



## **Stamford Academy, Inc.**

Financial Statements and State Single Audit  
Together With Independent Auditors' Reports

June 30, 2018 and 2017

**Stamford Academy, Inc.**

Financial Statements and State Single Audit  
Together With Independent Auditors' Reports  
June 30, 2018 and 2017

Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	
<b>Financial Statements:</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12
<b>Other Reports and Schedules:</b>	
Schedule of Expenditures of State Financial Assistance	13
Notes to Schedule of Expenditures of State Financial Assistance	14
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act	
Schedule of Findings and Questioned Costs	20 – 22
Appendix A – State Single Audit Corrective Action Plan	23 – 24

## INDEPENDENT AUDITORS' REPORT

### **Board of Directors Stamford Academy, Inc.**

We have audited the accompanying financial statements of Stamford Academy, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. 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. 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 Stamford Academy, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

The financial statements of Stamford Academy, Inc. for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on December 15, 2017.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2019, on our consideration of Stamford Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Stamford Academy, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stamford Academy, Inc.'s internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Stamford, Connecticut  
January 14, 2019

**Stamford Academy, Inc.**

**Statements of Financial Position**

	June 30,	
	2018	2017
<b>ASSETS</b>		
Cash	\$ 554,322	\$ 498,812
Accounts and grants receivable	34,680	9,519
Property and equipment, net	<u>114,891</u>	<u>75,362</u>
	<u>\$ 703,893</u>	<u>\$ 583,693</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 21,544	\$ 20,135
Accrued payroll and related expenses	141,992	99,619
Due to affiliates	<u>212,993</u>	<u>207,554</u>
 Total Liabilities	<u>376,529</u>	<u>327,308</u>
 Net Assets		
Unrestricted	234,689	198,704
Temporarily restricted	<u>92,675</u>	<u>57,681</u>
 Total Net Assets	<u>327,364</u>	<u>256,385</u>
	<u>\$ 703,893</u>	<u>\$ 583,693</u>

See notes to financial statements

**Stamford Academy, Inc.**

Statements of Activities

	Year Ended June 30, 2018			Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>						
Government grants and contracts	\$ 2,361,542	\$ -	\$ 2,361,542	\$ 2,315,317	\$ -	\$ 2,315,317
Contributions	436,620	-	436,620	328,527	-	328,527
In-kind rent and support	212,368	-	212,368	214,993	-	214,993
Foundation grants	77,345	48,113	125,458	53,000	22,265	75,265
Other income	1,550	-	1,550	2,180	-	2,180
Net assets released from restrictions	<u>13,119</u>	<u>(13,119)</u>	<u>-</u>	<u>26,782</u>	<u>(26,782)</u>	<u>-</u>
Total Revenue and Support	<u>3,102,544</u>	<u>34,994</u>	<u>3,137,538</u>	<u>2,940,799</u>	<u>(4,517)</u>	<u>2,936,282</u>
<b>EXPENSES</b>						
Program services	2,782,954	-	2,782,954	2,599,422	-	2,599,422
Management and general	254,963	-	254,963	292,236	-	292,236
Fundraising	<u>28,642</u>	<u>-</u>	<u>28,642</u>	<u>36,690</u>	<u>-</u>	<u>36,690</u>
Total Expenses	<u>3,066,559</u>	<u>-</u>	<u>3,066,559</u>	<u>2,928,348</u>	<u>-</u>	<u>2,928,348</u>
Change in Net Assets	35,985	34,994	70,979	12,451	(4,517)	7,934
<b>NET ASSETS</b>						
Beginning of year	<u>198,704</u>	<u>57,681</u>	<u>256,385</u>	<u>186,253</u>	<u>62,198</u>	<u>248,451</u>
End of year	<u>\$ 234,689</u>	<u>\$ 92,675</u>	<u>\$ 327,364</u>	<u>\$ 198,704</u>	<u>\$ 57,681</u>	<u>\$ 256,385</u>

See notes to financial statements

**Stamford Academy, Inc.**

Statements of Functional Expenses

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Personnel costs	\$ 2,187,787	\$ 214,297	\$ 28,642	\$ 2,430,726	\$ 2,041,758	\$ 248,487	\$ 36,690	\$ 2,326,935
Facilities costs	202,575	22,508	-	225,083	199,065	24,604	-	223,669
Student support services	152,528	-	-	152,528	145,367	-	-	145,367
Professional and consulting fees	58,599	6,511	-	65,110	47,702	5,896	-	53,598
Transportation	64,805	-	-	64,805	55,932	-	-	55,932
Insurance	48,452	5,384	-	53,836	56,337	6,963	-	63,300
Office expenses	42,115	4,679	-	46,794	44,847	5,542	-	50,389
Depreciation and amortization	13,907	1,584	-	15,491	6,227	744	-	6,971
Other program expenses	12,186	-	-	12,186	2,187	-	-	2,187
Total Expenses	<u>\$ 2,782,954</u>	<u>\$ 254,963</u>	<u>\$ 28,642</u>	<u>\$ 3,066,559</u>	<u>\$ 2,599,422</u>	<u>\$ 292,236</u>	<u>\$ 36,690</u>	<u>\$ 2,928,348</u>

See notes to financial statements

**Stamford Academy, Inc.**

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 70,979	\$ 7,934
Adjustments to reconcile change in net assets to net cash from operating activities		
Donated vehicle	(7,000)	(14,625)
Depreciation and amortization	15,491	6,971
Changes in operating assets and liabilities		
Accounts and grants receivable	(25,161)	5,208
Due to/from affiliates	5,439	29,057
Accounts payable and accrued expenses	1,409	4,190
Accrued payroll and related expenses	42,373	(91,605)
Net Cash from Operating Activities	103,530	(52,870)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(48,020)	(15,635)
Net Change in Cash	55,510	(68,505)
<b>CASH</b>		
Beginning of year	498,812	567,317
End of year	\$ 554,322	\$ 498,812
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Non-cash Investing Activities		
Disposal of fully depreciated equipment	\$ 44,023	\$ -

See notes to financial statements



## **Stamford Academy, Inc.**

### **Notes to Financial Statements June 30, 2018 and 2017**

#### **1. Organization**

Stamford Academy, Inc. ("Stamford Academy"), a not-for-profit organization, is recognized by the State of Connecticut as a charter school in accordance with the provisions of Section 10-66bb of the Connecticut General Statutes. Stamford Academy was granted a charter to operate a public high school located in the City of Stamford through June 30, 2019. The mission of Stamford Academy is to create a positive learning environment for students who have been unsuccessful in the traditional public school setting. Stamford Academy pursues this mission by, among other things, lowering class size, lengthening the school day, providing more structure and developing strong relationships with each student and family.

Stamford Academy shares corporate office space and other general and administrative costs and services with Domus Kids, Inc. ("Domus Kids") and Trailblazers Academy, Inc. ("Trailblazers Academy"), which are affiliated through common resources but are each governed by a separate board of directors.

#### **2. Summary of Significant Accounting Policies**

##### ***Basis of Presentation and Use of Estimates***

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

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

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

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 Stamford Academy.

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 Stamford Academy.

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

## **Stamford Academy, Inc.**

### **Notes to Financial Statements June 30, 2018 and 2017**

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

### ***Allowance for Uncollectible Receivables***

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

### ***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 seven years. Purchases or donations of property and equipment of less than \$5,000 are generally expensed.

### ***Contributions***

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

### ***Revenue Recognition***

Stamford Academy recognizes revenue from government grants, which are treated as exchange transactions, in the period in which the services are provided.

### ***Contributed Goods and Services***

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

### ***Impairment or Disposal of Long-lived Assets***

U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. No impairment losses have been recorded to date.

## **Stamford Academy, Inc.**

### **Notes to Financial Statements June 30, 2018 and 2017**

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

### ***Functional Expenses***

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

### ***Accounting for Uncertainty in Income Taxes***

Stamford Academy is generally exempt from income tax under section 501(c)(3) of the U.S. Internal Revenue Code. Stamford Academy recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Stamford Academy had no uncertain tax positions that would require financial statement recognition or disclosure. Stamford Academy is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to July 1, 2015.

### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is January 14, 2019.

## **3. Charter School Renewal Application and Service Agreement**

Stamford Academy is in the process of renewing its charter school application with the State of Connecticut for the fiscal year beginning July 1, 2019. Stamford Academy is also in the process of renewing its service agreement with Domus Kids for the fiscal year beginning July 1, 2019. The draft terms of the new service agreement with Domus Kids calls for Domus Kids to provide in-kind administrative and operating services support to Stamford Academy. Domus Kids will also provide general charter management and oversight services to Stamford Academy for an annual service fee. Stamford Academy estimates that the annual service fee for the fiscal year beginning July 1, 2019 will be \$120,000. Management expects the charter school renewal application and the new service agreement with Domus Kids to be approved in March 2019.

## **4. Concentrations of Credit Risk**

Financial instruments that potentially subject Stamford Academy to significant concentrations of credit risk consist principally of cash. At times, cash balances held at financial institutions may be in excess of federally insured limits. Stamford Academy has not experienced any losses in its cash deposits. For the years ended June 30, 2018 and 2017, the uninsured balances were approximately \$314,400 and \$321,200. The Organization believes it is not exposed to any significant credit risk on its cash balance.

## Stamford Academy, Inc.

### Notes to Financial Statements June 30, 2018 and 2017

#### 4. Concentrations of Credit Risk *(continued)*

Grants from government agencies account for approximately 75% and 79% of total revenue and support for the years ended June 30, 2018 and 2017. As with all government funding, these grants may be subject to reduction or termination in future years. Any significant reduction in these grants could have a negative impact on Stamford Academy's program services.

During the years ended June 30, 2018 and 2017, Domus Kids granted Stamford Academy \$430,000 and \$250,000, which is included in contribution revenue in the accompanying statements of activities. These funds account for approximately 14% and 9% of total revenue and support for the years ended June 30, 2018 and 2017.

#### 5. Due To/From Affiliates

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

	2018	2017
Due from (to) Domus Kids		
Grant	\$ 180,000	\$ 250,000
For shared services	<u>(278,259)</u>	<u>(381,892)</u>
	(98,259)	(131,892)
Due (to) Trailblazers Academy		
For shared services	<u>(114,734)</u>	<u>(75,662)</u>
	<u>\$ (212,993)</u>	<u>\$ (207,554)</u>

The grant due from Domus Kids at June 30, 2018 was received subsequent to June 30, 2018. During the years ended June 30, 2018 and 2017, Domus Kids granted Stamford Academy a total of \$430,000 and \$250,000.

The amounts due to Domus Kids and Trailblazers Academy for shared services were paid subsequent to June 30, 2018 and 2017.

Stamford Academy has a service agreement with Domus Kids that expires on June 30, 2019. Under the service agreement Domus Kids provides Stamford Academy with certain administrative and family advocacy services. The fees for these services charged to Stamford Academy are calculated by Domus Kids and approved by Stamford Academy's Board of Directors on an annual basis at or prior to the start of each fiscal year. Fees charged to Stamford Academy for these services during the years ended June 30, 2018 and 2017 totaled \$395,112 and \$373,303, of which all are included in professional fees and personnel costs in the statements of functional expenses.

**Stamford Academy, Inc.**

**Notes to Financial Statements**  
**June 30, 2018 and 2017**

**6. Property and Equipment**

Property and equipment consist of the following at June 30:

	2018	2017
Leasehold improvements	\$ 55,262	\$ 44,835
Furniture and fixtures	1,028	1,028
Computer equipment	105,694	70,262
Vehicles and school busses	64,125	98,987
Software	34,705	34,705
	260,814	249,817
Accumulated depreciation and amortization	(145,923)	(174,455)
	<u>\$ 114,891</u>	<u>\$ 75,362</u>

**7. Lease Commitments**

Stamford Academy maintains its teaching facility within a facility owned by the City of Stamford and is currently operating on a month-to-month agreement, pending a new lease. The agreement allows Stamford Academy to lease the facility for \$2 per year in addition to paying for its share of the facility's internet access fees. The estimated fair value of this lease has been recorded as in-kind rent of \$200,368 for the years ended June 30, 2018 and 2017.

Stamford Academy had non-cancellable operating leases for office equipment, which expired in 2017.

**8. In-Kind Revenue and Support**

In-kind revenue and support was as follows for the years ended June 30:

	2018	2017
Included in Revenue and Support:		
School space	\$ 200,368	\$ 200,368
Program supplies	5,000	-
Donated vehicle	7,000	14,625
	<u>\$ 212,368</u>	<u>\$ 214,993</u>
Included in Functional Expenses:		
Facilities costs	\$ 200,368	\$ 200,368
Other program expenses	5,000	-
Included in Property and Equipment:		
Vehicles and school busses	7,000	14,625
	<u>\$ 212,368</u>	<u>\$ 214,993</u>

## Stamford Academy, Inc.

### Notes to Financial Statements June 30, 2018 and 2017

#### 9. Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
School bus	\$ 30,104	\$ 35,416
Computer equipment	29,945	-
Doors and windows	26,626	14,765
For use in subsequent fiscal year	<u>6,000</u>	<u>7,500</u>
	<u>\$ 92,675</u>	<u>\$ 57,681</u>

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions for the years ended June 30:

	<u>2018</u>	<u>2017</u>
For use in subsequent fiscal year	\$ 7,500	\$ -
School bus	5,313	5,313
Doors and windows	306	-
Tutoring programs	-	15,437
School programs	<u>-</u>	<u>6,032</u>
	<u>\$ 13,119</u>	<u>\$ 26,782</u>

#### 10. Retirement Plan

The teachers who work for Stamford Academy participate in the State of Connecticut sponsored major employee retirement system, which is administered by the Teachers' Retirement Board. Teachers are required to contribute 7.25% of their annual salary, while the State of Connecticut is required to contribute at an actuarially determined rate, which may be reduced by an act of State Legislature. Administrative costs of the plan are funded by the State of Connecticut. Stamford Academy has no obligation under this plan.

Stamford Academy maintains a defined contribution retirement plan as defined under Section 403(b) of the Internal Revenue Code. All employees over twenty-one 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. Stamford Academy matches up to 4% of each eligible employee's compensation following one year of service for employees who contributed to the plan. Stamford Academy's contributions to the plan were \$32,268 and \$24,270 for the years ended June 30, 2018 and 2017.

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**Stamford Academy, Inc.**

State Single Audit Reports and Schedules

June 30, 2018

**Stamford Academy**

Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2018

<b>State Grantor / Pass-Through Grantor / Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Passed through to Subrecipients</b>	<b>Total State Expenditures</b>
<b>Connecticut Department of Education</b>			
Direct:			
Child Nutrition Program	11000-SDE64000-16211	\$ -	\$ 694
Healthy Foods Initiative	11000-SDE64000-16212	-	1,320
School Breakfast	11000-SDE64000-17046	-	2,894
Pass-Through from:			
City of Stamford:			
Charter Schools	11000-SDE64000-16119	-	1,617,000
Total Expenditures of State Financial Assistance		\$ -	\$ 1,621,908

See independent auditors' report and notes to schedule of expenditures of state financial assistance



## **Stamford Academy, Inc.**

### **Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2018**

#### **1. Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state grant activity of Stamford Academy, Inc. under programs of the State of Connecticut for the year ended June 30, 2018. A department and agency of the State of Connecticut has provided financial assistance through grants and other authorizations in accordance with the general statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of Stamford Academy, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Stamford Academy, Inc.

#### **2. Summary of Significant Accounting Policies**

The accounting policies of Stamford Academy, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The information in the Schedule is presented based on regulations established by the State of Connecticut Office of Policy and Management.

The expenditures reported on the Schedule are presented on the accrual basis of accounting. For cost-reimbursement awards, expenditures have been recognized to the extent of allowable costs incurred. For performance-based awards, expenditures reported represent amounts earned.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditors' report**

**Board of Directors  
Stamford Academy, Inc.**

We have audited, in accordance with the 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, the financial statements of Stamford Academy, Inc. ("Stamford Academy"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Stamford Academy's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stamford Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Stamford Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Stamford Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stamford Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*  
Stamford, Connecticut  
January 14, 2019



**Report on Compliance for Each Major State Program;  
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures  
of State Financial Assistance Required by the State Single Audit Act**

**Independent Auditors' Report**

**Board of Directors  
Stamford Academy, Inc.**

**Report on Compliance for Each Major State Program**

We have audited Stamford Academy, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management *Compliance Supplement* that could have a direct and material effect on each of Stamford Academy, Inc.'s major state program for the year ended June 30, 2018. Stamford Academy, Inc.'s major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Stamford Academy, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Stamford Academy, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Stamford Academy, Inc.'s compliance.

***Opinion on Each Major State Program***

In our opinion, Stamford Academy, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major state program is not modified with respect to these matters.

Stamford Academy, Inc.'s response to the noncompliance findings identified in our audit as items 2018-001 and 2018-002 is described in the accompanying schedule of findings and questioned costs. Stamford Academy, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of Stamford Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stamford Academy, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stamford Academy, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

Stamford Academy, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Stamford Academy, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of Stamford Academy, Inc., as of and for the year ended June 30, 2018 and have issued our report thereon dated January 14, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*PKF O'Connor Davies, LLP*  
Stamford, Connecticut  
January 14, 2019

**Stamford Academy, Inc.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018**

**I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- |   |                   |                            |
|---|-------------------|----------------------------|
| • Material weakness (es) identified?                  | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency (ies) identified?            | <u>      </u> Yes | <u>  X  </u> None reported |
| Noncompliance material to financial statements noted? | <u>      </u> Yes | <u>  X  </u> No            |

*State Financial Assistance*

Internal control over major state programs:

- |  |                   |                             |
|--|-------------------|-----------------------------|
| • Material weakness (es) identified?       | <u>      </u> Yes | <u>  X  </u> No             |
| • Significant deficiency (ies) identified? | <u>  X  </u> Yes  | <u>      </u> None reported |

Type of auditors' report issued on compliance for each major state program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 4-236-24 of the regulations to the State Single Audit Act?

  X   Yes             No

The following schedule reflects the major state program included in the audit:

<b><u>State Grantor and Program</u></b>	<b><u>State Core-CT Number</u></b>	<b><u>Expenditures</u></b>
<u>Connecticut Department of Education:</u>		
Charter Schools	11000-SDE64000-16119	\$1,617,000
• Dollar threshold used to distinguish between type A and type B programs		\$200,000

## **Stamford Academy, Inc.**

### **Schedule of Findings and Questioned Costs (*continued*) Year Ended June 30, 2018**

#### **II. Financial Statement Findings**

- During our audit, we noted no material findings for the year ended June 30, 2018.

#### **III. State Financial Assistance Findings and Questioned Costs**

<b>2018-001</b>	<b>Certifications of Teachers and Administrators</b>
	Connecticut Department of Education Major Program: Charter Schools 11000-SDE64000-16119
<b>Criteria</b>	Stamford Academy, Inc. (the "School") must be in compliance with certain provisions of laws, regulations, contracts and grant agreements. Connecticut General Statutes 10-145 requires that all teachers, supervisors, administrators, special staff members or school superintendent employed by the School possess an appropriate state certificate prior to the first day of employment.
<b>Condition</b>	At the beginning of fiscal year 2018, the School had two teachers and one administrator that did not have the proper certification credentials on day one of employment of the school year. We note that the two teachers received their certification credentials during the 2018 school year.
<b>Context</b>	Two teachers out of sixteen tested and one administrator of the School did not have proper certification credentials prior to their first day of employment.
<b>Effect</b>	While the School funds these positions with non-governmental funds, the State Board of Education may still levy fines or withhold funding.
<b>Cause</b>	Current policies and procedures do not provide adequate oversight of compliance with this regulation.
<b>Repeat Finding</b>	This finding was reported as finding 2017-001 for the year ended June 30, 2017.
<b>Recommendation</b>	We recommend that management establish policies and procedures to ensure that teacher and administrator certification requirements are met.
<b>Management Response and Corrective Action Plan</b>	Within this package, see management's response to the finding and corrective action plan.



**Stamford Academy, Inc.**

Schedule of Findings and Questioned Costs (*continued*)  
Year Ended June 30, 2018

**III. State Financial Assistance Findings and Questioned Costs (*continued*)**

<b>2018-002</b>	<b>Signed Teacher Contracts</b>
	Connecticut Department of Education Major Program: Charter Schools 11000-SDE64000-16119
<b>Criteria</b>	The School is to have an employment agreement with each teacher.
<b>Condition</b>	While the School had an employee agreement with all teachers, one of the agreements was not signed by the teacher.
<b>Context</b>	One teacher out of sixteen tested did not have a signed employment agreement on file.
<b>Effect</b>	The School was not in compliance with the provisions of the Charter Schools grant which could result in negative consequences for the School.
<b>Cause</b>	The School does not have a procedure in place to timely monitor the receipt and filing of signed teacher agreements.
<b>Recommendation</b>	We recommend that management establish a procedure to ensure the timely execution and retention of all employment agreements.
<b>Management Response and Corrective Action Plan</b>	Within this package, see management's response to the finding and corrective action plan.

**IV. Prior Year's Findings**

- Prior year finding 2017-01 is repeated above as 2018-001.

**Stamford Academy, Inc.**

Appendix A – State Single Audit Corrective Action Plan

June 30, 2018

# STAMFORD

229 North Street, Stamford, CT 06901



# ACADEMY

Ph: (203) 324-6300 Fx: (203) 324-6310

January 14, 2019

Stamford Academy, Inc.  
State Single Audit Corrective Action Plan  
For the Fiscal Year Ended June 30, 2018

Office of Policy and Management  
450 Capitol Avenue MS-54MFS  
Hartford, Connecticut 06106-1379  
Municipal Finance Services Unit

Att: William Plummer

## AUDIT FINDINGS

Finding Reference Number: 2018-001

Description of Finding: Two teachers and one administrator did not have proper certification credentials prior to the first day of employment.

Statement of Concurrence or Nonconcurrence: We concur with the finding.

**Corrective Action:** Each year as teachers leave our employment, the Director is responsible to recruit replacements for all authorized teaching positions. Including in that authorization is the requirement that all teachers be certified in the subject area they teach, and that they hold that certificate throughout their employment with Stamford Academy. We attract candidates through a number of sources, including, but not limited to CT. REAP, placement with employment agencies, and attending University sponsored job fairs. In 2017-18 we were unable to find certified teachers in 2 areas. From our applicant pool we hired the best possible candidate; a teacher close to certification in the subject area, and/or a teacher working towards that certification. Once that teacher (the uncertified teacher) has been hired, we must wait 40 days to submit an authorization for a long-term substitute (beyond 40 days), or an ED 175. Therefore, each year whenever we are unable to find and attract a certified teacher in a subject area, we will be out of compliance until we file the ED-175. Such was the case for the two uncertified teachers at Stamford Academy. In addition, the school director was uncertified. She was required to pass the Connecticut Administrator's test and submit an application for a Charter School Educator permit. She completed this process and is now properly certified.

**Name of contact person:** Andrea Weller – Director of Stamford Academy – 203-324-6300 – [aweller@stamfordacademy.org](mailto:aweller@stamfordacademy.org); Michael McGuire – Director of School Support – 203-219-4238 – [mmcguire@trailblazersacademy.org](mailto:mmcguire@trailblazersacademy.org)

**Projected Completion Date:** August 2018

**Finding Reference Number:** 2018-002

**Description of Finding:** For one teacher, an executed employment agreement was not on file.

**Statement of Concurrence or Nonconcurrence:** We concur with the finding.

**Corrective Action:** Employment agreements will be made part of a checklist that will be completed for each employee and will be placed in the employee folder.

**Projected Completion Date:** September 2018

**Name of Contact Person:** Andrea Weller – Director of Stamford Academy – 203-324-6300 – [aweller@stamfordacademy.org](mailto:aweller@stamfordacademy.org); Michael McGuire – Director of School Support – 203-219-4238 – [mmcguire@trailblazersacademy.org](mailto:mmcguire@trailblazersacademy.org)

Sincerely yours,



Andrea Weller  
School Director