



Stamford Academy, Inc.

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

June 30, 2019 and 2018

Stamford Academy, Inc.

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

Board of Directors Stamford Academy, Inc.

We have audited the accompanying financial statements of Stamford Academy, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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, 2019 and 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.

Closure of Stamford Academy, Inc. Following the 2019-2020 School Year

As discussed in Note 11 to the financial statements, the School is closing at the end of the fiscal year 2019-2020 school year and all operations of the School will cease at that point in time. Management's discussion regarding the closing of the School is further detailed in Note 11. Other than writing down property and equipment to expected salvage value, the financial statements do not include any adjustments that might result from the outcome of this matter. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020, 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 28, 2020

Stamford Academy, Inc.

Statements of Financial Position

| | June 30, | |
|---|-------------------|-------------------|
| | 2019 | 2018 |
| ASSETS | | |
| Cash | \$ 167,186 | \$ 554,322 |
| Accounts and grants receivable, net of allowance for doubtful accounts of \$148,979 and \$0 | 22,733 | 34,680 |
| Due from affiliates | 137,508 | - |
| Property and equipment, net | 10,000 | 114,891 |
| | <u>\$ 337,427</u> | <u>\$ 703,893</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 27,373 | \$ 21,544 |
| Accrued payroll and related expenses | 196,757 | 141,992 |
| Due to affiliates | - | 212,993 |
| | <u>224,130</u> | <u>376,529</u> |
| Total Liabilities | | |
| | <u>224,130</u> | <u>376,529</u> |
| Net Assets | | |
| Without donor restrictions | 113,297 | 321,364 |
| With donor restrictions | - | 6,000 |
| | <u>113,297</u> | <u>327,364</u> |
| Total Net Assets | | |
| | <u>\$ 337,427</u> | <u>\$ 703,893</u> |

See notes to financial statements

Stamford Academy, Inc.

Statements of Activities

| | Year Ended June 30, 2019 | | | Year Ended June 30, 2018 | | |
|---------------------------------------|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND SUPPORT | | | | | | |
| Government grants and contracts | \$ 2,539,811 | \$ - | \$ 2,539,811 | \$ 2,361,542 | \$ - | \$ 2,361,542 |
| Contributions | 240,650 | - | 240,650 | 436,620 | - | 436,620 |
| In-kind rent and support | 549,783 | - | 549,783 | 212,368 | - | 212,368 |
| Foundation grants | 68,750 | - | 68,750 | 119,458 | 6,000 | 125,458 |
| Other income | 1,882 | - | 1,882 | 1,550 | - | 1,550 |
| Net assets released from restrictions | <u>6,000</u> | <u>(6,000)</u> | <u>-</u> | <u>7,500</u> | <u>(7,500)</u> | <u>-</u> |
| Total Revenue and Support | <u>3,406,876</u> | <u>(6,000)</u> | <u>3,400,876</u> | <u>3,139,038</u> | <u>(1,500)</u> | <u>3,137,538</u> |
| EXPENSES | | | | | | |
| Program services | 3,233,682 | - | 3,233,682 | 2,703,278 | - | 2,703,278 |
| Management and general | 361,261 | - | 361,261 | 346,424 | - | 346,424 |
| Fundraising | <u>20,000</u> | <u>-</u> | <u>20,000</u> | <u>16,857</u> | <u>-</u> | <u>16,857</u> |
| Total Expenses | <u>3,614,943</u> | <u>-</u> | <u>3,614,943</u> | <u>3,066,559</u> | <u>-</u> | <u>3,066,559</u> |
| Change in Net Assets | (208,067) | (6,000) | (214,067) | 72,479 | (1,500) | 70,979 |
| NET ASSETS | | | | | | |
| Beginning of year | <u>321,364</u> | <u>6,000</u> | <u>327,364</u> | <u>248,885</u> | <u>7,500</u> | <u>256,385</u> |
| End of year | <u>\$ 113,297</u> | <u>\$ -</u> | <u>\$ 113,297</u> | <u>\$ 321,364</u> | <u>\$ 6,000</u> | <u>\$ 327,364</u> |

See notes to financial statements

Stamford Academy, Inc.

Statements of Functional Expenses

| | Year Ended June 30, 2019 | | | | Year Ended June 30, 2018 | | | |
|-------------------------------------|--------------------------|---------------------------|------------------|---------------------|--------------------------|---------------------------|------------------|---------------------|
| | Program Services | Management and General | Fundraising | Total Expenses | Program Services | Management and General | Fundraising | Total Expenses |
| Personnel costs | \$ 2,174,378 | \$ 122,280 | \$ - | \$ 2,296,658 | \$ 2,187,519 | \$ 226,350 | \$ 16,857 | \$ 2,430,726 |
| In-kind services | 200,000 | 105,000 | 20,000 | 325,000 | - | - | - | - |
| In-kind supplies | 24,415 | - | - | 24,415 | - | - | - | - |
| Facilities costs | 223,522 | - | - | 223,522 | 225,083 | - | - | 225,083 |
| Professional and consulting fees | 186,388 | 42,776 | - | 229,164 | 27,346 | 37,764 | - | 65,110 |
| Student support services | 220,840 | - | - | 220,840 | 152,528 | - | - | 152,528 |
| Transportation | 74,251 | - | - | 74,251 | 64,805 | - | - | 64,805 |
| Insurance | - | 62,108 | - | 62,108 | - | 53,836 | - | 53,836 |
| Office expenses | 16,185 | 29,097 | - | 45,282 | 18,320 | 28,474 | - | 46,794 |
| Depreciation and amortization | 104,891 | - | - | 104,891 | 15,491 | - | - | 15,491 |
| Other program expenses | 8,812 | - | - | 8,812 | 12,186 | - | - | 12,186 |
| Total Expenses | <u>\$ 3,233,682</u> | <u>\$ 361,261</u> | <u>\$ 20,000</u> | <u>\$ 3,614,943</u> | <u>\$ 2,703,278</u> | <u>\$ 346,424</u> | <u>\$ 16,857</u> | <u>\$ 3,066,559</u> |

See notes to financial statements

Stamford Academy, Inc.

Statements of Cash Flows

| | Year Ended June 30, | |
|---|---------------------|-------------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (214,067) | \$ 70,979 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Donated vehicle | - | (7,000) |
| Depreciation and amortization | 104,891 | 15,491 |
| Changes in operating assets and liabilities | | |
| Accounts and grants receivable | 11,947 | (25,161) |
| Due to/from affiliates | (350,501) | 5,439 |
| Accounts payable and accrued expenses | 5,829 | 1,409 |
| Accrued payroll and related expenses | <u>54,765</u> | <u>42,373</u> |
| Net Cash from Operating Activities | (387,136) | 103,530 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | <u>-</u> | <u>(48,020)</u> |
| Net Change in Cash | (387,136) | 55,510 |
| CASH | | |
| Beginning of year | <u>554,322</u> | <u>498,812</u> |
| End of year | <u>\$ 167,186</u> | <u>\$ 554,322</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| 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, 2019 and 2018

1. Organization

Stamford Academy, Inc. ("Stamford Academy" or the "School"), 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. 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.

Trailblazers Academy, Inc. surrendered its charter to the Connecticut State Board of Education and ceased operations following the end of the fiscal year 2018-2019 school year.

Stamford Academy had been granted a charter to operate a public high school located in the City of Stamford through June 30, 2021. On January 28, 2020, the Board of Directors of Stamford Academy ratified a resolution that the School will surrender its charter to the Connecticut State Board of Education and cease operations at the end of the 2019-2020 school year. See Note 11 for further details.

2. Summary of Significant Accounting Policies

Change in Accounting Principle

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

- The temporarily restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- Capital assets that were purchased with donor funds that had been classified as temporarily restricted for time and released from restriction as they were depreciated have been reclassified to net assets without donor restriction at the time they were placed into service.

Stamford Academy, Inc.

Notes to Financial Statements June 30, 2019 and 2018

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

Change in Accounting Principle (continued)

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

| | As Originally Presented | After Adoption of ASU 2016-14 |
|---------------------------------------|----------------------------|----------------------------------|
| Net Asset Class | | |
| Unrestricted net assets | \$ 198,704 | \$ - |
| Temporarily restricted net assets | 57,681 | - |
| Net assets without donor restrictions | - | 248,885 |
| Net assets with donor restrictions | - | 7,500 |
| Total Net Assets | <u>\$ 256,385</u> | <u>\$ 256,385</u> |

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 the allocation of certain functional expenses.

Net Assets

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

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

Net Assets With Donor Restrictions – Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

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 recorded an allowance of \$148,979 and \$0 at June 30, 2019 and 2018.

Stamford Academy, Inc.

Notes to Financial Statements June 30, 2019 and 2018

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

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.

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. During the year ended June 30, 2019, the School recorded additional depreciation expense of \$80,434 to write property and equipment down to expected salvage value. See Note 6 and Note 11 for further details. No impairment losses were recorded during the year ended June 30, 2018.

Contributions

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

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

Contributions with donor restrictions that are received and used in the same fiscal period are classified as contributions without donor restrictions.

Revenue Recognition

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

Stamford Academy, Inc.

Notes to Financial Statements June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

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, 2019 and 2018.

Functional Expenses

For financial reporting in accordance with U.S. GAAP, Stamford Academy allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support service are allocated directly according to their natural classifications. Expenses that are common to several functions are allocated based on estimates made by management using a salary-weighted method and/or facility square footage, as applicable. Allocated expenses include personnel costs, in-kind services, professional and consulting fees, and office expenses.

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, 2016.

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 28, 2020.

3. Liquidity and Availability of Financial Assets

Stamford Academy structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The following table reflects Stamford Academy available financial assets at June 30, 2019:

| | |
|---|-----------------------|
| Cash and cash equivalents | \$ 167,186 |
| Accounts and grants receivable | 22,733 |
| Due from affiliates | <u>137,508</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 327,427</u> |

Stamford Academy, Inc.

Notes to Financial Statements June 30, 2019 and 2018

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.

A significant portion of Stamford Academy's support and revenue is derived from government sources. As with all government funding, this funding may be subject to reduction or termination in future years. Any significant reduction in these grants could have a negative impact on Stamford Academy's program services. Grants from government agencies account for approximately 75% of total revenue and support for the years ended June 30, 2019 and 2018.

During the years ended June 30, 2019 and 2018, Domus Kids provided cash grants and in-kind support to Stamford Academy in the amount of \$485,000 and \$430,000. These funds account for approximately 14% of total revenue and support for the years ended June 30, 2019 and 2018. See Note 5 for further details.

5. Due To/From Affiliates

Stamford Academy has a service agreement with Domus Kids which provides Stamford Academy with certain administrative and program service support. Beginning July 1, 2018, the service agreement with Domus Kids was renewed and fees charged to Stamford Academy were billed at a fixed contractual annual rate of \$120,000. Any changes to the contractual fee would require approval by the Board of Directors. Also beginning July 1, 2018, Domus Kids began to provide certain administrative and program support services in-kind to Stamford Academy. In connection with the pending closing of the School after the fiscal year 2019-2020 school year, the service agreement with Domus Kids will be terminated.

For the year ended June 30, 2018, fees for administrative and program service support charged to Stamford Academy by Domus Kids were \$395,000, all of which are included in professional fees and personnel costs in the statements of functional expenses.

Support provided to Stamford Academy from Domus Kids was as follows for the years ended June 30:

| | 2019 | 2018 |
|--------------------------|-------------------|-------------------|
| Cash grants | \$ 160,000 | \$ 430,000 |
| In-kind support services | 325,000 | - |
| | <u>\$ 485,000</u> | <u>\$ 430,000</u> |

The cash amount of the grant is included in contributions in the accompanying statements of activities for the years ended June 30, 2019 and 2018. The in-kind support services are included in in-kind rent and support in the accompanying statements of activities for the year ended June 30, 2019.

Stamford Academy, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

5. Due To/From Affiliates (continued)

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

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-------------------|---------------------|
| Due from (to) Domus Kids | | |
| Grant | \$ - | \$ 180,000 |
| For shared services | <u>147,036</u> | <u>(278,259)</u> |
| | 147,036 | (98,259) |
| Due (to) Trailblazers Academy | | |
| For shared services | <u>(9,528)</u> | <u>(114,734)</u> |
| | <u>\$ 137,508</u> | <u>\$ (212,993)</u> |

The grant due from Domus Kids at June 30, 2018 was paid during the year ended June 30, 2019. The amounts due to Domus Kids and Trailblazers Academy for shared services were paid subsequent to June 30, 2019 and 2018.

6. Property and Equipment

Property and equipment consisted of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|---|------------------|-------------------|
| Leasehold improvements | \$ 55,262 | \$ 55,262 |
| Furniture and fixtures | 1,028 | 1,028 |
| Computer equipment | 105,694 | 105,694 |
| Vehicles and school busses | 64,125 | 64,125 |
| Software | <u>34,705</u> | <u>34,705</u> |
| | 260,814 | 260,814 |
| Accumulated depreciation and amortization | <u>(250,814)</u> | <u>(145,923)</u> |
| | <u>\$ 10,000</u> | <u>\$ 114,891</u> |

As a result of the pending closure of the School described in Note 11, the School recorded an additional \$80,434 in depreciation expense to reflect property and equipment at expected salvage value.

Stamford Academy, Inc.

Notes to Financial Statements June 30, 2019 and 2018

7. In-Kind Revenue and Support

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

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|-------------------|-------------------|
| Included in Revenue and Support: | | |
| School space | \$ 200,368 | \$ 200,368 |
| Administrative and program fees | 325,000 | - |
| Program supplies | 24,415 | 5,000 |
| Donated vehicle | - | 7,000 |
| | <u>\$ 549,783</u> | <u>\$ 212,368</u> |
| Included in Functional Expenses: | | |
| Facilities costs | \$ 200,368 | \$ 200,368 |
| In-kind services | 325,000 | - |
| In-kind supplies | 24,415 | - |
| Other program expenses | - | 5,000 |
| Included in Property and Equipment: | | |
| Vehicles and school busses | - | 7,000 |
| | <u>\$ 549,783</u> | <u>\$ 212,368</u> |

8. Net Assets With Donor Restrictions

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

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-------------|-----------------|
| For use in subsequent fiscal year | <u>\$ -</u> | <u>\$ 6,000</u> |

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

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-----------------|-----------------|
| For use in subsequent fiscal year | <u>\$ 6,000</u> | <u>\$ 7,500</u> |

9. 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, 2019 and 2018.

Stamford Academy, Inc.

Notes to Financial Statements June 30, 2019 and 2018

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 \$29,427 and \$32,268 for the years ended June 30, 2019 and 2018.

11. Subsequent Event

Due to significant budgetary constraints expected for the fiscal year 2020-2021 school year, the School determined that it will not be able to operate beyond the fiscal year 2019-2020 school year. On January 28, 2020, the Board of Directors of Stamford Academy ratified a resolution that the School will surrender its charter to the Connecticut State Board of Education and cease operations at the end of the 2019-2020 school year. Stamford Academy has committed to supporting the successful transition of all of its students. Other than writing down property and equipment to expected salvage value, these financial statements do not include any adjustments that might result from the outcome of this matter.

Stamford Academy, Inc.

State Single Audit Reports and Schedules

June 30, 2019

Stamford Academy, Inc.

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2019

| State Grantor / Pass-Through Grantor / Program Title | State Grant Program Core-CT Number | Provided to Subrecipients | Total State Expenditures |
|---|---|--------------------------------------|---|
| Connecticut Department of Education | | | |
| Direct: | | | |
| Child Nutrition Program | 11000-SDE64000-16211 | \$ - | \$ 656 |
| Healthy Foods Initiative | 11000-SDE64000-16212 | - | 1,249 |
| School Breakfast | 11000-SDE64000-17046 | - | 2,898 |
| Talent Development - TEAM | 11000-12552-84131-2019 | | 2,273 |
| Pass-Through from City of Stamford | | | |
| Charter Schools | 11000-SDE64000-16119 | - | 1,665,000 |
| Total Expenditures of State Financial Assistance | | \$ - | \$ 1,672,076 |

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, 2019

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of Stamford Academy, Inc. ("Stamford Academy") under programs of the State of Connecticut for the year ended June 30, 2019. The State of Connecticut Department of Education provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs that Stamford Academy administers.

The accounting policies of the Stamford Academy conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**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, 2019, 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 28, 2020.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Stamford, Connecticut
January 28, 2020

**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 *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on Stamford Academy, Inc.'s major state program for the year ended June 30, 2019. 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 Stamford Academy, Inc.'s major state program 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 its major state program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclose an instance of noncompliance, which is required to be reported in accordance with the State Single Audit Act and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on the major state program is not modified with respect to this matter.

Stamford Academy, Inc.'s response to the noncompliance finding 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.

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 the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

Stamford Academy, Inc.'s response to the internal control over compliance finding 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, 2019 and have issued our report thereon dated January 28, 2020, 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 28, 2020

Stamford Academy, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

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? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

State Financial Assistance

Internal control over major state programs:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☒ Yes ☐ 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?

☒ Yes ☐ No

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

| State Grantor and Program | State Core-CT Number | Expenditures |
|---|---------------------------------|---------------------|
| <u>Connecticut Department of Education:</u> | | |
| Charter Schools | 11000-SDE64000-16119 | \$1,665,000 |
| • 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, 2019

II. Financial Statement Findings

- During our audit, we noted no material findings for the year ended June 30, 2019.

III. State Financial Assistance Findings and Questioned Costs

| | |
|---|---|
| 2019-001 | Certifications of Teachers and Administrators |
| | Connecticut Department of Education Major Program: Charter Schools 11000-SDE64000-16119 |
| Criteria | Stamford Academy, Inc. (the "School") must be in compliance with certain provisions of laws, regulations, contracts and grant agreements. Connecticut charter school law requires that certain staff members, including teachers and administrators, employed by the School possess an appropriate teaching or administrative certificate prior to the first day of employment. |
| Condition | At the beginning of fiscal year 2019, the School had three teachers that did not have the proper certification credentials on day one of employment of the school year. We note that two of the teachers received their certification credentials during the 2019 school year. |
| Context | Three teachers out of eighteen tested did not have proper certification credentials prior to their first day of employment. |
| Effect | While the School funds these positions with non-governmental funds, the State Board of Education may still levy fines or withhold funding. |
| Cause | Current policies and procedures do not provide adequate oversight of compliance with this regulation. |
| Repeat Finding | This finding was reported as finding 2018-001 for the year ended June 30, 2018. |
| Recommendation | We recommend that management establish policies and procedures to ensure that teacher and administrator certification requirements are met. |
| Management Response and Corrective Action Plan | Within this package in Appendix A, see management's response to the finding and corrective action plan. |

III. Prior Year's Findings

- Prior year finding 2018-001 is repeated above as 2019-001.

Stamford Academy, Inc.

Appendix A – State Single Audit Corrective Action Plan

June 30, 2019

STAMFORD

229 North Street, Stamford, CT 06901



ACADEMY

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

January 28, 2020

Stamford Academy, Inc.
State Single Audit Corrective Action Plan
For the Fiscal Year Ended June 30, 2019

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: **2019-001**

Description of Finding: Three teachers 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: We worked hard to comply with having all staff with proper certification prior to the first day of employment. All three staff had long term substitute certifications for the duration of the school year. Two of the staff were certified with proper credentials by the end of the school year. No further action to be taken. School is closing after FY20 school year.

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

Projected Completion Date: N/A.

Sincerely yours,

Andrea Weller
School Director