

**TRAILBLAZERS ACADEMY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

# TRAILBLAZERS ACADEMY

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**To the Board of Directors  
Trailblazers Academy  
Stamford, Connecticut 06902**

## **Independent Auditors' Report**

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

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

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

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In accordance with Government Auditing Standards, we have also issued a report dated December 22, 2009, on our consideration of Trailblazers' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Blum, Shapiro & Company, P.C.*

December 22, 2009

**TRAILBLAZERS ACADEMY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30,**

**ASSETS**

	<u><b>2009</b></u>	<u><b>2008</b></u>
Cash and cash equivalents	\$ 457,373	\$ 411,910
Grants receivable	26,363	49,784
Prepaid expenses	21,281	27,608
Unconditional promises to give	-	275,000
Property and equipment, net	38,068	38,709
Software, net	12,063	3,446
	<u>555,148</u>	<u>806,457</u>
<b>Total assets</b>	<b>\$ <u>555,148</u></b>	<b>\$ <u>806,457</u></b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 55,277	\$ 74,487
Accrued payroll and related expenses	169,253	144,313
Due to affiliates	40,454	18,362
<b>Total liabilities</b>	<u>264,984</u>	<u>237,162</u>
<b>Net assets</b>		
Unrestricted net assets	115,219	198,364
Temporarily restricted	174,945	370,931
<b>Total net assets</b>	<u>290,164</u>	<u>569,295</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>555,148</u></b>	<b>\$ <u>806,457</u></b>

The accompanying notes are an integral part of the financial statements

**TRAILBLAZERS ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

	Unrestricted		Temporarily Restricted		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenue, support and other changes</b>						
Contributions	\$ 185,439	\$ 138,086	\$ 8,200	\$ 370,931	\$ 193,639	\$ 509,017
Governmental grants	2,333,563	2,166,522	-	-	2,333,563	2,166,522
Private foundation grants	-	214,205	-	-	-	214,205
Donations in-kind	464,824	382,933	-	-	464,824	382,933
Other income	997	29,536	-	-	997	29,536
Interest income	8,492	1,614	-	-	8,492	1,614
Net assets released from restrictions	204,186	45,000	(204,186)	(45,000)	-	-
<b>Total revenue, support and other changes</b>	<b>3,197,501</b>	<b>2,977,896</b>	<b>(195,986)</b>	<b>325,931</b>	<b>3,001,515</b>	<b>3,303,827</b>
<b>Expenses and losses</b>						
Program services	2,994,983	2,732,956	-	-	2,994,983	2,732,956
Management and general	269,853	202,497	-	-	269,853	202,497
Development and fundraising	15,810	11,544	-	-	15,810	11,544
<b>Total expenses and losses</b>	<b>3,280,646</b>	<b>2,946,997</b>	<b>-</b>	<b>-</b>	<b>3,280,646</b>	<b>2,946,997</b>
<b>Increase (decrease) in net assets</b>	<b>(83,145)</b>	<b>30,899</b>	<b>(195,986)</b>	<b>325,931</b>	<b>(279,131)</b>	<b>356,830</b>
Net assets - beginning	198,364	167,465	370,931	45,000	569,295	212,465
<b>Net assets - ending</b>	<b>\$ 115,219</b>	<b>\$ 198,364</b>	<b>\$ 174,945</b>	<b>\$ 370,931</b>	<b>\$ 290,164</b>	<b>\$ 569,295</b>

The accompanying notes are an integral part of the financial statements

**TRAILBLAZERS ACADEMY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,**

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ <u>(279,131)</u>	\$ <u>356,830</u>
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities		
Depreciation and amortization	15,257	12,872
Change in grants receivable	23,421	(20,635)
Change in prepaid expenses	6,327	(11,046)
Change in due from affiliates	-	28,856
Change in unconditional promise to give	275,000	(275,000)
Change in accounts payable and accrued expenses	(19,210)	50,355
Change in accrued payroll and related expenses	24,940	18,078
Change in refundable advance	-	(7,028)
Change in due to affiliates	22,092	(42,991)
<b>Total adjustments</b>	<u>347,827</u>	<u>(246,539)</u>
<b>Net cash provided by operating activities</b>	<u>68,696</u>	<u>110,291</u>
 <b>Cash flows from investing activities</b>		
Capital expenditures	<u>(23,233)</u>	<u>(20,931)</u>
<b>Net cash used in investing activities</b>	<u>(23,233)</u>	<u>(20,931)</u>
 <b>Net increase in cash and cash equivalents</b>	<b>45,463</b>	<b>89,360</b>
 Cash and cash equivalents, beginning	<u>411,910</u>	<u>322,550</u>
 <b>Cash and cash equivalents, ending</b>	<b>\$ <u><u>457,373</u></u></b>	<b>\$ <u><u>411,910</u></u></b>

The accompanying notes are an integral part of the financial statements

**TRAILBLAZERS ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30,**

	Program Services		Management and General		Development and Fundraising		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Functional expenses</b>								
Personnel costs	\$ 2,261,982	\$ 1,949,114	\$ 218,288	\$ 160,063	\$ 15,810	\$ 11,544	\$ 2,496,080	\$ 2,120,721
Depreciation and amortization	13,923	11,900	1,334	972	-	-	15,257	12,872
Facilities costs	244,741	267,409	23,454	21,831	-	-	268,195	289,240
Insurance	94,299	52,935	9,037	4,321	-	-	103,336	57,256
Office	52,360	40,543	5,040	3,310	-	-	57,400	43,853
Other program expenses	9,770	16,942	-	-	-	-	9,770	16,942
Professional fees	109,453	51,730	12,700	12,000	-	-	122,153	63,730
Student support services	199,787	329,502	-	-	-	-	199,787	329,502
Transportation	8,668	12,881	-	-	-	-	8,668	12,881
<b>Total</b>	<b>\$ 2,994,983</b>	<b>\$ 2,732,956</b>	<b>\$ 269,853</b>	<b>\$ 202,497</b>	<b>\$ 15,810</b>	<b>\$ 11,544</b>	<b>\$ 3,280,646</b>	<b>\$ 2,946,997</b>

The accompanying notes are an integral part of the financial statements



**TRAILBLAZERS ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Summary of significant accounting policies**

*Nature of activities* - Trailblazers Academy ("Trailblazers"), a not-for-profit organization, is recognized by the State of Connecticut as an independent charter school in accordance with the provisions of Section 10-66bb of the Connecticut General Statutes. Trailblazers, which was granted a charter to operate a public school located in the City of Stamford through June 30, 2012. The mission of Trailblazers is to create a positive learning environment for students who have been unsuccessful in the traditional public school setting. Trailblazers 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.

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

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

*Basis of presentation* - Trailblazers reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets, as follows:

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

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

**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 Trailblazers.

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

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

**TRAILBLAZERS ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Summary of significant accounting policies (continued)**

*Promises to give* - unconditional promises to give are recorded as revenue when the promise is deemed to be unconditional. Accordingly, conditional promises to give are recognized as revenue only when the conditions on which they depend are substantially met and the promises become unconditional, or the contributions are received. Promises to give are recorded at net realizable value if expected to be collected within one year, and at net present value if expected to be collected beyond one year. Unconditional promises to give are classified as either unrestricted or temporarily restricted, depending on the nature of donor restrictions, if any. There were no allowances for uncollectible promises at June 30, 2009 and 2008.

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

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

Furniture and equipment	5-7 years
School bus	5 years

Depreciation expense was \$13,874 and \$7,743 for 2009 and 2008, respectively.

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

*Software* - software is recorded at cost, net of previously recorded amortization, and is being amortized on a straight-line basis over estimated useful lives of three to seven years. Accumulated amortization was \$45,464 and \$44,081 at June 30, 2009 and 2008, respectively. Amortization expense was \$1,383 and \$5,129 for 2009 and 2008, respectively.

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

**TRAILBLAZERS ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Summary of significant accounting policies (continued)**

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

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

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

While many individuals volunteer their time and perform a variety of tasks that assist Trailblazers, most amounts have not been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

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

*Advertising* - Trailblazers uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$92 and \$1,942 during 2009 and 2008, respectively.

*Reclassifications* - certain items relating to the prior year have been reclassified in the current year's presentation.

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

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

**TRAILBLAZERS ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Unconditional promises to give**

Unconditional promises to give consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ -0-	\$ 200,000
Receivable in one to five years	<u>-0-</u>	<u>75,000</u>
Total promises to give	<u>\$ -0-</u>	<u>\$ 275,000</u>

**Property and equipment**

Property and equipment consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 108,371	\$ 103,338
School bus	<u>29,131</u>	<u>20,931</u>
Total property and equipment	137,502	124,269
Less: accumulated depreciation	<u>(99,434)</u>	<u>(85,560)</u>
Net property and equipment	<u>\$ 38,068</u>	<u>\$ 38,709</u>

**Bank line of credit**

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

**Due to affiliate**

Trailblazers owed its affiliate, Domus Foundation, Inc., \$40,454 and \$18,362 for shared expenses at June 30, 2009 and 2008, respectively.

**TRAILBLAZERS ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Donated property and services**

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

	<u>2009</u>	<u>2008</u>
Included in revenue and support		
Donated school space	\$ 247,500	\$ 272,815
Donated special education services	136,888	110,118
Donated consulting services	<u>80,436</u>	<u>-0-</u>
Total donated in-kind support	<u>\$ 464,824</u>	<u>\$ 382,933</u>
 Included in functional expenses		
Facilities cost	\$ 247,500	\$ 272,815
Student support services	136,888	110,118
Professional fees	<u>80,436</u>	<u>-0-</u>
Total expenses	<u>\$ 464,824</u>	<u>\$ 382,933</u>

**Lease commitments**

Trailblazers maintains its teaching facility within a State of Connecticut Department of Education - owned facility located in Stamford under a two-year period ending on June 30, 2010. The leases allow Trailblazers to use approximately 12,500 square feet of space in exchange for paying its share of the facility's utilities and an internet access fee.

This lease agreement was terminated by the State of Connecticut upon the acceptance of a new facility lease from the City of Stamford on July 1, 2009 (see *Subsequent event*).

The estimated value of this lease has been recorded as facilities cost of \$247,500 and \$272,815 along with the related in-kind donation of \$247,500 and \$272,815 for 2009 and 2008, respectively.

Trailblazers has noncancellable operating leases for copier equipment, which expire from October 2009 through October 2011. Lease payments range from \$377 to \$470 per month.

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

<u>Year ending June 30,</u>	
2010	\$ 6,873
2011	4,524
2012	<u>1,131</u>
Total	<u>\$ 12,528</u>

Rent expense under this operating lease totaled \$6,873 and \$10,162 for 2009 and 2008, respectively.

**TRAILBLAZERS ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Retirement plans**

The teachers who work for Trailblazers 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 the State legislature. Administrative costs of the plan are funded by the State of Connecticut. Trailblazers has no obligation under this plan.

Trailblazers maintains a defined contribution retirement plan as defined under Section 403(b) of the Internal Revenue Code. All full time employees, who work a minimum of 1,000 hours per year, become eligible to participate following one year of service. Employees may make optional contributions to the plan on a tax deferred basis up to the maximum amount allowed by the Internal Revenue Service. Trailblazers matches up to 2% of each eligible employee's compensation for employees who contributed to the plan. Trailblazers' contributions to the plan were \$18,474 and \$19,775 for 2009 and 2008, respectively.

**Restrictions on net assets**

Restrictions on net assets are as follows at June 30:

	<u>2009</u>	<u>2008</u>
Temporarily restricted net assets		
Vehicles	\$ 24,945	\$ 20,931
Funds available for use in future periods	<u>150,000</u>	<u>350,000</u>
	<u>\$174,945</u>	<u>\$370,931</u>

**Concentrations of credit risk**

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

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

**TRAILBLAZERS ACADEMY  
NOTES TO FINANCIAL STATEMENTS**

**Subsequent event**

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