FUTURE LEADERS INSTITUTE CHARTER SCHOOL

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2022 AND 2021

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

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LUTZ AND CARR
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Future Leaders Institute Charter School

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Future Leaders Institute Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Future Leaders Institute Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Future Leaders Institute Charter School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Future Leaders Institute Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 18, 2022, 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
October 18, 2022

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents (Notes 1b and 8)	$3,653,147	$3,248,509
Investments (Notes 1c and 4)	1,672,000	1,668,984
Unconditional promises to give - without donor restrictions (Notes 1d and 3)	916,332	167,516
Resident student enrollment revenue receivable (Note 9)	1,070	4,655
Prepaid expenses and other current assets	33,002	45,765
Total Current Assets	6,275,551	5,135,429
Property and equipment (Notes 1e and 5)	121,608	182,805
Escrow deposit (Notes 1b and 7d)	70,000	70,000
Total Assets	$6,467,159	$5,388,234
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 479,129	$ 383,126
Salaries, payroll taxes and benefits payable	475,769	521,538
Accrued pension liability (Note 7b)	877,662	892,281
Deferred revenue	84,312	3,821
Loan payable (Note 6)	-	157,000
Total Liabilities	1,916,872	1,957,766
Commitments and Contingencies (Note 7)		
Net Assets	4,550,287	3,430,468
Total Liabilities and Net Assets	$6,467,159	$5,388,234

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Revenues and Other Support		
Public School District - Resident student enrollment (Note 9)	$6,233,526	$6,683,536
Federal grants	1,269,843	442,594
New York State and City grants	28,637	31,119
Contributions	17,544	24,158
Loan forgiveness - Paycheck Protection Program (Note 6)	157,000	-
Donated services and materials (Note 10)	-	690
Interest and other income	2,658	11,028
Total Revenues and Other Support	7,709,208	7,193,125
Expenses		
Program Services		
Regular education services	4,189,410	4,126,783
Special education services	1,359,483	1,562,882
Other education services	410,071	205,915
Supporting Services		
Management and general	630,425	395,900
Total Expenses	6,589,389	6,291,480
Increase in net assets	1,119,819	901,645
Net assets, beginning of year	3,430,468	2,528,823
Net Assets, End of Year	$4,550,287	$3,430,468

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Number of Positions	Program Services: Regular Education	Program Services: Special Education	Program Services: Other Education	Program Services: Total	Supporting Services: Management and General	Total Expenses
Personnel Services Costs							
Administrative staff personnel	10	$ 742,328	$ 141,131	$ -	$ 883,459	$ 220,865	$1,104,324
Instructional personnel	31	1,674,239	723,672	159,616	2,557,527	-	2,557,527
Non-instructional personnel	2	185,939	35,351	-	221,290	-	221,290
Total Personnel Services Costs		2,602,506	900,154	159,616	3,662,276	220,865	3,883,141
Employee benefits and payroll taxes		791,290	274,075	48,682	1,114,047	79,651	1,193,698
Retirement		280,124	53,257	-	333,381	23,157	356,538
Professional development		64,207	12,207	-	76,414	-	76,414
Legal services		-	-	-	-	7,025	7,025
Accounting and audit services		-	-	-	-	231,691	231,691
Other purchased, professional and consulting services		59,103	11,237	188,486	258,826	49,775	308,601
Student and staff recruitment		49,023	12,021	1,064	62,108	1,471	63,579
Supplies and materials		87,922	16,715	-	104,637	-	104,637
Office expense		62,906	21,789	3,870	88,565	5,355	93,920
Technology		26,902	9,318	1,655	37,875	2,290	40,165
Student services		57,987	11,024	-	69,011	-	69,011
Insurance		55,994	19,394	3,445	78,833	4,767	83,600
Equipment and furnishings		985	341	61	1,387	83	1,470
Depreciation		50,461	17,478	3,104	71,043	4,295	75,338
Other		-	473	88	561	-	561
Total Expenses		$4,189,410	$1,359,483	$410,071	$5,958,964	$ 630,425	$6,589,389

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

		Program Services				Supporting Services	
	Number of Positions	Regular Education	Special Education	Other Education	Total	Management and General	Total Expenses
Personnel Services Costs							
Administrative staff personnel	9	$ 689,092	$ 119,712	$ -	$ 808,804	$ 202,202	$1,011,006
Instructional personnel	33	1,629,971	892,973	102,387	2,625,331	-	2,625,331
Non-instructional personnel	2	201,537	35,012	-	236,549	-	236,549
Total Personnel Services Costs		2,520,600	1,047,697	102,387	3,670,684	202,202	3,872,886
Employee benefits and payroll taxes		773,936	322,588	31,588	1,128,112	77,255	1,205,367
Retirement		387,742	67,360	-	455,102	17,870	472,972
Professional development		63,857	11,093	-	74,950	-	74,950
Legal services		-	-	-	-	10,166	10,166
Accounting and audit services		-	-	-	-	35,484	35,484
Other purchased, professional and consulting services		21,464	3,729	63,878	89,071	35,433	124,504
Student and staff recruitment		48,694	10,174	288	59,156	569	59,725
Supplies and materials		55,965	9,722	-	65,687	-	65,687
Office expense		75,750	31,572	3,091	110,413	6,106	116,519
Technology		23,232	9,683	948	33,863	1,873	35,736
Student services		64,034	11,124	-	75,158	-	75,158
Insurance		47,065	19,616	1,921	68,602	3,793	72,395
Equipment and furnishings		1,118	466	46	1,630	89	1,719
Depreciation		42,862	17,865	1,749	62,476	3,455	65,931
Other		464	193	19	676	1,605	2,281
Total Expenses		$4,126,783	$1,562,882	$205,915	$5,895,580	$ 395,900	$6,291,480

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Increase in net assets	$1,119,819	$ 901,645
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	75,338	65,931
Loan forgiveness - Paycheck Protection Program	(157,000)	-
(Increase) decrease in:		
Unconditional promises to give	(748,816)	(135,450)
Resident student enrollment revenue receivable	3,585	110,034
Other receivables	-	16,506
Prepaid expenses and other current assets	12,763	(9,829)
Increase (decrease) in:		
Accounts payable and accrued expenses	96,003	(648)
Salaries, payroll taxes and benefits payable	(45,769)	(150,358)
Accrued pension liability	(14,619)	58,708
Deferred revenue	80,491	2,185
Net Cash Provided By Operating Activities	421,795	858,724
Cash Flows From Investing Activities		
Purchase of certificates of deposit	(1,672,000)	(1,660,210)
Maturity of certificates of deposit	1,668,984	1,221,135
Purchase of property and equipment	(14,141)	(196,808)
Net Cash Used By Investing Activities	(17,157)	(635,883)
Net increase in cash, cash equivalents and restricted cash	404,638	222,841
Cash, cash equivalents and restricted cash, beginning of year	3,318,509	3,095,668
Cash, Cash Equivalents and Restricted Cash, End of Year	$3,723,147	$3,318,509

See notes to financial statements.

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, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, FLICS considers all highly liquid debt instruments, including money market funds, to be cash equivalents.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows.

	2022	2021
Cash and cash equivalents	$3,653,147	$3,248,509
Escrow deposit	70,000	70,000
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	$3,723,147	$3,318,509

c - Investments

At June 30, 2022 and 2021, investments consist of certificates of deposit with an original maturity date greater than 90 days at the time of purchase. Certificates of deposit are stated at cost, which approximates fair value. All the investments held by FLICS are classified within Level 1 (quoted prices in active markets for identical assets or liabilities) of the fair value hierarchy.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

d - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give FLICS, that is, in substance, unconditional. Conditional promises to give - that is, those with (1) a measurable performance-related barrier or other barrier and (2) right of return of assets transferred or a release of a promisor's obligation to transfer the assets in the future - are not recognized until the conditions on which they depend have been met. 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.

f - Financial Statement Presentation

FLICS' financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), which require FLICS 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 FLICS. These net assets may be used at the discretion of FLICS' 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 FLICS 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 U.S. GAAP 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, 2022 AND 2021

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

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 October 18, 2022, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

FLICS operates with a budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. FLICS 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.

FLICS 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.

Note 2 - Information Regarding Liquidity and Availability (continued)

FLICS' financial assets as of June 30, 2022 and 2021 available within one year to meet cash needs for general expenditures are summarized as follows:

	2022	2021
Cash and cash equivalents	$3,653,147	$3,248,509
Investments	1,672,000	1,668,984
Unconditional promises to give	916,332	167,516
Resident student enrollment revenue receivable	1,070	4,655
Financial Assets Available to Meet General Expenditures Within One Year	$6,242,549	$5,089,664

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 $1,672,000 and $1,668,984 as of June 30, 2022 and 2021, respectively.

Note 5 - Property and Equipment

A summary of property and equipment at June 30, 2022 and 2021 is as follows:

	Life	2022	2021
Computer equipment	3 years	$300,267	$286,126
Furniture and other office equipment	5-7 years	6,012	6,012
		306,279	292,138
Less: Accumulated depreciation		(184,671)	(109,333)
		$121,608	$ 182,805

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6 - Loan Payable

On June 24, 2020, FLICS received a loan totaling $157,000 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bore interest in 1% per annum, was due on June 24, 2025, and could be forgiven if FLICS met certain employee retention requirements and the funds were used for eligible expenses. On November 18, 2021 the loan was forgiven in full.

Note 7 - 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 2022 and 2021 is an estimate subject to adjustment by the TRS.

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 8 - Concentration of Credit Risk

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

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9 - 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 10 - Donated Services and Materials

FLICS received donated program services and materials with a value of $690 for the year ended June 30, 2021.

SUPPLEMENTARY INFORMATION

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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, 2022, 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, 2022.

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) as a basis for designing 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.

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP

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 financial statements. 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.

Lutz + Carr, LLP

New York, New York
October 18, 2022