

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2023





BUSINESS
ADVISORS
AND CPAS

October 26, 2023

Board of Trustees
Future Leaders Institute Charter School

In planning and performing our audit of the financial statements of Future Leaders Institute Charter School (the “Charter School”) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During the course of our audit of the financial statements of the Charter School as of and for the year ended June 30, 2023, we observed the Charter School's significant accounting policies and procedures and certain business, financial, and administrative practices. As a result of our observations, we suggest you consider the following comment which we do not consider to be a significant deficiency or material weakness:

Financial Policies and Procedures Manual

During our audit, we noted management was in the process of updating the Charter School's Financial Policies and Procedures Manual "FPPM", as the most recently approved version was issued in May 2018. Management has drafted an updated FPPM, but it was not yet finalized as of June 30, 2023. Over time, actual practices have shifted from what is described in the current manual or reflected in the draft manual. For example, we noted authorized signers on the Charter School's cash accounts included the Principal, Board Trustee and Treasurer of the Board. Per the draft FPPM, the authorized signers should only include the Principal, Treasurer of the Board, the Chairperson(s) of the Board, and the Vice-Chairperson of the Board. Per the draft FPPM, bank statements are to be received and reconciled by the Finance Consultant Manager, then given to the Principal for review. We did not see documentation of Principal's review in our testing.

Recommendation

We recommend that the Charter School revise the FPPM to reflect procedures that are currently in place or to be implemented, and have the Board approve the revised financial policies and procedures manual to ensure the system of internal controls being followed is appropriate and properly approved.

* * * * *

This communication is intended solely for the information and use of management, Finance Committee members, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Future Leaders Institute Charter School's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

We appreciate the cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Jackie Lee.

Very truly yours,



MENGEL, METZGER, BARR & CO. LLP

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2023



BUSINESS
ADVISORS
AND CPAS



BUSINESS
ADVISORS
AND CPAS

October 26, 2023

Finance Committee
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, 2023, and have issued our report thereon dated October 26, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 28, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Future Leaders Institute Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable, and experienced Assistant Principal, in conjunction with the outsourced finance team, who review draft financial statements prior to issuance and accept responsibility for them.

Significant Risks Identified

We have identified the following significant risks:

- The potential for management override of controls.
- The potential for improper revenue recognition.
- The potential for improper allocation of expenses to grants.
- The potential for misappropriation of assets.

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to address those risks. The identification of a risk does not mean that it has occurred, but rather it has the potential to impact the financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Future Leaders Institute Charter School is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We have made tests of management's estimates and deemed them to be appropriate.

The most sensitive accounting estimates affecting the financial statements are the allocation of operating expenses for the statement of functional expenses, collectability of grants and other receivables, and estimates surrounding the pension liability. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Future Leaders Institute Charter School's financial statements relate to revenue and support recognition, liquidity and availability, the value of in-kind rent, revenue and support concentrations, and the multi-employer benefit plan, which are referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards required us to communicate to you all material, corrected misstatements that were identified during the audit. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Future Leaders Institute Charter School's financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Future Leaders Institute Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Future Leaders Institute Charter School's auditors.

Modification of the Auditor's Report

We have made the following modification to our auditor's report:

We added an other matter paragraph in relation to the 2022 information, which was audited by another auditor.

* * * * *

Should you desire further information concerning these matters, Jackie Lee will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of Future Leaders Institute Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

FUTURE LEADERS INSTITUTE
CHARTER SCHOOL

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023

(With Comparative totals for 2022)



BUSINESS
ADVISORS
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Future Leaders Institute Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Future Leaders Institute Charter School, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Future Leaders Institute Charter School as of June 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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 audit. 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 for one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 auditor's 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 GAAS 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 GAAS, 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.

Other Matter and Report on Summarized Comparative Information

The financial statements of Future Leaders Institute Charter School for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on October 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023 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 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 Future Leaders Institute Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 26, 2023

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

<u>ASSETS</u>	June 30,	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,210,325	\$ 3,653,062
Investments	1,396,165	1,672,000
Grants and other receivables	1,936,800	917,402
Prepaid expenses and other current assets	<u>42,623</u>	<u>33,002</u>
TOTAL CURRENT ASSETS	6,585,913	6,275,466
<u>PROPERTY AND EQUIPMENT, net</u>	133,892	121,608
<u>OTHER ASSETS</u>		
Cash in escrow	<u>70,161</u>	<u>70,085</u>
	<u>70,161</u>	<u>70,085</u>
TOTAL ASSETS	<u>\$ 6,789,966</u>	<u>\$ 6,467,159</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 236,499	\$ 283,659
Accrued payroll and benefits	837,881	713,551
Accrued pension liability	864,908	877,662
Deferred revenue	<u>-</u>	<u>42,000</u>
TOTAL CURRENT LIABILITIES	1,939,288	1,916,872
<u>NET ASSETS</u>		
Without donor restrictions	4,822,265	4,550,287
With donor restrictions	<u>28,413</u>	<u>-</u>
TOTAL NET ASSETS	<u>4,850,678</u>	<u>4,550,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,789,966</u>	<u>\$ 6,467,159</u>

The accompanying notes are an integral part of the financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30,			
	2023			2022
	Without donor restrictions	With donor restrictions	Total	Total
Operating revenue and support:				
State and local per pupil				
operating revenue	\$ 5,977,443	-	5,977,443	\$ 6,233,526
Government grants	1,310,120	-	1,310,120	1,298,480
Contributions	1,871	42,000	43,871	12,528
Contributions - nonfinancial assets	1,596,223	-	1,596,223	-
Forgiveness of Paycheck Protection Program				
note payable	-	-	-	157,000
Investment income, net	33,167	-	33,167	2,658
Other income	5,316	-	5,316	5,016
Net assets released from restriction	13,587	(13,587)	-	-
TOTAL OPERATING				
REVENUE AND SUPPORT	8,937,727	28,413	8,966,140	7,709,208
Expenses:				
Program:				
Regular education	5,191,787	-	5,191,787	4,189,410
Special education	2,193,507	-	2,193,507	1,359,483
Other education	582,938	-	582,938	410,071
Management and general	697,517	-	697,517	630,425
TOTAL EXPENSES	8,665,749	-	8,665,749	6,589,389
CHANGE IN NET ASSETS	271,978	28,413	300,391	1,119,819
Net assets at beginning of year	4,550,287	-	4,550,287	3,430,468
NET ASSETS AT END OF YEAR	\$ 4,822,265	\$ 28,413	\$ 4,850,678	\$ 4,550,287

The accompanying notes are an integral part of the financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

		Program Services				Management and General	Total	
	No. of Positions	Regular Education	Special Education	Other Education	Sub-total		Year ended June 30,	
							2023	2022
Personnel Services Costs:								
Administrative staff personnel	9	\$ 682,537	\$ 151,732	\$ -	\$ 834,269	\$ 208,567	\$ 1,042,836	\$ 1,104,324
Instructional personnel	31	1,684,254	953,519	198,747	2,836,520	-	2,836,520	2,611,519
Non-instructional personnel	4	220,479	49,014	-	269,493	22,499	291,992	167,298
Total salaries and wages	44	2,587,270	1,154,265	198,747	\$ 3,940,282	231,066	4,171,348	3,883,141
Fringe benefits and payroll taxes		799,573	361,332	63,006	1,223,911	86,990	1,310,901	1,193,698
Retirement		296,082	65,821	-	361,903	21,643	383,546	356,538
Legal service		-	-	-	-	2,785	2,785	7,025
Accounting / audit services		-	-	-	-	211,920	211,920	231,691
Other purchased / professional / consulting services		51,585	11,467	226,235	289,287	32,721	322,008	308,601
In-kind rent		983,915	444,637	77,532	1,506,084	90,139	1,596,223	-
Insurance		58,556	26,461	4,614	89,631	5,364	94,995	83,600
Supplies / materials		72,904	16,207	-	89,111	-	89,111	104,637
Equipment / furnishings		7,657	3,461	603	11,721	702	12,423	1,470
Staff development		84,044	20,703	693	105,440	806	106,246	91,131
Marketing / recruitment		61,168	15,902	791	77,861	919	78,780	63,579
Technology		23,594	10,662	1,859	36,115	2,162	38,277	40,165
Student services		53,022	11,787	-	64,809	-	64,809	69,011
Office expense		45,512	20,567	3,586	69,665	4,170	73,835	79,203
Depreciation		58,250	26,324	4,590	89,164	5,337	94,501	75,338
Other		8,655	3,911	682	13,248	793	14,041	561
		\$ 5,191,787	\$ 2,193,507	\$ 582,938	\$ 7,968,232	\$ 697,517	\$ 8,665,749	\$ 6,589,389

The accompanying notes are an integral part of the financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30,	
	2023	2022
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 300,391	\$ 1,119,819
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation	94,501	75,338
Forgiveness of Paycheck Protection Program note payable	-	(157,000)
Unrealized loss on investments	6,835	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(1,019,398)	(745,231)
Prepaid expenses and other current assets	(9,621)	12,763
Accounts payable and accrued expenses	(47,160)	96,003
Accrued payroll and benefits	124,330	(45,769)
Accrued pension liability	(12,754)	(14,619)
Deferred revenue	(42,000)	80,491
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(604,876)	421,795
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchase of certificates of deposit	(1,403,000)	(1,672,000)
Maturity of certificates of deposit	1,672,000	1,668,984
Purchases of property and equipment	(106,785)	(14,141)
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	162,215	(17,157)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(442,661)	404,638
Cash, cash equivalents, and restricted cash at beginning of year	3,723,147	3,318,509
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 3,280,486</u>	<u>\$ 3,723,147</u>

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 3,210,325	\$ 3,653,062
Cash in escrow	<u>70,161</u>	<u>70,085</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 3,280,486</u>	<u>\$ 3,723,147</u>
<u>NON-CASH OPERATING ACTIVITIES</u>		
In-kind contributed rent	<u>\$ 1,596,223</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Future Leaders Institute Charter School (the “Charter School”) is an educational corporation that operates as a conversion charter school in New York, New York. The Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon its expiration. On April 12, 2022, the Charter School was granted an extension of the provisional charter for an additional term of four years, renewable upon expiration on June 30, 2026.

The Charter School 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. The Charter School fulfills this mission by offering an innovative, academically rigorous learning community where students of all ability levels can meet academic success.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had \$28,413 of net assets with donor restrictions at June 30, 2023. There were no net assets with donor restrictions at June 30, 2022.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

State and local per pupil revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2023	2022	2021
Grants and other receivables	\$ 23,250	\$ 1,070	\$ 4,655

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. A contribution that is received and expended in the same year for a specific purpose is classified as revenue without donor restriction. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There were no revenues deferred at June 30, 2023. \$42,000 was deferred at June 30, 2022. The Charter School was awarded cost-reimbursement grants of approximately \$6,500 and \$867,426 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and cash equivalents balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000. For purposes of the statement of cash flows, the Charter School considers all highly liquid debt instruments, including money market funds, to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires a balance of \$70,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve. The amount in escrow was \$70,161 and \$70,085 at June 30, 2023 and 2022, respectively.

Investments

Investments consist of certificates of deposit and are measured at fair value. Maturities range from six to twelve months.

Investment income includes interest, recorded on an accrual basis, dividends, net realized gains and losses, and net unrealized gains and losses, resulting from the change in prevailing market value of investments. Purchase and sales of investments are recorded on a trade-date basis.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2023 or 2022.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School receives donated custodial services, school safety services and utilities provided by the local district. The Charter School was unable to determine a value for these services.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$79,000 and \$64,000 for the years ended June 30, 2023 and 2022, respectively.

Use of estimates in the preparation of financial statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Other education relates to the Charter School's extended day and summer school programming.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Comparatives for year ended June 30, 2022

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 26, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts. Financial assets in excess of daily cash requirements are invested in certificates of deposit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of education and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and cash equivalents.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,210,325	\$ 3,653,062
Investments	1,396,165	1,672,000
Grants and other receivables	<u>1,936,800</u>	<u>917,402</u>
Total financial assets available within one year	6,543,290	6,242,464
Less:		
Amounts unavailable for general expenditure within one year, due to:		
Restricted by donors with purpose restrictions	<u>28,413</u>	<u>-</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 6,514,877</u>	<u>\$ 6,242,464</u>

NOTE C: INVESTMENTS

Investments in marketable securities are recorded at fair value based on quoted market prices. The Charter School invests in certificates of deposit. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 394,528	\$ 300,267
Furniture and other office equipment	<u>18,536</u>	<u>6,012</u>
	413,064	306,279
Less accumulated depreciation	<u>279,172</u>	<u>184,671</u>
	<u>\$ 133,892</u>	<u>\$ 121,608</u>

Total depreciation expense was \$94,501 and \$75,338 for the years ended June 30, 2023 and 2022, respectively.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE E: FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 or 2022:

Certificates of deposit: Valued by third-party brokers based on terms and conditions using trades, bid price or spread, two sided markets, quotes, benchmark curves, discount rates, TRACE trade reports, financial statements and trustee reports.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE E: FAIR VALUE MEASUREMENTS, Cont'd

The following table presents by level, within the fair value hierarchy, the Charter School's assets measured at fair value on a recurring basis at June 30, 2023 and 2022:

	Level 1	Level 2	Level 3	Total
<u>June 30, 2023</u>				
Certificates of deposit	\$ -	\$ 1,396,165	\$ -	\$ 1,396,165
Total assets at fair value	<u>\$ -</u>	<u>\$ 1,396,165</u>	<u>\$ -</u>	<u>\$ 1,396,165</u>
<u>June 30, 2022</u>				
Certificates of deposit	\$ -	\$ 1,672,000	\$ -	\$ 1,672,000
Total assets at fair value	<u>\$ -</u>	<u>\$ 1,672,000</u>	<u>\$ -</u>	<u>\$ 1,672,000</u>

NOTE F: NET ASSETS

Net assets without donor restrictions consist of the following:

	June 30,	
	2023	2022
Undesignated	\$ 4,688,373	\$ 4,428,679
Invested in property and equipment	<u>133,892</u>	<u>121,608</u>
	<u>\$ 4,822,265</u>	<u>\$ 4,550,287</u>

Net assets with donor restrictions consist of the following:

	June 30,	
	2023	2022
After school tutoring program	<u>\$ 28,413</u>	<u>\$ -</u>

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE H: CONCENTRATIONS

At June 30, 2023 and 2022, approximately 91% and 99%, respectively, of grants and other receivables are due from New York State relating to certain grants.

For the years ended June 30, 2023 and 2022, approximately 67% and 81%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE I: SCHOOL FACILITY – GIFT-IN-KIND

The Charter School has entered into a verbal agreement with the New York City Department of Education for dedicated and shared space at P.S. 242, a New York City Public School and utilizes approximately 102,000 square feet at no charge. Pursuant to the terms of the Agreement, the Charter School shall not pay for the use of the shared facility. In valuing the contributed space in the school building, the Charter School estimated the fair value of \$1,596,223 for the year ending June 30, 2023, on the basis of financial information provided to the Charter School under the New York City School Rental Assistance Program. There were no associated donor restrictions with the contributed facility. The Charter School was unable to value the school facility gift-in-kind for the year ended June 30, 2022.

Program utilization for the year ended June 30, 2023 is as follows:

<u>Program or Supporting Service</u>	
Regular education	\$ 983,915
Special education	444,637
Other education	77,532
Management and general	90,139
	<u>\$ 1,596,223</u>

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE J: MULTI-EMPLOYER BENEFIT PLAN

The Charter School participates in a multi-employer benefit plan that provides defined benefits to certain contract labor employees covered by a collective bargaining agreement. The Charter School contributed \$373,999 and \$364,904 to the plan for the years ended June 30, 2023 and 2022, respectively. The Charter School's participation in this plan for the annual period ended June 30, 2023 is outlined below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN"). The most recent Pension Protection ("PPA") zone status is not applicable because it is a government plan. As of the most current report on file with the City of New York's Office of the Actuary, which is for the fiscal year ended June 30, 2022, the net position restricted for benefits were \$64,010,000,000 and the accumulated benefit obligations were \$78,721,000,000 which results in the plan being 81% funded.

Information on the Teachers' Retirement System of the City of New York Pension Plan as of June 30, 2023 consisted of the following:

<u>EIN/Pension Plan Number</u>	<u>Plan End Date</u>	<u>PPA Zone Status</u>	<u>Collective Bargaining Agreement Expiration Date</u>	<u>Contribution</u>
90-0584726	6/30/22	N/A	11/28/2027	<u>\$ 373,999</u>

NOTE K: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan ("the Plan") covering all eligible non-union employees. All non-union employees are immediately eligible to participate in the Plan. The Plan allows for the Charter School to make a matching contribution to the Plan up to 6% of eligible compensation. The Charter School contributed \$21,643 and \$23,157 to the Plan for the years ended June 30, 2023 and 2022, respectively.

NOTE L: UNION AGREEMENT

As a conversion charter school, the Charter School 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. The union agreement covering UFT employees expired on September 13, 2022. In June 2023, the agreement was renewed on a retroactive basis to September 14, 2022 and through November 28, 2027.

NOTE M: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses (including salaries, benefits, payroll taxes, purchased services, in-kind rent, and supplies and materials) which are allocated to more than one program or supporting function are allocated on the basis of estimates of time, effort and usage.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE N: FINANCIAL IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, in June 2020, the Charter School applied for and was approved by a bank for a loan of \$157,000 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 5 years and an interest rate of 1%. The loan had the potential for forgiveness provided certain requirements were met by the Charter School. The loan principal and accrued interest were fully forgiven by the Small Business Administration as of November 18, 2021 and is reported as Forgiveness of Paycheck Protection Program note payable on the accompanying statement of activities and changes in net assets for the year ended June 30, 2022.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$860,926 and \$989,468 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, the Charter School has \$6,500 of ESSER grants still available through September 30, 2024.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NEW YORK, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Future Leaders Institute Charter School

We have audited, 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, the financial statements of Future Leaders Institute Charter School, which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 26, 2023.

Report on 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 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 Future Leaders Institute Charter School'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 or significant deficiencies may exist that were not identified.

Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 26, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Future Leaders Institute Charter School

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Future Leaders Institute Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Future Leaders Institute Charter School's major federal programs for the year ended June 30, 2023. Future Leaders Institute Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Future Leaders Institute Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Future Leaders Institute Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Future Leaders Institute Charter School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Future Leaders Institute Charter School's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Future Leaders Institute Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Future Leaders Institute Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Future Leaders Institute Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Future Leaders Institute Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Future Leaders Institute Charter School as of and for the year ended June 30, 2023, and have issued our report thereon dated October 26, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 audit 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 26, 2023

FUTURE LEADERS INSTITUTE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 152,749
Title IIA - Supporting Effective Instruction State Grant	84.367	0147	13,304
Title IV - Student Support and Academic Enrichment Program	84.424	0204	21,299
 <u>Education Stabilization Funds -</u>			
ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	5891	254,195
ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	5880	598,562
ESSER HCY - Elementary and Secondary School Emergency Relief Fund - Homeless Children & Youth	84.425W	5218	<u>8,169</u>
<i>Total Education Stabilization Funds</i>			<u>860,926</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,048,278</u>
TOTAL ALL PROGRAMS			<u>\$ 1,048,278</u>

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED JUNE 30, 2023

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of Future Leaders Institute Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Future Leaders Institute Charter School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

No amounts were passed through to subrecipients.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of major program:

AL Number:

84.425D & 84.425U & 84.425W

Name of Federal Program or Cluster:

ESSER II, ARP ESSER, and ESSER HCY

Dollar threshold used to distinguish between type A and type B programs:

 \$750,000

Auditee qualified as low-risk auditee?

_____ yes x no

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

FINDINGS – FINANCIAL STATEMENT AUDIT

- NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- NONE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

- NONE

EXTENSION FILING INSTRUCTIONS

FORM 8868 FOR FORM 990

FOR THE YEAR ENDING

JUNE 30, 2023

PREPARED FOR:

ATTN: RUDOLPH AUSTIN
FUTURE LEADERS INSTITUTE CHARTER SCHOOL
134 WEST 122ND STREET
NEW YORK, NY 10027

PREPARED BY:

MENGEL, METZGER, BARR & CO. LLP
100 CHESTNUT STREET, SUITE 1200
ROCHESTER, NY 14604

AMOUNT DUE:

NOT APPLICABLE

MAIL CHECK PAYABLE TO:

NOT APPLICABLE

MAIL EXTENSION AND (CHECK IF APPLICABLE) TO:

NOT APPLICABLE

EXTENSION MUST BE MAILED ON OR BEFORE:

NOT APPLICABLE

SPECIAL INSTRUCTIONS:

THE EXTENSION FOR FORM 990 HAS QUALIFIED FOR ELECTRONIC FILING. FORM 8868 EXTENDS THE DUE DATE OF THE ORGANIZATION'S FORM 990 RETURN UNTIL MAY 15, 2024. THE EXTENSION HAS BEEN TRANSMITTED ELECTRONICALLY TO THE IRS AND NO FURTHER ACTION IS REQUIRED.

**Application for Automatic Extension of Time To File an
Exempt Organization Return**

OMB No. 1545-0047

► **File a separate application for each return.**
► **Go to www.irs.gov/Form8868 for the latest information.**

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions. FUTURE LEADERS INSTITUTE CHARTER SCHOOL	Taxpayer identification number (TIN) 20-2633976
	Number, street, and room or suite no. If a P.O. box, see instructions. 134 WEST 122ND STREET	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. NEW YORK, NY 10027	

Enter the Return Code for the return that this application is for (file a separate application for each return)

0	1
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Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12
Form 990-T (corporation)	07		

RUDOLPH AUSTIN

- The books are in the care of ► **134 WEST 122ND STREET - NEW YORK, NY 10027**

Telephone No. ► **212-678-2868**

Fax No. ► _____

- If the organization does not have an office or place of business in the United States, check this box ☐ ► ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ☐. If it is for part of the group, check this box ☐ and attach a list with the names and TINs of all members the extension is for.

- 1 I request an automatic 6-month extension of time until **MAY 15, 2024**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

► ☐ calendar year _____ or
► ☒ tax year beginning **JUL 1, 2022**, and ending **JUN 30, 2023**.

- 2 If the tax year entered in line 1 is for less than 12 months, check reason: ☐ Initial return ☐ Final return
☐ Change in accounting period

3a If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	0.
b If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	0.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	0.

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-TE and Form 8879-TE for payment instructions.