

**FUTURE LEADERS INSTITUTE CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2013 AND 2012**

**FUTURE LEADERS INSTITUTE CHARTER SCHOOL**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditors' Report .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6-9
<b>Supplementary Information</b>	
Independent Auditors' Report on Supplementary Information .....	11
Schedule of Functional Expenses .....	12
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 <i>Government Auditing Standards</i> .....	13-14



**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 financial statements of Future Leaders Institute Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities 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. 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 Future Leaders Institute Charter School as of June 30, 2013 and 2012, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013, on our consideration of Future Leaders Institute Charter 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 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* in considering the School's internal control over financial reporting and compliance.

*Lotz + Carr, LLP*

New York, New York  
October 18, 2013

**FUTURE LEADERS INSTITUTE CHARTER SCHOOL**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents (Notes 1b and 6)	\$3,766,224	\$2,915,001
Unconditional promises to give - unrestricted (Notes 1c and 3)	99,172	162,225
Resident student enrollment revenue receivable (Note 7)	-	238,481
Prepaid expenses and other current assets	40,104	14,404
Total Current Assets	3,905,500	3,330,111
Property and equipment (Notes 1d and 4)	116,887	118,767
Escrow deposit (Note 5d)	75,000	75,000
<b>Total Assets</b>	<b>\$4,097,387</b>	<b>\$3,523,878</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 128,137	\$ 184,283
Salaries, payroll taxes and benefits payable	375,163	397,880
Accrued pension liability (Note 5b)	815,074	818,371
Total Liabilities	1,318,374	1,400,534
Commitments and Contingencies (Note 5)		
Net Assets		
Unrestricted		
Board designated (Note 2)	575,000	575,000
Other	2,204,013	1,548,344
Total Net Assets	2,779,013	2,123,344
<b>Total Liabilities and Net Assets</b>	<b>\$4,097,387</b>	<b>\$3,523,878</b>

See notes to financial statements.

## FUTURE LEADERS INSTITUTE CHARTER SCHOOL

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Other Support</b>						
Public School District - Resident student enrollment (Note 7)	\$ 5,174,936	\$ -	\$5,174,936	\$ 5,367,248	\$ -	\$5,367,248
Federal grants	210,601	-	210,601	257,452	-	257,452
New York State grants	8,332	-	8,332	22,799	-	22,799
Contributions	76,267	-	76,267	120,323	-	120,323
Interest income	4,058	-	4,058	6,339	-	6,339
Other income	11,618	-	11,618	2,173	-	2,173
	<u>5,485,812</u>	<u>-</u>	<u>5,485,812</u>	<u>5,776,334</u>	<u>-</u>	<u>5,776,334</u>
Net assets released from restrictions	-	-	-	25,000	(25,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Total Revenues and Other Support	<u>5,485,812</u>	<u>-</u>	<u>5,485,812</u>	<u>5,801,334</u>	<u>(25,000)</u>	<u>5,776,334</u>
<b>Expenses</b>						
Program Services						
General education services	3,447,443	-	3,447,443	3,905,611	-	3,905,611
Special education services	876,499	-	876,499	752,093	-	752,093
Supporting Services						
Management and general	483,697	-	483,697	586,371	-	586,371
Fundraising and special events	22,504	-	22,504	11,978	-	11,978
	<u>4,830,143</u>	<u>-</u>	<u>4,830,143</u>	<u>5,256,053</u>	<u>-</u>	<u>5,256,053</u>
Total Expenses	<u>4,830,143</u>	<u>-</u>	<u>4,830,143</u>	<u>5,256,053</u>	<u>-</u>	<u>5,256,053</u>
Increase (Decrease) in Net Assets Before Non-Operating Activities	655,669	-	655,669	545,281	(25,000)	520,281
Non-Operating Activities						
Adjustment to accrued pension liability (Note 5b)	-	-	-	129,547	-	129,547
Forgiveness of occupancy costs	-	-	-	50,000	-	50,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,547</u>	<u>-</u>	<u>179,547</u>
Increase (decrease) in net assets	655,669	-	655,669	724,828	(25,000)	699,828
Net assets, beginning of year	<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>
	<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>
<b>Net Assets, End of Year</b>	<u>\$ 2,779,013</u>	<u>\$ -</u>	<u>\$2,779,013</u>	<u>\$ 2,123,344</u>	<u>\$ -</u>	<u>\$2,123,344</u>

See notes to financial statements.

**FUTURE LEADERS INSTITUTE CHARTER SCHOOL**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 655,669	\$ 699,828
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	76,303	81,525
(Increase) decrease in:		
Unconditional promises to give	63,053	99,433
Resident student enrollment revenue receivable	238,481	(238,481)
Prepaid expenses and other current assets	(25,700)	39,791
Increase (decrease) in:		
Accounts payable and accrued expenses	(56,146)	24,555
Salaries, payroll taxes and benefits payable	(22,717)	73,742
Accrued pension liability	(3,297)	(314,491)
Deferred resident student enrollment revenue	-	(133,417)
Net Cash Provided By Operating Activities	925,646	332,485
 <b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(74,423)	(64,797)
Net increase in cash and equivalents	851,223	267,688
Cash and cash equivalents, beginning of year	2,915,001	2,647,313
 <b>Cash and Cash Equivalents, End of Year</b>	<b>\$3,766,224</b>	<b>\$2,915,001</b>

See notes to financial statements.

**FUTURE LEADERS INSTITUTE CHARTER SCHOOL****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2013 AND 2012****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 renewal charter valid for a term of three years expiring June 30, 2016.

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 - 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.

**c - 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.

**d - 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.

**e - 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.



**FUTURE LEADERS INSTITUTE CHARTER SCHOOL****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2013 AND 2012****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**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.

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 2010 are no longer subject to examination by taxing authorities.

h - Subsequent Events

FLICS has evaluated subsequent events through October 18, 2013, the date that the financial statements are considered available to be issued.

**Note 2 - Board Designated Net Assets**

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

**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, 2013 AND 2012**

**Note 4 - Property and Equipment**

A summary of property and equipment at June 30, 2013 and 2012 is as follows:

	<u>Life</u>	<u>2013</u>	<u>2012</u>
Computer equipment	3 years	\$237,016	\$188,917
Furniture and other office equipment	5-7 years	156,954	152,948
Software	3 years	83,469	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>
		697,216	622,793
Less: Accumulated depreciation		<u>(580,329)</u>	<u>(504,026)</u>
		<u>\$116,887</u>	<u>\$118,767</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$76,303 and \$81,525, 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 DOE 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 2013 and 2012 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, 2013 and 2012.
- 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, 2013 AND 2012****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 represented per pupil revenue for the 2012 school year, however, this amount was not collected after DOE's reconciliation and \$227,930 has been deducted from resident student enrollment income in 2013.

**Note 8 - Functional Allocation of Expenses**

The costs 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, 2013 and 2012, and our report thereon dated October 18, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted 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, 2013 with comparative totals for 2012 is presented for 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 18, 2013

## FUTURE LEADERS INSTITUTE CHARTER SCHOOL

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	Program Services			Supporting Services			2013	2012 *
	General Education Services	Special Education Services	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$2,280,354	\$ 627,609	\$2,907,963	\$ 289,479	\$ -	\$289,479	\$3,197,442	\$3,447,783
Employee benefits and payroll taxes	622,207	171,247	793,454	78,984	-	78,984	872,438	1,029,789
Legal and auditing fees	-	-	-	47,108	-	47,108	47,108	113,958
Consultants - education	96,490	13,750	110,240	-	-	-	110,240	141,270
Contracted services - other	162,427	23,145	185,572	4,615	22,504	27,119	212,691	138,046
Insurance	30,806	4,390	35,196	3,911	-	3,911	39,107	37,119
Occupancy	1,926	274	2,200	244	-	244	2,444	55,845
Marketing and recruitment - student and staff	7,075	1,008	8,083	20,822	-	20,822	28,905	14,503
Supplies and materials	-	-	-	21,324	-	21,324	21,324	17,097
Postage	1,895	270	2,165	241	-	241	2,406	2,876
Printing	39,482	5,626	45,108	5,011	-	5,011	50,119	22,534
Instructional supplies	113,930	16,235	130,165	-	-	-	130,165	104,511
Meals	12,318	1,755	14,073	1,564	-	1,564	15,637	22,341
Other expenses	5,242	747	5,989	1,091	-	1,091	7,080	2,905
Telephone	10,443	1,488	11,931	1,325	-	1,325	13,256	15,583
Travel/field trips	2,740	390	3,130	348	-	348	3,478	8,368
Depreciation	60,108	8,565	68,673	7,630	-	7,630	76,303	81,525
Total Expenses, 2013	<u>\$3,447,443</u>	<u>\$ 876,499</u>	<u>\$4,323,942</u>	<u>\$ 483,697</u>	<u>\$ 22,504</u>	<u>\$506,201</u>	<u>\$4,830,143</u>	
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>

\* Certain amounts have been reclassified for comparative purposes.

See independent auditors' report on supplementary information.



**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**

To the Board of Trustees of  
Future Leaders Institute Charter School

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 Future Leaders Institute Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Future Leaders Institute Charter 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 Future Leaders Institute Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Future Leaders Institute Charter 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 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 the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

New York, New York  
October 18, 2013