

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2010 AND 2009

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Future Leaders Institute Charter School

We have audited the accompanying statements of financial position of Future Leaders Institute Charter School (a not-for-profit corporation) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Future Leaders Institute Charter School as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010 on our consideration of Future Leaders Institute Charter School internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Lutz + Carr, LLP

New York, New York
October 18, 2010

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents (Notes 1d and 6)	\$1,945,401	\$1,817,724
Unconditional promises to give (Notes 1b and 3)		
Unrestricted	332,691	117,861
Prepaid expenses and other current assets	27,972	34,031
Total Current Assets	<u>2,306,064</u>	<u>1,969,616</u>
Property and equipment (Notes 1e and 4)	114,325	163,412
Escrow deposit (Note 5d)	<u>75,000</u>	<u>75,000</u>
Total Assets	<u>\$2,495,389</u>	<u>\$2,208,028</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 170,501	\$ 199,200
Salaries, payroll taxes and benefits payable	320,230	256,562
Accrued pension liability (Note 5b)	1,320,008	1,154,823
Total Liabilities	<u>1,810,739</u>	<u>1,610,585</u>
Commitment and Contingency (Note 5)		
Net Assets		
Unrestricted		
Board designated (Note 2)	500,000	500,000
Other	184,650	97,443
Total Net Assets	<u>684,650</u>	<u>597,443</u>
Total Liabilities and Net Assets	<u>\$2,495,389</u>	<u>\$2,208,028</u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>		
	<u>Unrestricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Public School District:				
Revenue - Resident Student Enrollment	\$ 4,503,822	\$ 4,186,334	\$ -	\$4,186,334
New York State and City grants	231,085	151,588	-	151,588
Contributions	359,396	325,883	-	325,883
In kind contributions (Note 7)	58,173	85,092	-	85,092
Interest income	7,236	24,714	-	24,714
Other income	19,675	9,785	-	9,785
	<u>5,179,387</u>	<u>4,783,396</u>	<u>-</u>	<u>4,783,396</u>
Net assets released from restriction	<u>-</u>	<u>29,269</u>	<u>(29,269)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>5,179,387</u>	<u>4,812,665</u>	<u>(29,269)</u>	<u>4,783,396</u>
Expenses				
Program Services	4,626,656	4,388,604	-	4,388,604
Supporting Services				
Management and general	299,983	288,630	-	288,630
Fundraising and special events	165,541	157,762	-	157,762
Total Expenses	<u>5,092,180</u>	<u>4,834,996</u>	<u>-</u>	<u>4,834,996</u>
Increase (decrease) in net assets	87,207	(22,331)	(29,269)	(51,600)
Net assets, beginning of year	<u>597,443</u>	<u>619,774</u>	<u>29,269</u>	<u>649,043</u>
Net Assets, End of Year	<u><u>\$ 684,650</u></u>	<u><u>\$ 597,443</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 597,443</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 87,207	\$ (51,600)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	68,806	89,705
(Increase) decrease in:		
Accounts receivable	-	2,820
Unconditional promises to give	(214,830)	(44,632)
Prepaid expenses and other current assets	6,059	3,510
Increase (decrease) in:		
Accounts payable and accrued expenses	(28,699)	(12,233)
Salaries, payroll taxes and benefits payable	63,668	(42,851)
Accrued pension liability	165,185	224,887
Net Cash Provided By Operating Activities	147,396	169,606
 Cash Flows From Investing Activities		
Purchase of property and equipment	(19,719)	(49,061)
Purchase of investments	-	-
Proceeds from sale of investments	-	675,000
Net Cash Provided (Used) By Investing Activities	(19,719)	625,939
 Net increase in cash and equivalents	127,677	795,545
Cash and cash equivalents, beginning of year	1,817,724	1,022,179
 Cash and Cash Equivalents, End of Year	\$1,945,401	\$1,817,724

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****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 first renewal charter valid for a term of three years commencing March 14, 2010.

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 - Contributions and Unconditional Promises to Give

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

c - Financial Statement Presentation

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

d - Cash and Cash Equivalents

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

e - Property and Equipment

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

f - Estimates

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

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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

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.

h - Subsequent Events

FLICS has evaluated subsequent events through October 18, 2010, 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.

Note 4 - Property and Equipment

A summary of property and equipment at June 30, 2010 and 2009 is as follows:

	<u>Life</u>	<u>2010</u>	<u>2009</u>
Computer equipment	3 years	\$ 86,048	\$ 79,523
Furniture and other office equipment	5-7 years	135,416	135,416
Software	3 years	26,322	26,322
Teaching materials	3-5 years	83,450	83,450
Library and text books	3 years	116,146	102,952
Gym equipment	10 years	<u>20,181</u>	<u>20,181</u>
		467,563	447,844
Less: Accumulated depreciation		<u>(353,238)</u>	<u>(284,432)</u>
		<u>\$114,325</u>	<u>\$163,412</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$68,806 and \$89,705, respectively.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 5 - Commitment and Contingency

- a - FLICS leases space from the New York City Department of Education (“DOE”) for \$1 per year through August 1, 2014. The Department 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 2010 and 2009 is an estimate subject to adjustment by the TRS.
- c - Government supported projects are subject to audit by the applicable granting agency.
- d - As part of an agreement with the DOE, FLICS has established an escrow account of \$75,000 to pay for legal and audit expenses that would be associated with a dissolution should it occur.

Note 6 - Concentration of Credit Risk

FLICS maintains cash balances at several FDIC insured banks in New York City.

Note 7 - In Kind Contribution

In kind contributions recorded at fair value for the years ended June 30, are as follows:

	<u>2010</u>	<u>2009</u>
Services related to lacrosse team	\$40,000	\$40,000
Contracted services, report creation	-	45,092
Donated books	2,598	-
Event related services	6,315	-
Other services	<u>9,260</u>	<u>-</u>
	<u>\$58,173</u>	<u>\$85,092</u>

Note 8 - Functional Allocation of Expenses

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

ADDITIONAL INFORMATION



**INDEPENDENT AUDITORS' REPORT ON
ADDITIONAL INFORMATION**

To the Board of Trustees of
Future Leaders Institute Charter School

Our report on our audits of the basic financial statements of Future Leaders Institute Charter School for 2010 and 2009 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended June 30, 2010 with comparative totals for 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
October 18, 2010

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

	Program Services	Supporting Services			2010	2009
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$2,694,441	\$ 127,268	\$ 120,370	\$247,638	\$2,942,079	\$2,683,795
Employee benefits and payroll taxes	1,236,579	34,116	30,976	65,092	1,301,671	1,158,971
Legal and auditing fees	-	73,400	-	73,400	73,400	76,533
Consultants - education	221,242	-	-	-	221,242	250,399
Contracted services - other	141,490	44,081	2,775	46,856	188,346	261,239
Insurance	30,937	1,676	1,572	3,248	34,185	38,898
Occupancy	12,874	1,330	-	1,330	14,204	-
Printing	15,524	1,096	1,624	2,720	18,244	7,098
Supplies and materials	27,690	3,342	1,818	5,160	32,850	32,160
Postage	1,581	397	1,075	1,472	3,053	3,590
Conferences and meetings	29,798	350	-	350	30,148	8,555
Instructional supplies	65,371	-	-	-	65,371	121,168
Meals	31,129	246	27	273	31,402	25,408
Other expenses	7,498	7,892	1,159	9,051	16,549	15,512
Telephone	14,868	834	756	1,590	16,458	18,941
Travel/field trips	33,412	536	224	760	34,172	43,024
Depreciation	62,222	3,419	3,165	6,584	68,806	89,705
Total Expenses, 2010	<u>\$4,626,656</u>	<u>\$ 299,983</u>	<u>\$ 165,541</u>	<u>\$465,524</u>	<u>\$5,092,180</u>	
Total Expenses, 2009	<u>\$4,388,604</u>	<u>\$ 288,630</u>	<u>\$ 157,762</u>	<u>\$446,392</u>		<u>\$4,834,996</u>

See independent auditors' report on additional information.



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

To the Board of Trustees of
Future Leaders Institute Charter School

We have audited the financial statements of Future Leaders Institute Charter School as of and for the year ended June 30, 2010, and have issued our report thereon dated October 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Future Leaders Institute Charter Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Future Leaders Institute Charter Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 or correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entities financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Future Leaders Institute Charter Schools' financial statements are free of 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*.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

New York, New York
October 18, 2010