

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2011 AND 2010

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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 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, 2011

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and cash equivalents (Notes 1d and 6)	\$2,647,313	\$1,945,401
Unconditional promises to give (Notes 1b and 3)		
Unrestricted	261,658	332,691
Prepaid expenses and other current assets	54,195	27,972
Total Current Assets	<u>2,963,166</u>	<u>2,306,064</u>
Property and equipment (Notes 1e and 4)	135,495	114,325
Escrow deposit (Note 5d)	75,000	75,000
Total Assets	<u><u>\$3,173,661</u></u>	<u><u>\$2,495,389</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 143,728	\$ 170,501
Salaries, payroll taxes and benefits payable	340,138	320,230
Accrued pension liability (Note 5b)	1,132,862	1,320,008
Deferred resident student enrollment revenue (Note 7)	133,417	-
Total Liabilities	<u>1,750,145</u>	<u>1,810,739</u>
Commitments and Contingencies (Note 5)		
Net Assets		
Unrestricted		
Board designated (Note 2a)	575,000	500,000
Other	823,516	184,650
Temporarily restricted (Note 2b)	25,000	-
Total Net Assets	<u>1,423,516</u>	<u>684,650</u>
Total Liabilities and Net Assets	<u><u>\$3,173,661</u></u>	<u><u>\$2,495,389</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Unrestricted
Revenues, Gains and Other Support				
Public School District - Resident				
Student Enrollment (Note 7)	\$ 5,447,348	\$ -	\$ 5,447,348	\$ 4,503,822
Federal grants	230,028	-	230,028	231,085
New York State grants	6,307	-	6,307	-
Contributions	301,081	25,000	326,081	359,396
In kind contributions (Note 8)	3,617	-	3,617	58,173
Interest income	11,599	-	11,599	7,236
Other income	1,478	-	1,478	19,675
	<u>6,001,458</u>	<u>25,000</u>	<u>6,026,458</u>	<u>5,179,387</u>
Expenses				
Program Services				
General education services	4,008,902	-	4,008,902	4,163,990
Special education services	493,279	-	493,279	462,666
Supporting Services				
Management and general	693,033	-	693,033	299,983
Fundraising and special events	92,378	-	92,378	165,541
	<u>5,287,592</u>	<u>-</u>	<u>5,287,592</u>	<u>5,092,180</u>
Increase in net assets	713,866	25,000	738,866	87,207
Net assets, beginning of year	684,650	-	684,650	597,443
	<u>\$ 1,398,516</u>	<u>\$ 25,000</u>	<u>\$ 1,423,516</u>	<u>\$ 684,650</u>
Net Assets, End of Year	<u><u>\$ 1,398,516</u></u>	<u><u>\$ 25,000</u></u>	<u><u>\$ 1,423,516</u></u>	<u><u>\$ 684,650</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities		
Increase in net assets	\$ 738,866	\$ 87,207
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	69,263	68,806
(Increase) decrease in:		
Unconditional promises to give	71,033	(214,830)
Prepaid expenses and other current assets	(26,223)	6,059
Increase (decrease) in:		
Accounts payable and accrued expenses	(26,773)	(28,699)
Salaries, payroll taxes and benefits payable	19,908	63,668
Accrued pension liability	(187,146)	165,185
Deferred resident student enrollment revenue	133,417	-
Net Cash Provided By Operating Activities	792,345	147,396
 Cash Flows From Investing Activities		
Purchase of property and equipment	(90,433)	(19,719)
Net increase in cash and equivalents	701,912	127,677
Cash and cash equivalents, beginning of year	1,945,401	1,817,724
 Cash and Cash Equivalents, End of Year	\$2,647,313	\$1,945,401

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2011 AND 2010****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 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.

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.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2011 AND 2010****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.

h - Subsequent Events

FLICS has evaluated subsequent events through October 18, 2011, the date that the financial statements are considered available to be issued.

i - Prior Year Information

For comparability, certain 2010 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2011.

Note 2 - Net Assetsa - Board Designated

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

b - Restriction on Net Assets

Temporarily restricted net assets are restricted for future programs and periods.

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, 2011 AND 2010

Note 4 - Property and Equipment

A summary of property and equipment at June 30, 2011 and 2010 is as follows:

	<u>Life</u>	<u>2011</u>	<u>2010</u>
Computer equipment	3 years	\$130,296	\$ 86,048
Furniture and other office equipment	5-7 years	146,772	135,416
Software	3 years	61,151	26,322
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>
		557,996	467,563
Less: Accumulated depreciation		<u>(422,501)</u>	<u>(353,238)</u>
		<u>\$135,495</u>	<u>\$114,325</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$69,263 and \$68,806, respectively.

Note 5 - Commitments and Contingencies

- 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 2011 and 2010 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.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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.

The deferred portion represents per pupil revenue for the 2012 school year.

Note 8 - In Kind Contribution

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

	<u>2011</u>	<u>2010</u>
Accounting services	\$3,617	\$ -
Services related to lacrosse team	-	40,000
Donated books	-	2,598
Event related services	-	6,315
Other services	-	9,260
	<u>\$3,617</u>	<u>\$58,173</u>

Note 9 - 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.

ADDITIONAL INFORMATION



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**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 2011 and 2010 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, 2011 with comparative totals for 2010 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, 2011

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	Program Services			Supporting Services			2011	2010
	General Education Services	Special Education Services	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 2,565,223	\$ 315,639	\$ 2,880,862	\$ 378,810	\$ 66,290	\$ 445,100	\$ 3,325,962	\$ 2,942,079
Employee benefits and payroll taxes	876,873	107,895	984,768	155,912	19,163	175,075	1,159,843	1,301,671
Legal and auditing fees	-	-	-	89,290	-	89,290	89,290	73,400
Consultants - education	49,026	6,032	55,058	-	-	-	55,058	-
Contracted services - other	214,393	26,380	240,773	34,026	2,639	36,665	277,438	396,445
Insurance	24,948	3,070	28,018	3,684	645	4,329	32,347	34,185
Occupancy	28,054	3,452	31,506	4,143	725	4,868	36,374	14,204
Printing	17,031	2,096	19,127	2,126	-	2,126	21,253	18,244
Supplies and materials	9,302	1,145	10,447	1,160	-	1,160	11,607	18,455
Postage	3,053	376	3,429	734	735	1,469	4,898	3,053
Conferences and meetings	508	62	570	1,179	160	1,339	1,909	30,148
Instructional supplies	104,482	12,857	117,339	-	-	-	117,339	89,179
Meals	24,413	3,005	27,418	7,149	-	7,149	34,567	31,402
Other expenses	7,380	908	8,288	4,361	191	4,552	12,840	20,279
Telephone	12,460	1,533	13,993	1,839	322	2,161	16,154	16,458
Travel/field trips	18,335	2,256	20,591	731	128	859	21,450	34,172
Depreciation	53,421	6,573	59,994	7,889	1,380	9,269	69,263	68,806
Total Expenses, 2011	<u>\$ 4,008,902</u>	<u>\$ 493,279</u>	<u>\$ 4,502,181</u>	<u>\$ 693,033</u>	<u>\$ 92,378</u>	<u>\$ 785,411</u>	<u>\$ 5,287,592</u>	
Total Expenses, 2010	<u>\$ 4,163,990</u>	<u>\$ 462,666</u>	<u>\$ 4,626,656</u>	<u>\$ 299,983</u>	<u>\$ 165,541</u>	<u>\$ 465,524</u>		<u>\$ 5,092,180</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, 2011, and have issued our report thereon dated October 18, 2011. 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*. We noted certain other matters that we reported to management of Future Leaders Institute Charter School, in a separate letter dated October 18, 2011.

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.

A handwritten signature in black ink that reads "Lutz + Carr, LLP". The signature is written in a cursive, flowing style.

New York, New York
October 18, 2011