

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018 AND 2017

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 financial statements of Future Leaders Institute Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 August 30, 2018, 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.

Lutz + Carr, LLP

New York, New York
August 30, 2018

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents (Notes 1b and 7)	\$1,498,760	\$1,759,365
Investments (Notes 1c and 4)	1,601,056	1,427,037
Unconditional promises to give - unrestricted (Notes 1d and 3)	213,161	236,812
Resident student enrollment revenue receivable (Note 8)	4,255	55,353
Prepaid expenses and other current assets	3,220	2,239
Total Current Assets	<u>3,320,452</u>	<u>3,480,806</u>
Property and equipment (Notes 1e and 5)	105,809	202,715
Escrow deposit (Note 6d)	<u>70,000</u>	<u>70,000</u>
Total Assets	<u><u>\$3,496,261</u></u>	<u><u>\$3,753,521</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 307,273	\$ 315,846
Salaries, payroll taxes and benefits payable	650,231	586,429
Accrued pension liability (Note 6b)	872,027	805,439
Total Liabilities	<u>1,829,531</u>	<u>1,707,714</u>
Commitments and Contingencies (Notes 6 and 10)		
Net Assets		
Unrestricted		
Board designated (Note 2)	-	575,000
Other	1,666,730	1,470,807
Total Net Assets	<u>1,666,730</u>	<u>2,045,807</u>
Total Liabilities and Net Assets	<u><u>\$3,496,261</u></u>	<u><u>\$3,753,521</u></u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Revenues and Other Support		
Public School District - Resident student enrollment (Note 8)	\$5,560,074	\$5,721,844
Federal grants	320,974	177,723
New York State grants	155,464	291,529
Contributions	63,801	70,986
Donated services and materials (Note 9)	-	7,995
Interest and other income	82,676	32,713
Total Revenues and Other Support	6,182,989	6,302,790
Expenses		
Program Services		
Regular education services	4,678,152	4,969,292
Special education services	1,135,581	1,154,528
Other education services	389,647	561,416
Supporting Services		
Management and general	356,546	360,022
Fundraising and special events	2,140	2,142
Total Expenses	6,562,066	7,047,400
Decrease in net assets	(379,077)	(744,610)
Net assets, beginning of year	2,045,807	2,790,417
Net Assets, End of Year	\$1,666,730	\$2,045,807

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (379,077)	\$ (744,610)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	102,658	120,678
Realized loss on sale of equities	-	376
(Increase) decrease in:		
Unconditional promises to give	23,651	(101,359)
Resident student enrollment revenue receivable	51,098	(53,992)
Prepaid expenses and other current assets	(981)	(149)
Escrow account	-	5,000
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,573)	48,993
Salaries, payroll taxes and benefits payable	63,802	143,285
Accrued pension liability	66,588	(74,829)
Net Cash Used By Operating Activities	<u>(80,834)</u>	<u>(656,607)</u>
Cash Flows From Investing Activities		
Purchase of certificates of deposit	(1,598,473)	(1,426,415)
Maturity of certificates of deposit	1,424,454	997,421
Proceeds from sale of equities	-	23,303
Purchase of property and equipment	(5,752)	(265,647)
Net Cash Used By Investing Activities	<u>(179,771)</u>	<u>(671,338)</u>
Net decrease in cash and cash equivalents	(260,605)	(1,327,945)
Cash and cash equivalents, beginning of year	<u>1,759,365</u>	<u>3,087,310</u>
Cash and Cash Equivalents, End of Year	<u>\$1,498,760</u>	<u>\$1,759,365</u>

See notes to financial statements.

FUTURE LEADERS INSTITUTE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****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, 2018 and 2017, investments consist of certificates of deposit 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, 2018 AND 2017

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 August 30, 2018, the date that the financial statements are considered available to be issued.

j - Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.*" The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two net asset classes now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. FLICS is currently evaluating the impact of ASU 2016-14 on its financial statements.

Note 2 - Board Designated Net Assets

Board designated net assets represent additional funds held in reserve. In September 2017, the Board approved combining these funds with other unrestricted net assets.

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, 2018 AND 2017

Note 4 - Investments

Investments consist of certificates of deposit of \$1,601,056 and \$1,427,037 as of June 30, 2018 and 2017, respectively.

Note 5 - Property and Equipment

A summary of property and equipment at June 30, 2018 and 2017 is as follows:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Computer equipment	3 years	\$270,285	\$365,845
Furniture and other office equipment	5-7 years	<u>18,442</u>	<u>32,275</u>
		288,727	398,120
Less: Accumulated depreciation		<u>(182,918)</u>	<u>(195,405)</u>
		<u>\$105,809</u>	<u>\$202,715</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$102,658 and \$120,678, 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 also receives custodial services, school safety services, and utilities at no charge. The school is unable to determine a value for the space.
- b - FLICS is obligated to make employer contributions into the Teachers Retirement System ("TRS") of the City of New York. This accrued pension expense for 2018 and 2017 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 \$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, 2018 AND 2017****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 and Materials

FLICS received donated program services and materials with a value of \$7,995 for the year ended June 30, 2017.

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 FLICS (or are eligible retirees under the applicable collective bargaining agreement) at the time of payment. Such payments are being issued as mandated by the UFT and CSA over six years which began 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



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**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, 2018 and 2017, and our report thereon dated August 30, 2018, 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, 2018 with comparative totals for 2017 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
August 30, 2018

FUTURE LEADERS INSTITUTE CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Number of Positions	Program Services				Supporting Services			2018	2017
		Regular Education	Special Education	Other Education	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Personnel Services Costs										
Administrative staff personnel	11	\$ 780,882	\$ 80,786	\$ -	\$ 861,668	\$ 113,881	\$ -	\$113,881	\$ 975,549	\$1,264,587
Instructional personnel	36	2,015,052	698,922	197,957	2,911,931	57,191	-	57,191	2,969,122	2,713,694
Non-instructional personnel	2	119,334	61,340	-	180,674	-	-	-	180,674	322,712
Total Personnel Services Costs		2,915,268	841,048	197,957	3,954,273	171,072	-	171,072	4,125,345	4,300,993
Employee benefits and payroll taxes		797,243	126,670	1,304	925,217	107,054	-	107,054	1,032,271	1,067,261
Retirement		421,510	66,549	-	488,059	22,978	-	22,978	511,037	400,241
Professional development		21,998	15,407	-	37,405	2,830	-	2,830	40,235	103,819
Legal services		32,988	5,208	-	38,196	4,245	-	4,245	42,441	12,721
Accounting and audit services		21,276	3,359	-	24,635	2,738	3	2,741	27,376	29,910
Other purchased, professional and consulting services		93,644	14,785	178,675	287,104	12,047	-	12,047	299,151	574,259
Student and staff recruitment		15,355	2,424	90	17,869	1,977	-	1,977	19,846	16,610
Supplies and materials		65,712	11,363	9,004	86,079	-	-	-	86,079	117,543
Office expense		70,348	11,107	282	81,737	9,052	65	9,117	90,854	97,175
Technology		51,661	8,156	-	59,817	6,647	-	6,647	66,464	71,269
Student services		47,522	9,986	2,335	59,843	-	2,072	2,072	61,915	74,028
Insurance		42,600	6,726	-	49,326	5,481	-	5,481	54,807	51,329
Equipment and furnishings		1,233	195	-	1,428	159	-	159	1,587	8,355
Depreciation		79,794	12,598	-	92,392	10,266	-	10,266	102,658	120,678
Other		-	-	-	-	-	-	-	-	1,209
Total Expenses, 2018		\$4,678,152	\$1,135,581	\$ 389,647	\$6,203,380	\$ 356,546	\$ 2,140	\$358,686	\$6,562,066	
Total Expenses, 2017		\$4,969,292	\$1,154,528	\$ 561,416	\$6,685,236	\$ 360,022	\$ 2,142	\$362,164		\$7,047,400

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, 2018, 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 August 30, 2018.

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
August 30, 2018