

**FUTURES AND OPTIONS, INC.**

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2012 AND 2011**

# FUTURES AND OPTIONS, INC.

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## INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of  
Futures and Options, Inc.

We have audited the accompanying statements of financial position of Futures and Options, Inc. as of June 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses 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 the audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 Futures and Options, Inc. at June 30, 2012 and 2011, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Skody Scot & Company, CPAs, PC*

September 28, 2012

**FUTURES AND OPTIONS, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011**

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
| <b>ASSETS</b>                                |             |             |
| Cash   | \$ 279,675  | \$ 230,185  |
| Contribution and program revenue receivables | 109,170     | 986         |
| Prepaid expenses                             | 26,688      | 10,705      |
| Property and equipment, net                  | -           | 4,336       |
| Total assets                                 | \$ 415,533  | \$ 246,212  |

|   |            |            |
|---|------------|------------|
| <b>LIABILITIES AND NET ASSETS</b>         |            |            |
| Liabilities:                              |            |            |
| Accrued expenses                          | \$ 49,155  | \$ 30,088  |
| Deferred income                           | 136,952    | -          |
| Total liabilities                         | 186,107    | 30,088     |
| Commitments and contingencies (see notes) |            |            |
| Net Assets:                               |            |            |
| Unrestricted                              | 110,171    | 110,916    |
| Temporarily restricted                    | 119,255    | 105,208    |
| Permanently restricted                    | -          | -          |
| Total net assets                          | 229,426    | 216,124    |
| Total liabilities and net assets          | \$ 415,533 | \$ 246,212 |

**See accompanying notes to financial statements.**

**FUTURES AND OPTIONS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2012 AND 2011**

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| Support and Revenues:                        |                   |                   |
| Unrestricted:                                |                   |                   |
| Special event:                               |                   |                   |
| Event revenue - tickets and auctions         | \$ 71,148         | \$ 34,925         |
| Less: event expenses                         | (57,166)          | (15,496)          |
| Net event income                             | <u>13,982</u>     | <u>19,429</u>     |
| Event - contributions                        | 127,117           | 123,500           |
| Total special event revenues                 | <u>141,099</u>    | <u>142,929</u>    |
| Contributions                                | 454,864           | 390,182           |
| Contributions in-kind                        | 40,750            | 31,750            |
| Government grants                            | 3,500             | 3,500             |
| Program service revenue                      | 161,465           | 36,945            |
| Interest and other income                    | 1,929             | 322               |
| Release of prior year restrictions           | 103,173           | 106,399           |
| Temporarily Restricted:                      |                   |                   |
| Contributions                                | 117,220           | 105,208           |
| Release of prior years restrictions          | (103,173)         | (106,399)         |
| Total support and revenues                   | <u>920,827</u>    | <u>710,836</u>    |
| Expenses:                                    |                   |                   |
| Program Expenses:                            |                   |                   |
| Career development - intern wages / stipends | 168,674           | 113,455           |
| Career development - other                   | 566,441           | 501,772           |
| Total program expenses                       | <u>735,115</u>    | <u>615,227</u>    |
| Management and general                       | 82,446            | 81,771            |
| Fundraising                                  | 89,964            | 57,662            |
| Total expenses                               | <u>907,525</u>    | <u>754,660</u>    |
| Increase/(Decrease) In Net Assets:           |                   |                   |
| Unrestricted                                 | (745)             | (42,633)          |
| Temporarily restricted                       | 14,047            | (1,191)           |
| Permanently restricted                       | -                 | -                 |
| Increase/(decrease) in net assets            | <u>13,302</u>     | <u>(43,824)</u>   |
| Net assets, beginning of year                | <u>216,124</u>    | <u>259,948</u>    |
| Net assets, end of year                      | <u>\$ 229,426</u> | <u>\$ 216,124</u> |

**See accompanying notes to financial statements.**

**FUTURES AND OPTIONS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2012 AND 2011**

|   | <u>2012</u>       | <u>2011</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities:                               |                   |                   |
| Increase/(decrease) in net assets                                   | \$ 13,302         | \$ (43,824)       |
| Adjustments for non-cash items<br>included in operating activities: |                   |                   |
| Depreciation  | 4,336             | 9,569             |
| Changes in assets and liabilities:                                  |                   |                   |
| Accrued expenses  | 19,067            | (9,754)           |
| Deferred income   | 136,952           | -                 |
| Prepaid expenses  | (15,983)          | (2,333)           |
| Contribution and program revenue receivables                        | (108,184)         | 40,116            |
| Net cash provided/(used) by operating activities                    | <u>49,490</u>     | <u>(6,226)</u>    |
| Cash flows from investing activities                                | <u>-</u>          | <u>-</u>          |
| Cash flows from financing activities                                | <u>-</u>          | <u>-</u>          |
| Net increase/(decrease) in cash                                     | 49,490            | (6,226)           |
| Cash, at beginning of year  | <u>230,185</u>    | <u>236,411</u>    |
| Cash, at end of year  | <u>\$ 279,675</u> | <u>\$ 230,185</u> |

**See accompanying notes to financial statements.**

**FUTURES AND OPTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011**

|                              | 2012                             |  |                  | Total<br>Expenses | 2011              |
|------------------------------|----------------------------------|--|------------------|-------------------|-------------------|
|                              | Program<br>Career<br>Development | Supporting<br>Management<br>& General      Fundraising |                  |                   | Total<br>Expenses |
| Staff salaries               | \$ 356,841                       | \$ 21,100  | \$ 49,679        | \$ 427,620        | \$ 357,562        |
| Intern wages                 | 164,249                          | -  | -                | 164,249           | 109,235           |
| Payroll taxes & benefits     | 77,777                           | 3,731  | 8,785            | 90,293            | 71,543            |
| Stipends, career essentials  | 4,425                            | -  | -                | 4,425             | 4,220             |
| Consultants                  | 15,863                           | 8,789  | 31,500           | 56,152            | 57,261            |
| Depreciation                 | 4,336                            | -  | -                | 4,336             | 9,569             |
| Equipment rental             | 3,840                            | 870  | -                | 4,710             | 4,742             |
| Insurance                    | -                                | 4,470  | -                | 4,470             | 4,421             |
| Office expenses              | -                                | 9,372  | -                | 9,372             | 11,713            |
| Printing                     | -                                | 3,177  | -                | 3,177             | 2,558             |
| Postage                      | 416                              | 3,747  | -                | 4,163             | 2,914             |
| Professional fees            | -                                | 14,840   | -                | 14,840            | 19,029            |
| Program expenses             | 68,553                           | -  | -                | 68,553            | 37,474            |
| Recruitment & staff training | 293                              | 6,236  | -                | 6,529             | 11,821            |
| Rent & utilities             | 34,319                           | 1,543  | -                | 35,862            | 40,323            |
| Repairs & maintenance        | -                                | 1,769  | -                | 1,769             | 3,645             |
| Telephone & communications   | 4,203                            | 2,802  | -                | 7,005             | 6,630             |
| Total expenses               | <u>\$ 735,115</u>                | <u>\$ 82,446</u>                                       | <u>\$ 89,964</u> | <u>\$ 907,525</u> | <u>\$ 754,660</u> |

**See accompanying notes to financial statements.**

**FUTURES AND OPTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

Futures and Options, Inc. (Organization), a not-for-profit organization, was incorporated in the State of New York on March 16, 1999. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and does not believe its financial statements include any uncertain tax positions. The Organization primarily receives its support from contributors in the New York City area and from special events.

The Organization's Career Development program (formerly Varied Intern Partnership program) provides high school students with internships within corporate and not-for-profit positions, and monitors and evaluates their progress.

Basis of Financial Statements

The Organization maintains its books of account on the cash basis of accounting. For financial reporting purposes, the accounts have been adjusted to reflect revenues earned, but not collected, and expenses incurred, but not paid, in order to conform with generally accepted accounting principles.

In accordance with GAAP 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. In addition, the Organization is required to present a statement of cash flows.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition

Program service revenue relates to fees received in exchange for program services and mainly includes payments related to workshops and internships. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.



**FUTURES AND OPTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Flows

Cash receipts and payments are classified according to operating, investing, and financing activities. Only investments with maturities of three months or less and money market funds are classified as cash equivalents.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Property and Equipment

Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives ranging from three to ten years. Leasehold improvements are depreciated by the straight-line method over the life of the improvement or the term of the lease, whichever is shorter. Expenditures for repairs and maintenance are charged as an expense, and major renewals and betterments are capitalized.

Note 2 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2012 and 2011:

|                                | <u>2012</u>     | <u>2011</u>     |
|--------------------------------|-----------------|-----------------|
| Equipment                      | \$ 21,378       | \$ 21,378       |
| Leasehold improvements         | <u>69,715</u>   | <u>69,715</u>   |
|                                | 91,093          | 91,093          |
| Less: Accumulated depreciation | <u>(91,093)</u> | <u>(86,757)</u> |
|                                | <u>\$ -</u>     | <u>\$ 4,336</u> |

Note 3 - Contributions In-Kind

Contributions in-kind received are in the form of services and use of facilities, in lieu of cash payments. The estimated fair value of these contributions is reported as support and expense in the period in which the services are received. During the years ended June 30, 2012 and 2011, Alliance for Downtown NY provided free office space with fair market values of \$5,000 and \$5,000, respectively. During the years ended June 30, 2012 and 2011, various companies provided printing, event and design services, and executive training which totaled \$35,750 and \$26,750, respectively.

**FUTURES AND OPTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS**

**Note 4 - Commitments and Contingencies**

The Organization maintains its checking and savings accounts with financial institutions. Balances that exceed the Federal Deposit Insurance Corporation insurance coverage are summarized for the years ended June 30, 2012 and 2011 as follows:

|                       | <u>2012</u> | <u>2011</u> |
|-----------------------|-------------|-------------|
| Institution balances  | \$303,922   | \$242,541   |
| Less: Amounts covered | (303,922)   | (242,541)   |
| Uninsured amounts     | <u>\$ -</u> | <u>\$ -</u> |

The Organization is in the process of negotiating a new lease for office space. It is currently operating under a month-to-month lease. Total rent expense charged to operations for the years ended June 30, 2012 and 2011 was \$30,000 and \$30,000, respectively.

**Note 5 – Restricted Assets**

As of June 30, 2012 and 2011 contributions are restricted for the following activities:

|                         | <u>2012</u>      | <u>2011</u>      |
|-------------------------|------------------|------------------|
| Career development      | \$105,000        | \$ 60,000        |
| Partnership manager     | -                | 25,446           |
| Software                | 635              | 5,116            |
| Marketing manager       | -                | 12,096           |
| Business plan           | 1,400            | 2,550            |
| Office equipment        | 10,000           | -                |
| Executive coaching      | <u>2,220</u>     | <u>-</u>         |
| Total restricted assets | <u>\$119,255</u> | <u>\$105,208</u> |

**Note 6 – Fundraising Expenses**

The Organization conducted activities that included direct solicitations for sponsorships (fundraising). The costs of personnel conducting those sponsorship activities included fundraising, administrative and program expenses (collectively defined as joint costs). The total amount allocated to fundraising activities was \$58,464 for 2012 and \$11,162 for 2011. The total joint costs were allocated for the years ended June 30, 2012 and 2011, as follows:

|                        | <u>2012</u>      | <u>2011</u>      |
|------------------------|------------------|------------------|
| Program expenses       | \$129,255        | \$157,149        |
| Management and general | 17,312           | 18,311           |
| Fundraising            | <u>58,464</u>    | <u>11,162</u>    |
| Total joint costs      | <u>\$205,031</u> | <u>\$186,622</u> |

**FUTURES AND OPTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 7 – Internship Activities

The Organization provides high school students with internships (paid as salaries or stipends for pre-interns) which are funded by grants (or contributions) received. The grant-funded internship salaries are reflected in the statement of functional expenses. In addition, approximately 82 and 131 interns were paid directly by private and nonprofit organizations during the years ended June 30, 2012 and 2011, respectively. These directly-placed salaried positions are not included in the financial statements. The total internship activities for the years ended June 30, 2012 and 2011, were as follows:

|   | <u>2012</u>      | <u>2011</u>      |
|---|------------------|------------------|
| Grant funded, paid by the Organization  | \$177,389        | \$113,455        |
| Directly placed, paid by other entities | <u>200,081</u>   | <u>225,866</u>   |
| Total internship activities             | <u>\$377,470</u> | <u>\$339,321</u> |

Note 8 – Related Party Transactions

During the years ended June 30, 2012 and 2011, an entity whose shareholder is on the Organization's board of directors was paid database management fees of \$4,481 and \$584, respectively.

Note 9 – Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through September 28, 2012, which is the date the financial statements were available to be issued.