FUTURE LEADERS INSTITUTE CHARTER SCHOOL

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2019 AND 2018

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 financial statements of Future Leaders Institute Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, 2019 and 2018, 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 September 16, 2019, 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.

Lutz + Carr, LLP

New York, New York
September 16, 2019

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents (Notes 1b and 7)	$2,009,520	$1,498,760
Investments (Notes 1c and 4)	1,582,553	1,601,056
Unconditional promises to give - without donor restrictions (Notes 1d and 3)	123,010	213,161
Resident student enrollment revenue receivable (Note 8)	6,346	4,255
Prepaid expenses and other current assets	10,787	3,220
Total Current Assets	3,732,216	3,320,452
Property and equipment (Notes 1e and 5)	57,605	105,809
Escrow deposit (Note 6d)	70,000	70,000
Total Assets	$3,859,821	$3,496,261
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 352,033	$ 307,273
Salaries, payroll taxes and benefits payable	673,632	650,231
Accrued pension liability (Note 6b)	854,992	872,027
Deferred revenue	11,363	-
Total Liabilities	1,892,020	1,829,531
Commitments and Contingencies (Notes 6 and 10)		
Net Assets	1,967,801	1,666,730
Total Liabilities and Net Assets	$3,859,821	$3,496,261

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Revenues and Other Support		
Public School District - Resident student enrollment (Note 8)	$5,931,075	$5,560,074
Federal grants	302,310	320,974
New York State and City grants	695,723	155,464
Contributions	93,574	63,801
Donated services and materials (Note 9)	1,125	-
Interest and other income	64,288	82,676
Total Revenues and Other Support	7,088,095	6,182,989
Expenses		
Program Services		
Regular education services	4,707,968	4,678,152
Special education services	1,256,087	1,135,581
Other education services	489,601	389,647
Supporting Services		
Management and general	332,375	356,546
Fundraising and special events	993	2,140
Total Expenses	6,787,024	6,562,066
Increase (decrease) in net assets	301,071	(379,077)
Net assets, beginning of year	1,666,730	2,045,807
Net Assets, End of Year	$1,967,801	$1,666,730

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

		Program Services				Supporting Services			
	Number of Positions	Regular Education	Special Education	Other Education	Total	Management and General	Fundraising	Total	Total Expenses
Personnel Services Costs									
Administrative staff personnel	12	$ 804,256	$ 130,019	$ 29,200	$ 963,475	$ 121,465	$ -	$121,465	$1,084,940
Instructional personnel	33	1,944,676	803,174	205,592	2,953,442	7,010	-	7,010	2,960,452
Non-instructional personnel	2	124,702	20,159	-	144,861	-	-	-	144,861
Total Personnel Services Costs		2,873,634	953,352	234,792	4,061,778	128,475	-	128,475	4,190,253
Employee benefits and payroll taxes		794,123	128,380	-	922,503	109,660	-	109,660	1,032,163
Retirement		392,573	63,465	-	456,038	23,237	-	23,237	479,275
Professional development		89,058	14,807	-	103,865	11,495	-	11,495	115,360
Legal services		20,748	3,354	-	24,102	2,678	-	2,678	26,780
Accounting and audit services		25,159	4,067	-	29,226	3,247	6	3,253	32,479
Other purchased, professional and consulting services		108,439	17,531	242,325	368,295	13,996	-	13,996	382,291
Student and staff recruitment		41,276	6,673	-	47,949	5,328	-	5,328	53,277
Supplies and materials		49,493	8,783	10,711	68,987	-	-	-	68,987
Office expense		73,080	11,814	-	84,894	9,434	-	9,434	94,328
Technology		55,859	9,030	19	64,908	7,210	-	7,210	72,118
Student services		48,059	12,769	1,754	62,582	-	987	987	63,569
Insurance		45,695	7,387	-	53,082	5,898	-	5,898	58,980
Equipment and furnishings		1,761	285	-	2,046	227	-	227	2,273
Depreciation		87,137	14,087	-	101,224	11,246	-	11,246	112,470
Other		1,874	303	-	2,177	244	-	244	2,421
Total Expenses		$4,707,968	$1,256,087	$489,601	$6,453,656	$ 332,375	$ 993	$333,368	$6,787,024

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

		Program Services				Supporting Services			
	Number of Positions	Regular Education	Special Education	Other Education	Total	Management and General	Fundraising	Total	Total Expenses
Personnel Services Costs									
Administrative staff personnel	11	$ 780,882	$ 80,786	$ -	$ 861,668	$ 113,881	$ -	$113,881	$ 975,549
Instructional personnel	36	2,015,052	698,922	197,957	2,911,931	57,191	-	57,191	2,969,122
Non-instructional personnel	2	119,334	61,340	-	180,674	-	-	-	180,674
Total Personnel Services Costs		2,915,268	841,048	197,957	3,954,273	171,072	-	171,072	4,125,345
Employee benefits and payroll taxes		797,243	126,670	1,304	925,217	107,054	-	107,054	1,032,271
Retirement		421,510	66,549	-	488,059	22,978	-	22,978	511,037
Professional development		21,998	15,407	-	37,405	2,830	-	2,830	40,235
Legal services		32,988	5,208	-	38,196	4,245	-	4,245	42,441
Accounting and audit services		21,276	3,359	-	24,635	2,738	3	2,741	27,376
Other purchased, professional and consulting services		93,644	14,785	178,675	287,104	12,047	-	12,047	299,151
Student and staff recruitment		15,355	2,424	90	17,869	1,977	-	1,977	19,846
Supplies and materials		65,712	11,363	9,004	86,079	-	-	-	86,079
Office expense		70,348	11,107	282	81,737	9,052	65	9,117	90,854
Technology		51,661	8,156	-	59,817	6,647	-	6,647	66,464
Student services		47,522	9,986	2,335	59,843	-	2,072	2,072	61,915
Insurance		42,600	6,726	-	49,326	5,481	-	5,481	54,807
Equipment and furnishings		1,233	195	-	1,428	159	-	159	1,587
Depreciation		79,794	12,598	-	92,392	10,266	-	10,266	102,658
Other		-	-	-	-	-	-	-	-
Total Expenses		$4,678,152	$1,135,581	$389,647	$6,203,380	$ 356,546	$ 2,140	$358,686	$6,562,066

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ 301,071	$ (379,077)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	112,470	102,658
(Increase) decrease in:		
Unconditional promises to give	90,151	23,651
Resident student enrollment revenue receivable	(2,091)	51,098
Prepaid expenses and other current assets	(7,567)	(981)
Increase (decrease) in:		
Accounts payable and accrued expenses	44,760	(8,573)
Salaries, payroll taxes and benefits payable	23,401	63,802
Accrued pension liability	(17,035)	66,588
Deferred income	11,363	-
Net Cash Provided (Used) By Operating Activities	556,523	(80,834)
Cash Flows From Investing Activities		
Purchase of certificates of deposit	(1,579,085)	(1,598,473)
Maturity of certificates of deposit	1,599,471	1,424,454
Purchase of securities	(1,882)	-
Purchase of property and equipment	(64,267)	(5,752)
Net Cash Used By Investing Activities	(45,763)	(179,771)
Increase (decrease) in cash and cash equivalents	510,760	(260,605)
Cash and cash equivalents, beginning of year	1,498,760	1,759,365
Cash and Cash Equivalents, End of Year	$2,009,520	$1,498,760

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2022.

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, including money market funds, to be cash equivalents.

c - Investments

At June 30, 2019 and 2018, investments consist of certificates of deposit and mutual funds stated at fair value, which approximate cost. All the investments held by FLICS are classified within Level 1 (prices in active markets for identical assets or liabilities) of the fair value hierarchy.

d - 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

f - Financial Statement Presentation
The Organization's financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions
Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

h - 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.

i - Functional Allocation of Expenses
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Certain expenses are applied directly to programs where applicable. Personnel services costs and employee benefits and payroll taxes are allocated based on employee time and effort. Other categories of expenses may be allocated based on student enrollment, or an estimate of the amount of resources expended.

j - Subsequent Events
FLICS has evaluated subsequent events through September 16, 2019, the date that the financial statements are considered available to be issued.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

k - Recent Accounting Pronouncement

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities.* The ASU amends the previous reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Organization opted to not disclose liquidity and availability information for 2018.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those activities.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit.

The Organization's financial assets as of June 30, 2019 available within one year to meet cash needs for general expenditures are summarized as follows:

Cash and cash equivalents	$2,009,520
Investments	1,582,553
Unconditional promises to give	123,010
Resident student enrollment revenue receivable	6,346
Financial Assets Available to Meet General Expenditures Within One Year	$3,721,429

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3 - Unconditional Promises to Give

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

Note 4 - Investments

Investments consist of certificates of deposit of $1,580,671 and mutual funds of $1,882 as of June 30, 2019, and certificates of deposit of $1,601,056 as of June 30, 2018.

Note 5 - Property and Equipment

A summary of property and equipment at June 30, 2019 and 2018 is as follows:

	Life	2019	2018
Computer equipment	3 years	$201,290	$270,285
Furniture and other office equipment	5-7 years	11,367	18,442
		212,657	288,727
Less: Accumulated depreciation		(155,052)	(182,918)
		$ 57,605	$105,809

Note 6 - Commitments and Contingencies

a - The school is co-located with P.S. 242 in a New York City Department of Education facility at no charge. The school also receives custodial services, school safety services, and utilities at no charge. The school is unable to determine a value for the space.

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 2019 and 2018 is an estimate subject to adjustment by the TRS.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6 - Commitments and Contingencies (continued)

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 $70,000 mandated to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

e - As a conversion charter school, FLICS is a unionized school and as such is required to follow the union contract agreed upon between the United Federation of Teachers union ("UFT"), the Council of School Supervisors and Administrators ("CSA") and the City of New York.

Note 7 - Concentration of Credit Risk

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

Note 8 - 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.

Note 9 - Donated Services and Materials

FLICS received donated program services and materials with a value of $1,125 for the year ended June 30, 2019.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10 - Union Salaries

As a result of the UFT and CSA collective bargaining agreements that were ratified in 2014 after the expiration of the previous agreements in 2009, FLICS is subject to retroactive salary increases and related payments due to all eligible UFT and CSA members. These payments began in 2015 and will continue through 2021. The school has calculated an estimate of the total remaining contingent liability to be approximately $158,000 but will only be paid to individuals who are members of the UFT or the CSA and employed by FLICS (or are eligible retirees under the applicable collective bargaining agreement) at the time of payment. During the year ended June 30, 2019, FLICS recognized liabilities totaling $157,857, which relate to the retroactive payments due to UFT and CSA that are scheduled to be paid in fiscal year 2020.

SUPPLEMENTARY INFORMATION