

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2014 AND 2013

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Future Leaders Institute Charter School

We have audited the accompanying financial statements of Future Leaders Institute Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Future Leaders Institute Charter School as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, 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.



New York, New York
October 16, 2014

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents (Notes 1b and 6)	\$4,062,770	\$3,766,224
Unconditional promises to give - unrestricted (Notes 1c and 3)	89,193	99,172
Resident student enrollment revenue receivable (Note 7)	5,822	-
Prepaid expenses and other current assets	103,677	40,104
Total Current Assets	4,261,462	3,905,500
Property and equipment (Notes 1d and 4)	142,184	116,887
Escrow deposit (Note 5d)	75,000	75,000
Total Assets	\$4,478,646	\$4,097,387
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 171,903	\$ 128,137
Salaries, payroll taxes and benefits payable	529,773	375,163
Accrued pension liability (Note 5b)	823,217	815,074
Total Liabilities	1,524,893	1,318,374
Commitments and Contingencies (Note 5)		
Net Assets		
Unrestricted		
Board designated (Note 2)	575,000	575,000
Other	2,378,753	2,204,013
Total Net Assets	2,953,753	2,779,013
Total Liabilities and Net Assets	\$4,478,646	\$4,097,387

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Revenues and Other Support		
Public School District - Resident student enrollment (Note 7)	\$5,544,292	\$5,174,936
Federal grants	199,131	210,601
New York State grants	25,547	8,332
Contributions	132,614	76,267
Donated services (Note 8)	20,000	-
Interest and other income	31,321	15,676
Total Revenues and Other Support	5,952,905	5,485,812
Expenses		
Program Services		
General education services	4,154,848	3,447,443
Special education services	1,066,899	876,499
Supporting Services		
Management and general	540,270	483,697
Fundraising and special events	16,148	22,504
Total Expenses	5,778,165	4,830,143
Increase in net assets	174,740	655,669
Net assets, beginning of year	2,779,013	2,123,344
Net Assets, End of Year	\$2,953,753	\$2,779,013

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities		
Increase in net assets	\$ 174,740	\$ 655,669
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	72,823	76,303
(Increase) decrease in:		
Unconditional promises to give	9,979	63,053
Resident student enrollment revenue receivable	(5,822)	238,481
Prepaid expenses and other current assets	(63,573)	(25,700)
Increase (decrease) in:		
Accounts payable and accrued expenses	43,766	(56,146)
Salaries, payroll taxes and benefits payable	154,610	(22,717)
Accrued pension liability	8,143	(3,297)
Net Cash Provided By Operating Activities	394,666	925,646
 Cash Flows From Investing Activities		
Purchase of property and equipment	(98,120)	(74,423)
Net increase in cash and equivalents	296,546	851,223
Cash and cash equivalents, beginning of year	3,766,224	2,915,001
 Cash and Cash Equivalents, End of Year	\$4,062,770	\$3,766,224

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2014 AND 2013****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Future Leaders Institute Charter School ("FLICS") is an education corporation formed to operate a conversion charter school in accordance with an agreement with the Board of Regents of the University of the State of New York under a renewal charter valid for a term of three years expiring June 30, 2016.

FLICS believes that strong teaching in a caring environment, combined with an intensive and extensive school day, empowers today's children to be the leaders of tomorrow. The mission is to expand opportunities for students who historically have had limited access to rigorous academic instruction, and to empower them to make informed, deliberate decisions so that they may lead socially responsible, productive lives. FLICS fulfills this mission by offering an innovative, academically rigorous learning community where students of all ability levels can meet academic success.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, FLICS considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give FLICS, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

d - Property and Equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

e - Financial Statement Presentation

FLICS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2014 AND 2013****Note 1 - Organization and Summary of Significant Accounting Policies (continued)**f - Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

g - Tax Status

FLICS is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. FLICS has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions are required in the financial statements. FLICS' tax returns are generally subject to examination by taxing authorities for a period of three years from filing.

h - Subsequent Events

FLICS has evaluated subsequent events through October 16, 2014, the date that the financial statements are considered available to be issued.

Note 2 - Board Designated Net Assets

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

Note 3 - Unconditional Promises to Give

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

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 4 - Property and Equipment

A summary of property and equipment at June 30, 2014 and 2013 is as follows:

	<u>Life</u>	<u>2014</u>	<u>2013</u>
Computer equipment	3 years	\$284,796	\$237,016
Furniture and other office equipment	5-7 years	163,143	156,954
Software	3 years	108,766	83,469
Website	3 years	18,854	-
Teaching materials	3-5 years	83,450	83,450
Library and text books	3 years	116,146	116,146
Gym equipment	10 years	<u>20,181</u>	<u>20,181</u>
		795,336	697,216
Less: Accumulated depreciation		<u>(653,152)</u>	<u>(580,329)</u>
		<u>\$142,184</u>	<u>\$116,887</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$72,823 and \$76,303, respectively.

Note 5 - Commitments and Contingencies

- a - FLICS leases space from the New York City Department of Education (“DOE”) for \$1 per year. The DOE provides utilities and other maintenance and security services for the building during regular school hours.
- b - The Organization is obligated to make employer contributions into the Teachers Retirement System (“TRS”) of the City of New York. This accrued pension expense for 2014 and 2013 is an estimate subject to adjustment by the TRS. The accrued pension liability was adjusted and is reflected as a non-operating activity for the years ended June 30, 2014 and 2013.
- c - Government supported projects are subject to audit by the applicable granting agency.
- d - As part of an agreement with the DOE, FLICS has established an escrow account of \$75,000 to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2014 AND 2013****Note 5 - Commitments and Contingencies (continued)**

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) and the City of New York.

Note 6 - Concentration of Credit Risk

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

Note 7 - Resident Student Enrollment

FLICS' per pupil allocation is determined by the New York State Department of Education using New York State's charter school funding formula.

At June 30, 2014, the receivable represented per pupil revenue for the 2014 school year.

Note 8 - Donated Services

FLICS received donated program services with a value of \$20,000 for the year ended June 30, 2014.

Note 9 - Teacher Salaries

As a result of the most recently ratified UFT contract, which had been in negotiations since the previous one expired in October 2009, FLICS is subject to retroactive salary increases and pay due to all eligible UFT members. The school has calculated the total liability and the cost has been recorded in the 2014 salary expenses, although payments will be issued as agreed upon with the UFT over the next five years.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2014 AND 2013****Note 10 - Functional Allocation of Expenses**

The costs of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees of
Future Leaders Institute Charter School

We have audited the financial statements of Future Leaders Institute Charter School as of and for the years ended June 30, 2014 and 2013, and our report thereon dated October 16, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2014 with comparative totals for 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
October 16, 2014

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services			Supporting Services			2014	2013
	General Education Services	Special Education Services	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$2,737,068	\$ 734,944	\$3,472,012	\$ 345,038	\$ -	\$345,038	\$3,817,050	\$3,197,442
Employee benefits and payroll taxes	847,942	227,685	1,075,627	106,893	-	106,893	1,182,520	872,438
Legal and auditing fees	-	-	-	36,338	-	36,338	36,338	47,108
Consultants - education	172,523	23,213	195,736	-	-	-	195,736	110,240
Contracted services - other	118,243	31,750	149,993	14,906	16,148	31,054	181,047	212,691
Insurance	29,888	8,025	37,913	3,768	-	3,768	41,681	39,107
Occupancy	3,030	814	3,844	382	-	382	4,226	2,444
Marketing and recruitment - student and staff	8,154	2,084	10,238	929	-	929	11,167	28,905
Supplies and materials	-	-	-	14,784	-	14,784	14,784	21,324
Postage	1,466	393	1,859	185	-	185	2,044	2,406
Printing	34,711	9,320	44,031	4,376	-	4,376	48,407	50,119
Instructional supplies	119,271	16,048	135,319	-	-	-	135,319	130,165
Meals	13,469	1,812	15,281	3,963	-	3,963	19,244	15,637
Telephone	9,284	2,493	11,777	1,170	-	1,170	12,947	13,256
Travel/field trips	486	130	616	61	-	61	677	3,478
Other expenses	1,545	415	1,960	195	-	195	2,155	7,080
Depreciation	57,768	7,773	65,541	7,282	-	7,282	72,823	76,303
Total Expenses, 2014	<u>\$4,154,848</u>	<u>\$1,066,899</u>	<u>\$5,221,747</u>	<u>\$ 540,270</u>	<u>\$ 16,148</u>	<u>\$556,418</u>	<u>\$5,778,165</u>	
Total Expenses, 2013	<u>\$3,447,443</u>	<u>\$ 876,499</u>	<u>\$4,323,942</u>	<u>\$ 483,697</u>	<u>\$ 22,504</u>	<u>\$506,201</u>		<u>\$4,830,143</u>

See independent auditors' report on supplementary information.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Future Leaders Institute Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Future Leaders Institute Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Future Leaders Institute Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Future Leaders Institute Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Future Leaders Institute Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

New York, New York
October 16, 2014