

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2008 AND 2007

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, 2008 and 2007, 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, 2008 and 2007, and the results of its operations 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 23, 2008 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 23, 2008

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets		
Cash and cash equivalents (Notes 1d and 6)	\$1,097,179	\$1,587,587
Investments (Note 1e)	675,000	-
Accounts receivable	2,820	-
Unconditional promises to give (Notes 1b and 3)		
Unrestricted	73,229	112,782
Restricted for future periods	-	140,000
Prepaid expenses and other current assets	37,541	60,279
Total Current Assets	<u>1,885,769</u>	<u>1,900,648</u>
Property and equipment (Notes 1f and 4)	<u>204,056</u>	<u>235,512</u>
 Total Assets	 <u><u>\$2,089,825</u></u>	 <u><u>\$2,136,160</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 211,433	\$ 151,713
Salaries, payroll taxes and benefits payable	299,413	267,084
Accrued pension liability (Note 5b)	929,936	830,855
Total Liabilities	<u>1,440,782</u>	<u>1,249,652</u>
Commitment and Contingency (Note 5)		
Net Assets		
Unrestricted		
Board designated (Note 2a)	500,000	500,000
Other	119,774	164,301
	<u>619,774</u>	<u>664,301</u>
Temporarily restricted (Note 2b)	29,269	222,207
Total Net Assets	<u>649,043</u>	<u>886,508</u>
 Total Liabilities and Net Assets	 <u><u>\$2,089,825</u></u>	 <u><u>\$2,136,160</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007 *		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
Public School District:						
Revenue - Resident Student Enrollment	\$ 3,514,734	\$ -	\$3,514,734	\$ 3,280,302	\$ -	\$3,280,302
New York State and City grants	149,198	-	149,148	179,367	142,455	321,822
Contributions	502,198	29,269	531,467	455,107	75,000	530,107
In kind contributions	59,198	-	59,198	77,407	-	77,407
Interest income	63,347	-	63,347	13,923	-	13,923
Other income	11,809	-	11,809	4,635	-	4,635
	<u>4,300,484</u>	<u>29,269</u>	<u>4,329,753</u>	<u>4,010,741</u>	<u>217,455</u>	<u>4,228,196</u>
Net assets released from restrictions	222,207	(222,207)	-	234,531	(234,531)	-
	<u>4,522,691</u>	<u>(192,938)</u>	<u>4,329,753</u>	<u>4,245,272</u>	<u>(17,076)</u>	<u>4,228,196</u>
Total Revenues, Gains and Other Support						
Expenses						
Program Services	4,131,862	-	4,131,862	3,808,529	-	3,808,529
Supporting Services						
Management and general	238,824	-	238,824	211,371	-	211,371
Fundraising and special events	196,532	-	196,532	154,619	-	154,619
	<u>4,567,218</u>	<u>-</u>	<u>4,567,218</u>	<u>4,174,519</u>	<u>-</u>	<u>4,174,519</u>
Total Expenses						
Increase (decrease) in net assets	(44,527)	(192,938)	(237,465)	70,753	(17,076)	53,677
Net assets, beginning of year	664,301	222,207	886,508	593,548	239,283	832,831
	<u>\$ 619,774</u>	<u>\$ 29,269</u>	<u>\$ 649,043</u>	<u>\$ 664,301</u>	<u>\$ 222,207</u>	<u>\$ 886,508</u>
Net Assets, End of Year						

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (237,465)	\$ 53,677
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	93,684	71,519
(Increase) decrease in:		
Accounts receivable	(2,820)	-
Unconditional promises to give	179,553	11,033
Prepaid expenses and other current assets	22,738	54,151
Increase (decrease) in:		
Accounts payable and accrued expenses	59,720	(24,475)
Salaries, payroll taxes and benefits payable	32,329	18,446
Accrued pension liability	99,081	539,729
Net Cash Provided By Operating Activities	<u>246,820</u>	<u>724,080</u>
 Cash Flows From Investing Activities		
Purchase of property and equipment	(62,228)	(94,203)
Purchase of investments	(1,000,000)	-
Proceeds from sale of investments	325,000	-
Net Cash Used By Investing Activities	<u>(737,228)</u>	<u>(94,203)</u>
 Increase (decrease) in cash and equivalents	(490,408)	629,877
Cash and cash equivalents, beginning of year	<u>1,587,587</u>	<u>957,710</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$1,097,179</u></u>	 <u><u>\$1,587,587</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2008 AND 2007****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, 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 - Investments

At December 31, 2007 investments consisted of auction rate securities ("ARS") which consisted of securities issued by various funds. ARS generally have long term maturities that are structured for short term holding periods by use of an auction process. At the end of each holding period, an auction is held, determining the yield for the next holding period. Investors can sell, buy or continue to hold their shares at each auction. Based upon recent volatility in the debt markets, ARS have become temporarily illiquid. In the event of a failed auction, the interest rate paid by the fund to ARS holders increases to a rate as defined. Subsequent to June 30, 2008 FLICS liquidated its ARS investment of \$675,000.

f - 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, 2008 AND 2007

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

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.

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, 2008 and 2007 is as follows:

	<u>Life</u>	<u>2008</u>	<u>2007</u>
Computer equipment	3 years	\$ 55,788	\$ 36,384
Furniture and other office equipment	5-7 years	130,428	123,291
Software	3 years	26,322	26,322
Teaching materials	3-5 years	72,482	57,295
Library and text books	3 years	93,582	73,082
Gym equipment	10 years	<u>20,181</u>	<u>20,181</u>
		398,783	336,555
Less: Accumulated depreciation		<u>(194,727)</u>	<u>(101,043)</u>
		<u>\$204,056</u>	<u>\$235,512</u>

Depreciation expense for the years ended June 30, 2008 and 2007 was \$93,684 and \$71,519, respectively.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2008 AND 2007****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 - 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 2008 and 2007 is an estimate subject to adjustment by the TRS.
- c - Government supported projects are subject to audit by the applicable granting agency.

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 audits of the basic financial statements of Future Leaders Institute Charter School for 2008 and 2007 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, 2008 with comparative totals for 2007 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 23, 2008

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	Program Services	Supporting Services			2008	2007
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$2,377,052	\$ 124,848	\$ 104,873	\$229,721	\$2,606,773	\$2,367,219
Employee benefits and payroll taxes	910,546	31,354	17,516	48,870	959,416	1,024,838
Legal and auditing fees	-	60,547	-	60,547	60,547	45,976
Consultants - education	191,653	-	-	-	191,653	194,334
Contracted services - other	219,713	7,274	59,683	66,957	286,670	139,812
Insurance	35,171	1,984	1,631	3,615	38,786	35,950
Occupancy	-	-	-	-	-	25,496
Printing	2,223	-	4,172	4,172	6,395	4,842
Supplies and materials	37,087	3,827	3,262	7,089	44,176	34,636
Postage	3,415	751	598	1,349	4,764	2,340
Conferences and meetings	62,262	-	-	-	62,262	18,580
Instructional supplies	110,608	-	-	-	110,608	102,815
Meals	19,667	145	278	423	20,090	2,874
Other expenses	7,185	3,427	446	3,873	11,058	10,303
Telephone	6,687	358	300	658	7,345	30,265
Travel/field trips	62,966	-	25	25	62,991	62,720
Depreciation and amortization	85,627	4,309	3,748	8,057	93,684	71,519
Total Expenses, 2008	<u>\$4,131,862</u>	<u>\$ 238,824</u>	<u>\$ 196,532</u>	<u>\$435,356</u>	<u>\$4,567,218</u>	
Total Expenses, 2007	<u>\$3,808,529</u>	<u>\$ 211,371</u>	<u>\$ 154,619</u>	<u>\$365,990</u>		<u>\$4,174,519</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 years ended June 30, 2008 and 2007, and have issued our report thereon dated October 23, 2008. 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's 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the School's internal control

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 School's 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 23, 2008.

This report is intended solely for the information and use of the audit committee, management, NYC Department of Education and NYS Education Department 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 23, 2008