

FUTURES AND OPTIONS, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2013 AND 2012

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 financial statements of Futures and Options, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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 auditor's 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 Futures and Options, Inc. as of June 30, 2013 and 2012, 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.

New York, NY
November 10, 2013

Skody Scot & Company, CPAs, P.C.

**FUTURES AND OPTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

	2013	2012
ASSETS		
Cash	\$ 299,828	\$ 279,675
Contribution and program revenue receivables	114,688	109,170
Prepaid expenses	30,581	26,688
Property and equipment, net	23,362	-
Security deposits	5,189	-
Total assets	\$ 473,648	\$ 415,533

LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 50,644	\$ 49,155
Deferred income	119,060	136,952
Total liabilities	169,704	186,107
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	202,544	110,171
Temporarily restricted	101,400	119,255
Permanently restricted	-	-
Total net assets	303,944	229,426
Total liabilities and net assets	\$ 473,648	\$ 415,533

See accompanying notes to financial statements.

**FUTURES AND OPTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Support and Revenues:		
Unrestricted:		
Special event:		
Event revenue - tickets and auctions	\$ 65,354	\$ 71,148
Less: event expenses	(65,354)	(57,166)
Net event income	<u>-</u>	<u>13,982</u>
Event - contributions	184,779	127,117
Total special event revenues	<u>184,779</u>	<u>141,099</u>
Contributions	581,140	454,864
Contributions in-kind	14,050	40,750
Government grants	3,000	3,500
Program service revenue	171,063	161,465
Interest and other income	692	1,929
Release of prior year restrictions	117,855	103,173
Temporarily Restricted:		
Contributions	100,000	117,220
Release of prior years restrictions	(117,855)	(103,173)
Total support and revenues	<u>1,054,724</u>	<u>920,827</u>
Expenses:		
Program Expenses:		
Career development - intern wages / stipends	212,014	168,674
Career development - other	590,319	555,222
Total program expenses	<u>802,333</u>	<u>723,896</u>
Management and general	101,105	82,446
Fundraising	76,768	101,183
Total expenses	<u>980,206</u>	<u>907,525</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	92,373	(745)
Temporarily restricted	(17,855)	14,047
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>74,518</u>	<u>13,302</u>
Net assets, beginning of year	<u>229,426</u>	<u>216,124</u>
Net assets, end of year	<u>\$ 303,944</u>	<u>\$ 229,426</u>

See accompanying notes to financial statements.

**FUTURES AND OPTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 74,518	\$ 13,302
Adjustments for non-cash items included in operating activities:		
Depreciation	5,016	4,336
Changes in assets and liabilities:		
Accrued expenses	1,489	19,067
Deferred income	(17,892)	136,952
Security deposits	(5,189)	-
Prepaid expenses	(3,893)	(15,983)
Contribution and program revenue receivables	(5,518)	(108,184)
Net cash provided/(used) by operating activities	<u>48,531</u>	<u>49,490</u>
Cash flows from investing activities:		
Purchase of property and equipment	(28,378)	-
Net cash provided/(used) by investing activities	<u>(28,378)</u>	<u>-</u>
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	20,153	49,490
Cash, at beginning of year	<u>279,675</u>	<u>230,185</u>
Cash, at end of year	<u>\$ 299,828</u>	<u>\$ 279,675</u>
Supplemental information:		
Disposal of fully depreciated assets	\$ 91,453	\$ -

See accompanying notes to financial statements.

FUTURES AND OPTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	2013			Total Expenses	2012
	Program	Supporting			Total Expenses
	Career Development	Management & General	Fundraising		
Staff salaries	\$ 367,578	\$ 26,954	\$ 11,821	\$ 406,353	\$ 427,620
Intern wages	207,889	-	-	207,889	164,249
Payroll taxes & benefits	85,707	4,622	2,027	92,356	90,293
Stipends, career essentials	4,125	-	-	4,125	4,425
Consultants	9,968	8,181	49,387	67,536	56,152
Depreciation	5,016	-	-	5,016	4,336
Equipment rental	3,137	973	-	4,110	4,710
Insurance	-	6,411	-	6,411	4,470
Marketing and promotion	-	-	13,533	13,533	11,219
Office expenses	-	19,835	-	19,835	9,372
Printing	-	4,704	-	4,704	3,177
Postage	428	3,848	-	4,276	4,163
Professional fees	-	17,517	-	17,517	14,840
Program expenses	57,408	-	-	57,408	57,334
Recruitment & staff training	4,657	1,553	-	6,210	6,529
Rent & utilities	52,318	2,877	-	55,195	35,862
Repairs & maintenance	-	449	-	449	1,769
Telephone & communications	4,102	3,181	-	7,283	7,005
Total expenses	<u>\$ 802,333</u>	<u>\$ 101,105</u>	<u>\$ 76,768</u>	<u>\$ 980,206</u>	<u>\$ 907,525</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. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain 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

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 and Cash Equivalents

For the purposes of the statement of financial position and the statement of cash flows, the Association considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposits and treasury bills, with an original maturity of three months or less. As of June 30, 2013 and 2012, the Organization did not have any assets that it considered 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 statement 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

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of furniture and equipment is computed by the straight-line method over estimated useful lives ranging from three to ten years. Furniture and fixtures are depreciated by the straight-line method over the estimated useful lives of seven 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.

Contribution and Program Revenue Receivable

Contribution and program revenue receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable contributions.

Note 2 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Equipment	\$ 10,979	\$ 21,378
Furniture and fixtures	6,610	-
Leasehold improvements	<u>10,789</u>	<u>69,715</u>
	28,378	91,093
Less: Accumulated depreciation	<u>(5,016)</u>	<u>(91,093)</u>
	<u>\$ 23,362</u>	<u>\$ -</u>

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

Note 3 - 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, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Institution balances	\$324,649	\$303,922
Less: Amounts covered	(250,000)	(303,922)
Uninsured amounts	<u>\$ 74,649</u>	<u>\$ -</u>

The Organization leases office space under a nine year noncancellable operating lease. As of June 30, 2013 the minimum aggregate annual rental commitments are as follows:

Year ended June 30, 2014	\$ 62,273
2015	62,273
2016	62,273
2017	62,273
2018	62,273
2019 and thereafter	264,652

Total rent and utilities expense charged to operations for the years ended June 30, 2013 and 2012 was \$55,195 and \$35,862, respectively.

Note 4 - Restricted Assets

As of June 30, 2013 and 2012 contributions are restricted for the following activities:

	<u>2013</u>	<u>2012</u>
Career development	\$100,000	\$105,000
Software	-	635
Business plan	1,400	1,400
Office equipment	-	10,000
Executive coaching	-	2,220
Total restricted assets	<u>\$101,400</u>	<u>\$119,255</u>

Note 5 - 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 year ended June 30, 2012, Alliance for Downtown NY provided free office space with fair market value of \$5,000. During the years ended June 30, 2013 and 2012, various companies provided printing, event and design services, and executive training which totaled \$14,050 and \$35,750, respectively.

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

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 \$13,848 for 2013 and \$58,464 for 2012. The total joint costs were allocated for the years ended June 30, 2013 and 2012, as follows:

	<u>2013</u>	<u>2012</u>
Program expenses	\$123,052	\$129,255
Management and general	21,900	17,312
Fundraising	<u>13,848</u>	<u>58,464</u>
Total joint costs	<u>\$158,800</u>	<u>\$205,031</u>

The total amount of direct and joint (allocated) costs related to solicitation activities (fundraising) was \$76,768 and \$101,183 for the years ended June 30, 2013 and 2012, respectively.

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 106 and 82 interns were paid directly by private and nonprofit organizations during the years ended June 30, 2013 and 2012, respectively. These directly-placed salaried positions are not included in the financial statements. The total internship activities for the years ended June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Grant funded, paid by the Organization	\$228,645	\$177,389
Directly placed, paid by other entities	<u>203,958</u>	<u>200,081</u>
Total internship activities	<u>\$432,603</u>	<u>\$377,470</u>

Note 8 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through November 10, 2013, which is the date the financial statements were available to be issued.