JUNE 30, 2011 AND 2010

DOMUS FOUNDATION, INC. AND AFFILIATE

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Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of Domus Foundation, Inc. and Affiliate (Domus) as of June 30, 2011 and 2010, and the related consolidated statements of activities, cash flows and functional expenses for the years 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

December 22, 2011

Blum, Shapino + Company, P.C.

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2011 AND 2010

	2011		2010
ASSETS			
Cash and cash equivalents Accounts receivable	3,053,121 100,250	\$	1,169,196 43,613
Grants receivable Pledges receivable Prepaid expenses Due from affiliates	202,192 25,222 34,285		149,296 164,031 63,217
Beneficial interest in assets held by others Investments Security deposits	9,845 598,489 674,722 14,225		275,667 523,189 637,654 13,625
Deposits on property Property, buildings and equipment, net	2,703,343	_	150,000 1,122,792
Total Assets \$	7,415,694	\$_	4,312,280
LIABILITIES AND NET ASSETS	S		
Liabilities			
Accounts payable and accrued expenses Accrued payroll and related expenses Other liability Due to affiliates Mortgages payable Total liabilities	171,445 66,300 - 490,000 40,613 768,358	\$ 	174,450 112,700 182,701 - 42,925 512,776
Net Assets Unrestricted Temporarily restricted Total net assets	4,380,419 2,266,917 6,647,336	· _	1,209,145 2,590,359 3,799,504
Total Liabilities and Net Assets \$	7,415,694	\$_	4,312,280

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

2011 2010

	=	Unrestricted	Temporarily Restricted	Permanently Restricted		Total	•	Unrestricted		Femporarily Restricted		manently estricted		Total
	-				_		•						_	
Revenue, Support and Other Changes		2 22 7 120	-1.000			2 200 120		1040400		4.54.000				
Contributions	\$	3,225,438	\$ 64,000	\$ -	\$	3,289,438	\$	1,048,192	5	461,928	\$	-	\$	1,510,120
Governmental grants		2,702,338	-	-		2,702,338		2,292,320		-		-		2,292,320
Private foundation grants		1,006,312	151,319	-		1,157,631		670,113		54,000		-		724,113
Donations in-kind		183,837	-	-		183,837		127,363		-		-		127,363
Miscellaneous income		101,186	-	-		101,186		1,050		-		-		1,050
Net change in beneficial interests														
in assets held by others		-	75,300	-		75,300		-		23,377		-		23,377
Investment gains		9,815	37,068	-		46,883		10,137		-		-		10,137
Rental income		39,726	-	-		39,726		-		-		-		-
Net assets released from restrictions	_	651,129	 (651,129)	 -		-		1,371,079		(1,371,079)		-		
Total revenue, support and														
other changes	-	7,919,781	 (323,442)	 -		7,596,339		5,520,254	_	(831,774)		-	_	4,688,480
Expenses														
Program services		6,782,164	-	-		6,782,164		4,933,817		-		-		4,933,817
Management and general		368,313	-	-		368,313		328,643		-		-		328,643
Development and fundraising		416,079	-	-		416,079		345,184		-		-		345,184
Total expenses	-	7,566,556	 -	 -	_	7,566,556		5,607,644		-		-	_	5,607,644
Income (Loss) from Operations		353,225	(323,442)	-		29,783		(87,390)		(831,774)		-		(919,164)
Other Changes in Net Assets														
Gain on sale of property, building and equipment	_	2,818,049	 -	 -	_	2,818,049		-				-	_	-
Increase (Decrease) in Net Assets		3,171,274	(323,442)	-		2,847,832		(87,390)		(831,774)		-		(919,164)
Net Assets - Beginning of Year		1,209,145	2,590,359	-		3,799,504		1,296,535		2,409,667		1,012,466		4,718,668
Reclass for Release of Beneficial Interest in Assets Held by Others	-		 -	 <u>-</u>		-				1,012,466	(1,012,466)	. <u>–</u>	<u>-</u>
Net Assets - End of Year	\$	4,380,419	\$ 2,266,917	\$ -	\$	6,647,336	\$	1,209,145	5 _	2,590,359	\$	-	\$	3,799,504



DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Increase (decrease) in net assets \$	2,847,832 \$	(919,164)
Adjustments to reconcile increase (decrease) in net assets	2,017,032 \$	()1),101)
to net cash provided by (used in) operating activities:		
In-kind donation of securities	(277,802)	(11,659)
Depreciation and amortization	133,357	118,166
Realized and unrealized gains on investments	(27,679)	-
Gain on sale of property, building and equipment	(2,818,049)	_
(Increase) decrease in operating assets:	(2,010,01)	
Accounts receivable	(56,637)	46,175
Grants receivable	(52,896)	3,000
Pledges receivable	138,809	(164,031)
Prepaid expenses	28,932	13,002
Due from affiliates	265,822	(231,830)
Beneficial interest in assets held by others	(75,300)	489,277
Security deposits	(600)	10,865
Increase (decrease) in operating liabilities:	(000)	10,003
Accounts payable and accrued expenses	(3,005)	37,818
Accrued payroll and related expenses	(46,400)	(30,928)
Other liability	(182,701)	182,701
Due to affiliates	490,000	102,701
Net cash provided by (used in) operating activities	363,683	(456,608)
Net easil provided by (used iii) operating activities	303,003	(430,000)
Cash Flows from Investing Activities		
Proceeds from sale of fixed assets	3,277,044	-
Cash outlay for property, buildings, and equipment	(2,022,903)	(317,129)
Purchase of investments	(630,114)	(637,654)
Proceeds from sales of investments	898,527	11,659
Net cash provided by (used in) investing activities	1,522,554	(943,124)
Cook Flores from Financing Activities		
Cash Flows from Financing Activities Principal payments on mortgages payable	(2,312)	(186 560)
	* * *	(186,569)
Net cash used in financing activities	(2,312)	(186,569)
Net Increase (Decrease) in Cash and Cash Equivalents	1,883,925	(1,586,301)
Cash and Cash Equivalents - Beginning of Year	1,169,196	2,755,497
Cash and Cash Equivalents - End of Year \$	3,053,121 \$	1,169,196
Supplemental Cash Flow Information		
Cash paid for interest \$	2,418 \$	3,253

DOMUS FOUNDATION, INC. AND AFFILIATE CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

2011 2010 Development Development General General **Program** and and **Program** and and Services Administrative **Fundraising** Total Services **Administrative Fundraising** Total Personnel costs 4,016,661 \$ 251.843 \$ 255.221 \$ 4,523,725 \$ 3,093,879 \$ 239,154 \$ 215.553 \$ 3,548,586 Grants to schools 960,000 960,000 425,000 425,000 Residential youth support 429,307 429,307 303,111 303,111 Other programs 391,376 607 391.983 226,327 1.517 227,844 Facilities costs 263,886 1,033 264,919 368,505 29,307 397,812 Office 208,909 26,097 19,584 254,590 132,446 25,926 19,968 178,340 Professional fees 192,345 16,026 208,371 80,327 13,783 8,607 102,717 Fundraising 136,762 136,762 98,339 98,339 Depreciation and amortization 128,602 4,755 133,357 111,801 6,365 118,166 Transportation 108,545 3,600 1,955 114,100 94,747 7,058 1,135 102,940 4,505 Insurance 80,115 1,500 86,120 59,817 4,085 63,902 Miscellaneous 60,454 450 60,904 34,604 2,965 65 37,634 Interest 2,418 2,418 3,253 3,253 **Total** 6,782,164 \$ 368,313 \$ 416,079 \$ 7,566,556 \$ 4,933,817 \$ 328,643 \$ 345,184 \$ 5,607,644

NOTE 1 - ORGANIZATION

Domus Foundation, Inc., is a non-profit organization serving children and families through a variety of programs within the Fairfield and New Haven County communities.

Passages, Inc. is a not-for-profit organization that provides housing and services to adolescent males aged 14 to 19 who are placed there by State of Connecticut Department of Children and Families (DCF). The youth live in a group home setting; activities focus on life skills training and educational attainment with the goal of making a successful transition to post-secondary training, education, or the skilled workforce. The youth also receive group and individual counseling, therapeutic recreation and health care.

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

Program Services - Domus provides the following program services:

Domus House - Domus House provides housing and services to adolescent males aged 14 to 19 who are placed there by DCF. The youth live in a group home setting; activities focus on life skills training and educational attainment with the goal of making a successful transition to post-secondary training, education, or the skilled workforce. The youth also receive group and individual counseling, therapeutic recreation and health care.

Bridges - Bridges provides supervision of older youth aged 18 to 23 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. Case managers visit participants several times a week to assist them in their goal of independent living.

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

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.

Prison Visitation Program - The Prison Visitation Program provides transportation to area prisons for relatives and children of prisoners in the criminal justice system. The program is funded by DCF.

Project Hope - Project Hope is an outreach program that aims to reduce youth violence by helping connect disenfranchised or disengaged youth and others to positive activities.

NOTE 1 - ORGANIZATION (Continued)

Juvenile Review Board - The Juvenile Review Board provides an opportunity for first-time, misdemeanor juvenile offenders to clear their criminal records 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.

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.

Future 5 - Future 5 recruits low- to moderate- income high school students in Stamford who need help gaining the knowledge and tools to instill confidence, connections and a plan necessary to transition to post-secondary education, vocational training, or the military.

The Trafigura Work and Learn Business Center - The Trafigura Work and Learn Business Center, collaboration between the Trafigura Foundation, The WorkPlace Inc., and Domus, 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 gang activity and/or homelessness. Businesses include bike repair, small engine repair and woodworking.

Domus Academy - Domus Academy is a New Haven public middle school serving approximately 40 students who have been unsuccessful in a traditional school environment and need a smaller school and individualized attention to meet their full potential. Closely following the successful Domus charter middle school model, Domus Academy offers small classes, free breakfast and lunch, a robust extended day program, and Domus' Family Advocates to help every student thrive socially and emotionally while they catch up academically.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements are presented on a consolidated basis to include the transactions of Domus and its affiliate, Passages, Inc. All material intercompany balances and transactions have been eliminated from the financial statements. The consolidated financial statements of Domus and its affiliate have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Domus and its affiliate are reported in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions that require the principal to be maintained in perpetuity but permit Domus to expend the income earned thereon. Domus did not have any permanently restricted net assets as of June 30, 2011 and 2010.

Measure of Operations - Domus' measure of operations includes all changes in net assets except for the gain on sale of property, building and equipment.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Accordingly, actual results could differ from those estimates. Management has used an estimate primarily in valuing donations in-kind. It is management's opinion that the estimate applied in the accompanying consolidated financial statements is reasonable.

Cash and Cash Equivalents - Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less exclusive of amounts held by brokers, which are considered to be investments.

Accounts Receivable - Accounts receivable are presented net of allowance for doubtful accounts. Uncollectible accounts receivable balances are written off when management determines the probably of collection is remote. Management maintains an allowance for doubtful accounts based on a review of specific accounts and general historical experience. Management has determined that an allowance for doubtful accounts is deemed unnecessary as of June 30, 2011 and 2010.

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 represents unreimbursed expenses at June 30, 2011 and 2010.

Beneficial Interest in Funds Held By Others - Beneficial interests in funds held by others represents amounts held by a community foundation for investment, which are recorded as temporarily restricted net assets.

Investments - Investments in equity securities with readily determinable fair values and investments in debt securities are carried at their fair value in the consolidated statements of financial position. Realized and unrealized gains and losses on these investments are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Buildings and Equipment - Property, buildings 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	5-30 years
Leasehold improvements	Lease term
Furniture and fixtures	5-7 years
Vehicles and school bus	5 years
Computer and office equipment	5 years
Software	3 years

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

Contributions - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. Domus reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Property and Services - Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by 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, most amounts have not been recognized in the accompanying consolidated 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 using reasonable ratios determined by management. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of Domus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status - Domus Foundation, Inc. and Passages, Inc. are exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). Domus Foundation, Inc. and Passages, Inc. informational returns for the years ended June 30, 2008 through June 30, 2011 are subject to examination by the Internal Revenue Service and the State of Connecticut.

Reclassifications - Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's consolidated financial statements.

Subsequent Events - In preparing these consolidated financial statements, management has evaluated subsequent events through December 22, 2011, which represents the date the consolidated financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Domus' financial instruments that are exposed to concentrations of credit risk consist of the following:

Cash and Cash Equivalents - Domus places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that Domus' deposits are not subject to significant credit risk.

Investments - 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.

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

NOTE 4 - CASH FLOWS

Additional Cash Flow Information - Domus received contributions of stock valued at \$277,802 and \$11,659 for the years ended June 30, 2011 and 2010, respectively.

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable consist of receivables due in less than one year. At June 30, 2011 and 2010, pledges receivable were \$25,222 and \$164,031, respectively. Management has determined that an allowance for pledges receivable is not necessary at June 30, 2011 and 2010.

NOTE 6 - DUE FROM AFFILIATES

Domus had amounts due from its affiliate, Stamford Academy, Inc., of \$8,945 and \$153,469 and Trailblazers Academy, Inc., of \$900 and \$122,198 for shared expenses at June 30, 2011 and 2010, respectively.

NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The beneficial interest in assets held by others consists of assets transferred to Fairfield County Community Foundation (FCCF) to establish a long-term investment fund. In accordance with the spending policy of FCCF, 5% of the fund value will be available for distribution to Domus. In addition, the agreement with FCCF allows the Domus Executive Committee to recommend distributions in excess of the spending policy to meet working capital, program support and emergency needs and other unforeseen circumstances.

During the fiscal years ended June 30, 2011 and 2010, Domus requested FCCF to release funds upon request and the Domus Executive Committee voted to approve the withdrawal of \$26,160 and \$512,755, respectively. The value of this beneficial interest was \$598,489 and \$523,189 at June 30, 2011 and 2010, respectively, and is recorded as temporarily restricted net assets.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting standards generally accepted in the United States of America require disclosure of fair value inputs for financial instruments carried at fair value. These standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- **Level 1** Quoted market prices for identical assets on an active market to which an entity has access at the measurement date.
- **Level 2** Inputs and information other than quoted market indices included in Level 1 that are observable for the asset, either directly or indirectly, and Domus has the ability to redeem the asset in the near term subsequent to the measurement date.
- **Level 3** Unobservable inputs for the asset. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available, and Domus does not have the ability to redeem the asset in the near term

The fair values of all investments are determined using quoted prices for identical assets in active markets in which Domus has access (Level 1.)

Investments at June 30, 2011 consist of \$14,978 in money market funds and \$659,744 in a U.S. Treasury note. Investments at June 30, 2010 consist of \$637,654 in money market funds.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fixed-Income - This investment class seeks growth of capital and income through investing in a U.S. Treasury nominal and inflation-indexed bond. The redemption period for this investment is daily.

Investment income for the years ended June 30, 2011 and 2010 consists of the following:

	 2011		2010
Realized and unrealized gains, net Interest income	\$ 27,679 19,204	\$ - —	10,137
Total Investment Gains	\$ 46,883	\$	10,137

The change in unrealized gains relating to investments that are still held at year end is \$29,630 for the year ended June 30, 2011.

NOTE 9 - PROPERTY, BUILDINGS AND EQUIPMENT

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

	_	2011	_	2010
Land	\$	398,507	\$	40,000
Buildings and improvements		2,285,638		1,301,764
Leasehold improvements		57,998		57,998
Furniture and fixtures		195,411		148,016
Vehicles and school bus		166,116		166,116
Computer and office equipment		176,312		187,851
Software		82,754		76,546
		3,362,736	_	1,978,291
Less accumulated depreciation	_	(659,393)	_	(855,499)
Property, Building and Equipment, Net	\$	2,703,343	\$	1,122,792
	_		_	

Depreciation and amortization expense was \$133,357 and \$118,116 for 2011 and 2010, respectively.

On June 1, 2011 Passages, Inc. (Passages) finalized and closed on the sale of a property which housed the Passages residential program to RBS Americas Property Corp (RBS) for \$2.9 million. In addition, RBS agreed to pay an outstanding mortgage on this property, to make payments on behalf of Passages to federal and state agencies to remove liens on the property and to pay an additional \$273,000 for improvements to a new building to house Passages.

As a result, total proceeds received on this sale were \$3,277,044, resulting in a gain on sale of property, building and equipment of \$2,818,049.

NOTE 10 - BANK LINE OF CREDIT

Domus Foundation, Inc., Trailblazers Academy, Inc., and Stamford Academy, Inc., have a \$300,000 bank line of credit with Bank of America, N.A. that expires on December 31, 2011. Borrowings are due on demand and are collateralized by substantially all of the assets of Domus Foundation, Inc., Trailblazers Academy, Inc., and Stamford Academy, Inc. Interest on the outstanding balance is due monthly at 1% above the bank's prime rate of 3.25% at June 30, 2011 and 2010. The agreement with Bank of America, N.A. also includes various restrictions and financial covenants. There were no outstanding borrowings on this line of credit as of June 30, 2011 and 2010.

NOTE 11 - OTHER LIABILITY

During 2009, Passages, Inc. (Passages) and RBS Americas Property Corp. (RBS) entered into an agreement for the sale of a property which houses Passages residential youth program located in Stamford, Connecticut. Under the agreement, RBS agreed to assume responsibility for payments on the outstanding mortgage for this property. The outstanding mortgage of \$182,701 was paid in full on July 14, 2009 by RBS through an escrow account. This amount was due back to RBS in the event the sale was not closed and was recorded as "other liability" as of June 30, 2010. The sale was closed on June 1, 2011 and this amount was released from the escrow account.

NOTE 12 - DUE TO AFFILIATES

Domus owed its affiliates, Stamford Academy, Inc., \$220,000 and \$-0-, respectively, and Trailblazers Academy, Inc., \$270,000 and \$-0-, respectively, for shared contributions as of June 30, 2011 and 2010.

NOTE 13 - MORTGAGE PAYABLE

There is a mortgage payable in the amount of \$65,000 that matures within July 2022. This mortgage is payable in monthly installments of \$384, including an adjustable rate interest of 4.375% per annum. The mortgage is secured by certain assets and equipment of Domus.

Future maturities of mortgages payable at June 30, 2011 are as follows:

Year Ending June 30,

2012	\$ 2,489
2013	2,678
2014	2,883
2015	3,103
2016	3,339
Thereafter	 26,121
Total	\$ 40,613

NOTE 14 - DONATED PROPERTY AND SERVICES

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

	_	2011		2010
Included in revenue and support: Donated office space Donated program supplies	\$	18,000 165,837	\$	18,000 109,363
Total Donated In-Kind Support	\$ <u></u>	183,837	\$ <u></u>	127,363
Included in functional expenses: Facilities costs Other program expenses	\$	18,000 165,837	\$	18,000 109,363
Total Expenses	\$	183,837	\$	127,363

NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or time periods as of June 30, 2011 and 2010:

		2011	 2010
Building improvements and other			
equipment subject to liens	\$	334,477	\$ 755,234
Property, buildings and equipment		346,659	450,487
Funds held for future use		312,570	223,795
Funds for long-term investment	_	1,273,211	1,160,843
Total Temporarily Restricted Net Assets	\$	2,266,917	\$ 2,590,359

NOTE 16 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	 2011		2010
Building improvements and other			
equipment subject to liens	\$ 420,757	\$	-
Property, buildings and equipment	103,828		65,428
Programs	 126,544	_	1,305,651
Net Assets Released From Restrictions	\$ 651,129	_ \$ _	1,371,079

NOTE 17 - 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. Liens expire at various times through 2023.

NOTE 18 - LEASE COMMITMENTS

Domus and the City of Stamford have an agreement for the lease of a building in Stamford, Connecticut to host Trailblazers Academy, Inc., as well as corporate offices of Domus. The lease term is for a five-year period through June 30, 2014, with an option to renew for four consecutive five-year terms. The lease agreement allows Domus and Trailblazers Academy, Inc., to use approximately 80,500 square feet of space for \$1 annually in addition to paying for utilities and repair and maintenance costs.

Domus has an additional 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 per year as an in-kind donation for 2011 and 2010. Rent expense under this operating lease totaled \$18,000 for 2011 and 2010.

Domus has various noncancelable operating leases for office equipment, which expire at various times through August 2013. Monthly lease payments range from \$118 to \$358. Rent expense under these operating leases total \$13,344 and \$13,108 for 2011 and 2010, respectively.

Domus leased apartments in the City of Stamford as part of the Bridges program. Monthly rent payments ranged from \$700 to \$1,500, and the lease terms expired in January 2011. Certain leases were extended on a month-to-month basis after the lease terms ended. Rent expense under these operating leases totaled \$31,256 and \$141,257 for 2011 and 2010, respectively.

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

Year Ending June 30

2012 2013 2014	\$	9,150 5,354 118
Total	\$_	14,622

NOTE 19 - 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 4% of each eligible employee's compensation for employees who contributed to the plan. Domus' contributions to the plan were \$41,960 and \$34,769 for 2011 and 2010, respectively.

NOTE 20 - SUBSEQUENT EVENT

On September 9, 2011, the Board of Directors of Domus Foundation, Inc., approved the merger of Passages, Inc., into Domus Foundation Inc., the surviving entity, to become effective as of September 30, 2011.

Additionally, on September 9, 2011, the Board of Directors of Domus Foundation, Inc., approved a name change of this corporation to Domus Kids, Inc., to be effective as of September 30, 2011.