

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

**TRAILBLAZERS ACADEMY, INC.**

Years Ended June 30, 2019 and 2018



# TRAILBLAZERS ACADEMY, INC.

Years Ended June 30, 2019 and 2018

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## **Independent Auditors' Report**

Board of Directors  
Trailblazers Academy, Inc.  
Stamford, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Trailblazers Academy, Inc. (the School), 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.

### **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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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.

**Dworken, Hillman, LaMorte & Sterczala, LLP**  
Four Corporate Drive, Suite 488 | Shelton, CT 06484



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2019, 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.

## **Emphasis of Matters**

### **Accounting Standards Update**

As discussed in Note 1 to the financial statements, the School adopted Accounting Standards Update (ASU) No. 2016-14 "*Presentation of Financial Statements of Not-for-Profit Entities*" Topic (958). Our opinion is not modified with respect to this matter.

### **Subsequent Events**

As discussed in Note 11 to the financial statements, the operations of the School will cease as of June 30, 2019. Our opinion is not modified with respect to this matter.

### **Other Matter**

The financial statements of the School for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on January 14, 2019.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019 on our consideration of the School'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 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 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 the School's internal control over financial reporting and compliance.

JHL & S, LLP

December 26, 2019  
Shelton, Connecticut

TRAILBLAZERS ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

|  | June 30,          |                   |
|--|-------------------|-------------------|
|  | 2019              | 2018              |
| <b>Assets</b>  |                   |                   |
| Cash and cash equivalents  | \$ 283,061        | \$ 250,416        |
| Accounts and grants receivable, net of allowance<br>for doubtful accounts (2019, \$388,232; 2018, \$0) | 69,536            | 219,844           |
| Due from affiliates  | 103,403           | 359,257           |
| Prepaid expenses   | 4,680             | 14,624            |
| Property and equipment, net  | 22,279            | 123,882           |
| <b>Total Assets</b>  | <b>\$ 482,959</b> | <b>\$ 968,023</b> |
| <b>Liabilities and Net Assets</b>  |                   |                   |
| <b>Liabilities:</b>  |                   |                   |
| Accounts payable and accrued expenses  | \$ 76,892         | \$ 61,099         |
| Accrued payroll and related expenses   | 137,961           | 179,755           |
| Other current liabilities  | 25,000            | -                 |
| <b>Total Liabilities</b>   | <b>239,853</b>    | <b>240,854</b>    |
| Commitments (Note 4)   |                   |                   |
| <b>Net Assets:</b>   |                   |                   |
| Without donor restrictions   | 150,871           | 598,212           |
| With donor restrictions  | 92,235            | 128,957           |
| <b>Total Net Assets</b>  | <b>243,106</b>    | <b>727,169</b>    |
| <b>Total Liabilities and Net Assets</b>  | <b>\$ 482,959</b> | <b>\$ 968,023</b> |

*See notes to financial statements.*

TRAILBLAZERS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

|                                       | Year Ended June 30,<br>2019      |                               |                   | Year Ended June 30,<br>2018      |                               |                   |
|---------------------------------------|----------------------------------|-------------------------------|-------------------|----------------------------------|-------------------------------|-------------------|
|                                       | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total             | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total             |
| <b>Revenue and support:</b>           |                                  |                               |                   |                                  |                               |                   |
| Government grants                     | \$ 2,542,526                     |                               | \$ 2,542,526      | \$ 2,190,395                     |                               | \$ 2,190,395      |
| In-kind rent and support              | 1,471,262                        |                               | 1,471,262         | 916,262                          |                               | 916,262           |
| Contributions                         | 375,275                          |                               | 375,275           | 989,750                          |                               | 989,750           |
| Foundation grants                     | 193,021                          |                               | 193,021           | 59,686                           | 113,905                       | 173,591           |
| Other income                          | 102,737                          |                               | 102,737           | 86,242                           |                               | 86,242            |
| Net assets released from restrictions | 36,722                           | (36,722)                      | -                 | 49,490                           | (49,490)                      | -                 |
| <b>Total revenue and support</b>      | <b>4,721,543</b>                 | <b>(36,722)</b>               | <b>4,684,821</b>  | <b>4,291,825</b>                 | <b>64,415</b>                 | <b>4,356,240</b>  |
| <b>Expenses:</b>                      |                                  |                               |                   |                                  |                               |                   |
| Program services                      | 4,236,625                        |                               | 4,236,625         | 3,879,895                        |                               | 3,879,895         |
| Management and general                | 909,259                          |                               | 909,259           | 328,759                          |                               | 328,759           |
| Development and fundraising           | 23,000                           |                               | 23,000            | 32,569                           |                               | 32,569            |
| <b>Total expenses</b>                 | <b>5,168,884</b>                 |                               | <b>5,168,884</b>  | <b>4,241,223</b>                 |                               | <b>4,241,223</b>  |
| <b>Change in net assets</b>           | <b>(447,341)</b>                 | <b>(36,722)</b>               | <b>(484,063)</b>  | <b>50,602</b>                    | <b>64,415</b>                 | <b>115,017</b>    |
| Net assets, beginning                 | 598,212                          | 128,957                       | 727,169           | 547,610                          | 64,542                        | 612,152           |
| <b>Net assets, ending</b>             | <b>\$ 150,871</b>                | <b>\$ 92,235</b>              | <b>\$ 243,106</b> | <b>\$ 598,212</b>                | <b>\$ 128,957</b>             | <b>\$ 727,169</b> |

See notes to financial statements.

TRAILBLAZERS ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

|                                | Year Ended June 30, 2019 |                           |                  | Year Ended June 30, 2018 |                     |                           |                  |                     |
|--------------------------------|--------------------------|---------------------------|------------------|--------------------------|---------------------|---------------------------|------------------|---------------------|
|                                | Program<br>Services      | Management<br>and General | Fundraising      | Total                    | Program<br>Services | Management<br>and General | Fundraising      | Total               |
| Personnel costs                | \$ 2,111,595             | \$ 161,872                |                  | 2,273,467                | \$ 2,488,427        | \$ 221,249                | \$ 32,569        | \$ 2,742,245        |
| Facilities costs               | 1,218,296                |                           |                  | 1,218,296                | 1,091,591           | 95,801                    |                  | 1,187,392           |
| Student support services       | 248,674                  |                           |                  | 248,674                  | 154,006             |                           |                  | 154,006             |
| Insurance                      |                          | 63,818                    |                  | 63,818                   | 56,889              | 4,947                     |                  | 61,836              |
| Professional fees              | 203,902                  | 60,906                    |                  | 264,808                  | 36,629              | 3,185                     |                  | 39,814              |
| In-kind administrative support | 428,000                  | 104,000                   | 23,000           | 555,000                  |                     |                           |                  |                     |
| Office                         |                          | 36,616                    |                  | 36,616                   | 35,939              | 3,125                     |                  | 39,064              |
| Transportation                 | 12,660                   |                           |                  | 12,660                   | 8,187               |                           |                  | 8,187               |
| Depreciation                   | 7,788                    |                           |                  | 7,788                    | 4,606               | 452                       |                  | 5,058               |
| Loss on asset disposition      |                          | 93,815                    |                  | 93,815                   |                     |                           |                  |                     |
| Bad debt                       |                          | 388,232                   |                  | 388,232                  |                     |                           |                  |                     |
| Other program expenses         | 5,710                    |                           |                  | 5,710                    | 3,621               |                           |                  | 3,621               |
| <b>Total</b>                   | <b>\$ 4,236,625</b>      | <b>\$ 909,259</b>         | <b>\$ 23,000</b> | <b>\$ 5,168,884</b>      | <b>\$ 3,879,895</b> | <b>\$ 328,759</b>         | <b>\$ 32,569</b> | <b>\$ 4,241,223</b> |

See notes to financial statements.

TRAILBLAZERS ACADEMY, INC.

STATEMENTS OF CASH FLOWS

|   | Years Ended June 30, |                   |
|---|----------------------|-------------------|
|   | 2019                 | 2018              |
| <b>Cash flows from operating activities:</b>  |                      |                   |
| Change in net assets  | \$ (484,063)         | \$ 115,017        |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                      |                   |
| Depreciation  | 7,788                | 5,058             |
| Loss on asset disposition   | 93,815               | -                 |
| Allowance for bad debts   | 388,232              | -                 |
| Changes in operating assets and liabilities:  |                      |                   |
| Accounts and grants receivable  | (237,924)            | (113,536)         |
| Due from affiliates   | 255,854              | (92,894)          |
| Prepaid expenses  | 9,944                | (9,159)           |
| Accounts payable and accrued expenses   | 15,793               | 20,563            |
| Accrued payroll and related expenses  | (41,794)             | 22,805            |
| Other current liabilities   | 25,000               | -                 |
| Net cash provided by (used in) used in operating activities   | 32,645               | (52,146)          |
| <b>Cash flows from investing activities:</b>  |                      |                   |
| Purchase of property and equipment  | -                    | (69,360)          |
| Net cash used in investing activities   | -                    | (69,360)          |
| <b>Net change in cash and cash equivalents</b>  | <b>32,645</b>        | <b>(121,506)</b>  |
| Cash and cash equivalents, beginning  | 250,416              | 371,922           |
| <b>Cash and cash equivalents, ending</b>  | <b>\$ 283,061</b>    | <b>\$ 250,416</b> |

*See notes to financial statements.*



TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

**1. Description of the School and summary of significant accounting policies:**

**Description of the School:**

Trailblazers Academy, Inc. (the “School”), 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. The School’s charter to operate a public school located in the City of Stamford runs through June 30, 2021. The mission of the School is to create a positive learning environment for students who have been unsuccessful in the traditional public school setting. The School 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.

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

**Basis of accounting and presentation:**

The financial statements of the School are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, revenue and support is recognized when pledges and contributions are enforceable or when earned, and expenses are recognized when incurred.

**Estimates and assumptions:**

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.

**Accounts and grants receivable:**

The School continuously monitors the creditworthiness of grantors and establishes, when appropriate, an allowance for amounts that may become uncollectible in the future based on a combination of write-off history, aging analysis and any specifically known troubled accounts.

TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

1. **Description of the School and 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.

**Net assets:**

**Net assets without donor restrictions** – net assets without donor restrictions are available for use at the discretion of the Board of Directors (Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion.

**Net assets with donor restrictions** – net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The School reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Some assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the School to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

**Grants and contracts:**

Revenue from government grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost reimbursement government grants and contracts is recognized to the extent of costs incurred. Revenue from performance based government grants and contracts is recognized to the extent of performance achieved. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances in the accompanying statements of financial position.

TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

**1. Description of the School and summary of significant accounting policies (continued):**

**Grants and contracts (continued):**

Revenue from the state and local government resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

The School receives a substantial portion of its support and revenue from the Connecticut State Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially affected.

**Contributions:**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions are reported as revenue without donor restrictions or revenues with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified in the statement of activities to net assets without donor restriction. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Conditional promises to give are recognized when conditions on which they depend are substantially met.

**Donated assets:**

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

The School reports gifts of equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

**Functional expenses:**

The costs of providing programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents

TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

**1. Description of the School and summary of significant accounting policies (continued):**

**Functional expenses (continued):**

expenses by function and natural classification. 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 job function and time allocation for payroll and related expenses and square footage allocation for office, occupancy and depreciation expense.

**Income taxes:**

The School is a nonprofit, non-stock Connecticut corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The School's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations and interpretations, as well as, other factors. Generally, federal and state authorities may examine the School's tax returns for three years from the date of filing. Consequently, income tax returns for years prior to 2016 are no longer subject to examination by taxing authorities.

**Accounting pronouncements adopted:**

In August 2016, the FASB issued ASU 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" Topic (958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation method used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method).

TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

**1. Description of the School and summary of significant accounting policies (continued):**

**Accounting pronouncements adopted (continued):**

ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017 and accordingly, the School has adopted this pronouncement. The School has opted to not disclose liquidity and availability information for 2018, as permitted under the ASU in the year of adoption. The adoption of ASU 2016-14 did not impact the School's financial position.

**Reclassifications:**

Certain accounts in the prior period presented have been reclassified to conform with the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

**2. Accounts and grants receivable:**

Accounts and grants receivable represent the present value of unconditional promises to give.

Amounts due at June 30:

|                                       | <b>2019</b>      | <b>2018</b>       |
|---------------------------------------|------------------|-------------------|
| Less than one year                    | \$ 457,768       | \$ 219,844        |
| Less: allowance for doubtful accounts | <u>(388,232)</u> | <u>-</u>          |
|                                       | <u>\$ 69,536</u> | <u>\$ 219,844</u> |

**3. Due from affiliates:**

Due from affiliates consist of the following at June 30:

|                           | <b>2019</b>              | <b>2018</b>              |
|---------------------------|--------------------------|--------------------------|
| Due from Stamford Academy |                          |                          |
| For shared services       | <u>\$ 9,528</u>          | <u>\$ 114,734</u>        |
| Due from (to) Domus Kids  |                          |                          |
| Grant                     | -                        | 370,000                  |
| For shared services       | <u>93,875</u>            | <u>(125,477)</u>         |
|                           | <u>93,875</u>            | <u>244,523</u>           |
|                           | <u><u>\$ 103,403</u></u> | <u><u>\$ 359,257</u></u> |

TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

**3. Due from affiliates (continued):**

The grant due from Domus Kids was received subsequent to June 30, 2018.

The amounts due to and due from Domus Kids for shared services were paid and received subsequent to June 30, 2019 and 2018. The amounts due from Stamford Academy for shared services were received subsequent to June 30, 2019 and 2018.

The School entered into a service agreement with Domus Kids that expires on June 30, 2021. Under the service agreement, Domus Kids provides the School with certain administrative and family advocacy services. The fees for these services charged to the School were calculated by Domus Kids and approved by the School's Board of Directors on an annual basis at or prior to the start of each fiscal year. Fees charged to the School for these services during the years ended June 30, 2019 and 2018 totaled \$555,000 and \$558,041. The current year amount is included in the statement of functional expenses as in-kind services. Prior year's fees are included in personnel costs.

**4. Commitments:**

Domus Kids and the City of Stamford (the "City") have an agreement for the lease of a building in Stamford, Connecticut to host the School as well as the corporate offices of Domus Kids, Inc. The initial lease term was for a five-year period through June 30, 2014, four consecutive five-year renewal terms at the City's discretion. The City has approved the first of the four five-year extensions. The lease agreement allows Domus Kids to use approximately 78,300 square feet of space for the School and administrative offices for \$1 annually in addition to paying for utilities and repair and maintenance costs. The School has recorded the estimated fair value of the school and program space portion of this lease, approximately 73,200 square feet, of approximately \$916,000 as in-kind rent for both 2019 and 2018. (See Note 11)

The School's rent expense under this operating lease totaled \$916,000 for both 2019 and 2018. In addition, this agreement required the City to reimburse the School for utility expenses for the portion of the building used by the City. The city owed the School \$46,322 and \$38,875 for utility expenses as of June 30, 2019 and 2018, which are included in accounts and grants receivable in the accompanying statements of financial position.

TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

**5. Property and equipment:**

Property and equipment consisted of the following at June 30:

|                          | <b>2019</b>             | <b>2018</b>              |
|--------------------------|-------------------------|--------------------------|
| Furniture and fixtures   | \$ 67,145               | \$ 67,145                |
| Computer equipment       | 56,477                  | 56,477                   |
| School buses             | 48,028                  | 48,028                   |
| Software                 | 57,527                  | 57,527                   |
| Building improvements    | -                       | 99,190                   |
|                          | <u>229,177</u>          | <u>328,367</u>           |
| Accumulated depreciation | <u>(206,898)</u>        | <u>(204,485)</u>         |
|                          | <u><u>\$ 22,279</u></u> | <u><u>\$ 123,882</u></u> |

In connection with the decision to close the School (see Note 11), all building improvements were considered impaired and written-off as of June 30, 2019.

**6. Net assets:**

Net assets with donor restrictions are restricted for the following purposes or periods as follow at June 30, 2019 and 2018:

|   | <b>2019</b>             | <b>2018</b>              |
|---|-------------------------|--------------------------|
| Subject to expenditure for specified purpose or period: |                         |                          |
| For use in subsequent fiscal year                       | \$ 79,839               | \$ 113,905               |
| School bus  | 12,396                  | 15,052                   |
| Total net assets with donor restrictions                | <u><u>\$ 92,235</u></u> | <u><u>\$ 128,957</u></u> |

TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

6. **Net assets** (continued):

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by incurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follow for fiscal years ended June 30, 2019 and 2018:

|                                       | <u>2019</u>      | <u>2018</u>      |
|---------------------------------------|------------------|------------------|
| Purpose or restrictions accomplished: |                  |                  |
| For use in subsequent fiscal year     | \$ 34,066        | \$ 46,834        |
| School bus                            | <u>2,656</u>     | <u>2,656</u>     |
| Net assets released from restrictions | <u>\$ 36,722</u> | <u>\$ 49,490</u> |

7. **In-kind revenue and support:**

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

|                                  | <u>2019</u>         | <u>2018</u>       |
|----------------------------------|---------------------|-------------------|
| Included in revenue and support: |                     |                   |
| School space                     | \$ 916,262          | \$ 916,262        |
| Administrative support           | <u>555,000</u>      | <u>-</u>          |
| Total donated in-kind support    | <u>\$ 1,471,262</u> | <u>\$ 916,262</u> |
| Included in functional expenses: |                     |                   |
| Facilities cost                  | \$ 916,262          | \$ 916,262        |
| Administrative support           | <u>555,000</u>      | <u>-</u>          |
| Total expenses                   | <u>\$ 1,471,262</u> | <u>\$ 916,262</u> |

8. **Major contributors:**

The School received approximately 54% and 50% of its support from government granting agencies in 2019 and 2018, respectively. The loss of these revenue sources could have a material adverse effect on the operations of the School. (See Note 11)



TRAILBLAZERS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

9. **Liquidity:**

The School's financial assets available within one year of the statement of financial position date for general expenditure are as follows at June 30, 2019:

|  |                          |
|--|--------------------------|
|  | <b>2019</b>              |
| Cash and cash equivalents  | <b>\$ 283,061</b>        |
| Accounts and grants receivable, net  | <b>69,536</b>            |
| Due from affiliates  | <b>103,403</b>           |
| <b>Total financial assets available within one year</b>  | <b><u>\$ 456,000</u></b> |
| <b>Less amounts unavailable for general expenditures within one year, due to:</b>              |                          |
| Restricted by donor with time or purpose restriction   | <b><u>92,235</u></b>     |
| <b>Total financial assets available to management for general expenditures within one year</b> | <b><u>\$ 363,765</u></b> |

As part of the School's liquidity management, the School has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

10. **Connecticut teachers' retirement plan:**

All certified administrators and teachers participate in the Connecticut Teachers' Retirement System that is administered by the State. The Plan requires mandatory contributions by employees of 8.25% of their eligible annual compensation. The State of Connecticut provides the remaining funding of retirement benefits.

The School maintains a 403(b) retirement plan covering all eligible employees, as defined. The School matches up to 4% of each eligible employee's compensation following one year of service for employees who contributed to the plan. The School's contributions to the plan were \$35,894 and \$33,281 for the years ended June 30, 2019 and 2018.

TRAILBLAZERS ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS**

Years Ended June 30, 2019 and 2018

**11. Subsequent events:**

Subsequent to June 30, 2019, the Board of Directors voted to close the School due to insufficient funding sources. In connection with the School closing, a \$93,815 impairment of building improvements was recognized. The School also reserved \$388,232 of grants receivable due to the uncertainty of collection. The School is in the process of liquidating its assets and settling all liabilities, as well as, contacting various donors to determine the disposition of any net assets with restrictions.

Management has evaluated subsequent events through December 26, 2019, the date which the financial statements were available for issue.

*State Reporting Requirements*

**TRAILBLAZERS ACADEMY, INC.**

Year Ended June 30, 2019





(203) 929-3535 | (203) 929-5470 fax | dhls.com

**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***

Board of Directors  
Trailblazers Academy, Inc.  
Stamford, Connecticut

We have audited, 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 the financial statements of the Trailblazers Academy, Inc. (the School), 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 ended, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 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.

**Dworken, Hillman, LaMorte & Sterczala, LLP**  
Four Corporate Drive, Suite 488 | Shelton, CT 06484



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School'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 result of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JHL&S, LLP

December 26, 2019  
Shelton, Connecticut



(203) 929-3535 | (203) 929-5470 fax | dhls.com

**Independent Auditors' 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**

Board of Directors  
Trailblazers Academy, Inc.  
Bridgeport, Connecticut

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

We have audited Trailblazers Academy, Inc.'s (the School) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the School's major state programs for the year ended June 30, 2019. The School's major state programs are 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 the School'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 the School'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 the School's compliance.

**Dworken, Hillman, LaMorte & Sterczala, LLP**  
Four Corporate Drive, Suite 488 | Shelton, CT 06484



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

In our opinion, the School, complied, in all material respects, with the 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, 2019.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is 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 item 2019-1. Our opinion on each major state program is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School'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 the School, 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 the School'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 our 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 the School'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 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 certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-1, that we consider to be a significant deficiency.

The School's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School'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 the School, as of and for the year ended June 30, 2019 and have issued our report thereon dated December 26, 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.

December 26, 2019  
Shelton, Connecticut

*SHL & S, LLP*



TRAILBLAZERS ACADEMY, INC.

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2019

| <b><u>State Grantor/Pass-Through<br/>Grantor/Program Title</u></b> | <b><u>State Grant Program<br/>Core-CT Number</u></b> | <b><u>Expenditures</u></b> |
|--|--|----------------------------|
| <b>Connecticut Department of Education</b>                         |  |                            |
| Charter Schools  | 11000-SDE64000-16119                                 | \$1,428,750                |
| Healthy Foods Initiative   | 11000-SDE64000-16212                                 | 1,697                      |
| School Breakfast   | 11000-SDE64000-17046                                 | 2,898                      |
| Children Nutrition State Match                                     | 11000-SDE64000-16211                                 | <u>891</u>                 |
| Total State Financial Assistance                                   |  | <u>\$1,434,236</u>         |

TRAILBLAZERS ACADEMY, INC.

**NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2019

*The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Trailblazers Academy, Inc. (the School) under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have 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 including Education and Training Services, Health Services, Child Nutrition Services, and other school related services.*

**1. Summary of significant accounting policies:**

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

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon 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 to 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.

TRAILBLAZERS ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

I. Summary of auditors' results:

*Financial Statements*

**Type of auditors' opinion issued: 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 programs:

- Material weakness(es) identified? ☐ Yes ☒ no
- Significant deficiency(ies) identified? ☒ Yes ☐ none reported

**Type of auditors' opinion issued on compliance for major programs: 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 programs included in the audit:

| <u>State Grantor and Program</u> | <u>State Core – CT Number</u> | <u>Expenditures</u> |
|----------------------------------|-------------------------------|---------------------|
| Department of Education          |                               |                     |
| Charter Schools                  | 11000-SDE64000-16119          | \$1,428,750         |

- Dollar threshold used to distinguish between type A and type B programs: \$200,000

II. Financial statement findings:

- We issued reports, dated December 26, 2019, 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*.
- During our audit, we noted no material findings for the year ended June 30, 2019.

TRAILBLAZERS ACADEMY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS** (continued)

For the Year Ended June 30,2019

**III. State financial assistance findings and questioned costs:**

**Finding No. 2019-1**

Connecticut Department of Education Major Program:  
Charter Schools 11000-SDE64000-16119

**Criteria:** The School must be in compliance with certain provisions of laws, regulations, contracts, and grant agreements. Connecticut General Statutes 10-145(2) requires that all teachers, supervisors, administrators, special staff members or school superintendent employed by the School must possess an appropriate state certificate prior to the first day of employment.

**Condition:** During fiscal 2019 the School had eight employees without a proper certification credentials.

**Context:** 8 out of 21 teachers and administrators tested was not certified in his / her content areas.

**Effect:** The School funds these positions with non-governmental funds; however, the State Board of Education may still levy fines or withhold State funding.

**Cause:** Current policies and procedures do not provide adequate oversight of compliance with this regulation.

**Recommendation:** The School should ensure compliance with Connecticut General Statutes 10-145(2).

**Planned Corrective Action:** See response included in the current year Corrective Action Plan.

TRAILBLAZERS ACADEMY, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

For the Year Ended June 30, 2019

- **Finding No. 2018-001                      Certifications of Teachers and Administrators**

Condition:

During fiscal 2018 the School had two teachers that did not have the proper certification credentials on day one of employment of the school year.

Current Status:

The finding was first reported for fiscal year end June 30, 2018 and is being repeated as 2019-1. As noted in the corrective action plan, the School attempts to hire the best possible candidates through a number of sources, but were unable to find certified teachers in 2 areas. See management's response to finding and corrective action plan.



83 Lockwood Avenue  
Stamford, CT 06902  
Telephone # (203) 977-5690  
Fax # (203) 977-5688

December 26, 2019  
Trailblazers Academy, Inc.  
State Single Audit Corrective Action Plan  
For the Fiscal Year Ended June 30, 2019

Office of Policy Management  
450 Capitol Avenue MS-54MFS  
Hartford, Connecticut 06106-1379

Municipal Finance Services Unit      Attn: William Plummer

#### AUDIT FINDINGS

Finding No. 2019-001

Connecticut Department of Education Major Program:  
Charter Schools 11000-SDE64000-16119

Description of Finding: During the fiscal year 2019 the School had eight employees without proper certification credentials.

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

Corrective Action Plan: No further corrective action to be taken. The school closed on June 30, 2019.

Finding No. 2018-001

During fiscal year 2018 the School had two teachers that did not have the proper certification credentials on day one of employment of the school year.

Current Status:

The finding was first reported for fiscal year ended June 30, 2018 and is being repeated as 2019-1. As noted in the corrective action plan, the School attempts to hire the best possible candidates through a number of sources, but were unable to find certified teaches in 2 areas.

Corrective Action Plan: No further corrective action to be taken. The school closed on June 3, 2019.

Name of Contact Person:

Michael McGuire – Director of School Support – 203-219-4238 – [mmcguire@trailblazersacademy.org](mailto:mmcguire@trailblazersacademy.org)

Projected Completion Date: N/A

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Michael McGuire', with a small dot at the end of the line.

Michael McGuire  
Director of School Support