

FUTURES AND OPTIONS, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

JUNE 30, 2010 AND 2009

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, 2010 and 2009, 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, 2010 and 2009, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

August 30, 2010

Skody Scot & Company, CPAs, PC

**FUTURES AND OPTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009**

| | 2010 | 2009 |
|--------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 236,411 | \$ 166,065 |
| Contribution and stipend receivables | 41,102 | 19,118 |
| Prepaid expenses | 8,372 | 4,154 |
| Property and equipment, net | 13,905 | 24,102 |
| Total assets | \$ 299,790 | \$ 213,439 |

| LIABILITIES AND NET ASSETS | | |
|---|-------------------|-------------------|
| Liabilities: | | |
| Accrued expenses | \$ 39,842 | \$ 35,981 |
| Total liabilities | 39,842 | 35,981 |
| Commitments and contingencies (see notes) | | |
| Net Assets: | | |
| Unrestricted | 153,549 | 124,369 |
| Temporarily restricted | 106,399 | 53,089 |
| Permanently restricted | - | - |
| Total net assets | 259,948 | 177,458 |
| Total liabilities and net assets | \$ 299,790 | \$ 213,439 |

See accompanying notes to financial statements.

**FUTURES AND OPTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2010 AND 2009**

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|
| Support and Revenues: | | |
| Unrestricted: | | |
| Contributions | \$ 584,492 | \$ 518,294 |
| Contributions in-kind | 25,000 | 5,000 |
| Program service revenue | 800 | 975 |
| Interest and other income | 596 | 1,338 |
| Release of prior year restrictions | 53,089 | 45,000 |
| Temporarily Restricted: | | |
| Contributions | 106,399 | 53,089 |
| Release of prior years restrictions | (53,089) | (45,000) |
| Total support and revenues | <u>717,287</u> | <u>578,696</u> |
| Expenses: | | |
| Program Expenses: | | |
| Career development - interns and stipends | 107,627 | 88,850 |
| Career development - other | 392,035 | 319,744 |
| Total program expenses | <u>499,662</u> | <u>408,594</u> |
| Management and general | 80,234 | 91,059 |
| Fundraising | 55,774 | 35,562 |
| Total expenses | <u>635,670</u> | <u>535,215</u> |
| Increase/(Decrease) In Net Assets: | | |
| Unrestricted | 29,180 | 35,392 |
| Temporarily restricted | 53,310 | 8,089 |
| Permanently restricted | - | - |
| Increase/(decrease) in net assets | <u>82,490</u> | <u>43,481</u> |
| Net assets, beginning of year | <u>177,458</u> | <u>133,977</u> |
| Net assets, end of year | <u>\$ 259,948</u> | <u>\$ 177,458</u> |

See accompanying notes to financial statements.

**FUTURES AND OPTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009**

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Increase/(decrease) in net assets | \$ 82,490 | \$ 43,481 |
| Adjustments for non-cash items included in operating activities: | | |
| Depreciation and amortization | 10,197 | 10,780 |
| Changes in assets and liabilities: | | |
| Accrued expenses | 3,861 | 25,482 |
| Prepaid expenses | (4,218) | 727 |
| Contribution and stipend receivables | (21,984) | (19,118) |
| Net cash provided/(used) by operating activities | <u>70,346</u> | <u>61,352</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | - | (9,320) |
| Net cash provided/(used) by investing activities | <u>-</u> | <u>(9,320)</u> |
| Cash flows from financing activities: | - | - |
| Net increase/(decrease) in cash | 70,346 | 52,032 |
| Cash, at beginning of year | <u>166,065</u> | <u>114,033</u> |
| Cash, at end of year | <u>\$ 236,411</u> | <u>\$ 166,065</u> |

See accompanying notes to financial statements.

FUTURES AND OPTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR 2009

| | 2010 | | | Total Expenses | 2009 Total Expenses |
|------------------------------|----------------------------------|---------------------------------------|------------------|-------------------|---------------------------|
| | Program Career Development | Supporting Management & General | Fundraising | | |
| Staff salaries | \$ 246,916 | \$ 29,263 | \$ 42,142 | \$ 318,321 | \$ 276,261 |
| Intern salaries | 103,547 | - | - | 103,547 | 85,250 |
| Payroll taxes & benefits | 47,165 | 3,913 | 6,632 | 57,710 | 49,560 |
| Stipends, pre-intern | 4,080 | - | - | 4,080 | 3,600 |
| Consultants | - | 1,932 | 7,000 | 8,932 | 16,331 |
| Depreciation | 10,197 | - | - | 10,197 | 10,780 |
| Equipment rental | 3,629 | 1,306 | - | 4,935 | 4,305 |
| Insurance | - | 6,105 | - | 6,105 | 4,335 |
| Office expenses | - | 11,132 | - | 11,132 | 14,036 |
| Printing | - | 1,855 | - | 1,855 | 2,782 |
| Postage | 277 | 2,500 | - | 2,777 | 1,269 |
| Professional fees | - | 14,895 | - | 14,895 | 11,944 |
| Program expenses | 34,061 | - | - | 34,061 | 9,011 |
| Recruitment & staff training | 4,721 | 1,573 | - | 6,294 | 478 |
| Rent & utilities | 35,999 | 1,632 | - | 37,631 | 38,158 |
| Repairs & maintenance | - | 2,142 | - | 2,142 | 2,604 |
| Telephone & communications | 2,979 | 1,986 | - | 4,965 | 4,511 |
| Website | 6,091 | - | - | 6,091 | - |
| Total expenses | <u>\$ 499,662</u> | <u>\$ 80,234</u> | <u>\$ 55,774</u> | <u>\$ 635,670</u> | <u>\$ 535,215</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. The Organization primarily receives its support from contributors in the New York City area.

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.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Management and General Expenses

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 amortized 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 2 - Property and Equipment

Property and equipment by major class consisted of the following at June 30, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|--|------------------|------------------|
| Equipment | \$ 21,378 | \$ 21,378 |
| Leasehold improvements | <u>69,715</u> | <u>69,715</u> |
| | 91,093 | 91,093 |
| Less: Accumulated depreciation and amortization | <u>(77,188)</u> | <u>(66,991)</u> |
| | <u>\$ 13,905</u> | <u>\$ 24,102</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, 2010 and 2009 as follows:

| | <u>2010</u> | <u>2009</u> |
|-----------------------|------------------|------------------|
| Institution balances | \$240,031 | \$169,469 |
| Less: Amounts covered | <u>(240,031)</u> | <u>(169,469)</u> |
| Uninsured amounts | <u>\$ -</u> | <u>\$ -</u> |

The Organization leases office space under a noncancelable operating lease. As of June 30, 2010 minimum aggregate annual rental commitments are as follows:

| | |
|--------------------------|-----------|
| Year ended June 30, 2011 | \$ 30,000 |
| 2012 | 27,500 |

Total rent expense charged to operations for the years ended June 30, 2010 and 2009 was \$30,000 and \$30,000, respectively.

Note 4 - Restricted Assets

As of June 30, 2010 and 2009 contributions are restricted for the following activities:

| | <u>2010</u> | <u>2009</u> |
|-------------------------|------------------|------------------|
| Career development | \$ 75,834 | \$ 30,000 |
| Partnership manager | 29,650 | - |
| Development associate | <u>915</u> | <u>23,089</u> |
| Total restricted assets | <u>\$106,399</u> | <u>\$ 53,089</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, 2010 and 2009, Alliance for Downtown NY provided free office space with fair market values of \$5,000 and \$5,000, respectively. During the year ended June 30, 2010, Orion Trading provided free airline tickets and video cameras with a fair market value of \$20,000.

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 \$5,740 for 2010 and \$35,562 for 2009. The total joint costs were allocated for the years ended June 30, 2010 and 2009, as follows:

| | <u>2010</u> | <u>2009</u> |
|------------------------|------------------|------------------|
| Program expenses | \$ 90,016 | \$ 85,346 |
| Management and general | 17,241 | 21,336 |
| Fundraising | <u>5,740</u> | <u>35,562</u> |
| Total joint costs | <u>\$112,997</u> | <u>\$142,244</u> |

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 95 interns were paid directly by private and nonprofit organizations. These directly-placed salaried positions are not included in the financial statements. The total internship activities for the years ended June 30, 2010 and 2009, were as follows:

| | <u>2010</u> | <u>2009</u> |
|---|------------------|------------------|
| Grant funded, paid by the Organization | \$107,016 | \$ 88,850 |
| Directly placed, paid by other entities | <u>230,800</u> | <u>200,000</u> |
| Total internship activities | <u>\$337,816</u> | <u>\$288,850</u> |