



Trailblazers Academy, Inc.

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

June 30, 2017 and 2016

Trailblazers Academy, Inc.

Financial Statements and State Single Audit
Together with Independent Auditors' Reports
June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Trailblazers Academy, Inc.

We have audited the accompanying financial statements of Trailblazers Academy, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, 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 of 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 Trailblazers Academy, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors of
Trailblazers Academy, Inc.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of Trailblazers 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 Trailblazers 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 Trailblazers Academy, Inc.'s internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Stamford, Connecticut
December 15, 2017

Trailblazers Academy, Inc.

Statements of Financial Position

	June 30,	
	2017	2016
ASSETS		
Cash	\$ 371,922	\$ 617,289
Accounts and grants receivable	106,308	113,916
Due from affiliates	266,363	53,989
Prepaid expenses	5,465	7,107
Property and equipment, net	<u>59,580</u>	<u>35,810</u>
	<u>\$ 809,638</u>	<u>\$ 828,111</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 40,536	\$ 47,144
Accrued payroll and related expenses	156,950	155,661
Due to affiliates	<u>-</u>	<u>39,913</u>
Total Liabilities	<u>197,486</u>	<u>242,718</u>
Net Assets		
Unrestricted	547,610	534,629
Temporarily restricted	<u>64,542</u>	<u>50,764</u>
Total Net Assets	<u>612,152</u>	<u>585,393</u>
	<u>\$ 809,638</u>	<u>\$ 828,111</u>

See notes to financial statements

Trailblazers Academy, Inc.

Statements of Activities

	For the Year Ended June 30, 2017			For the Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Government grants	\$ 2,193,384	\$ -	\$ 2,193,384	\$ 2,108,616	\$ -	\$ 2,108,616
In-kind rent and support	916,662	-	916,662	916,262	-	916,262
Contributions	852,375	-	852,375	732,128	5,400	737,528
Foundation grants	48,625	47,375	96,000	129,658	25,000	154,658
Other income	92,513	-	92,513	86,021	-	86,021
Interest income	-	-	-	-	-	-
Net assets released from restrictions	33,597	(33,597)	-	33,631	(33,631)	-
Total Revenue and Support	<u>4,137,156</u>	<u>13,778</u>	<u>4,150,934</u>	<u>4,006,316</u>	<u>(3,231)</u>	<u>4,003,085</u>
EXPENSES						
Program services	3,711,330	-	3,711,330	3,493,831	-	3,493,831
Management and general	377,697	-	377,697	445,820	-	445,820
Fundraising	35,148	-	35,148	42,363	-	42,363
Total Expenses	<u>4,124,175</u>	<u>-</u>	<u>4,124,175</u>	<u>3,982,014</u>	<u>-</u>	<u>3,982,014</u>
Change in Net Assets	12,981	13,778	26,759	24,302	(3,231)	21,071
NET ASSETS						
Beginning of year	<u>534,629</u>	<u>50,764</u>	<u>585,393</u>	<u>510,327</u>	<u>53,995</u>	<u>564,322</u>
End of year	<u>\$ 547,610</u>	<u>\$ 64,542</u>	<u>\$ 612,152</u>	<u>\$ 534,629</u>	<u>\$ 50,764</u>	<u>\$ 585,393</u>

See notes to financial statements

Trailblazers Academy, Inc.

Statements of Functional Expenses

	For the Year Ended June 30, 2017				For the Year Ended June 30, 2016			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Personnel costs	\$ 2,280,671	\$ 237,180	\$ 35,148	\$ 2,552,999	\$ 1,740,184	\$ 237,079	\$ 42,363	\$ 2,019,626
Facilities costs	1,071,907	123,751	-	1,195,658	1,056,318	140,490	-	1,196,808
Student support services	187,021	-	-	187,021	179,141	-	-	179,141
Insurance expense	62,359	7,199	-	69,558	50,534	6,721	-	57,255
Office expenses	42,868	4,949	-	47,817	35,482	4,722	-	40,204
Professional fees	34,568	3,991	-	38,559	420,605	55,941	-	476,546
Transportation expense	23,339	-	-	23,339	4,141	-	-	4,141
Depreciation expense	5,434	627	-	6,061	6,518	867	-	7,385
Other program expenses	3,163	-	-	3,163	908	-	-	908
Total Expenses	<u>\$ 3,711,330</u>	<u>\$ 377,697</u>	<u>\$ 35,148</u>	<u>\$ 4,124,175</u>	<u>\$ 3,493,831</u>	<u>\$ 445,820</u>	<u>\$ 42,363</u>	<u>\$ 3,982,014</u>

Trailblazers Academy, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 26,759	\$ 21,071
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	6,061	7,385
Changes in operating assets and liabilities		
Accounts and grants receivable	7,608	10,072
Prepaid expenses	1,642	5,095
Due from (to) affiliates	(252,287)	323,449
Accounts payable and accrued expenses	(6,608)	1,240
Accrued payroll and related expenses	1,289	(56,694)
Net Cash from Operating Activities	(215,536)	311,618
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(29,831)	(36,501)
Net Change in Cash	(245,367)	275,117
CASH		
Beginning of year	617,289	342,172
End of year	\$ 371,922	\$ 617,289

See notes to financial statements

Trailblazers Academy, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

1. Organization

Trailblazers Academy, Inc. ("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 was granted a charter to operate a public school located in the City of Stamford through June 30, 2017. 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 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.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

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

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

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

Trailblazers did not have any permanently restricted net assets at June 30, 2017 and 2016.

Trailblazers Academy, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specifically known troubled accounts. Management has concluded that an allowance is not required at June 30, 2017 and 2016.

Property and Equipment

Property and equipment is stated at cost, or, if donated, at fair value at the date of donation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives, which are generally between three and seven years. Purchases or donations of property and equipment of less than \$5,000 are generally expensed.

Contributions

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

Revenue Recognition

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

Contributed Goods and Services

Donated goods and services are recognized as contributions if the services either: a) create or enhance non-financial assets, or b) require specialized skills, are performed by people with those skills and would otherwise be purchased by Trailblazers if not donated. Numerous volunteers have donated time to Trailblazers' programs. However, the general volunteer services did not meet the criteria for recognition in the financial statements for the years ended June 30, 2017 and 2016.

Impairment or Disposal of Long-lived Assets

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

Trailblazers Academy, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

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

Functional Expenses

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

Accounting for Uncertainty in Income Taxes

Trailblazers is generally exempt from income tax under 501(c)(3) of the Internal Revenue Code. Trailblazers recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Trailblazers had no uncertain tax positions that would require financial statement recognition or disclosure. Trailblazers is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to July 1, 2014.

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 December 15, 2017.

3. Concentrations of Risk

Financial instruments that potentially subject Trailblazers 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. Trailblazers has not experienced any losses in its cash deposits.

A significant portion of Trailblazers' support and revenue is from government agencies. As with all government funding, these grants may be subject to reduction or termination in future years. Any significant reduction in these grants could have a negative impact on Trailblazers' program services.

During the years ended June 30, 2017 and 2016 Domus Kids granted Trailblazers Academy \$500,000 and \$349,304, which is included in contribution revenue in the accompanying statements of activities. These funds account for approximately 12% and 9% of total revenue and support for the years ended June 30, 2017 and 2016.

Trailblazers Academy, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

4. Due From Affiliates

Due from affiliates consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Due from Stamford Academy		
For shared services	\$ 75,662	\$ 53,989
Due from (to) Domus Kids		
Grant	250,000	99,304
For shared services	<u>(59,299)</u>	<u>(139,217)</u>
	<u>190,701</u>	<u>(39,913)</u>
Due from Affiliates, net	<u>\$ 266,363</u>	<u>\$ 14,076</u>

The grant due from Domus Kids was received subsequent to June 30, 2017.

The amounts due to and due from Domus Kids for shared services were paid and received subsequent to June 30, 2017 and 2016. The amounts due from Stamford Academy for shared services were received subsequent to June 30, 2017 and 2016.

Beginning July 1, 2015, Trailblazers Academy entered into a service agreement with Domus Kids, Inc. that expires on June 30, 2018. Under the service agreement Domus Kids provides Trailblazers Academy with certain administrative and family advocacy services. The fees for these services charged to Trailblazers Academy are calculated by Domus Kids and approved by Trailblazers Academy's Board of Directors on an annual basis at or prior to the start of each fiscal year. Fees charged to Trailblazers Academy for these services during the year ended June 30, 2017 totaled \$533,853, all of which is included in personnel costs in the statement of functional expenses. Fees charged to Trailblazers Academy for these services during the year ended June 30, 2016 totaled \$817,193, of which \$387,292 and \$429,901 are included in professional fees and personnel costs in the statement of functional expenses.

Trailblazers Academy, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	2017	2016
Furniture and fixtures	\$ 67,145	\$ 67,145
Computer equipment	56,477	56,477
School busses	77,158	77,158
Software	57,527	57,527
Building Improvements	14,875	-
Construction in Progress	14,956	-
	288,138	258,307
Accumulated depreciation	(228,558)	(222,497)
Property and Equipment, net	<u>\$ 59,580</u>	<u>\$ 35,810</u>

6. Lease Commitments

Domus Kids and the City of Stamford (the "City") have an agreement for the lease of a building in Stamford, Connecticut to host Trailblazers 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 Trailblazers and administrative offices for \$1 annually in addition to paying for utilities and repair and maintenance costs. Trailblazers 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 and \$916,000 as in-kind rent for 2017 and 2016. Trailblazers' rent expense under this operating lease totaled \$916,000 and \$916,000 for 2017 and 2016. In addition, this agreement requires the City of Stamford to reimburse Trailblazers for utility expenses for the portion of the building used by the City of Stamford. The City of Stamford owed Trailblazers \$48,878 and \$79,821 for utility expenses as of June 30, 2017 and 2016, which are included in accounts and grants receivable in the accompanying statements of financial position.

Trailblazers had non-cancellable operating leases for office equipment, which expired in January 2017.

Trailblazers Academy, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

7. In-Kind Rent and Support

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

	<u>2017</u>	<u>2016</u>
Included in Revenue and Support:		
School space	\$ 916,262	\$ 916,262
Donated program supplies	400	-
Total Donated In-Kind Support	<u>\$ 916,662</u>	<u>\$ 916,262</u>
Included in Functional Expenses:		
Facilities costs	\$ 916,262	\$ 916,262
Other program expenses	400	-
Total Expenses	<u>\$ 916,662</u>	<u>\$ 916,262</u>

8. Temporarily Restricted Net Assets

Temporarily restricted net assets released from restrictions consisted of the following during the years ended June 30:

	<u>2017</u>	<u>2016</u>
For use in subsequent fiscal year	\$ 30,941	\$ 30,000
School bus	2,656	886
Library books	-	2,745
	<u>\$ 33,597</u>	<u>\$ 33,631</u>

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

	<u>2017</u>	<u>2016</u>
For use in subsequent fiscal year	\$ 46,833	\$ 30,400
School bus	17,709	20,364
	<u>\$ 64,542</u>	<u>\$ 50,764</u>

Trailblazers Academy, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

9. Retirement Plan

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 employees over 21 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. Trailblazers matches up to 4% of each eligible employee's compensation following one year of service for employees who contributed to the plan. Trailblazers' contributions to the plan were \$26,256 and \$22,942 for the years ended June 30, 2017 and 2016.

Trailblazers Academy, Inc.

State Single Audit Report and Schedules

June 30, 2017

Trailblazers Academy, Inc.

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2017

<u>State Grantor / Pass Through / Grantor Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Total State Expenditures</u>
Connecticut Department of Education		
Direct:		
Child Nutrition State Matching Grant	11000-SDE64000-16211	\$ 891
School Breakfast	11000-SDE64000-17046	2,929
Healthy Foods Initiative	11000-SDE64000-16212	1,806
Pass-Through from:		
City of Stamford		
Charter Schools	11000-SDE64000-16119	<u>1,419,000</u>
 Total State Financial Assistance		 <u>\$ 1,424,626</u>

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

Trailblazers Academy, Inc.

Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state grant activity of Trailblazers Academy, Inc. under programs of the State of Connecticut for the year ended June 30, 2017. A department and agency of the State of Connecticut has provided financial assistance through grants and other authorizations in accordance with the general statutes of the State of Connecticut. Because the Schedule presents only a selected portion of the operations of Trailblazers Academy, it is not intended to and does not present the financial position, changes in net assets or cash flows of Trailblazers Academy.

2. Summary of Significant Accounting Policies

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

Basis of Accounting

The financial statements contained in Trailblazers Academy, Inc.'s annual audit report are prepared on the accrual basis of accounting. The following is a summary of such basis:

- Revenues are recognized when earned.
- Expenditures are recorded when incurred.

Schedule of Expenditures of State Financial Assistance

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



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

**To the Board of Directors of
Trailblazers 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 Trailblazers Academy, Inc. (the "Trailblazers Academy"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control over Financial Reporting

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

**To the Board of Directors of
Trailblazers Academy, Inc.**

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Purpose of this Report

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

PKF O'Connor Davies, LLP

Stamford, Connecticut

December 15, 2017



**Report on Compliance for the 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

**To the Board of Directors of
Trailblazers Academy, Inc.**

Report on Compliance for the Major State Program

We have audited Trailblazers Academy, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management *Compliance Supplement* that could have a direct and material effect on Trailblazers Academy, Inc.'s major state program for the year ended June 30, 2017. Trailblazers 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 Trailblazers 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 Trailblazers 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 the major state program. However, our audit does not provide a legal determination of Trailblazers Academy, Inc.'s compliance.

Opinion on the Major State Program

In our opinion, Trailblazers 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, 2017.

Report on Internal Control over Compliance

Management of Trailblazers 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 Trailblazers Academy, Inc.'s internal control over compliance with the types of requirements that could have a direct and material

**To the Board of Directors of
Trailblazers Academy, Inc.**

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effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Trailblazers 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Trailblazers Academy, Inc., as of and for the year ended June 30, 2017 and have issued our report thereon dated December 15, 2017 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
December 15, 2017

Trailblazers Academy, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiency (ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

State Financial Assistance

Internal control over major programs:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiency (ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for the major 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 X No

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

State Grantor And Program	State Core-CT Number	<u>Expenditures</u>
<u>Connecticut Department of Education:</u>		
Charter Schools	11000-SDE64000-16119	\$1,419,000
<ul style="list-style-type: none"> • Dollar threshold used to distinguish between type A and type B programs 		\$200,000

Trailblazers Academy, Inc.

Schedule of Findings and Questioned Costs (*continued*)
Year Ended June 30, 2017

II. Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2017.

III. State Financial Assistance Findings and Questioned Costs

During our audit, we noted no material instances of non-compliance and none of the costs reported in the state financially assisted programs and questioned or recommended to be disallowed.

IV. Prior Year's Findings

There were no prior year audit findings.