DOMUS FOUNDATION, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

DOMUS FOUNDATION, INC. AND AFFILIATE

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To the Board of Directors Domus Foundation, Inc. and Affiliate Stamford, Connecticut 06902

Independent Auditors' Report

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Domus' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Domus Foundation, Inc. and Affiliate as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-1Blum, Shapiro & Company, P.C.
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In accordance with Government Auditing Standards, we have also issued reports dated December 22, 2009, on our consideration of Domus Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, and Passages, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Blum, Stapino + Company, P.C.

December 22, 2009

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30,

		2009		2008
ASSETS				
Cash and cash equivalents	\$	2,749,893	\$	2,090,055
Accounts receivable, net		21,029		158,675
Grants receivable		221,055		207,798
Prepaid expenses		<i>76,</i> 2 19		52,571
Due from affiliates		43,837		32,971
Beneficial interest in assets held by others		1,012,466		-
Restricted cash		5,604		210,743
Security deposits		24,4 90		9,240
Property and equipment, net		1,047,197		1,011,790
Software, net	_	26,632		
Total assets	\$_	5,228,422	\$	3,773,843
LIABILITIES AND NET AS	SET	S		
Liabilities				
Notes payable	\$	42,925	\$	229,494
Current portion of notes payable	4	186,569	4	20,240
Accounts payable and accrued expenses		109,632		167,749
Accrued payroll and related expenses		170,628		116,856
Total liabilities	_	509,754		534,339
		·	_	·
Net assets				
Unrestricted		1,156,138		749,518
Board designated for future use		140,397		-
Total unrestricted		1,296,535		749,518
Temporarily restricted		2,409,667		2,489,986
Permanently restricted		1,012,466		-
Total net assets		4,718,668	_	3,239,504
Total liabilities and net assets	\$_	5,228,422	\$	3,773,843

The accompanying notes are an integral part of the financial statements

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30,

		Unres	Unrestricted			Temporarily Restricted	Restricted		Permanent	Permanently Restricted		Total	<u>8</u>	
		2009		2008		2009	2008		2009	2008		2009	20	2008
Revenue and support											1]			
Contributions	69	1,349,426	€ A	1,052,577	vs	1,419,122	\$ 1,418,602	\$ 709′	808,199	. ↔	67	3,576,747	61	2,471,179
Governmental grants		2,524,138		2,572,392		•	99	64,798	1	•		2,524,138	ci	2,637,190
Private foundation grants		385,311		407,129		23,667	83	20,931	•	•		408,978		428,060
Donations in-kind		243,941		91,150			13	13,292	t	•		243,941		104,442
Net change in assets held by others		•		1				,	(435)	•		(435)		
Interest income		30,869		55,383		•			1	•		30,869		55,383
Gain on sale of fixed assets		5,200		23,818		1			1	r		5,200		23,818
Net assets released from restrictions		1,318,406		1,194,744		(1,523,108)	(1,194,744)	,744)	204,702	1		•		
Total revenue and support		5,857,291		5,397,193		(80,319)	322	322,879	1,012,466	1	ı İ	6,789,438	5.	5,720,072
Expenses and losses														
Program services		4,528,528		4,271,229					•	,		4,528,528	4,	4,271,229
Management and general		281,360		301,876		•			•	,		281,360		301,876
Development and fundraising	!	500,386		515,321		1				•		500,386		515,321
Total expenses		5,310,274		5,088,426		۱.		 ,	-		i 	5,310,274	ς,	5,088,426
Increase in net assets		547,017		308,767		(80,319)	322	322,879	1,012,466	ı		1,479,164		631,646
Net assets - begining		749,518		440,751		2,489,986	2,167,107	701,	1		ı	3,239,504	6	2,607,858
Net assets «ending	es.	1,296,535	69	749,518	₩.	2,409,667	\$ 2,489,986	\$ 986	1,012,466	- 	ee	4,718,668 \$		3,239,504

The accompanying notes are an integral part of the financial statements

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30,

Cash flows from operating activities		<u>2009</u>		<u>2008</u>
Increase in net assets	\$	1,479,164	\$	631,646
Adjustments to reconcile increase in net assets	Ψ_	1,47 5,104	Ψ	001,010
to net cash from operating activities				
Donated equipment		_		(14,928)
Depreciation and amortization		88,385		85,852
Bad debts		29,210		50,500
Gain on sale of fixed assets		(5,200)		(23,818)
Change in accounts receivable		108,436		(93,935)
Change in grants receivable		(13,257)		(20,665)
Change in prepaid expenses		(23,648)		12,817
Change in due from affiliates		(10,866)		59,423
Change in beneficial interest in assets held		(10,000)		07/±20
by others		(1,012,466)		_
Change in restricted cash		205,139		(79,323)
Change in security deposits		(15,250)		3,425
Change in accounts payable and accrued expenses		(58,117)		(33,399)
Change in accrued payroll and related expenses		53,772		(45,825)
Change in due to affiliates		-		(28,856)
Total adjustments	_	(653,862)	_	(128,732)
Net cash provided by operating activities	_	825,302		502,914
Cash flows from investing activities				
Proceeds from sale of property		5,200		28,000
Capital expenditures		(150,424)		(86,477)
Net cash used in investing activities	_	(145,224)	_	(58,477)
Cash flows from financing activities				
Principal payments on notes payable		(20,240)		(18,981)
Principal payments under capital lease obligation		-		(6,380)
Net cash used in financing activities	_	(20,240)		(25,361)
Net increase in cash and cash equivalents		659,838		419,076
Cash and cash equivalents - beginning	_	2,090,055	_	1,670,979
Cash and cash equivalents - ending	\$_	2,749,893	\$	2,090,055
Cash paid during the year for:				
Interest	\$	19,456	\$	21,462

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30,

										Development	lopm	ent				
	J	Program		Services	_1	Management and General	and	General		and Fundraising	ndra	sing		F	Total	
		2009		2008		2009		2008		2009		2008		2009		2008
Functional expenses	l		l				l				1		l		l	
Personnel costs	€₽	3,103,372	æ	2,899,284	(A)	188,596	₩	175,274	Ø	207,592	69	225,753	49	3,499,560	€9	3,300,311
Bad debts		1		•		29,210		50,500		ı				29,210		50,500
Depreciation and amortization		83,911		82,805		4,474		3,047		1		1		88,385		85,852
Facilities costs		426,445		385,753		5,741		6,558		2,692		45		434,878		392,356
Fundraising		•		•		•		1		258,422		249,968		258,422		249,968
Residential youth support		280,956		341,318		ι		1		•		1		280,956		341,318
Insurance		78,366		92,137		4,374		5,141		t		ı		82,740		97,278
Interest		19,148		18,147		308		3,315		•		•		19,456		21,462
Miscellaneous		12,629		20,311		517		1,101		3,690		4,863		16,836		26,275
Office		107,234		92,518		25,638		25,154		15,465		18,937		148,337		136,609
Other program expenses		125,907		110,109		•		•		6,371		4,505		132,278		114,614
Professional fees		192,900		106,308		20,845		28,873		4,295		8,439		218,040		143,620
Transportation	i	099'/6	ı	122,539	İ	1,657	ı	2,913	١	1,859	[2,811	ı	101,176		128,263
Total	sv]]	4,528,528	(2)	4,271,229	₩	281,360	₩.	301,876	so	500,386	₩.	515,321	€ ₽?	5,310,274	es.	5,088,426

The accompanying notes are an integral part of the consolidated financial statements

Summary of significant accounting policies

Nature of activities – Domus Foundation, Inc. is a non-profit organization serving children and families through a variety of programs within the Fairfield County community.

Passages, Inc. is a not-for-profit organization, which offers transitional residential living for young men ages 16 to 21 in a number of supervised apartments in Stamford, Connecticut. These young men continue their schooling while working with the staff to learn the skills they need to live on their own. Passages, Inc. is funded primarily by the State of Connecticut Department of Children and Families (DCF).

Domus Foundation, Inc. and Affiliate ("Domus") shares corporate office space and other general and administrative costs and services with Trailblazers Academy and Stamford Academy, which are affiliated parties through common management but are governed by separate Boards of Directors.

Principles of consolidation – the consolidated financial statements include the accounts of Domus Foundation, Inc. and Passages, Inc. because Domus Foundation, Inc. has an economic interest in Passages, Inc. and the organizations operate under common management and one Board of Directors. All material transactions between Domus and Passages, Inc. have been eliminated in consolidation.

Basis of accounting – Domus' financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation – as a not-for-profit organization Domus is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets, as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of Domus.

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

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

Summary of significant accounting policies (continued)

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

Accounts receivable – accounts receivable are reported net of an allowance for doubtful accounts. Based on management's assessment of outstanding balances, it has concluded that a reserve of \$-0- and \$50,500 was deemed necessary at June 30, 2009 and 2008, respectively. Accounts receivable balances are written-off when management has concluded that all reasonable methods of collection have been exhausted.

Grants receivable – grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred or revenue otherwise earned. Grants receivable represent unreimbursed expenditures at June 30, 2009 and 2008.

Restricted cash – restricted cash consists of unused funds received from various individuals for specific program or purpose use.

Beneficial interest in funds held by others – beneficial interests in funds held represents the transfer of ownership of funds to a community foundation for investment. This amount and change in interest are recorded as permanently restricted net assets.

Property and equipment – property and equipment are recorded at cost or donated value. Depreciation is provided using the straight-line method based on the following estimated useful lives:

Buildings and improvements	5-27½ years
Leasehold improvements	3-5 years
Furniture and fixtures	5-7 years
Vehicles and school bus	5 years
Office equipment	5 years

Depreciation expense was \$86,821 and \$85,852 for 2009 and 2008, respectively.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. All capital items that have a cost greater than \$5,000 are capitalized and depreciated.

Software – software is recorded at cost, net of previously recorded amortization, and is being amortized on a straight-line basis over its remaining estimated useful lives of three years. Accumulated amortization was \$21,929 and \$20,393 at June 30, 2009 and 2008, respectively, and amortization expense was \$1,564 and \$-0- for 2009 and 2008, respectively.

Summary of significant accounting policies (continued)

Restricted and unrestricted revenue – contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions".

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

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

Donated property and the use of equipment and facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor.

While many individuals volunteer their time and perform a variety of tasks that assist Domus, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

Functional expense allocation – expenses are charged directly to program services, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of Domus.

Advertising - Domus uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs totaled \$639 and \$4,208 during 2009 and 2008, respectively.

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

Summary of significant accounting policies (continued)

Use of estimates in financial statements – the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consist primarily of determination of bad debt allowance on accounts receivable, and in valuing donations in-kind. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

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

Program services

Domus provides the following program services:

- Domus House Domus House provides housing and services for adolescents between the ages of 12 to 18 referred by the DCF. The participants live in a group home and are trained in activities such as life skills, money management, budgeting, and HIV/AIDS prevention, with the goal of integrating themselves back into the community. They also receive group and individual counseling, therapeutic recreation and health care.
- Bridges Bridges provides supervision of adolescents in independent apartment based living situations. These young men and women attend education or vocational programs and work full or part time jobs while living in apartments leased by Domus. A case manager visits each participant several times a week to meet the goal of independent living.
- Crossroads Crossroads provides training in life skills to individuals who are referred by the DCF, Stamford Public Schools and the Probation Department. A non-residential program, the participants meet weekly at Domus and also receive individual counseling on life skills and coping mechanisms that help promote adult independence.
- **Domus Middle School Summer Camp** Domus Middle School Summer Camp provides a free day camp for middle school students within the community who would otherwise be unable to afford a day camp experience.
- Lion's Den The Lion's Den out-of-school-time program is funded through private grants and donations. The students of Trailblazers Academy 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.
- Chester Addison Community Center Program The Chester Addison Community Center Program provides services to residents of Southwood Square and the surrounding Waterside district. The program is funded through private grants and donations. Services include after school, teen, summer, weekend and computer training programs.

Program services (continued)

- **Domus Prison Visitation Program** The Domus 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 DCF.
- **Project Hope** Project Hope is an outreach program intended to reduce youth violence by helping connect disenfranchised or disengaged youth and others to positive activities.
- Juvenile Review Board The Juvenile Review Board provides an opportunity for first-time, misdemeanor juvenile offenders to keep their records clean by working with staff to address the situations that caused them to break the law. This program is operated in partnership with the Stamford Police Department and the Mayor's Youth Services Bureau of Stamford.
- Alternative Roads to Success ARTS (Alternative Roads to Success) is an educational program of the Stamford Public Schools for suspended and excluded youth; Domus family advocates support young people and their families as they work to get back on track.
- *Mentoring* The Mentoring program matches youth with caring citizens who commit to meet with their assigned youth weekly for at least one year. The mentor is a vital non-parental adult resource to the young person, providing valuable advice and guidance as the young person moves through adolescence.

Due from affiliates

Domus had amounts due from its affiliate, Stamford Academy, of \$3,384 and \$14,609 for shared expenses at June 30, 2009 and 2008, respectively.

Domus also had amounts due from its affiliate, Trailblazers Academy, of \$40,453 and \$18,362 for shared expenses at June 30, 2009 and 2008, respectively.

Beneficial interest in assets held by others

On April 2, 2009, Domus transferred ownership of cash in the amount of \$1,012,900 to Fairfield County Community Foundation ("FCCF") to establish a permanent component fund as an endowment. The agreement grants variance power to the FCCF Board of Directors to modify any restrictions or conditions on the distribution of funds. For fiscal years 2010, 2011 and 2012, 5% of the endowment value will be available for distribution to Domus. Beginning in fiscal year 2013, FCCF will distribute an amount consistent with its adopted spending policy. In addition, based on a majority vote of the Domus Executive Committee, recommendations for distributions in excess of the spending policy may be requested to meet working capital, program support and emergency and other unforeseen circumstances, although such recommendations are non-binding on FCCF. As of June 30, 2009, the value of this beneficial interest is \$1,012,466 and has been recorded as permanently restricted net assets.

Property and equipment

Property and equipment consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 40,000	\$ 40,000
Buildings and improvements	1,274,739	1,170,705
Leasehold improvements	57,998	49,070
Furniture and fixtures	35,868	35,868
Vehicles and school bus	166,116	184,417
Office equipment	187,851	187,851
Total property and equipment	1,762,572	1,667,911
Less: accumulated depreciation	(715,375)	(656,121)
Net property and equipment	\$ 1,047,197	\$ 1,011,790

Bank line of credit

Domus, along with its affiliates, Trailblazers and Stamford Academy, had a \$300,000 bank line of credit with Citibank, F.S.B., which was terminated on June 2, 2008. On June 5, 2008, Domus entered into a \$300,000 bank line of credit with Bank of America, N.A., which agreement was amended on January 5, 2009 to also include Trailblazers and Stamford Academy as borrowers. This amended agreement expires on January 5, 2010. Borrowings are due on demand and are collateralized by substantially all of the assets of Domus, Trailblazers and Stamford Academy. Interest on the outstanding balance is due monthly at 1% above the bank prime rate of 3.25% and 5.00% at June 30, 2009 and 2008, respectively. The agreement with Bank of America, N.A., also includes various restrictions and financial covenants. There were no outstanding borrowings on this line of credit at June 30, 2009 and 2008.

Notes payable

Notes payable consist of the following at June 30:

EverHome Mortgage Company - \$65,000 note payable, due July 2022, payable in monthly	<u>2009</u>	<u>2008</u>
installments of \$413, including interest of 6.0% per annum. The note is secured by all assets and equipment of Domus.	\$ 45,073	\$ 47,069
Citimortgage - \$300,000 note payable, due July 2019, payable in monthly installments of \$2,670, including interest at 7.0% per annum. The note is secured by all assets and equipment of Domus. The outstanding balance was paid in full on July 14, 2009 (see		
Subsequent events).	184,421	202,665
Total	\$ 229,494	\$ 249,734

Notes payable (continued)

At June 30, 2009, maturities of notes payable are as follows:

Year ending June 30,

2010	\$ 186,569
2011	2,312
2012	2,489
2013	2,678
2014	2,883
Thereafter	32,563
Total	\$ 229,494

Capital lease obligation

Domus had entered into a capital lease with Tobyne and Company, Inc., for a school bus that expired December 2007. In reflecting this lease in the financial statements, interest was imputed at a rate of 9%. The school bus had a capitalized cost of \$52,276 at June 30, 2007. Accumulated depreciation on this asset was \$39,729 at June 30, 2007. This school bus was sold in June 2008. Proceeds of \$28,000 were received on this sale resulting in a gain of \$23,818.

Donated property and services

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

	<u>2009</u>	<u>2008</u>
Included in revenue and support		
Donated office space	\$ 18,000	\$ 18,000
Donated equipment	-0-	14,928
Donated consulting services	163,945	- 0-
Donated program supplies	61,996	71,514
Total donated in-kind support	\$ 243,941	\$ 104,442
Included in functional expenses		
Facilities costs	\$ 18,000	\$ 18,000
Professional fees	163,945	-0-
Other program expenses	61,996	71,514
Total expenses	\$ 243,941	\$ 104,442

Lease commitments

Domus has a five-year lease for corporate office space that expires in January 2011. Under the terms of this lease, monthly rent expense is \$3,172. Rent expense under this operating lease totaled \$38,069 for 2009 and 2008. This lease was terminated on October 30, 2009 (see *Subsequent events*).

In July 2006, Domus entered into a three-year lease for additional office space. The lease expired in June 2009, and had monthly payments of \$2,099. This lease was not renewed. Rent expense under this operating lease totaled \$25,188 for 2009 and 2008.

Domus has various leases for apartments as part of the Bridges program throughout the City of Stamford, which expire from July 2008 through March 2010. The lease terms are generally for one or two years. Monthly rent payments ranged from \$1,000 to \$1,500. Rent expense under these operating leases totaled \$99,739 and \$71,545 for 2009 and 2008, respectively.

Domus has various noncancellable operating leases for office equipment, which expire from January 2009 through February 2010. Monthly lease payments range from \$136 to \$273. Rent expense under these operating leases total \$12,158 and \$12,019 for 2008 and 2007, respectively.

Domus has a lease with the City of Stamford for additional office space, which expires in June 2010. Lease payments are \$1 per year. Domus has recorded the estimated fair value of this lease of \$18,000 per year as an in-kind donation for 2009 and 2008. Rent expense under this operating lease totaled \$18,000 for 2009 and 2008.

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

Year ending June 30,

2010	\$ 131,232
2011	26,585
2012	9,150
2013	5,354
2014	118
Total	\$ 172,439

Defined contribution retirement plan

Domus maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. All full time employees, who work a minimum of 1,000 hours per year, become eligible to participate following one year of service. Employees may make optional contributions to the plan on a tax deferred basis up to the maximum amount allowed by the Internal Revenue Code. Domus matches up to 2% of each eligible employee's compensation for employees who contributed to the plan. Domus' contributions to the plan were \$28,631 and \$26,606 for 2009 and 2008, respectively.

Restrictions on net assets

Restrictions on net assets are as follows at June 30:

	<u>2009</u>	2008
Temporarily restricted net assets		
Building improvements and other		
equipment subject to liens by grantors	\$ 755 ,2 34	\$ 755,234
Funds available for use in future periods	1,306,444	1,339,784
Operational cash reserves	-0-	204,702
Fixed assets	347,989	190,266
	\$ 2,409,667	\$ 2,489,986

Board designated funds

As of June 30, 2009 and 2008, the Board of Directors has designated \$140,397 and \$-0-, respectively, of unrestricted net assets for future scheduled repairs and maintenance.

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 building until the various ongoing terms and conditions of these grants are fulfilled. All liens expire at various times from 2010 through 2023.

Concentrations of credit risk

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

Domus receives a significant portion of its revenue from the State of Connecticut and the City of Stamford. A significant reduction in the level of this support, if it were to occur, could have a significant effect on Domus' programs.

Subsequent events

On July 1, 2009, Domus and the City of Stamford entered into an agreement for the lease of a building in Stamford, Connecticut to host corporate offices as well as Trailblazers Academy. The lease term is for a five-year period from July 1, 2009 to June 30, 2014, with an option to renew for four consecutive five-year terms. The lease allows Domus and Trailblazers Academy to use approximately 80,500 square feet of space for \$1 per year and for agreeing to pay utility and repairs and maintenance costs. It is estimated that utility and repairs and maintenance costs will increase substantially over amounts incurred currently.

Subsequent events (continued)

On October 30, 2009, Domus was released by its landlord from its future obligations of a five-year lease for corporate office space that expires in January 2011 (see *Lease commitments*) for a payment of \$12,000, which was paid upon the signing of this agreement.

Domus and the Royal Bank of Scotland (RBS) commenced negotiations in early 2009 for the sale of a property in Stamford, Connecticut, which houses the Passages, Inc.'s residential youth program. Domus and RBS have agreed on various terms of this sales agreement and are continuing to negotiate on several outstanding issues. Terms of this agreement call for RBS to make payment on the outstanding mortgage for this property (see *Notes payable*). This mortgage was paid in full on July 14, 2009 by RBS. Additional agreed upon terms require payments for recent capital improvements and also for payments to remove liens associated with capital improvements paid for previously with federal funds (see *Federal and State of Connecticut grants*). A final agreement has not been executed and RBS has placed certain funds into an escrow account related to this sale. It is expected that this agreement will be finalized by December 2009.

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To the Board of Directors
Domus Foundation, Inc.
Stamford, Connecticut 06902

Independent Auditors' Report on Supplementary Information

Our report on our audit of the basic consolidated financial statements of Domus Foundation, Inc. and Affiliate for 2009 appears on page one. That audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating statements of financial position, activities and functional expenses are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

The basic consolidated financial statements of Domus Foundation, Inc. and Affiliate for the year ended June 30, 2008 were audited by other auditors, whose report dated November 7, 2008 expressed an unqualified opinion on those financial statements. Their report, as of the same date, on the consolidating statements of financial position, activities and functional expenses states that, in their opinion, such information was fairly stated in all material respects in relation to the basic consolidated financial statements for the year ended June 30, 2008 taken as a whole.

December 22, 2009

Blum, Shapino + Company, P.C.

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

ASSETS

		Domus			Conso	Consolidating		Cons	Consolidated	נד
	Founda	Foundation, Inc.	Pass	Passages, Inc.	Eim	Eliminations		2009		2008
Cash and cash equivalents	€	1,986,952	6)	762,941	₩	1	69	2,749,893	€9	2,090,055
Accounts receivable, net		21,029		ı				21,029		158,675
Grants receivable		142,590		78,465		•		221,055		207,798
Prepaid expenses		69,499		6,720		•		76,219		52,571
Due from affiliates		43,837		Ē				43,837		32,971
Beneficial interest in assets held by others		1,012,466		ί		ı		1,012,466		t
Restricted cash		39		5,565		,		5,604		210,743
Security deposits		24,490		ŧ		,		24,490		9,240
Property and equipment, net		502,935		544,262		ı		1,047,197		1,011,790
Software, net	ļ	26,632		τ		ι	- 1	26,632	ı	1
Total assets	69	3,830,469	€₽	1,397,953	€6		€9	5,228,422	s/)	3,773,843

See independent auditors' report on supplementary information and accompanying notes to consolidated financial statements

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

LIABILITIES AND NET ASSETS

	Domus		Consolidating	Cons	Consolidated	
	Foundation, Inc.	Passages, Inc.	Eliminations	2009		2008
Liabilities						
Notes payable	\$ 42,925	· (S)	, S	\$ 42,925	↔	229,494
Current portion of notes payable	2,148	184,421	•	186,569		20,240
Accounts payable and accrued expenses	100,681	8,951	•	109,632		167,749
Accrued payroll and related expenses	118,223	52,405	1	170,628		116,856
Total liabilities	263,977	245,777	1	509,754		534,339
Net assets						
Unrestricted	493,870	662,268		1,156,138		749,518
Board designated for future use	140,397	•	t	140,397		ı
Total unrestricted	634,267	662,268		1,296,535		749,518
Temporarily restricted	1,919,759	489,908	1	2,409,667		2,489,986
Permanently restricted	1,012,466	1	t	1,012,466		ı
Total net assets	3,566,492	1,152,176	1	4,718,668		3,239,504
Total liabilities and net assets	\$ 3,830,469	\$ 1,397,953	5	\$ 5,228,422	₩	3,773,843

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDING JUNE 30 2009 WITH COMPARATIVE TOTALS FOR 2008

	Unrestri	ricted	Temporarify	Temporarily Restricted	Permanently Restricted	y Restricted			
	Domus		Domus		Domus		Consolidating	Cons	Consolidated
	Foundation, Inc.	Passages, Inc.	Foundation, inc.	Passages, Inc.	Foundation, Inc.	Passages, Inc.	Eliminations	2009	2008
Revenue and support									
Contributions	\$ 1,349,371	\$ 25	\$ 1,336,622	\$ 82,500	\$ 808,199	(s)	, 50	\$ 3,576,747	\$ 2,471,179
Governmental grants	1,477,588	1,046,550			•	•		2,524,138	2,637,190
Private foundation grants	383,062	2,249	10,500	13,167				408,978	428.060
Donations in-kind	210,053	33,888			•	,		243,941	104,442
Net change in assets held by others		•	•	•	(435)			(435)	! .
Interest income	29,951	918	•	•	•	•	•	30,869	55,383
Gain on sale of fixed assets	5,200	•	•	•	ji)	,	•	5,200	23,818
Net assets released from restrictions	1,302,300	16,106	(1,507,002)	(16,106)	204,702		•		
Total revenue and support	4,757,525	1,099,766	(159,880)	19,561	1,012,466	1		6,789,438	5,720,072
Expenses and losses									
Program services	3,630,348	898,180			•	•		4,528,528	4,271,229
Management and general	234,517	46,843	•	ŧ		•	•	281,360	301,876
Development and fundraising	489,631	10,755	•		•	•		500,386	515,321
Total expenses	4,354,496	955,778			ŧ			5,310,274	5,088,426
Increase (decrease) in net assets	403,029	143,988	(159,880)	79,561	1,012,466		•	1,479,164	631,646
Net assets - beginning	231,238	518,280	2,079,639	410,347	3			3,239,504	2,607,858
Net assets - ending	\$ 634,267	\$ 662,268	\$ 1,919,759	\$ 489,908	\$ 1,012,466	ا دی	t	\$ 4,718,668	\$ 3,239,504

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

					Development	pment				
	Program	Program Services	Management and General	t and General	and Fundraising	draising		CO	Consolidated	
	Domus		Domus		Domus		Consolidating			
	Foundation, Inc.	Foundation, Inc. Passages, Inc.	Foundation, Inc.	Passages, Inc.	Foundation, Inc.	Passages, Inc.	Eliminations	2009	N	2008
Functional expenses										
Personnel costs	\$ 2,428,798	\$ 674,574	\$ 175,525	13,071	\$ 196,837	\$ 10,755	•	\$ 3,499,560	€5 €5	1,300,311
Bad debus	•	1	29,210	•	·	ı	,	29,210		50,500
Depreciation and amortization	46,780	37,131	3,184	1,290	•	•	,	88,385		85,852
Facilities costs	392,159	34,286	5,741	•	2,692	•	•	434,878		392,356
Fundraising	•	•		•	258,422	•	•	258,422	•	249,968
Residential youth support	218,138	62,818		•	•	•	ı	280,956		341,318
Insurance	60,240	18,126	4,028	346	•	2	1	82,740		97,278
Interest	2,986	16,162	•	308	•		•	19,456		21,462
Miscellaneous	12,629	1	517	•	3,690		·	16,836		26,275
Office	81,082	26,152	3,335	22,303	15,465	•	•	148,337	•	136,609
Other program expenses	105,177	20,730	•	•	6,371		•	132,278		114,614
Professional fees	192,900		11,320	9,525	4,295	•		218,040	•	143,620
Transportation	89,459	8,201	1,657		1,859	•		101,176		128,263
Total	\$ 3,630,348	\$ 898,180	\$ 234,517	\$ 46,843	\$ 489,631	\$ 10,755	ري د	\$ 5,310,274	\$ 5,0	5,088,426