VOICE CHARTER SCHOOL

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

OCTOBER 16, 2020

MBAF
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

October 16, 2020

To the Audit Committee
VOICE Charter School

We have audited the financial statements of VOICE Charter School (the "School") for the year ended June 30, 2020 and are prepared to issue our report thereon dated October 16, 2020. Professional standards require that we provide you with the following information related to our audit. This letter includes required communications from the auditors to those with audit oversight responsibilities. In the current year, we did not have any recommendations related to opportunities for strengthening internal controls or enhancing operating efficiency.

REQUIRED COMMUNICATIONS

A. Our Responsibility under U.S. Generally Accepted Auditing Standards:

As stated in our engagement letter dated April 20, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of VOICE Charter School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

B. Planned Scope and Timing of the Audit:

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in May 2020.

C. Auditor Independence:

We affirm that MBAF CPAs, LLC is independent with respect to VOICE Charter School.

D. Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by VOICE Charter School are described in Note 2 to the financial statements.

We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

E. Accounting Estimates Used in the Financial Statements:

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Allowance for Doubtful Accounts:
As of June 30, 2020, VOICE Charter School recorded grants and other receivables of $396,555. Management concluded that no allowance for doubtful accounts was necessary. Management calculated based on the assessment of the credit-worthiness of the School's donors, the aged basis of the receivables, as well as economic conditions and historical information. Based on our audit procedures which included a discussion with the school leadership and a review of subsequent collections we concur with management's conclusion.

Pension Plan:
The School participates in the Teachers' Retirement System of the City of New York ("TRS" or the "Plan"), which covers principals and teachers. Employees enrolled in the Plan are required to contribute a range of 0% to 6% depending on when they enrolled in the Plan. Employees become vested in the School's contribution to the Plan after ten years of service. The School's contribution is a rate based on actuarial assumptions and methods. During the years ended June 30, 2020 and 2019, the School used a rate of 9.83% and 10.23%, respectively. For the years ended June 30, 2020 and 2019, the School incurred pension expense of $540,401 and $454,693, respectively, which is included in retirement benefits in the accompanying statements of functional expenses.

Functional Statement Allocation:
Management's estimate of the allocation of functional expenses is directly identified with the program or supporting service to which they relate. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Depreciation:
Management's estimate of depreciation is based on estimated useful lives of assets. We evaluated the estimated useful lives of assets in comparison to generally accepted accounting principles in determining that it is reasonable in relation to the financial statements taken as a whole.

F. Sensitive Disclosures Affecting the Financial Statements:

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of Risk Management in Note 9 to the financial statements describes various risks to which the School is exposed.

G. Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We will identify those adjustments proposed both corrected and uncorrected:

Proposed and Corrected:

In the current year, there were two adjustments, one that was prepared by management and one that was proposed by MBAF and corrected during the fiscal year. These are summarized as follows:

- There was one adjustment prepared by management to defer a portion of special education per pupil revenue based on the revised NYCDOE per pupil reconciliation received by the School. The adjustment decreased net assets by approximately $20,000.
- There was one adjustment to remove FEMA grant funding booked to revenue and accounts receivable; although the School's FEMA grant application was submitted during the fiscal year, the application was not approved and funds were not granted as of June 30, 2020. This adjustment decreased net assets by $100,000.

In the prior year, there was one adjustment proposed by management that decreased net assets by approximately $10,000. The adjustment was to accrue curriculum and classroom expenses.

Proposed and Uncorrected:

There were no audit adjustments proposed and uncorrected during the fiscal year.

H. Audit Difficulties and Disagreements with Management:

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

I. Management Representations:

We have requested certain representations from management that are included in the management representation letter dated October 16, 2020.

J. Management Consultations with Other Independent Accountants:

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

K. <u>Other Audit Findings or Issues:</u>

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We wish to thank management and personnel for their support and assistance during our audit. We would be pleased to further discuss the contents of this report with you at your convenience.

This information is intended solely for the use of the Audit Committee, Board of Trustees, and management of VOICE Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

MBAF CPAs, LLC

MBAF CPAs, LLC

VOICE CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

VOICE CHARTER SCHOOL

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
VOICE Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of VOICE Charter School (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 School'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 School'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 VOICE Charter School as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As further discussed in Note 9 to the financial statements, a global pandemic has been declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The extent and ultimate impact of COVID-19 on the School's operating and financial performance cannot be predicted at this time. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 on our consideration of VOICE 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 solely 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 effectiveness of 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 VOICE Charter School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 16, 2020

VOICE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS	**2020**	**2019**
Cash and cash equivalents	$ 4,995,694	$ 2,829,122
Cash - restricted	70,000	70,000
Grants and other receivables	396,555	307,196
Investments	1,617,343	1,499,045
Prepaid expenses and other assets	247,914	303,239
Property and equipment, net	2,361,956	2,481,610
Construction in progress	276,629	298,513
TOTAL ASSETS	**$ 9,966,091**	**$ 7,788,725**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 219,251	$ 115,939
Accrued salaries and other payroll related expenses	1,960,764	1,827,574
Paycheck Protection Program loan payable	1,883,624	-
Deferred rent	1,202,670	1,203,721
TOTAL LIABILITIES	5,266,309	3,147,234
NET ASSETS		
Net assets - without donor restrictions	4,699,782	4,641,491
TOTAL LIABILITIES AND NET ASSETS	**$ 9,966,091**	**$ 7,788,725**

The accompanying notes are an integral part of these financial statements.

VOICE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	$ 12,300,630	$ 11,603,322
Government grants and contracts	1,203,594	1,354,756
	13,504,224	12,958,078
EXPENSES		
Program services	11,874,023	10,701,270
Management and general	1,691,859	1,642,334
	13,565,882	12,343,604
(DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	(61,658)	614,474
SUPPORT AND OTHER INCOME		
Contributions, grants, and other income	74,934	54,834
Investment return, net	42,296	5,130
Interest income	2,719	5,723
	119,949	65,687
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	58,291	680,161
NET ASSETS - BEGINNING OF YEAR	4,641,491	3,961,330
NET ASSETS - END OF YEAR	**$ 4,699,782**	**$ 4,641,491**

The accompanying notes are an integral part of these financial statements.

VOICE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

		Program Services			Supporting Services	
		General Education	Special Education	Total Program	Management and General	2020
Personnel services costs:	**No. of Positions**					
Instructional personnel	81	$ 5,262,084	$ 1,413,035	$ 6,675,119	$ -	$ 6,675,119
Administrative personnel	31	-	1,148	1,148	925,867	927,015
Total salaries and staff	112	5,262,084	1,414,183	6,676,267	925,867	7,602,134
Payroll taxes and employee benefits		1,417,932	106,911	1,524,843	225,725	1,750,568
Retirement benefits		414,178	104,831	519,009	125,026	644,035
Professional development		364,914	1,500	366,414	7,560	373,974
Legal fees		10,000	-	10,000	28,100	38,100
Audit and accounting fees		21,472	-	21,472	31,268	52,740
Professional fees - other		267,388	76,432	343,820	108,115	451,935
Student and staff recruitment		120,369	-	120,369	245	120,614
Curriculum / classroom expenses		590,400	91,353	681,753	-	681,753
Student field trips and incentive programs		24,936	3,420	28,356	-	28,356
Parent activities		2,931	-	2,931	-	2,931
Postage, printing, and copying		2,382	-	2,382	2,248	4,630
Insurance		54,575	-	54,575	7,476	62,051
Information technology		217,759	-	217,759	31,386	249,145
Leased equipment		14,099	-	14,099	1,923	16,022
Repairs and maintenance		149,560	22,942	172,502	21,107	193,609
Occupancy and facility costs		524,329	78,276	602,605	82,147	684,752
Utilities		44,161	-	44,161	6,011	50,172
Depreciation and amortization		255,096	21,435	276,531	37,709	314,240
Other expense		174,262	-	174,262	32,765	207,027
Office expense		19,913	-	19,913	17,181	37,094
		$ 9,952,740	**$ 1,921,283**	**$ 11,874,023**	**$ 1,691,859**	**$ 13,565,882**

The accompanying notes are an integral part of these financial statements.

VOICE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

		Program Services			Supporting Services	
		General Education	Special Education	Total Program	Management and General	2019
Personnel services costs:	**No. of Positions**					
Instructional personnel	81	$ 5,400,518	$ 1,038,499	$ 6,439,017	$ -	$ 6,439,017
Administrative personnel	32	-	-	-	920,229	920,229
Total salaries and staff	113	5,400,518	1,038,499	6,439,017	920,229	7,359,246
Payroll taxes and employee benefits		1,356,327	74,901	1,431,228	195,069	1,626,297
Retirement benefits		332,197	65,563	397,760	141,688	539,448
Professional development		252,626	-	252,626	5,682	258,308
Legal fees		10,000	-	10,000	44,109	54,109
Audit and accounting fees		21,384	-	21,384	29,633	51,017
Professional fees - other		168,815	54,704	223,519	99,155	322,674
Student and staff recruitment		105,074	-	105,074	450	105,524
Curriculum / classroom expenses		329,656	47,527	377,183	-	377,183
Student field trips and incentive programs		38,475	6,574	45,049	-	45,049
Parent activities		3,570	-	3,570	-	3,570
Postage, printing, and copying		3,087	-	3,087	1,029	4,116
Insurance		49,310	-	49,310	6,724	56,034
Information technology		165,043	-	165,043	20,463	185,506
Leased equipment		12,280	-	12,280	1,670	13,950
Repairs and maintenance		134,064	18,847	152,911	20,349	173,260
Occupancy and facility costs		525,505	75,977	601,482	82,730	684,212
Utilities		55,439	-	55,439	7,560	62,999
Depreciation and amortization		266,177	25,517	291,694	39,773	331,467
Other expense		57,731	-	57,731	15,677	73,408
Office expense		5,824	59	5,883	10,344	16,227
		$ 9,293,102	**$ 1,408,168**	**$ 10,701,270**	**$ 1,642,334**	**$ 12,343,604**

The accompanying notes are an integral part of these financial statements.

VOICE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	$ 13,414,865	$ 13,224,823
Cash received from interest income	2,719	5,723
Other cash received	102,860	53,576
Cash paid to employees and suppliers	(12,960,866)	(11,960,232)
NET CASH PROVIDED BY OPERATING ACTIVITIES	559,578	1,323,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(855,429)	(1,492,657)
Proceeds from sale of investments	751,501	-
Purchase of property and equipment	(54,659)	(194,437)
Construction in progress	(118,043)	(152,457)
NET CASH USED IN INVESTING ACTIVITIES	(276,630)	(1,839,551)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	1,883,624	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,883,624	-
NET INCREASE (DECREASE) IN CASH	2,166,572	(515,661)
CASH AND CASH EQUIVALENTS AND CASH - RESTRICTED - BEGINNING OF YEAR	2,899,122	3,414,783
CASH AND CASH EQUIVALENTS AND CASH - RESTRICTED - END OF YEAR	**$ 5,065,694**	**$ 2,899,122**

Reconciliation of change in net assets to net cash provided by operating activities:

	2020	2019
Change in net assets	$ 58,291	$ 680,161
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	314,240	331,467
Unrealized gain on investments	(11,106)	(6,388)
Realized gain on investments	(3,264)	-
Deferred rent	(1,051)	15,128
Changes in operating assets and liabilities:		
Grants and other receivables	(89,359)	266,745
Prepaid expenses and other assets	55,325	97,974
Accounts payable and accrued expenses	103,312	(106,550)
Accrued salaries and other payroll related expenses	133,190	45,353
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 559,578**	**$ 1,323,890**

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	2020	2019
Non-cash investing activities:		
Construction in progress placed into service and included in property and equipment	$ 139,927	$ 57,282
Cash and cash equivalents and cash - restricted:		
Cash and cash equivalents	$ 4,995,694	$ 2,829,122
Cash - restricted	70,000	70,000
Total	$ 5,065,694	$ 2,899,122

The accompanying notes are an integral part of these financial statements.

1. NATURE OF THE ORGANIZATION

VOICE Charter School (the "School") aims to create a safe and healthy learning environment that will nurture, motivate, and challenge all of our children to achieve the highest level of academic excellence and to develop into mindful, responsible, contributing participants in their education, their community, and the diverse society in which we live. The School incorporates music into a rigorous academic program. On January 15, 2008, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The charter was renewed for an additional 5 years on January 15, 2013 for the period ending June 30, 2018. On March 12, 2018, the charter was renewed for an additional 5 years for the period ending June 30, 2023.

On October 3, 2008, the School, as determined by the Internal Revenue Service, was approved for Federal income tax exemption under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC. It is also currently exempt under a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC. The School's primary sources of income are government grants, contracts, and per pupil funding. VOICE Charter School, located in Long Island City, Queens, primarily educates children residing in District 30.

In fiscal year 2020, the School operated classes for students in kindergarten through eighth grade.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of the financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

Cash and Cash Equivalents

The School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash – restricted

Cash – restricted consists of an escrow account of $70,000, which is held for contingency purposes as required by the NYCDOE.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants and Other Receivables

Grants and other receivables represent unconditional promises by government agencies and donors. Grants and other receivables that are expected to be collected within one year and recorded at net realizable value amount to $396,555 and $307,196 at June 30, 2020 and 2019, respectively. The School has determined that no allowance for uncollectible accounts is necessary as of June 30, 2020 and 2019. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

Revenue from state and local governments resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred, if any, are reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the School fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Unconditional contributions without donor restrictions are recognized as revenue in changes in net assets without donor restrictions when received or promised. Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in change in net assets without donor restrictions.

Premises Provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE (Note 11) as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined and is industry practice.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Property and equipment are being depreciated in accordance with the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease. The School has established a $5,000 threshold above which assets are capitalized. Property and equipment acquired with certain government contract funds is recorded as expenses pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Construction in progress is not depreciated until it is placed into service.

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2020 and 2019.

Deferred Rent

In accordance with U.S. GAAP, rent expense is recognized on a straight-line basis over the life of the lease, including future scheduled escalations of rent, rather than in accordance with lease payments. Deferred rent represents the adjustment to future rents as a result of using the straight-line method.

Functional Allocation of Expenses

Expenses that can be directly identified with a specific program or supporting service are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

Subsequent Events

The School has evaluated events through October 16, 2020, which is the date the financial statements were available to be issued.

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The School files informational returns in the federal jurisdictions. With few exceptions, the School is no longer subject to federal income tax examinations for fiscal years before 2017.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as interest expense. The School would classify penalties in connection with underpayments of income tax as other expense.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at fair value based upon quoted market prices. Investment return includes dividends, interest, and realized and unrealized gains and losses on investments carried at fair value. Investment return is recorded as income without donor restrictions in the statements of activities.

Fair Value Measurements and Fair Value – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the School. Unobservable inputs reflect the School's assumptions about inputs used by market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

> Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the School has the ability to access.
>
> Level 2 - Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
>
> Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

Income approach - Techniques to convert future amounts to a single present value amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity.

The update is to be applied to the beginning of the year of implementation or retrospectively. In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the update for annual reporting periods beginning after December 15, 2019, and for interim reporting periods beginning after December 15, 2020, with early application permitted. The School has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Lease Accounting

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The School is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will have a material effect on the School's financial condition due to the recognition of a right-of-use asset and related lease liability. The School does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the School's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The School is evaluating the method of adoption it will elect.

In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2021, and for interim reporting periods beginning after December 15, 2022, with early application permitted. The School has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

Adopted Accounting Pronouncement

During the year ended June 30, 2020, the School adopted Accounting Standards Update 2018-08*, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional or not. The adoption of this update had no effect on the School's financial position and change in net assets.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. This reclassification had no effect on previously reported change in net assets.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the School invests excess cash in U.S. Government Securities and a money market fund, which are highly liquid investments.

The School's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

	2020	2019
Cash and cash equivalents	$ 4,995,694	$ 2,829,122
Cash - restricted	70,000	70,000
Grants and other receivables	396,555	307,196
Investments	1,617,343	1,499,045
Total financial assets	7,079,592	4,705,363
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	(70,000)	(70,000)
Total financial assets available to management for general expenditures within one year	$ 7,009,592	$ 4,635,363

At June 30, 2020 and 2019, the School has no board designated net assets.

4. INVESTMENTS

Determination of Fair Values

The valuation methodologies used to determine the fair values of assets and liabilities under the “exit price” notion reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The School measures the fair values of the U.S. Government Securities based on quoted market prices.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the School believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The School's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with these investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the statements of activities.

The following tables present by level, within the fair value hierarchy, the School’s investments at fair value as of June 30, 2020 and 2019. As required by fair value measurement accounting standards, investments are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

June 30, 2020	Fair Value on a Recurring Basis	Quoted Market Prices in Active Market for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	$ 1,617,343	$ 1,617,343	$ -	$ -

June 30, 2019	Fair Value on a Recurring Basis	Quoted Market Prices in Active Market for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	$ 1,499,045	$ 1,499,045	$ -	$ -

4. INVESTMENTS (CONTINUED)

Determination of Fair Values (continued)

The aggregate cost basis, gross unrealized gains and losses, and fair market value of the investments at June 30, 2020 and 2019, are as follows:

June 30, 2020	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Securities	$ 1,599,849	$ 17,494	$ -	$ 1,617,343

June 30, 2019	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Securities	$ 1,492,657	$ 6,388	$ -	$ 1,499,045

The components of the activity of the School's U.S. Government Securities as of June 30,:

June 30,	2020	2019
Investments, beginning of year	$ 1,499,045	$ -
Purchase of investments	855,429	1,492,657
Sale of investments	(751,501)	-
Realized gain on investments	3,264	-
Unrealized gain on investments reported at fair value	11,106	6,388
Investments, end of year	**$ 1,617,343**	**$ 1,499,045**

The School's U.S. Government Securities are scheduled to mature on various dates between September 2020 and June 2022.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2020	2019	Estimated Useful Lives
Furniture and fixtures	$ 515,715	$ 502,245	7 years
Musical instruments	6,610	6,610	3 years
Computers	320,004	278,845	3 years
Software	35,425	35,425	3 years
Leasehold improvements	3,267,784	3,127,827	Life of lease
	4,145,538	3,950,952	
Less: accumulated depreciation and amortization	(1,783,582)	(1,469,342)	
	$ 2,361,956	**$ 2,481,610**	

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was $314,240 and $331,467, respectively.

6. CONSTRUCTION IN PROGRESS

The School is undergoing construction at its St. Rita location in order to bring the building up to code and receive a new certificate of occupancy from the City due to the expansion of the School. The School operates on a work-order basis and has not entered into any long-term contracts. At June 30, 2020 and 2019, construction in progress was $276,629 and $298,513, respectively.

At June 30, 2020, the project has been substantially completed and the School will place the remaining construction in progress into service upon receipt of the certificate of occupancy from the City.

7. LOAN PAYABLE

In May 2020, the School received a loan in the amount of $1,883,624 through the Paycheck Protection Program of the 2020 CARES Act (“PPP”) administered by the Small Business Administration. The loan is due on May 2, 2022, and bears interest at 1 percent. Monthly payments of principal and interest commence on December 1, 2020. The School may prepay the loan at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent, and utilities. Under the terms of the PPP, all or a portion of the loan may be forgiven based on certain requirements being met. The School is tracking the qualifying expenditures during the qualifying period to apply for loan forgiveness under the program by June 30, 2021.

8. PENSION PLAN

The School participates in the Teachers' Retirement System of the City of New York (“TRS” or the “Plan”), which covers principals and teachers. Employees enrolled in the Plan are required to contribute up to 6% depending on when they enrolled in the Plan. Employees become vested in the School’s contribution to the Plan after ten years of service. The School’s contribution is a rate based on actuarial assumptions and methods. During the years ended June 30, 2020 and 2019, the School used a rate of 9.83% and 10.23%, respectively.

For the years ended June 30, 2020 and 2019, the School incurred pension expense of $540,401 and $454,693, respectively, which is included in retirement benefits in the accompanying statements of functional expenses.

Accounting standards require employers participating in multiemployer plans to provide detailed quantitative and qualitative disclosures for these plans. TRS, which is sponsored by the City of New York, does not impose an expiration date on participating employers. The zone status is consistent with the Pension Protection Act and is for the Plan’s year-end at June 30, 2019. The zone status is based on information provided in the TRS Comprehensive Annual Financial Report, which includes information from TRS’ actuary and is certified by TRS’ auditor. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. TRS did not report a rehabilitation plan. Information related to the Plan is comprised of the following:

			Contributions	
Pension Fund	*Plan Month/Day End Date*	*Zone Status*	*2020*	*2019*
Teachers' Retirement System	06/30	*Yellow – As of June 30, 2019*	*$540,401*	*$454,693*

Employees may also participate in a Tax-Deferred Annuity (“TDA”) Program, which is defined-contribution pension plan. Employees may contribute as little as 1% of their salary to the TDA Program and as much as their designated Maximum Contribution Rate. This rate is based on their salary and the allowable maximum contribution amount the Internal Revenue Service (“IRS”) has established for that year.

8. PENSION PLAN (CONTINUED)

In July 2014, the School opted to participate in a 403(b) Plan, which is open for salary reduction contributions to all employees of the School. There is a base and match contribution given to employees who are at least 21 years of age and who have reached the minimum service requirement of at least six months of eligibility service at the School. Eligibility service is defined as service in a salaried position that does not qualify as a TRS position. The vesting period for the 403(b) Plan is based on a vesting table where it takes two years to be partially vested and six years to be fully vested. The 403(b) Plan calls for the School to make a base contribution of 3.5% of an eligible employee's salary and match 100% of an eligible employee's contribution up to 10% of their fiscal year salary. The base and matching contributions will not be offered to employees who participate in the TRS plan. The School incurred 403(b) Plan expenses of $103,634 and $84,755 for the years ended June 30, 2020 and 2019, respectively, which is included in retirement benefits in the accompanying statements of functional expenses.

9. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The impact of the outbreak of the COVID-19 coronavirus continues to rapidly evolve. The School cannot reasonably estimate the duration and severity of this pandemic; however, economic uncertainties have arisen which could have a material adverse effect on the School's financial position, results of operations and its cash flows for the year ending June 30, 2021.

10. CONCENTRATIONS

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash deposits. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000.

The School received approximately 90% of its total revenue from per pupil funding from the NYCDOE during each of the years ended June 30, 2020 and 2019.

The School's grants and other receivables consist of two major grantors at June 30, 2020 and 2019.

The School's payables consist of two major vendors at June 30, 2020. The school's payables consist of four major vendors at June 30, 2019.

11. COMMITMENT AND CONTINGENCIES

In June 2011, the School entered into a lease agreement with The Roman Catholic Church of St. Rita for leasing the premises at 36-24 12th Street, Long Island City, New York 11106. The lease term is from July 1, 2011 to June 30, 2031. Future minimum rental lease payments are as follows:

June 30,		
2021	$	679,949
2022		696,947
2023		714,371
2024		732,230
2025		750,536
Thereafter		4,914,083
	$	**8,488,116**

Rent expense and occupancy costs for the years ended June 30, 2020 and 2019 was $684,752 and $684,212, respectively, and is included in occupancy and facility costs on the statements of functional expenses.

The School also shares space with P.S. 111 Jacob Blackwell located at 37-15 13th Street, Queens, New York 11101. The School occupies 8,971 square feet at this location, and shares another 7,828 square feet. There is no lease or agreement in place for the shared space and no rent is charged to the School.

<u>Independent Auditor's 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*</u>

To the Board of Trustees
VOICE Charter School

We have audited in accordance with 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 VOICE Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 the School's financial statements are free of 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*.

We noted certain matters that we reported to management of the School in a separate letter dated October 16, 2020.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MBAF CPAs, LLC

New York, NY
October 16, 2020

VOICE Charter School FY21 Budget

	FY21 Budget
Revenue	
Gen Ed per Pupil	$ 11,060,378
NYS Facilities Funding	679,949
State Grants	56,159
Federal Grants	324,497
US DOE COVID-19 Aid	240,100
Misc. Income	54,862
Bond Portfolio Activity	30,000
SPED per Pupil	1,672,788
Total Revenue	**14,118,733**
Expenses	
Compensation	
Wages	8,832,187
Benefits	2,850,711
Total Compensation	11,682,897
OTPS	
Temporary Help	151,421
Contractual Services	857,790
Administrative	39,310
Curriculum and Classroom	353,996
Technology/Communications	207,958
Misc. Expenses	211,547
Occupancy	1,231,657
Total OTPS	3,053,679
Total Expenses	**14,736,577**
Revenue Over (Under) Expenses	**(617,844)**

Citibank CBO Services 638
P.O. Box 6201
Sioux Falls, SD 57117-6201

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CITIBANK, N. A.

VOICE CHARTER SCHOOL OF NY
ESCROW FOR
C/O RICHARD GRASSEY
107 RIVER ROAD
SCARBOROUGH NY 10510

Control Account:
[redacted]
Statement Period
Sep 1 - Sep 30, 2020

CitiEscrow CONTROL ACCOUNT DETAIL FROM SEP 1, 2020 THRU SEP 30, 2020

CitiEscrow Control Checking

[redacted]

Beginning Balance:	$70,000.00
Ending Balance:	$70,000.00

Average Balance Information

Average Ledger Balance this Statement Period	70,000.00
Average Collected Balance this Statement Period	70,000.00

CUSTOMER SERVICE INFORMATION

IF YOU HAVE QUESTIONS ON:	YOU CAN CALL:	YOU CAN WRITE:
Escrow Deposit Account	877-528-0990 (For Speech and Hearing Impaired Customers Only TTY: 800-788-0002)	CitiBusiness 100 Citibank Drive San Antonio, TX 78245-9966

For change in address, call your account officer or visit your branch.