

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2009 AND 2008

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

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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, 2009 and 2008, 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, 2009 and 2008, and the results of its operations 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 September 30, 2009 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
September 30, 2009

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets		
Cash and cash equivalents (Notes 1d and 6)	\$1,892,724	\$1,097,179
Investments (Note 1e)	-	675,000
Accounts receivable	-	2,820
Unconditional promises to give (Notes 1b and 3)		
Unrestricted	117,861	73,229
Prepaid expenses and other current assets	34,031	37,541
Total Current Assets	<u>2,044,616</u>	<u>1,885,769</u>
Property and equipment (Notes 1f and 4)	<u>163,412</u>	<u>204,056</u>
Total Assets	<u>\$2,208,028</u>	<u>\$2,089,825</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 199,200	\$ 211,433
Salaries, payroll taxes and benefits payable	256,562	299,413
Accrued pension liability (Note 5b)	1,154,823	929,936
Total Liabilities	<u>1,610,585</u>	<u>1,440,782</u>
Commitment and Contingency (Note 5)		
Net Assets		
Unrestricted		
Board designated (Note 2a)	500,000	500,000
Other	97,443	119,774
	<u>597,443</u>	<u>619,774</u>
Temporarily restricted (Note 2b)	-	29,269
Total Net Assets	<u>597,443</u>	<u>649,043</u>
Total Liabilities and Net Assets	<u>\$2,208,028</u>	<u>\$2,089,825</u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2009 AND 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
Public School District:						
Revenue - Resident Student Enrollment	\$ 4,186,334	\$ -	\$4,186,334	\$ 3,514,734	\$ -	\$3,514,734
New York State and City grants	151,588	-	151,588	149,198	-	149,198
Contributions	325,883	-	325,883	502,198	29,269	531,467
In-kind contributions	85,092	-	85,092	59,198	-	59,198
Interest income	24,714	-	24,714	63,347	-	63,347
Other income	9,785	-	9,785	11,809	-	11,809
	<u>4,783,396</u>	<u>-</u>	<u>4,783,396</u>	<u>4,300,484</u>	<u>29,269</u>	<u>4,329,753</u>
Net assets released from restrictions	29,269	(29,269)	-	222,207	(222,207)	-
	<u>4,812,665</u>	<u>(29,269)</u>	<u>4,783,396</u>	<u>4,522,691</u>	<u>(192,938)</u>	<u>4,329,753</u>
Total Revenues, Gains and Other Support						
Expenses						
Program Services	4,388,604	-	4,388,604	4,131,862	-	4,131,862
Supporting Services						
Management and general	288,630	-	288,630	238,824	-	238,824
Fundraising and special events	157,762	-	157,762	196,532	-	196,532
	<u>4,834,996</u>	<u>-</u>	<u>4,834,996</u>	<u>4,567,218</u>	<u>-</u>	<u>4,567,218</u>
Total Expenses						
Decrease in net assets	(22,331)	(29,269)	(51,600)	(44,527)	(192,938)	(237,465)
Net assets, beginning of year	<u>619,774</u>	<u>29,269</u>	<u>649,043</u>	<u>664,301</u>	<u>222,207</u>	<u>886,508</u>
Net Assets, End of Year	<u>\$ 597,443</u>	<u>\$ -</u>	<u>\$ 597,443</u>	<u>\$ 619,774</u>	<u>\$ 29,269</u>	<u>\$ 649,043</u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (51,600)	\$ (237,465)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	89,705	93,684
(Increase) decrease in:		
Accounts receivable	2,820	(2,820)
Unconditional promises to give	(44,632)	179,553
Prepaid expenses and other current assets	3,510	22,738
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,233)	59,720
Salaries, payroll taxes and benefits payable	(42,851)	32,329
Accrued pension liability	224,887	99,081
Net Cash Provided By Operating Activities	<u>169,606</u>	<u>246,820</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(49,061)	(62,228)
Purchase of investments	-	(1,000,000)
Proceeds from sale of investments	675,000	325,000
Net Cash Provided (Used) By Investing Activities	<u>625,939</u>	<u>(737,228)</u>
Increase (decrease) in cash and equivalents	795,545	(490,408)
Cash and cash equivalents, beginning of year	<u>1,097,179</u>	<u>1,587,587</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,892,724</u></u>	<u><u>\$1,097,179</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2009 AND 2008****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Future Leaders Institute Charter School ("FLICS") provides a rigorous academic curriculum program with a focus on the arts and physical education, offers a three week summer program and conducts a comprehensive professional development program for teachers. The goal of the school is to successfully place 8th grade students into competitive high schools.

b - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization 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 - Investments

At June 30, 2008, investments consisted of auction rate securities ("ARS") which consisted of securities issued by various funds. ARS generally have long term maturities that are structured for short term holding periods by use of an auction process. During the year ended June 30, 2009, FLICS liquidated its ARS investment of \$675,000 for no gain or loss.

f - 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.

g - 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, 2009 AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

h - Tax Status

Future Leaders Institute Charter School 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.

Note 2 - Net Assets

a - Board Designated

FLICS 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 periods and programs.

Note 3 - Unconditional Promises to Give

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

Note 4 - Property and Equipment

A summary of property and equipment at June 30, 2009 and 2008 is as follows:

	<u>Life</u>	<u>2009</u>	<u>2008</u>
Computer equipment	3 years	\$ 79,523	\$ 55,788
Furniture and other office equipment	5-7 years	135,416	130,428
Software	3 years	26,322	26,322
Teaching materials	3-5 years	83,450	72,482
Library and text books	3 years	102,952	93,582
Gym equipment	10 years	<u>20,181</u>	<u>20,181</u>
		447,844	398,783
Less: Accumulated depreciation		<u>(284,432)</u>	<u>(194,727)</u>
		<u>\$163,412</u>	<u>\$204,056</u>

Depreciation expense for the years ended June 30, 2009 and 2008 was \$89,705 and \$93,684, respectively.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2009 AND 2008****Note 5 - Commitment and Contingency**

- a - FLICS leases space from the New York City Department of Education ("Department") for \$1 per year through June 30, 2010. The Department provides utilities and other maintenance and security services for the building during regular school hours.
- b - FLICS is obligated to make employer contributions into the Teachers Retirement System ("TRS") of the City of New York. This accrued pension expense for 2009 and 2008 is an estimate subject to adjustment by the TRS.
- c - Government supported projects are subject to audit by the applicable granting agency.

Note 6 - Concentration of Credit Risk

FLICS maintains cash balances at a financial institution located in New York City.

Note 7 - Functional Allocation of Expenses

The costs of providing 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.

ADDITIONAL INFORMATION



**INDEPENDENT AUDITORS' REPORT ON
ADDITIONAL INFORMATION**

To the Board of Trustees of
Future Leaders Institute Charter School

Our report on our audits of the basic financial statements of Future Leaders Institute Charter School for 2009 and 2008 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended June 30, 2009 with comparative totals for 2008 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
September 30, 2009

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	Program Services	Supporting Services			2009	2008
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$2,429,999	\$ 143,928	\$ 109,868	\$253,796	\$2,683,795	\$2,606,773
Employee benefits and payroll taxes	1,102,958	33,583	22,430	56,013	1,158,971	959,416
Legal and auditing fees	275	76,258	-	76,258	76,533	60,547
Consultants - education	250,399	-	-	-	250,399	191,653
Contracted services - other	245,310	11,972	3,957	15,929	261,239	286,670
Insurance	35,856	1,680	1,362	3,042	38,898	38,786
Printing	1,564	420	5,114	5,534	7,098	6,395
Supplies and materials	16,188	8,993	6,979	15,972	32,160	44,176
Postage	1,561	602	1,427	2,029	3,590	4,764
Conferences and meetings	8,190	185	180	365	8,555	62,262
Instructional supplies	121,168	-	-	-	121,168	110,608
Meals	23,810	550	1,048	1,598	25,408	20,090
Other expenses	10,356	4,806	350	5,156	15,512	11,058
Telephone	16,951	885	1,105	1,990	18,941	7,345
Travel/field trips	42,029	642	353	995	43,024	62,991
Depreciation	81,990	4,126	3,589	7,715	89,705	93,684
Total Expenses, 2009	<u>\$4,388,604</u>	<u>\$ 288,630</u>	<u>\$ 157,762</u>	<u>\$446,392</u>	<u>\$4,834,996</u>	
Total Expenses, 2008	<u>\$4,131,862</u>	<u>\$ 238,824</u>	<u>\$ 196,532</u>	<u>\$435,356</u>		<u>\$4,567,218</u>

See independent auditors' report on additional 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, 2009 and have issued our report thereon dated September 30, 2009. 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 School's 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non compliance 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 certain other matters that we reported to management of Future Leaders Institute Charter School, in a separate letter dated September 30, 2009.

This report is intended solely for the information and use of the audit committee, management, 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.

Lutz + Carr, LLP

New York, New York
September 30, 2009