

FUTURES AND OPTIONS, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, 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
October 14, 2014

Skody Scot & Company, CPAs, P.C.

**FUTURES AND OPTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 357,756	\$ 299,828
Contribution and other receivables	112,391	114,688
Prepaid expenses	19,591	30,581
Property and equipment, net	18,346	23,362
Security deposits	5,189	5,189
Total assets	<u>\$ 513,273</u>	<u>\$ 473,648</u>

LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 23,854	\$ 50,644
Deferred income	178,000	119,060
Total liabilities	<u>201,854</u>	<u>169,704</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	183,419	202,544
Temporarily restricted	128,000	101,400
Permanently restricted	-	-
Total net assets	<u>311,419</u>	<u>303,944</u>
Total liabilities and net assets	<u>\$ 513,273</u>	<u>\$ 473,648</u>

See accompanying notes to financial statements.

**FUTURES AND OPTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Support and Revenues:		
Unrestricted:		
Special event:		
Event revenue - tickets and auctions	\$ 80,290	\$ 65,354
Less: event expenses	(80,290)	(65,354)
Net event income	-	-
Event - contributions	307,212	184,779
Total special event revenues	<u>307,212</u>	<u>184,779</u>
Contributions	709,427	752,203
Contributions in-kind	5,000	14,050
Government grants	26,734	3,000
Interest and other income	739	692
Release of prior year restrictions	101,400	117,855
Temporarily Restricted:		
Contributions	128,000	100,000
Release of prior years restrictions	(101,400)	(117,855)
Total support and revenues	<u>1,177,112</u>	<u>1,054,724</u>
Expenses:		
Program Expenses:		
Career development - intern wages / stipends	277,263	212,014
Career development - other	654,892	590,319
Total program expenses	<u>932,155</u>	<u>802,333</u>
Management and general	143,449	101,105
Fundraising	94,033	76,768
Total expenses	<u>1,169,637</u>	<u>980,206</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	(19,125)	92,373
Temporarily restricted	26,600	(17,855)
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>7,475</u>	<u>74,518</u>
Net assets, beginning of year	<u>303,944</u>	<u>229,426</u>
Net assets, end of year	<u>\$ 311,419</u>	<u>\$ 303,944</u>

See accompanying notes to financial statements.

**FUTURES AND OPTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 7,475	\$ 74,518
Adjustments for non-cash items included in operating activities:		
Depreciation	5,016	5,016
Changes in assets and liabilities:		
Accrued expenses	(26,790)	1,489
Deferred income	58,940	(17,892)
Security deposits	-	(5,189)
Prepaid expenses	10,990	(3,893)
Contribution and other receivables	2,297	(5,518)
Net cash provided/(used) by operating activities	57,928	48,531
Cash flows from investing activities:		
Purchase of property and equipment	-	(28,378)
Net cash provided/(used) by investing activities	-	(28,378)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	57,928	20,153
Cash, at beginning of year	299,828	279,675
Cash, at end of year	\$ 357,756	\$ 299,828
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, 2014 WITH COMPARATIVE TOTALS FOR 2013**

	2014			Total Expenses	2013
	Program Career Development	Supporting Management & General	Fundraising		Total Expenses
Staff salaries	\$ 408,284	\$ 44,884	\$ 60,985	\$ 514,153	\$ 406,353
Intern wages	271,588	-	-	271,588	207,889
Payroll taxes & benefits	88,244	6,874	9,340	104,458	92,356
Stipends, career essentials	5,675	-	-	5,675	4,125
Consultants	11,543	13,174	12,920	37,637	67,536
Depreciation	5,016	-	-	5,016	5,016
Equipment rental	-	4,458	-	4,458	4,110
Insurance	-	6,266	-	6,266	6,411
Marketing and promotion	-	-	10,788	10,788	13,533
Office expenses	-	23,882	-	23,882	19,835
Printing	-	6,369	-	6,369	4,704
Postage	539	4,850	-	5,389	4,276
Professional fees	-	18,225	-	18,225	17,517
Program expenses	52,832	-	-	52,832	57,408
Recruitment & staff training	4,776	6,591	-	11,367	6,210
Rent & utilities	66,546	3,502	-	70,048	55,195
Repairs & maintenance	-	1,966	-	1,966	449
Scholarships	13,500	-	-	13,500	-
Telephone & communications	3,612	2,408	-	6,020	7,283
Total expenses	<u>\$ 932,155</u>	<u>\$ 143,449</u>	<u>\$ 94,033</u>	<u>\$ 1,169,637</u>	<u>\$ 980,206</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 Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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 Association is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing the 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.

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.

FUTURES AND OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

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.

The Organization received several grants from governmental agencies. In accordance with the grant provisions, the Organization either receives grant funds following the disbursement of approved expenses or is authorized to receive funds in advance of anticipated expenditures. All unreimbursed expenses as of period-end are recorded as grant receivables and all advanced funds not expended are recorded as refundable advances.

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, 2014 and 2013, 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.

Contribution and Other Receivables

Contribution and other 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.

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

Note 2 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 10,979	\$ 10,979
Furniture and fixtures	6,610	6,610
Leasehold improvements	<u>10,789</u>	<u>10,789</u>
	28,378	28,378
Less: Accumulated depreciation	<u>(10,032)</u>	<u>(5,016)</u>
	<u>\$ 18,346</u>	<u>\$ 23,362</u>

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, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Institution balances	\$387,969	\$324,649
Less: Amounts covered	<u>(250,000)</u>	<u>(250,000)</u>
Uninsured amounts	<u>\$137,969</u>	<u>\$ 74,649</u>

The Organization leases office space under a nine year noncancellable operating lease. As of June 30, 2014 the minimum aggregate annual rental commitments are as follows:

Year ended June 30, 2015	\$ 62,273
2016	62,273
2017	62,273
2018	62,273
2019	62,273
2020 and thereafter	202,379

Total rent and utilities expense charged to operations for the years ended June 30, 2014 and 2013 was \$70,048 and \$55,195, respectively.

Note 4 - Restricted Assets

As of June 30, 2014 and 2013 contributions are restricted for the following activities:

	<u>2014</u>	<u>2013</u>
Career development	\$125,000	\$100,000
Executive coaching	3,000	-
Business plan	<u>-</u>	<u>1,400</u>
Total restricted assets	<u>\$128,000</u>	<u>\$101,400</u>

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

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 years ended June 30, 2014 and 2013, various companies provided printing, event and design services, and executive training which totaled \$5,000 and \$14,050, respectively.

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 \$70,325 for 2014 and \$13,848 for 2013. The total joint costs were allocated for the years ended June 30, 2014 and 2013, as follows:

	<u>2014</u>	<u>2013</u>
Program expenses	\$186,473	\$123,052
Management and general	22,882	21,900
Fundraising	<u>70,325</u>	<u>13,848</u>
Total joint costs	<u>\$279,680</u>	<u>\$158,800</u>

The total amount of direct and joint (allocated) costs related to solicitation activities (fundraising) was \$94,033 and \$76,768 for the years ended June 30, 2014 and 2013, 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 87 and 106 interns were paid directly by private and nonprofit organizations during the years ended June 30, 2014 and 2013, respectively. These directly-placed salaried positions are not included in the financial statements. The total internship activities for the years ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Grant funded, paid by the Organization	\$293,315	\$228,645
Directly placed, paid by other entities	<u>145,359</u>	<u>203,958</u>
Total internship activities	<u>\$438,674</u>	<u>\$432,603</u>

FUTURES AND OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 8 - Government Grants

The Organization was awarded various grants by governmental entities. Total expenses expended under the grants amounted to \$26,734 and \$3,000 during the years ended June 30, 2014 and 2013, respectively.

Note 9 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through October 14, 2014, which is the date the financial statements were available to be issued.