability of Financial Assets

Domus structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage liquidity needs, Domus has a bank line of credit in the amount of \$500,000 and may use the board reserves noted in the table below for operations.

The following table reflects Domus available financial assets at June 30, 2019, which exclude amounts not available for general use within one year. Amounts not available for use within one year include financial assets with donor restrictions as well as amounts set aside by the Board of Directors for operating and other reserves that could be drawn upon if the Board of Directors approves such action.

Cash and cash equivalents	\$ 4,268,505
Accounts, grants and other receivables	568,600
Investments	<u>4,566,644</u>
 Total financial assets available within one year	 9,403,749
 Less amounts unavailable for general expenditures:	
Subject to time and purpose restrictions	(709,914)
Board designated funds	<u>(7,426,360)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	  <u>\$ 1,267,475</u>

## 4. 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 37% and 26% of its revenue and support from government sources for the years ended June 30, 2019 and 2018.

# Domus Kids, Inc.

## Notes to Financial Statements June 30, 2019 and 2018

### 5. 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>2019</u>	<u>2018</u>
Level 1		
U.S. Treasury note	\$ 692,035	\$ 685,671
Money market funds	18,815	119,972
Major index mutual fund	<u>2,813,830</u>	<u>2,408,330</u>
	3,524,680	3,213,973
Level 2		
Corporate bonds	<u>1,024,974</u>	<u>1,003,475</u>
	4,549,654	4,217,448
Cash equivalents	<u>16,990</u>	<u>16,886</u>
Total Investments	<u>\$ 4,566,644</u>	<u>\$ 4,234,334</u>

### 6. 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 2019 and 2018 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, 2019 and 2018 is as follows:

Beginning balance July 1, 2017	\$ 1,593,171
Contributions	-
Distributions	(53,384)
Appreciation and investment income, net of fees	<u>149,497</u>
Ending balance June 30, 2018	1,689,284
Contributions	-
Distributions	(52,449)
Appreciation and investment income, net of fees	<u>13,969</u>
Ending balance June 30, 2019	<u>\$ 1,650,804</u>

## Domus Kids, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

#### 7. 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 had 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, the sales proceeds receivable of \$47,760 is included in accounts, grants and other receivables and was collected in December 2018.

#### 8. Related Party Transactions

##### *Service Agreements and Support*

Domus has separate service agreements with Stamford Academy and Trailblazers Academy (together the "Schools") to provide the Schools with certain administrative and program service support.

Beginning July 1, 2018, the service agreements with the Schools were renewed and fees charged to the Schools for these services were billed at a fixed contractual annual rate of \$120,000. Any changes to the contractual fee would require approval by the respective Schools' Board of Directors. Also beginning July 1, 2018, Domus began to provide certain administrative and program support services in-kind to each of the Schools.

Support provided to the Schools is as follows for the years ended June 30:

	2019	2018
Stamford Academy		
Cash	\$ 160,000	\$ 430,000
In-kind support services	325,000	-
	<u>\$ 485,000</u>	<u>\$ 430,000</u>
Trailblazers Academy		
Cash	\$ -	620,000
In-kind support services	555,000	-
	<u>\$ 555,000</u>	<u>\$ 620,000</u>

The cash amount of the grants to the Schools are included in grants to affiliated schools in the accompanying statements of functional expenses for the years ended June 30, 2019 and 2018.

For the year-ended June 30, 2018, fees for administrative and program service support charged to Stamford Academy and Trailblazers Academy by Domus were \$395,000 and \$558,000. These fees were calculated annually by Domus and approved by the respective Schools' Board of Directors.

## Domus Kids, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

#### 8. Related Party Transactions *(continued)*

##### ***Service Agreements and Support (continued)***

In June 2019, Trailblazers Academy informed Domus that it would be surrendering its charter to operate as a charter school. In September 2019, the State of Connecticut Board of Education approved the charter surrender. Other than settling outstanding amounts due to Trailblazers Academy, Domus has not provided financial support to Trailblazers Academy since June 30, 2019. Domus and Trailblazers Academy are in process of legally terminating the service agreement as Trailblazers Academy winds down operations.

Stamford Academy's service agreement with Domus expires on June 30, 2021.

##### ***Due to / From Affiliates***

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

	2019	2018
	<u>                    </u>	<u>                    </u>
Due (to) from Stamford Academy		
Grant	\$ -	\$ (180,000)
For Services / Shared Services	<u>(147,036)</u>	<u>278,259</u>
	<u>(147,036)</u>	<u>98,259</u>
 Due from (to) Trailblazers Academy		
Grant	-	(370,000)
For Services / Shared Services	<u>(93,875)</u>	<u>125,477</u>
	<u>(93,875)</u>	<u>(244,523)</u>
 Due (to) from Affiliates, net	<u>\$ (240,911)</u>	<u>\$ (146,264)</u>

The grants due to Stamford Academy and Trailblazers Academy that were unpaid at June 30, 2018 were paid during the year ended June 30, 2019.

The amounts due to and due from Stamford Academy and Trailblazers Academy for services/shared services were paid and received subsequent to June 30, 2019 and 2018.

#### 9. Property and Equipment

In December 2018, Domus sold to a third-party certain property that consisted of a building, land and related improvements for gross sale value of \$817,000. In June 2018, Domus had recorded an impairment change in the amount of \$833,902 to write the property down to its net realizable value of \$817,000. Sale proceeds, net of closing costs of \$58,151, of \$758,849 were received by Domus in December 2018.

## Domus Kids, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

#### 9. Property and Equipment (*continued*)

Property and equipment consisted of the following at June 30:

	2019	2018
Building and improvements	\$ 727,749	\$ 1,636,668
Leasehold improvements	160,019	106,158
Furniture and fixtures	145,591	195,411
Vehicles and school bus	423,630	358,634
Computer and office equipment	218,985	218,985
Software	82,754	82,754
Work in progress	28,000	-
	<u>1,786,728</u>	<u>2,598,610</u>
Accumulated depreciation and amortization	<u>(1,250,618)</u>	<u>(1,695,482)</u>
	536,110	903,128
Land	<u>20,000</u>	<u>398,507</u>
Property and Equipment, net	<u>\$ 556,110</u>	<u>\$ 1,301,635</u>

#### 10. 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, 2019 and 2018. The agreement also includes various restrictions and financial covenants of which Domus is in compliance.

#### 11. 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 2019 and 2018. Domus' rent expense under this operating lease totaled \$62,500 and \$62,500 for 2019 and 2018.

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 2019 and 2018. Rent expense under this operating lease totaled \$18,000 and \$18,000 for 2019 and 2018.

## **Domus Kids, Inc.**

### **Notes to Financial Statements June 30, 2019 and 2018**

#### **12. Board Designated Endowment**

Domus has board-designated funds of approximately \$7,426,000 and \$6,768,000 at June 30, 2019 and 2018. The purpose of the board-designated 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, Domus classifies as donor designated endowment funds held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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, 2019 and 2018.

*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.

*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.

# Domus Kids, Inc.

## Notes to Financial Statements June 30, 2019 and 2018

### 13. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Purposes		
Property, buildings, building improvements, and other equipment subject to liens	\$ 285,255	\$ 285,255
Programs		
Reentry programs	228,656	375,000
Lion's Den	142,119	163,023
Chester Addison Community Center	4,518	47,645
Project Hope	-	30,000
Domus House	15,736	18,237
Scholarships	5,229	14,875
Pelican emergency fund	3,691	13,304
The Trafigura Work and Learn Business Center	-	12,396
Holiday Fund	10,938	12,003
Staff wellness	6,284	9,088
Corporate	7,488	7,812
Stone Soup Event	-	4,736
Domus Niner	-	152
Total Net Assets with Donor Restrictions	<u>\$ 709,914</u>	<u>\$ 993,526</u>

Net assets released from donor restrictions consisted of the following during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Programs		
Security and emergency system enhancements	\$ -	\$ 214,657
Lion's Den	163,022	170,616
Reentry programs	146,344	-
Chester Addison Community Center	43,127	22,740
Project Hope	30,000	-
The Trafigura Work and Learn Business Center	12,396	10,000
Scholarships	9,646	-
Pelican emergency fund	9,614	-
Staff wellness	6,857	10,596
Stone Soup Event	4,736	-
Domus Academy, Passages and Domus House	2,500	3,505
Holiday Fund	1,065	5,485
Corporate	325	506
Domus Niner	152	-
Multicultural	-	4,750
Net assets released from restrictions	<u>\$ 429,784</u>	<u>\$ 442,855</u>

## Domus Kids, Inc.

### Notes to Financial Statements June 30, 2019 and 2018

#### 14. In-Kind Rent and Support

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

	2019	2018
Included in Revenue and Support:		
Office space	\$ 80,500	\$ 80,500
Donated supplies	71,786	67,838
Donated vehicle	-	25,565
	<u>\$ 152,286</u>	<u>\$ 173,903</u>
Included in Functional Expenses:		
Facilities costs	\$ 80,500	\$ 80,500
Direct youth services	71,786	67,838
	<u>152,286</u>	<u>148,338</u>
Included in Property and Equipment:		
Vehicles and school bus	-	25,565
	<u>\$ 152,286</u>	<u>\$ 173,903</u>

#### 15. Federal and State of Connecticut Grants

Domus has in prior years received funding from the Federal Government's Community Development Block Grants and the State of Connecticut's DCF Bond Act 99-242 and 01-02, for the purpose of facility building improvements. Liens have been placed on Domus' land and buildings until various ongoing terms and conditions of these grants are fulfilled. Liens expire at various times through 2023.

#### 16. 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 \$117,147 and \$119,019 for the years ended June 30, 2019 and 2018.

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