

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2016 AND 2015

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
Supplementary Information	
Independent Auditors' Report on Supplementary Information	11
Schedule of Functional Expenses	12
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 <i>Government Auditing Standards</i>	13-14



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, 2016 and 2015, 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, 2016 and 2015, 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 4, 2016, 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 4, 2016

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents (Notes 1b and 7)	\$3,087,310	\$3,700,752
Investments (Notes 1c and 4)	1,021,722	752,406
Unconditional promises to give - unrestricted (Notes 1d and 3)	135,453	82,013
Resident student enrollment revenue receivable (Note 8)	1,361	-
Prepaid expenses and other current assets	2,090	42,870
Total Current Assets	4,247,936	4,578,041
Property and equipment (Notes 1e and 5)	57,746	127,415
Escrow deposit (Note 6d)	75,000	75,000
Total Assets	\$4,380,682	\$4,780,456
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 266,853	\$ 249,491
Salaries, payroll taxes and benefits payable	443,144	508,788
Accrued pension liability (Note 6b)	880,268	828,765
Deferred resident student enrollment revenue (Note 8)	-	12,399
Total Liabilities	1,590,265	1,599,443
Commitments and Contingencies (Notes 6 and 10)		
Net Assets		
Unrestricted		
Board designated (Note 2)	575,000	575,000
Other	2,215,417	2,606,013
Total Net Assets	2,790,417	3,181,013
Total Liabilities and Net Assets	\$4,380,682	\$4,780,456

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenues and Other Support		
Public School District - Resident student enrollment (Note 8)	\$5,764,168	\$5,926,728
Federal grants	264,972	199,849
New York State grants	88,365	29,162
Contributions	51,699	237,707
Donated services (Note 9)	115,650	114,231
Interest and other income	<u>10,219</u>	<u>42,767</u>
 Total Revenues and Other Support	 <u>6,295,073</u>	 <u>6,550,444</u>
 Expenses		
Program Services		
General education services	5,373,805	4,392,598
Special education services	890,673	1,153,553
Supporting Services		
Management and general	421,191	773,533
Fundraising and special events	<u>-</u>	<u>3,500</u>
 Total Expenses	 <u>6,685,669</u>	 <u>6,323,184</u>
 Increase (decrease) in net assets	 (390,596)	 227,260
Net assets, beginning of year	<u>3,181,013</u>	<u>2,953,753</u>
 Net Assets, End of Year	 <u><u>\$2,790,417</u></u>	 <u><u>\$3,181,013</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (390,596)	\$ 227,260
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	74,217	72,983
(Increase) decrease in:		
Unconditional promises to give	(53,440)	7,180
Resident student enrollment revenue receivable	(1,361)	5,822
Prepaid expenses and other current assets	40,780	60,807
Increase (decrease) in:		
Accounts payable and accrued expenses	17,362	77,588
Salaries, payroll taxes and benefits payable	(65,644)	(20,985)
Accrued pension liability	51,503	5,548
Deferred resident student enrollment revenue	(12,399)	12,399
Net Cash Provided (Used) By Operating Activities	<u>(339,578)</u>	<u>448,602</u>
 Cash Flows From Investing Activities		
Purchase of certificates of deposit	(1,005,408)	(1,248,765)
Maturity of certificates of deposit	736,092	496,359
Purchase of property and equipment	(4,548)	(58,214)
Net Cash Used By Investing Activities	<u>(273,864)</u>	<u>(810,620)</u>
 Net decrease in cash and cash equivalents	(613,442)	(362,018)
Cash and cash equivalents, beginning of year	<u>3,700,752</u>	<u>4,062,770</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$3,087,310</u></u>	<u><u>\$3,700,752</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****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, 2019.

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, including money market funds, to be cash equivalents.

c - Investments

At June 30, 2016 and 2015, investments consist of certificates of deposit and equities stated at fair value, which approximate cost. All the investments held by FLICS are classified within Level 1 (prices in active markets for identical assets or liabilities) of the fair value hierarchy.

d - 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.

e - Property and Equipment

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

f - Financial Statement Presentation

FLICS 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, 2016 AND 2015

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

g - 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.

h - Tax Status

FLICS is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

i - Subsequent Events

FLICS has evaluated subsequent events through October 4, 2016, 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 - Investments

Investments consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ 998,043	\$737,336
Equities	<u>23,679</u>	<u>15,070</u>
	<u>\$1,021,722</u>	<u>\$752,406</u>

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 5 - Property and Equipment

A summary of property and equipment at June 30, 2016 and 2015 is as follows:

	<u>Life</u>	<u>2016</u>	<u>2015</u>
Computer equipment	3 years	\$337,835	\$343,010
Furniture and other office equipment	5-7 years	167,688	163,143
Software	3 years	83,471	108,766
Website	3 years	18,854	18,854
Teaching materials	3-5 years	-	83,450
Library and text books	3 years	-	116,146
Gym equipment	10 years	<u>20,181</u>	<u>20,181</u>
		628,029	853,550
Less: Accumulated depreciation		<u>(570,283)</u>	<u>(726,135)</u>
		<u>\$ 57,746</u>	<u>\$127,415</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$74,217 and \$72,983, respectively.

Note 6 - Commitments and Contingencies

- a - The school is co-located with P.S. 242 in a New York City Department of Education facility at no charge. The school is unable to determine a value for the space.
- 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 2016 and 2015 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 in excess of the \$70,000 mandated to pay for legal and audit expenses that would be associated with a dissolution, should it occur.
- e - As a conversion charter school, FLICS is a unionized school and as such is required to follow the union contract agreed upon between the United Federation of Teachers union ("UFT"), the Council of School Supervisors and Administrators ("CSA") and the City of New York.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****Note 7 - Concentration of Credit Risk**

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

Note 8 - Resident Student Enrollment

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

Note 9 - Donated Services

FLICS received donated program services with a value of \$115,650 and \$114,231 for the years ended June 30, 2016 and 2015, respectively.

Note 10 - Teacher Salaries

As a result of the UFT and CSA collective bargaining agreements that were ratified in 2014 after the expiration of the previous agreements in 2009, FLICS is subject to retroactive salary increases and related payments due to all eligible UFT and CSA members. These payments began in 2015 and will continue through 2021. The school has calculated an estimate of the total contingent liability to be approximately \$770,000 but will only be paid to individuals who are members of the UFT or the CSA and employed by FLI (or are eligible retirees under the applicable collective bargaining agreement) at the time of payment. Such payments are being issued as agreed upon with the UFT and CSA over six years beginning in October 2015.

Note 11 - 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



LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

**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, 2016 and 2015, and our report thereon dated October 4, 2016, 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, 2016 with comparative totals for 2015 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 4, 2016

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Number of Positions	Program Services			Supporting Services			2016	2015
		Regular Education	Special Education	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Personnel Services Costs									
Administrative staff personnel	17	\$ 954,552	\$ 161,158	\$1,115,710	\$ 123,968	\$ -	\$123,968	\$1,239,678	\$ 995,519
Instructional personnel	31	2,072,762	333,804	2,406,566	-	-	-	2,406,566	2,704,325
Non-instructional personnel	6	210,159	35,481	245,640	27,293	-	27,293	272,933	279,902
Total Personnel Services Costs		<u>3,237,473</u>	<u>530,443</u>	<u>3,767,916</u>	<u>151,261</u>	<u>-</u>	<u>151,261</u>	<u>3,919,177</u>	<u>3,979,746</u>
Employee benefits and payroll taxes		777,119	131,202	908,321	100,922	-	100,922	1,009,243	928,341
Retirement		233,852	39,482	273,334	30,371	-	30,371	303,705	216,192
Professional development		92,227	15,571	107,798	11,979	-	11,979	119,777	72,891
Legal services		18,936	3,197	22,133	2,459	-	2,459	24,592	37,033
Accounting and audit services		132,828	22,425	155,253	17,250	-	17,250	172,503	173,616
Other purchased, professional and consulting services		442,354	74,683	517,037	57,448	-	57,448	574,485	447,243
Student and staff recruitment		15,981	2,698	18,679	2,075	-	2,075	20,754	17,647
Supplies and materials		52,975	8,944	61,919	6,880	-	6,880	68,799	117,078
Office expense		78,260	13,213	91,473	10,161	-	10,161	101,634	76,376
Technology		99,376	16,778	116,154	12,907	-	12,907	129,061	54,111
Student services		57,882	9,322	67,204	-	-	-	67,204	43,792
Insurance		38,035	6,422	44,457	4,940	-	4,940	49,397	47,006
Equipment and furnishings		24,752	4,179	28,931	3,215	-	3,215	32,146	27,983
Repairs and maintenance		-	-	-	-	-	-	-	503
Depreciation		57,147	9,648	66,795	7,422	-	7,422	74,217	72,983
Other		14,608	2,466	17,074	1,901	-	1,901	18,975	10,643
Total Expenses, 2016		<u>\$5,373,805</u>	<u>\$ 890,673</u>	<u>\$6,264,478</u>	<u>\$ 421,191</u>	<u>\$ -</u>	<u>\$421,191</u>	<u>\$6,685,669</u>	
Total Expenses, 2015		<u>\$4,392,598</u>	<u>\$1,153,553</u>	<u>\$5,546,151</u>	<u>\$ 773,533</u>	<u>\$ 3,500</u>	<u>\$777,033</u>		<u>\$6,323,184</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, 2016, 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 4, 2016.

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 4, 2016