

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2006

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

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INDEPENDENT AUDITOR'S 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, 2006, and the related statements of activities and cash flows for the year 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, 2006, and the results of its operations and its cash flows for the year 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 September 15, 2006 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
September 15, 2006

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2006

Assets

Current Assets

Cash and cash equivalents (Notes 1d and 6)	\$ 957,710
Unconditional promises to give (Notes 1b and 3)	
Unrestricted	139,975
Restricted for future periods	123,840
Prepaid expenses and other current assets	114,430
Total Current Assets	<u>1,335,955</u>

Property and equipment (Notes 1e and 4)	<u>212,828</u>
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Total Assets	<u><u>\$1,548,783</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 176,188
Salaries, payroll taxes and benefits payable	248,638
Accrued pension liability	291,126
Total Current Liabilities	<u>715,952</u>

Commitment and Contingency (Note 5)

Net Assets

Unrestricted	
Board designated (Note 2a)	500,000
Other	93,548
	<u>593,548</u>
Temporarily restricted (Note 2b)	239,283
Total Net Assets	<u>832,831</u>

Total Liabilities and Net Assets	<u><u>\$1,548,783</u></u>
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See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support:			
Public School District:			
Revenue - Resident Student Enrollment	\$ 2,956,320	\$ -	\$2,956,320
New York State and City grants	708,590	189,283	897,873
Contributions	406,649	50,000	456,649
In kind contributions	56,850	-	56,850
Other income	3,632	-	3,632
Total Revenues, Gains and Other Support	4,132,041	239,283	4,371,324
Expenses			
Program Services	3,272,314	-	3,272,314
Supporting Services			
Management and general	201,337	-	201,337
Fundraising and special events	99,691	-	99,691
Total Expenses	3,573,342	-	3,573,342
Increase in net assets	558,699	239,283	797,982
Net assets, beginning of year	34,849	-	34,849
 Net Assets, End of Year	 \$ 593,548	 \$ 239,283	 \$ 832,831

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

Cash Flows From Operating Activities	
Increase in net assets	\$ 797,982
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	29,523
Increase in:	
Unconditional promise to give	(238,815)
Prepaid expenses and other current assets	(114,430)
Increase in:	
Accounts payable and accrued expenses	121,287
Salaries, payroll taxes and benefits payable	248,638
Accrued pension liability	<u>291,126</u>
Net Cash Provided By Operating Activities	<u>1,135,311</u>
 Cash Flows From Investing Activities	
Purchase of property and equipment	<u>(242,351)</u>
 Net increase in cash and equivalents	892,960
Cash and cash equivalents beginning of year	<u>64,750</u>
 Cash and Cash Equivalents End of Year	 <u><u>\$ 957,710</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2006****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Future Leaders Institute Charter School (FLICS) provides a rigorous academic curriculum program with a focus on the arts and physical education and offers a three week summer program and conducts compressive professional development program for teachers. The goal of the school is to successfully place 8th grade students into competitive high schools.

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

The Organization 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, the Organization 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 being depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the term of the lease.

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

Future Leaders Institute Charter School 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.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Note 2 - Net Assets

- a - 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 periods and programs.

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, 2006 is as follows:

	<u>Life</u>	<u>Amount</u>
Computer equipment	3 years	\$ 11,636
Furniture and other office equipment	5-7 years	114,121
Software	3 years	21,760
Teaching materials	3 - 5 years	25,402
Library and text books	3 years	<u>69,432</u>
		242,351
Less: Accumulated depreciation		<u>(29,523)</u>
		<u>\$212,828</u>

Depreciation expense for the year ended June 30, 2006 was \$29,523

Note 5 - Commitment and Contingency

- a - The School leases space from the New York City Department of Education ("Department") for \$1 per year through June 30, 2010. The Department provides utilities and other maintenance and security services for the building during regular school hours.
- b - Government supported projects are subject to audit by the applicable granting agency.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2006****Note 6 - Concentration of Credit Risk**

The Organization maintains cash balances at a financial institution located in New York City.

Note 7 - 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 AUDITOR'S REPORT ON
ADDITIONAL INFORMATION**

To the Board of Trustees of
Future Leaders Institute Charter School

Our report on our audit of the basic financial statements of Future Leaders Institute Charter School for 2006 appears on page 1. We conducted our audit 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, 2006 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
September 15, 2006

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2006

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$2,014,171	\$ 113,698	\$ 29,038	\$142,736	\$2,156,907
Employee benefits and payroll taxes	619,495	22,747	6,112	28,859	648,354
Legal and auditing fees	-	51,764	-	51,764	51,764
Consultants - education	221,477	-	-	-	221,477
Contracted services - other	125,091	-	60,000	60,000	185,091
Insurance	41,896	2,769	726	3,495	45,391
Occupancy	23,383	1,281	336	1,617	25,000
Printing	967	640	170	810	1,777
Supplies and materials	20,729	849	2,061	2,910	23,639
Postage	791	709	195	904	1,695
Conferences and meetings	1,623	-	-	-	1,623
Instructional supplies	93,480	-	-	-	93,480
Meals	8,231	-	-	-	8,231
Other expenses	14,904	4,747	581	5,328	20,232
Telephone	3,984	332	-	332	4,316
Travel/field trips	54,842	-	-	-	54,842
Depreciation and amortization	27,250	1,801	472	2,273	29,523
Total Expenses	<u>\$3,272,314</u>	<u>\$ 201,337</u>	<u>\$ 99,691</u>	<u>\$301,028</u>	<u>\$3,573,342</u>

See independent auditor's 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, 2006, and have issued our report thereon dated September 15, 2006. 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 School internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Future Leaders Institute Charter School 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 the audit committee, management, 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.

Lutz + Carr, LLP

New York, New York
September 15, 2006