

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2012 AND 2011

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8
Supplementary Information	
Independent Auditors' Report on Supplementary Information	10
Schedule of Functional Expenses	11
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	12-13



LUZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Future Leaders Institute Charter School

We have audited the accompanying statements of financial position of Future Leaders Institute Charter School (a not-for-profit corporation) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Future Leaders Institute Charter School as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012 on our consideration of Future Leaders Institute Charter School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Lutz + Carr, LLP

New York, New York
October 26, 2012

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents (Notes 1d and 6)	\$2,915,001	\$2,647,313
Unconditional promises to give (Notes 1b and 3)		
Unrestricted	162,225	261,658
Resident student enrollment revenue receivable (Note 7)	238,481	-
Prepaid expenses and other current assets	14,404	54,195
Total Current Assets	3,330,111	2,963,166
Property and equipment (Notes 1e and 4)	118,767	135,495
Escrow deposit (Note 5d)	75,000	75,000
Total Assets	\$3,523,878	\$3,173,661
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 184,283	\$ 159,728
Salaries, payroll taxes and benefits payable	397,880	324,138
Accrued pension liability (Note 5b)	818,371	1,132,862
Deferred resident student enrollment revenue (Note 7)	-	133,417
Total Liabilities	1,400,534	1,750,145
Commitments and Contingencies (Note 5)		
Net Assets		
Unrestricted		
Board designated (Note 2a)	575,000	575,000
Other	1,548,344	823,516
Temporarily restricted (Note 2b)	-	25,000
Total Net Assets	2,123,344	1,423,516
Total Liabilities and Net Assets	\$3,523,878	\$3,173,661

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
Public School District - Resident						
Student Enrollment (Note 7)	\$5,367,248	\$ -	\$5,367,248	\$5,447,348	\$ -	\$5,447,348
Federal grants	257,452	-	257,452	230,028	-	230,028
New York State grants	22,799	-	22,799	6,307	-	6,307
Contributions	120,323	-	120,323	301,081	25,000	326,081
In kind contributions	-	-	-	3,617	-	3,617
Interest income	6,339	-	6,339	11,599	-	11,599
Other income	2,173	-	2,173	1,478	-	1,478
	<u>5,776,334</u>	<u>-</u>	<u>5,776,334</u>	<u>6,001,458</u>	<u>25,000</u>	<u>6,026,458</u>
Net assets released from restrictions	25,000	(25,000)	-	-	-	-
	<u>5,801,334</u>	<u>(25,000)</u>	<u>5,776,334</u>	<u>6,001,458</u>	<u>25,000</u>	<u>6,026,458</u>
Total Revenues, Gains and Other Support						
Expenses						
Program Services						
General education services	3,905,611	-	3,905,611	4,112,454	-	4,112,454
Special education services	752,093	-	752,093	507,883	-	507,883
Supporting Services						
Management and general	586,371	-	586,371	704,981	-	704,981
Fundraising and special events	11,978	-	11,978	95,033	-	95,033
	<u>5,256,053</u>	<u>-</u>	<u>5,256,053</u>	<u>5,420,351</u>	<u>-</u>	<u>5,420,351</u>
Total Expenses						
Increase (Decrease) in Net Assets Before Non-Operating Activities	545,281	(25,000)	520,281	581,107	25,000	606,107
Non-Operating Activities						
Adjustment to accrued pension liability (Note 5b)	129,547	-	129,547	132,759	-	132,759
Forgiveness of occupancy costs	50,000	-	50,000	-	-	-
	<u>724,828</u>	<u>(25,000)</u>	<u>699,828</u>	<u>713,866</u>	<u>25,000</u>	<u>738,866</u>
Increase (decrease) in net assets	724,828	(25,000)	699,828	713,866	25,000	738,866
Net assets, beginning of year	1,398,516	25,000	1,423,516	684,650	-	684,650
	<u>\$2,123,344</u>	<u>\$ -</u>	<u>\$2,123,344</u>	<u>\$1,398,516</u>	<u>\$ 25,000</u>	<u>\$1,423,516</u>
Net Assets, End of Year						

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities		
Increase in net assets	\$ 699,828	\$ 738,866
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	81,525	69,263
(Increase) decrease in:		
Unconditional promises to give	99,433	71,033
Resident student enrollment revenue receivable	(238,481)	-
Prepaid expenses and other current assets	39,791	(26,223)
Increase (decrease) in:		
Accounts payable and accrued expenses	24,555	(10,773)
Salaries, payroll taxes and benefits payable	73,742	3,908
Accrued pension liability	(314,491)	(187,146)
Deferred resident student enrollment revenue	(133,417)	133,417
Net Cash Provided By Operating Activities	332,485	792,345
 Cash Flows From Investing Activities		
Purchase of property and equipment	(64,797)	(90,433)
Net increase in cash and equivalents	267,688	701,912
Cash and cash equivalents, beginning of year	2,647,313	1,945,401
 Cash and Cash Equivalents, End of Year	\$2,915,001	\$2,647,313

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Future Leaders Institute Charter School ("FLICS") is an education corporation formed to operate a conversion charter school in accordance with an agreement with the Board of Regents of the University of the State of New York under a first renewal charter valid for a term of three years commencing March 14, 2010.

FLICS believes that strong teaching in a caring environment, combined with an intensive and extensive school day, empowers today's children to be the leaders of tomorrow. The mission is to expand opportunities for students who historically have had limited access to rigorous academic instruction, and to empower them to make informed, deliberate decisions so that they may lead socially responsible, productive lives. FLICS fulfills this mission by offering an innovative, academically rigorous learning community where students of all ability levels can meet academic success.

b - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give FLICS 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 recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

c - Financial Statement Presentation

FLICS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

d - Cash and Cash Equivalents

For purposes of the statement of cash flows, FLICS considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

e - Property and Equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

f - Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****g - Tax Status**

FLICS is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. FLICS has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions are required in the financial statements. FLICS' tax returns for years prior to 2009 are no longer subject to examination by taxing authorities.

h - Prior Year Information

For comparability, certain 2011 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2012.

i - Subsequent Events

FLICS has evaluated subsequent events through October 26, 2012, the date that the financial statements are considered available to be issued.

Note 2 - Net Assets**a - Board Designated**

The Organization established a board designated fund to promote its long-term financial stability.

b - Restriction on Net Assets

Temporarily restricted net assets are restricted for future programs and periods.

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Note 4 - Property and Equipment

A summary of property and equipment at June 30, 2012 and 2011 is as follows:

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Computer equipment	3 years	\$188,917	\$130,296
Furniture and other office equipment	5-7 years	152,948	146,772
Software	3 years	61,151	61,151
Teaching materials	3-5 years	83,450	83,450
Library and text books	3 years	116,146	116,146
Gym equipment	10 years	<u>20,181</u>	<u>20,181</u>
		622,793	557,996
Less: Accumulated depreciation		<u>(504,026)</u>	<u>(422,501)</u>
		<u>\$118,767</u>	<u>\$135,495</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$81,525 and \$69,263, respectively.

Note 5 - Commitments and Contingencies

- a - FLICS leases space from the New York City Department of Education ("DOE") for \$1 per year through August 1, 2014. The Department provides utilities and other maintenance and security services for the building during regular school hours.
- b - The Organization is obligated to make employer contributions into the Teachers Retirement System ("TRS") of the City of New York. This accrued pension expense for 2012 and 2011 is an estimate subject to adjustment by the TRS. The accrued pension liability was adjusted and is reflected as a non-operating activity for the years ended June 30, 2012 and 2011.
- c - Government supported projects are subject to audit by the applicable granting agency.
- d - As part of an agreement with the DOE, FLICS has established an escrow account of \$75,000 to pay for legal and audit expenses that would be associated with a dissolution should it occur.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2012 AND 2011****Note 6 - Concentration of Credit Risk**

FLICS maintains cash balances at several banks in New York City insured by the Federal Deposit Insurance Corporation.

Note 7 - Resident Student Enrollment

FLICS' per pupil allocation is determined by the New York State Department of Education using New York State's charter school funding formula.

At June 30, 2012, the receivable represents per pupil revenue for the 2012 school year. At June 30, 2011, the deferred portion represents per pupil revenue for the 2012 school year.

Note 8 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

SUPPLEMENTARY INFORMATION



LUZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Trustees of
Future Leaders Institute Charter School

We have audited the financial statements of Future Leaders Institute Charter School as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated October 26, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2012 with comparative totals for 2011 is presented for the purposes of additional analysis 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 audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
October 26, 2012

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	Program Services			Supporting Services			2012	2011
	General Education Services	Special Education Services	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$2,593,026	\$539,033	\$3,132,059	\$ 315,724	\$ -	\$315,724	\$3,447,783	\$3,325,962
Employee benefits and payroll taxes	774,491	161,000	935,491	94,298	-	94,298	1,029,789	1,292,602
Legal and auditing fees	-	-	-	113,958	-	113,958	113,958	89,290
Consultants - education	72,442	6,942	79,384	-	-	-	79,384	55,058
Contracted services - other	153,786	15,235	169,021	18,933	11,978	30,911	199,932	277,438
Insurance	30,486	2,921	33,407	3,712	-	3,712	37,119	32,347
Occupancy	45,865	4,395	50,260	5,585	-	5,585	55,845	36,374
Printing	18,507	1,773	20,280	2,254	-	2,254	22,534	21,253
Supplies and materials	-	-	-	17,097	-	17,097	17,097	11,607
Postage	2,362	226	2,588	288	-	288	2,876	4,898
Conferences and meetings	-	-	-	-	-	-	-	1,909
Instructional supplies	95,372	9,139	104,511	-	-	-	104,511	117,339
Meals	18,350	1,758	20,108	2,233	-	2,233	22,341	34,567
Other expenses	14,297	1,370	15,667	1,741	-	1,741	17,408	12,840
Telephone	12,798	1,226	14,024	1,559	-	1,559	15,583	16,154
Travel/field trips	6,873	659	7,532	836	-	836	8,368	21,450
Depreciation	66,956	6,416	73,372	8,153	-	8,153	81,525	69,263
Total Expenses, 2012	<u>\$3,905,611</u>	<u>\$752,093</u>	<u>\$4,657,704</u>	<u>\$ 586,371</u>	<u>\$ 11,978</u>	<u>\$598,349</u>	<u>\$5,256,053</u>	
Total Expenses, 2011	<u>\$4,112,454</u>	<u>\$507,883</u>	<u>\$4,620,337</u>	<u>\$ 704,981</u>	<u>\$ 95,033</u>	<u>\$800,014</u>		<u>\$5,420,351</u>

See independent auditors' report on supplementary information.



**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**

To the Board of Trustees of
Future Leaders Institute Charter School

We have audited the financial statements of Future Leaders Institute Charter School as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Future Leaders Institute Charter Schools' internal control over financial reporting as a basis for designing our auditing procedures 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 Future Leaders Institute Charter Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 or 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 entities financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Future Leaders Institute Charter Schools' financial statements are free of 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*. We noted another matter that we reported to management of Future Leaders Institute Charter School, in a separate letter dated October 26, 2012.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

New York, New York
October 26, 2012