

Domus Kids, Inc.

Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019 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
February 12, 2021

Domus Kids, Inc.

Statements of Financial Position

| | June 30, | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Cash and cash equivalents | \$ 5,414,977 | \$ 4,268,505 |
| Accounts, grants and other receivables | 405,723 | 568,600 |
| Prepaid expenses | 18,731 | 38,919 |
| Due from affiliates, net | 208,585 | - |
| Investments | 4,834,739 | 4,566,644 |
| Beneficial interest in assets held by others | 1,585,854 | 1,650,804 |
| Property and equipment, net | 600,943 | 556,110 |
| | <u>\$ 13,069,552</u> | <u>\$ 11,649,582</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 299,989 | \$ 208,266 |
| Accrued payroll and related expenses | 259,216 | 177,005 |
| Due to affiliates, net | - | 240,911 |
| Refundable advance | 623,500 | - |
| Total Liabilities | <u>1,182,705</u> | <u>626,182</u> |
| Net Assets | | |
| Without Donor Restrictions | | |
| Undesignated funds | 3,427,416 | 2,887,126 |
| Board designated funds | 7,336,360 | 7,426,360 |
| Total Without Donor Restrictions | 10,763,776 | 10,313,486 |
| With Donor Restrictions | | |
| Restricted for time and purposes | 1,123,071 | 709,914 |
| Total Net Assets | <u>11,886,847</u> | <u>11,023,400</u> |
| | <u>\$ 13,069,552</u> | <u>\$ 11,649,582</u> |

See notes to financial statements

Domus Kids, Inc.

Statement of Activities

| | Year Ended June 30, 2020 | | | | |
|---|----------------------------|---------------------|---------------|--------------|---------------|
| | Without Donor Restrictions | | | With Donor | |
| | Programs | Board Designated | Total | Restrictions | Total |
| REVENUE AND SUPPORT | | | | | |
| Contributions | \$ 2,169,767 | \$ - | \$ 2,169,767 | \$ 186,900 | \$ 2,356,667 |
| Government grants and contracts | 2,603,301 | - | 2,603,301 | | 2,603,301 |
| Service fees charged to affiliates | 123,600 | - | 123,600 | | 123,600 |
| Foundation grants | 1,905,560 | - | 1,905,560 | 625,730 | 2,531,290 |
| Special events (net of direct donor benefit expenses of \$54,495) | 834,760 | - | 834,760 | - | 834,760 |
| In-kind rent and support | 57,381 | - | 57,381 | - | 57,381 |
| Investment income, net | 15,216 | 130,505 | 145,721 | - | 145,721 |
| Income from beneficial interest in assets held by others | 57,769 | (57,769) | - | - | - |
| Rental income | 17,300 | - | 17,300 | - | 17,300 |
| Other grants and miscellaneous income | 58,122 | - | 58,122 | - | 58,122 |
| Net assets released from restrictions | 399,473 | - | 399,473 | (399,473) | - |
| Total Operating Revenue and Support | 8,242,249 | 72,736 | 8,314,985 | 413,157 | 8,728,142 |
| EXPENSES | | | | | |
| Program services | 6,736,709 | - | 6,736,709 | - | 6,736,709 |
| Management and general | 829,159 | - | 829,159 | - | 829,159 |
| Fundraising | 428,322 | - | 428,322 | - | 428,322 |
| Total Expenses | 7,994,190 | - | 7,994,190 | - | 7,994,190 |
| Excess (Deficit) of Operating Revenue and Support Over Expenses | 248,059 | 72,736 | 320,795 | 413,157 | 733,952 |
| NONOPERATING ACTIVITIES | | | | | |
| Net change in beneficial interest in assets held by others | - | (24,333) | (24,333) | - | (24,333) |
| Net realized and unrealized gains on investments | - | 153,828 | 153,828 | - | 153,828 |
| Board authorized transfers | 292,231 | (292,231) | - | - | - |
| Total Nonoperating Activities | 292,231 | (162,736) | 129,495 | - | 129,495 |
| Change in Net Assets | 540,290 | (90,000) | 450,290 | 413,157 | 863,447 |
| NET ASSETS | | | | | |
| Beginning of year | 2,887,126 | 7,426,360 | 10,313,486 | 709,914 | 11,023,400 |
| End of year | \$ 3,427,416 | \$ 7,336,360 | \$ 10,763,776 | \$ 1,123,071 | \$ 11,886,847 |

See notes to financial statements

Domus Kids, Inc.

Statement of Activities

| | Year Ended June 30, 2019 | | | | |
|---|----------------------------|------------------|---------------|---------------|---------------|
| | Without Donor Restrictions | | | With Donor | |
| | Programs | Board Designated | Total | Restrictions | Total |
| REVENUE AND SUPPORT | | | | | |
| 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 |
| EXPENSES | | | | | |
| 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) |
| NONOPERATING ACTIVITIES | | | | | |
| 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) |
| NET ASSETS | | | | | |
| 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 Functional Expenses

Year Ended June 30, 2020

| | Program Services | | | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|------------------------|------------------------|-------------------|-----------------------|---------------------|
| | School | Out of School | Juvenile Justice | Total Program Services | Management and General | Fundraising | Direct Donor Benefits | Total Expenses |
| Personnel costs | \$ 2,971,329 | \$ 860,147 | \$ 927,870 | \$ 4,759,346 | \$ 506,145 | \$ 396,240 | \$ - | \$ 5,661,731 |
| Grants to affiliated schools | 405,975 | - | - | 405,975 | - | - | - | 405,975 |
| Direct youth services | 209,328 | 431,887 | 128,900 | 770,115 | - | - | - | 770,115 |
| Office expense | 103,826 | 32,588 | 28,472 | 164,886 | 98,595 | 25,103 | 8,738 | 297,322 |
| Professional and consulting fees | 129,696 | 42,689 | 34,842 | 207,227 | 75,491 | 300 | 5,550 | 288,568 |
| Facilities costs | 50,596 | 66,931 | 58,913 | 176,440 | 45,951 | 154 | - | 222,545 |
| Insurance expense | 54,154 | 19,247 | 19,146 | 92,547 | 32,564 | 5,834 | - | 130,945 |
| Depreciation and amortization expense | 7,439 | 7,887 | 57,587 | 72,913 | 11,213 | - | - | 84,126 |
| Transportation expenses | 15,101 | 1,841 | 10,172 | 27,114 | 49,880 | 367 | - | 77,361 |
| Other program expenses | 31,742 | 2,792 | 1,669 | 36,203 | 8,132 | 324 | - | 44,659 |
| Venues, food and other event costs | - | - | - | - | - | - | 40,207 | 40,207 |
| Staff development expenses | 17,186 | 3,650 | 3,107 | 23,943 | 1,188 | - | - | 25,131 |
| | 3,996,372 | 1,469,659 | 1,270,678 | 6,736,709 | 829,159 | 428,322 | 54,495 | 8,048,685 |
| Less: Direct donor benefit expenses | - | - | - | - | - | - | (54,495) | (54,495) |
| Total Expenses | <u>\$ 3,996,372</u> | <u>\$ 1,469,659</u> | <u>\$ 1,270,678</u> | <u>\$ 6,736,709</u> | <u>\$ 829,159</u> | <u>\$ 428,322</u> | <u>\$ -</u> | <u>\$ 7,994,190</u> |

See notes to financial statements

Domus Kids, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

| | Program Services | | | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|------------------------|------------------------|-------------------|-----------------------|---------------------|
| | School | Out of School | Juvenile Justice | Total Program Services | Management and General | Fundraising | Direct Donor Benefits | Total Expenses |
| 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 |
| | 3,505,529 | 1,687,389 | 1,884,957 | 7,077,875 | 794,350 | 515,335 | 173,808 | 8,561,368 |
| Less: Direct donor benefit expenses | - | - | - | - | - | - | (173,808) | (173,808) |
| 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.

Statements of Cash Flows

| | Year Ended June 30, | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 863,447 | \$ (114,531) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Gain in beneficial interest in assets held by others | 7,181 | (13,969) |
| Depreciation and amortization | 84,126 | 65,428 |
| Realized and unrealized gains on investments | (153,828) | (261,949) |
| Loss on disposal of property and equipment | - | 68,106 |
| Changes in operating assets and liabilities | | |
| Accounts, grants and other receivables | 162,877 | 226,612 |
| Prepaid expenses | 20,188 | (16,540) |
| Accounts payable and accrued expenses | 91,723 | 73,264 |
| Accrued payroll and related expenses | 82,211 | 6,394 |
| Due to / from affiliates | (449,496) | 94,647 |
| Refundable advance | 623,500 | - |
| Net Cash from Operating Activities | <u>1,331,929</u> | <u>127,462</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of property and equipment | - | 758,849 |
| Cash paid for property and equipment | (128,959) | (146,858) |
| Proceeds from sale and maturities of investments | 200,000 | - |
| Purchase of investments | (314,267) | (70,361) |
| Net distributions from beneficial interest in assets held by others | <u>57,769</u> | <u>52,449</u> |
| Net Cash from Investing Activities | <u>(185,457)</u> | <u>594,079</u> |
| Net Change in Cash and Cash Equivalents | 1,146,472 | 721,541 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>4,268,505</u> | <u>3,546,964</u> |
| End of year | <u>\$ 5,414,977</u> | <u>\$ 4,268,505</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Non-Cash Investing Activities | | |
| Original cost basis of disposed property and equipment | \$ - | \$ 2,171,148 |

See notes to financial statements

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

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, 2020

During the years ended June 30, 2020 and 2019, Domus shared corporate office space, certain management functions and other general and administrative costs and services with the independent charter school Stamford Academy, Inc. ("Stamford Academy"). Stamford Academy shut down operations at the end of the 2019-2020 school year.

During the year ended June 30, 2019, Domus also shared corporate office space, certain management functions and other general and administrative costs and services with the independent charter school Trailblazers Academy, Inc. ("Trailblazers Academy"). Trailblazers Academy shut down operations at the end of the 2018-2019 school year.

Program Services – Domus provides the following services:

School

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

Domus Vikings – The Domus Vikings program was launched in the October 2020 in Stamford, Connecticut at West Hill High School and Stamford High School 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.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization (*continued*)

Program Services (continued)

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

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.

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.

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, 2020 and 2019

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.

Adoption of Accounting Principle

Effective July 1, 2019, the Domus adopted Accounting Standards Update 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Domus recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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, 2020 and 2019.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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.

On the following page 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, 2020 and 2019.

Fair Value Measurements (continued)

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.

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.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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, 2020 and 2019.

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 years ended June 30, 2020 and 2019.

Domus Kids, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Functional Expenses

For financial reporting in accordance with U.S. 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 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, 2017.

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.

Reclassifications

Certain information in the prior year's financial statements has been reclassified to conform to the current year's presentation.

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 February 12, 2021.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 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 may use the board reserves noted in the table below for operations.

The following table reflects Domus available financial assets at June 30, 2020 and 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.

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 5,414,977 | \$ 4,268,505 |
| Accounts, grants and other receivables | 405,723 | 568,600 |
| Investments | <u>4,834,739</u> | <u>4,566,644</u> |
| Total Financial Assets Available Within One Year | 10,655,439 | 9,403,749 |
| Less Amounts Unavailable for General Expenditures: | | |
| Subject to time and purpose restrictions | (1,123,071) | (709,914) |
| Board designated funds | <u>(7,336,360)</u> | <u>(7,426,360)</u> |
| Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 2,196,008</u> | <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 26% and 37% of its revenue and support from government sources for the years ended June 30, 2020 and 2019.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

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>2020</u> | <u>2019</u> |
|-------------------------|---------------------|---------------------|
| Level 1 | | |
| U.S. Treasury note | \$ 691,151 | \$ 692,035 |
| Money market funds | 125,771 | 18,815 |
| Major index mutual fund | <u>3,063,568</u> | <u>2,813,830</u> |
| | 3,880,490 | 3,524,680 |
| Level 2 | | |
| Corporate bonds | <u>940,556</u> | <u>1,024,974</u> |
| | 4,821,046 | 4,549,654 |
| Cash equivalents | <u>13,693</u> | <u>16,990</u> |
| Total Investments | <u>\$ 4,834,739</u> | <u>\$ 4,566,644</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 2020 and 2019 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, 2020 and 2019 is as follows:

| | |
|---|---------------------|
| Beginning balance July 1, 2018 | \$ 1,689,284 |
| Contributions | - |
| Distributions | (52,449) |
| Appreciation and investment income, net of fees | <u>13,969</u> |
| Ending balance June 30, 2019 | 1,650,804 |
| Contributions | - |
| Distributions | (57,769) |
| Appreciation and investment income, net of fees | <u>(7,181)</u> |
| Ending balance June 30, 2020 | <u>\$ 1,585,854</u> |

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

7. Related Party Transactions

Service Agreements and Support

Domus had 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 required 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:

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-------------------|-------------------|
| Stamford Academy | | |
| Cash | \$ 405,975 | \$ 160,000 |
| In-kind support services | <u>300,000</u> | <u>325,000</u> |
| | <u>\$ 705,975</u> | <u>\$ 485,000</u> |
| Trailblazers Academy | | |
| In-kind support services | <u>\$ -</u> | <u>\$ 555,000</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, 2020 and 2019.

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.

In January 2020, Stamford Academy informed Domus that it would be surrendering its charter to operate as a charter school. Stamford Academy is in process of filing its charter surrender with the State of Connection Board of Education.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

7. Related Party Transactions (*continued*)

Due To / From Affiliates

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

| | 2020 | 2019 |
|--|-------------------|---------------------|
| Due from (to) Stamford Academy For Services / Shared Services | \$ 164,511 | \$ (147,036) |
| Due from (to) Trailblazers Academy For Services / Shared Services | 44,074 | (93,875) |
| Due From (To) Affiliates, net | <u>\$ 208,585</u> | <u>\$ (240,911)</u> |

8. Property and Equipment

Property and equipment consisted of the following at June 30:

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Building and improvements | \$ 727,749 | \$ 727,749 |
| Leasehold improvements | 193,918 | 160,019 |
| Furniture and fixtures | 145,591 | 145,591 |
| Vehicles and school bus | 423,630 | 423,630 |
| Computer and office equipment | 218,985 | 218,985 |
| Software | 82,754 | 82,754 |
| Work in progress | 123,060 | 28,000 |
| | 1,915,687 | 1,786,728 |
| Accumulated depreciation and amortization | <u>(1,334,744)</u> | <u>(1,250,618)</u> |
| | 580,943 | 536,110 |
| Land | 20,000 | 20,000 |
| Property and Equipment, net | <u>\$ 600,943</u> | <u>\$ 556,110</u> |

9. Debt

Bank Line of Credit

Domus had an available line of credit of \$500,000 that expired on December 31, 2020. Borrowings were due on demand and were collateralized by substantially all of the assets of Domus. The yearly interest rate was 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, 2020 and 2019. The agreement also included various restrictions and financial covenants of which Domus was in compliance.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

9. Debt (continued)

Paycheck Protection Program Loan

On May 6, 2020, Domus received loan proceeds in the amount of \$1,096,500 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If Domus does not apply for forgiveness, payments begin approximately 16 months after the loan date.

Domus has elected to report the PPP loan proceeds as a conditional grant under requirements contained in ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." Accordingly, Domus recognizes income as the conditions in the PPP are met. For the year ended June 30, 2020, Domus recognized \$473,000 of the PPP loan proceeds as government grant income in the statement of activities. The remaining balance of \$623,500 at June 30, 2020, is reported as refundable advance in the statement of financial position. Although Domus believes it has met all conditions under the PPP loan requirements for the year ended June 30, 2020 to enable it to recognize income through loan forgiveness, the SBA may ultimately determine otherwise and require all or a portion of the PPP loan proceeds to be returned.

10. Leases

Domus and the City of Stamford had an agreement for the lease of a building in Stamford, Connecticut to host Trailblazers Academy and for corporate office space. 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 allowed 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 recorded the estimated fair value of its office space portion of the lease, approximately 5,100 square feet, in the amount of \$62,500 as in-kind rent for 2019.

Following the closure of Trailblazers Academy at the end of fiscal year 2019, the lease agreement was effectively terminated, and Domus was required to pay rent in the amount of \$55,000 for use of the 5,100 square feet office space during the year ended June 30, 2020. While Domus is currently utilizing this corporate office space, there is not a long term agreement in place as of June 30, 2020.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

10. Leases (continued)

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 2020 and 2019. Rent expense under this operating lease totaled \$18,000 and \$18,000 for 2020 and 2019.

11. Board Designated Endowment

Domus has board-designated funds of approximately \$7,336,000 and \$7,426,000 at June 30, 2020 and 2019. 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, 2020 and 2019.

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, 2020 and 2019

12. Net Assets With Donor Restrictions

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

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|-------------------|
| Purposes | | |
| Property, buildings, building improvements, and other equipment subject to liens | \$ 285,255 | \$ 285,255 |
| Programs | | |
| Domus Knights | 450,000 | - |
| Reentry programs | 200,683 | 228,656 |
| COVID-19 Grants | 49,905 | - |
| Holiday Fund | 25,793 | 10,938 |
| Domus House | 15,737 | 15,736 |
| Staff wellness | 13,640 | 6,284 |
| Pelican emergency fund | 8,691 | 3,691 |
| Golf Event | 6,000 | - |
| Chester Addison Community Center | 4,518 | 4,518 |
| Lion's Den | 3,849 | 142,119 |
| Scholarships | - | 5,229 |
| Corporate | - | 7,488 |
| Funds held for future use | 59,000 | - |
| Total Net Assets with Donor Restrictions | <u>\$ 1,123,071</u> | <u>\$ 709,914</u> |

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

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Programs | | |
| Reentry programs | \$ 228,656 | \$ 146,344 |
| Lion's Den | 146,519 | 163,022 |
| Holiday Fund | 10,938 | 1,065 |
| Corporate | 7,487 | 325 |
| Scholarships | 5,229 | 9,646 |
| Staff wellness | 644 | 6,857 |
| Chester Addison Community Center | - | 43,127 |
| Project Hope | - | 30,000 |
| The Trafigura Work and Learn Business Center | - | 12,396 |
| Pelican emergency fund | - | 9,614 |
| Stone Soup Event | - | 4,736 |
| Domus Academy, Passages and Domus House | - | 2,500 |
| Domus Niner | - | 152 |
| Net Assets Released From Restrictions | <u>\$ 399,473</u> | <u>\$ 429,784</u> |

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

13. In-Kind Rent and Support

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

| | 2020 | 2019 |
|----------------------------------|------------------|-------------------|
| Included in Revenue and Support: | | |
| Donated supplies | \$ 39,381 | \$ 71,786 |
| Office space | 18,000 | 80,500 |
| | <u>\$ 57,381</u> | <u>\$ 152,286</u> |
| Included in Functional Expenses: | | |
| Direct youth services | \$ 39,381 | \$ 71,786 |
| Facilities costs | 18,000 | 80,500 |
| | <u>\$ 57,381</u> | <u>\$ 152,286</u> |

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 \$102,978 and \$119,019 for the years ended June 30, 2020 and 2019.

16. COVID-19

The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements were available for issuance. As such, it is uncertain as to the full magnitude that the pandemic will have on Domus' financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, funding sources, operations and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Domus is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Domus Kids, Inc.

Notes to Financial Statements June 30, 2020 and 2019

17. Subsequent Event

On January 29, 2021, Domus was approved for a second draw PPP loan (the "PPP2" loan) in the amount of \$978,500. The PPP2 loan carries interest at 1% and matures on January 29, 2026. All or a portion of the PPP2 loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP2 loan, if any, is payable within five years from the date of the loan. Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If Domus does not apply for forgiveness, payments begin approximately 16 months after the loan date.
