



VOICE CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

VOICE CHARTER SCHOOL

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statement of Financial Position as of June 30, 2021	3
Statement of Activities for the Year Ended June 30, 2021	4
Statement of Functional Expenses for the Year Ended June 30, 2021	5
Statement of Functional Expenses for the Year Ended June 30, 2020	6
Statement of Cash Flows for the Year Ended June 30, 2021	7
Notes to Financial Statements	8 – 19
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 <i>Government Auditing Standards</i>	20 – 21
Schedule of Findings and Questioned Costs for the Year Ended June 30, 2021	22



Tel: 212-576-1400
Fax: 212-576-1414
www.bdo.com

600 Third Avenue, 3rd Floor
New York, NY 10016

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
VOICE Charter School
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of VOICE Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Other Matter

The financial statements of VOICE Charter School as of and for the year ended June 30, 2020 were audited by MBAF CPAs, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated October 16, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021 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.

BDO USA, LLP

New York, NY
October 19, 2021

VOICE CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	2021	2020
Cash and cash equivalents	\$ 4,021,802	\$ 4,995,694
Cash - restricted	70,000	70,000
Grants and other receivables	403,443	396,555
Investments	1,428,287	1,617,343
Prepaid expenses and other assets	601,671	247,914
Property and equipment, net	2,099,165	2,361,956
Construction in progress	356,483	276,629
TOTAL ASSETS	\$ 8,980,851	\$ 9,966,091
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 127,315	\$ 219,251
Accrued salaries and other payroll related expenses	2,507,593	1,960,764
Loan payable - Paycheck Protection Program	-	1,883,624
Deferred rent	1,185,035	1,202,670
TOTAL LIABILITIES	3,819,943	5,266,309
NET ASSETS		
Net assets - without donor restrictions	5,160,908	4,699,782
TOTAL LIABILITIES AND NET ASSETS	\$ 8,980,851	\$ 9,966,091

See accompanying notes to the financial statements.

VOICE CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	\$ 13,105,958	\$ 12,300,630
Government grants and contracts	<u>1,262,991</u>	<u>1,203,594</u>
	<u>14,368,949</u>	<u>13,504,224</u>
EXPENSES		
Program services:		
General education	12,123,806	9,952,740
Special education	1,930,488	1,921,283
Management and general	<u>1,774,981</u>	<u>1,691,859</u>
	<u>15,829,275</u>	<u>13,565,882</u>
DEFICIT FROM SCHOOL OPERATIONS	<u>(1,460,326)</u>	<u>(61,658)</u>
SUPPORT AND OTHER INCOME		
Forgiveness of debt - Paycheck Protection Program loan	1,883,624	-
Contributions, grants, and other income	31,168	74,934
Investment return, net	3,583	42,296
Interest income	<u>3,077</u>	<u>2,719</u>
	<u>1,921,452</u>	<u>119,949</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	461,126	58,291
NET ASSETS - BEGINNING OF YEAR	<u>4,699,782</u>	<u>4,641,491</u>
NET ASSETS - END OF YEAR	<u>\$ 5,160,908</u>	<u>\$ 4,699,782</u>

See accompanying notes to the financial statements.

VOICE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Services			Supporting Services	2021
		General Education	Special Education	Total Program	Management and General	
	No. of Positions					
Personnel services costs:						
Instructional personnel	97	\$ 6,511,890	\$ 1,469,143	\$ 7,981,033	\$ -	\$ 7,981,033
Administrative personnel	29	-	-	-	1,029,575	1,029,575
Total salaries and staff	126	6,511,890	1,469,143	7,981,033	1,029,575	9,010,608
Payroll taxes and employee benefits		1,933,857	103,040	2,036,897	285,862	2,322,759
Retirement benefits		509,814	113,581	623,395	131,974	755,369
Professional development		462,916	-	462,916	1,499	464,415
Legal fees		18,240	-	18,240	13,610	31,850
Audit and accounting fees		21,472	-	21,472	31,244	52,716
Professional fees - other		549,819	102,100	651,919	29,076	680,995
Student and staff recruitment		105,104	-	105,104	1,500	106,604
Curriculum and classroom expenses		494,086	41,575	535,661	-	535,661
Student field trips and incentive programs		3,949	429	4,378	-	4,378
Postage, printing, and copying		1,958	-	1,958	1,377	3,335
Insurance		65,125	-	65,125	8,881	74,006
Information technology		262,501	-	262,501	68,737	331,238
Leased equipment		14,868	-	14,868	2,028	16,896
Repairs and maintenance		90,820	12,619	103,439	12,685	116,124
Occupancy and facility costs		564,892	65,959	630,851	85,769	716,620
Utilities		37,610	-	37,610	5,129	42,739
Depreciation and amortization		232,734	22,042	254,776	34,742	289,518
Other expense		239,277	-	239,277	28,044	267,321
Office expense		2,874	-	2,874	3,249	6,123
		\$ 12,123,806	\$ 1,930,488	\$ 14,054,294	\$ 1,774,981	\$ 15,829,275

See accompanying notes to the financial statements.

VOICE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Services			Supporting Services	2020
		General Education	Special Education	Total Program	Management and General	
	No. of Positions					
Personnel services costs:						
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 and 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	22,941	172,501	21,107	193,608
Occupancy and facility costs		524,329	78,277	602,606	82,147	684,753
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

See accompanying notes to the financial statements.

VOICE CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 14,362,061	\$ 13,414,865
Cash received from interest income	3,077	2,719
Other cash received	65,598	102,860
Cash paid to employees and suppliers	<u>(15,456,256)</u>	<u>(12,960,866)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(1,025,520)</u>	<u>559,578</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(586,791)	(855,429)
Proceeds from sale of investments	745,000	751,501
Purchase of property and equipment	(11,621)	(54,659)
Construction in progress	<u>(94,960)</u>	<u>(118,043)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>51,628</u>	<u>(276,630)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>1,883,624</u>
NET (DECREASE) INCREASE IN CASH	(973,892)	2,166,572
CASH AND CASH EQUIVALENTS AND CASH - RESTRICTED - BEGINNING OF YEAR	<u>5,065,694</u>	<u>2,899,122</u>
CASH AND CASH EQUIVALENTS AND CASH - RESTRICTED - END OF YEAR	<u>\$ 4,091,802</u>	<u>\$ 5,065,694</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 461,126	\$ 58,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	289,518	314,240
Unrealized loss (gain) on investments	33,859	(11,106)
Realized gain on investments	(3,012)	(3,264)
Gain on forgiveness of Paycheck Protection Program loan	(1,883,624)	-
Deferred rent	(17,635)	(1,051)
Changes in operating assets and liabilities:		
Grants and other receivables	(6,888)	(89,359)
Prepaid expenses and other assets	(353,757)	55,325
Accounts payable and accrued expenses	(91,936)	103,312
Accrued salaries and other payroll related expenses	<u>546,829</u>	<u>133,190</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (1,025,520)</u>	<u>\$ 559,578</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Non-cash investing activities:		
Construction in progress placed into service and included in property and equipment	<u>\$ 15,106</u>	<u>\$ 139,927</u>
Cash and cash equivalents and cash - restricted:		
Cash and cash equivalents	\$ 4,021,802	\$ 4,995,694
Cash - restricted	<u>70,000</u>	<u>70,000</u>
Total	<u>\$ 4,091,802</u>	<u>\$ 5,065,694</u>

See accompanying notes to the financial statements.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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 2021, the School operated classes for students in kindergarten through eighth grade.

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, and are, therefore, available for general operations.

At June 30, 2021, the School had no assets with donor restrictions.

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash – Restricted

An escrow account in the amount of \$70,000 was held aside under the provisions of the School's charter to pay for legal and audit expenses that would be associated with a dissolution should it occur, as required by the New York State Education Department for the years ended June 30, 2021 and 2020.

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 \$403,443 and \$396,555 at June 30, 2021 and 2020, respectively. The School evaluates the collectability of the receivables and employs the allowance method. The School has determined that no allowance for uncollectible accounts is necessary as of June 30, 2021 and 2020. Such estimate is based on management's assessments of the aged basis of its receivables, as well as current economic conditions and historical information.

Contributions

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 measurable 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. Donor-imposed restrictions limit the use of the donated assets as to time or purpose restrictions.

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 changes in net assets without donor restrictions in the statement of activities.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Per-Pupil Revenue

The School recognizes revenues from per-pupil funding in the fiscal year in which the academic programs are provided. Per-pupil revenue is billed and received based on the total number of full-time equivalent (FTE) students and the basic charter school tuition rate for the school district of residence of the students attending the School in any given fiscal year for general education and special education. The FTE is formula-driven and based on the number of days the student has been with the School as a proportion of the number of days in the entire school year (the calculation is done by using the New York State calculator online). The School's total student population includes general education and special education students. The School has determined that revenue from its students has the same performance obligations, types of contract, and services rendered. As a result, the student body is viewed as one customer base for revenue purposes. The School uses a portfolio approach to account for per-pupil contracts as a collective group rather than recognizing revenue on an individual-contract basis. The School believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Per-pupil invoicing is managed on a bi-monthly basis to the funding source (local school district). Billing is a function of student enrollment for the upcoming fiscal year, which is the basis for the first two invoices per-pupil due June 1st and July 31st, which is a projection. Subsequent invoices are due bi-monthly. With the implementation of an automated-invoicing process through a dedicated website, the submission of each invoice is done online. After the year is complete, the School submits the FTE per-pupil reconciliation, listing every student who attended any part of the year, and the FTE each represents. Based on this final count, it calculates how much should have been paid to the School and included in the reconciliation will be any amounts due from the funding source included in grants and other receivables on the statement of financial position at year end, or any amounts payable to the funding source included as a liability on the statement of financial position at year end, as amounts are trued up to actual based on actual numbers submitted at year end.

Additional funding is also provided to support special education services. All students who are identified to need special education services or settings have an Individualized Education Program ("IEP"), formalized for his or her unique needs. Based on this IEP, the student is categorized into one of three levels of service: 0-20% service, 20-60% service, or 60% or more service required and provided by the School. For a student receiving less than 20% in services, no additional funding is received. For a student receiving services between 20% and 60% and 60% or more services of the school day, additional funding per FTE is received. Billing for this support is incorporated into the per-pupil invoices and is also settled in the same FTE per-pupil reconciliation process.

As the students receive the benefit of these services simultaneously as the School is providing them, the School recognizes per-pupil revenue from these services over time. The School believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to students receiving academic or school services. The School measures the performance obligation from admission or enrollment into the School to the point when the student is discharged or the end of the school year where it is no longer required to provide services to the student, which is generally at the time of discharge or the completion of the school year. All of these services are bundled and considered a single-performance obligation, and as such, the School accounts for these bundled-performance obligations under state and local per pupil operating revenue in the statement of activities and recognizes the per-pupil revenue over time.

Government Grants

Revenue from federal, state, and local government grants and contracts is recognized by the School when qualifying expenditures are incurred and billable to the government, or when required services have been provided.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contract Assets and Contract Liabilities

In accordance with Accounting Standards Codification (ASC) 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The School does not recognize contract assets, as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. The School does not receive consideration prior to the transfer of goods or services and, therefore, does not recognize contract liabilities.

Contributions of Nonfinancial Assets

The School may receive contributed services that are an integral part of its operations. Such services are only recorded as contributions of nonfinancial assets, at their fair value, provided the services create or enhance nonfinancial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased, if not provided by donation.

The School receives donated space from the New York City Department of Education ("NYCDOE") that it shares with a New York City public school (Note 5). The donated space will be used for operating, general and administrative activities. In valuing the donated space, which is located in Long Island City, New York, the School estimated the fair value on the basis of the cost per square foot that is currently being paid for a similar space in Long Island City's real estate market.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the lease term. 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, based on the established threshold. 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, 2021 and 2020.

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis and by natural classification in the accompanying statement of activities. Accordingly, certain costs have been allocated among the respective programs and activities according to the functional categories, as follows:

Program Services – This category represents expenses related to general education and special education for certain students requiring additional attention and guidance. The underlying allocation basis used is salary expense.

Management and General – This category represents expenses related to the overall administration and operation of the School that are not specific to any program services or development. The underlying allocation basis used is salary expense.

Subsequent Events

The School has evaluated events through October 19, 2021, which is the date the financial statements were available to be issued.

Income Taxes

The School is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2021.

Under U.S. GAAP, an organization must recognize the tax benefit associated with tax positions taken for tax-return purposes when it is more likely than not that the position will not be sustained upon examination by taking a taxing authority. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School is subject to routine audits by a taxing authority. As of June 30, 2021, the School was not subject to any examination by a taxing authority.

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.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements and Fair Value – Definition and Hierarchy (Continued)

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.

Adopted Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

During the year ended June 30, 2021, the School adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as of July 1, 2020 using the modified-retrospective approach. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The School's revenue is derived primarily from per-pupil revenue for services provided to students. Per-pupil revenues are recognized as revenue over the course of the academic school year or program for which it is earned. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. The School is currently evaluating the impact of the adoption of ASU 2016-02.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. The School is currently evaluating the impact of the adoption of ASU 2020-07.

3. LIQUIDITY 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. The School's management meets monthly to address projected cash flows to meet its operational expenditures. In addition, the School invests excess cash in U.S. Government Securities and a money market fund, which are highly liquid investments.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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

	2021	2020
Cash and cash equivalents	\$ 4,021,802	\$ 4,995,694
Cash - restricted	70,000	70,000
Grants and other receivables	403,443	396,555
Investments	1,428,287	1,617,343
Total financial assets	5,923,532	7,079,592
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by contract	(70,000)	(70,000)
Total financial assets available to management for general expenditures within one year	\$ 5,853,532	\$ 7,009,592

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, 2021 and 2020. 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.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. INVESTMENTS (CONTINUED)

Determination of Fair Values (Continued)

	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)
June 30, 2021				
U.S. Government Securities	\$ 1,428,287	\$ 1,428,287	\$ -	\$ -
June 30, 2020				
U.S. Government Securities	\$ 1,617,343	\$ 1,617,343	\$ -	\$ -

The aggregate cost basis, gross unrealized gains and losses, and fair market value of the investments at June 30, 2021 and 2020, are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2021				
U.S. Government Securities	\$ 1,451,040	\$ -	\$ (22,753)	\$ 1,428,287
June 30, 2020				
U.S. Government Securities	\$ 1,599,849	\$ 17,494	\$ -	\$ 1,617,343

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

June 30,	2021	2020
Investments, beginning of year	\$ 1,617,343	\$ 1,499,045
Purchase of investments	586,791	855,429
Sale of investments	(745,000)	(751,501)
Realized gain on investments	3,012	3,264
Unrealized (loss) gain on investments reported at fair value	(33,859)	11,106
Investments, end of year	\$ 1,428,287	\$ 1,617,343

The School's U.S. Government Securities are scheduled to mature on various dates between September 2021 and March 2023.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

5. AGREEMENT WITH SCHOOL FACILITY

The School shares space with P.S. 111 Jacob Blackwell, A New York City public school, located at 37-15 13th Street, Queens, New York 11101. As part of the New York City Chancellor's Charter School Initiative, the NYCDOE has provided this space to the School at no charge. The services provided by the NYCDOE to the charter school, such as rent, utilities, custodial services, maintenance, and safety services are also provided at no cost.

The School is using a relative valuation model to measure the fair value of the donated space. The NYCDOE has not provided a value for the space and there is no lease or agreement in place. In applying the valuation model, significant inputs include the total square footage of space occupied by the School. Based on such assumptions, the School applies a relative cost per square foot calculated using current lease terms from their similar facility in Long Island City.

The School occupies approximately 8,830 square feet at this location. The value of the space and related utilities and services allocated to the School calculated by applying the relative valuation model is not significant and, therefore, is not recorded in the financial statements.

6. PROPERTY AND EQUIPMENT

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

	2021	2020	Estimated Useful Lives
Furniture and fixtures	\$ 542,442	\$ 515,715	7 years
Musical instruments	6,610	6,610	3 years
Computers	320,004	320,004	3 years
Software	35,425	35,425	3 years
Leasehold improvements	3,267,784	3,267,784	Lesser of the useful life of the asset or the lease term
	4,172,265	4,145,538	
Less: accumulated depreciation and amortization	(2,073,100)	(1,783,582)	
	<u>\$ 2,099,165</u>	<u>\$ 2,361,956</u>	

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$289,518 and \$314,240, respectively.

7. 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, 2021 and 2020, construction in progress was \$356,483 and \$276,629, respectively.

At June 30, 2021, the projects have been substantially completed. The School will place the remaining construction in progress into service upon receipt of the certificate of occupancy from the City.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

8. LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

In May 2020, the School received loan proceeds in the amount of \$1,883,624 (the "PPP Loan"), under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was enacted March 27, 2020. The PPP Loan, which was in the form of a promissory note, dated May 2, 2020, issued by the School, originally matured on May 2, 2022, and bore interest at a rate of 1.0% per annum.

The CARES Act and the PPP provide a mechanism for forgiveness of up to the full amount borrowed. The amount of the loan proceeds eligible for forgiveness is based on a formula that takes into account a number of factors, including the amount of loans proceeds used by the School during the 24-week period after the loan origination for certain eligible purposes including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that at least 60% of the loan amount is used for eligible payroll costs; the employer maintaining or rehiring employees and maintaining salaries at certain levels; and other factors. Subject to other requirements and limitations on loan forgiveness, only loan proceeds spent on payroll and other eligible costs during a covered eight-week or twenty-four-week period qualify for forgiveness. Any forgiveness of the PPP loan is subject to approval by the Small Business Administration. At June 30, 2020, the PPP Loan is included in total liabilities on the accompanying statements of financial position.

On December 21, 2020, the School received notification from the Small Business Administration that the School's forgiveness application of the PPP Loan and accrued interest was approved in full, and the School has no further obligations related to the PPP Loan. Accordingly, the School recorded a forgiveness of debt of the PPP Loan in the accompanying statements of activities at June 30, 2021.

9. 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, 2021 and 2020, the School used a rate of 11.78 and 9.83%, respectively.

For the years ended June 30, 2021 and 2020, the School incurred pension expense of \$898,405 and \$540,401, 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, 2020. 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:

<i>Pension Fund</i>	<i>Plan Month/Day End Date</i>	<i>Zone Status</i>	<i>Contributions</i>	
			<i>2021</i>	<i>2020</i>
<i>Teachers' Retirement System</i>	<i>06/30</i>	<i>Yellow – As of June 30, 2020</i>	<i>\$898,405</i>	<i>\$540,401</i>

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.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

9. 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 \$81,069 and \$103,634 for the years ended June 30, 2021 and 2020, respectively, which is included in retirement benefits in the accompanying statements of functional expenses.

10. 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 also intends to defend its positions on these matters. As of June 30, 2021, there are no matters for which the School believes the ultimate outcome would have a material adverse effect on the School's financial position.

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. The School is of the opinion that such cost disallowances, if any, will not have a material effect in the School's financial statements.

On March 27, 2020, the CARES Act was signed into law in response to the coronavirus (COVID-19) pandemic. The CARES Act includes many measures to provide relief to companies and organizations. Under the CARES Act, the Local Education Agencies (LEAs) received funds from the Elementary and Secondary School Emergency Relief ("ESSER") fund to provide equitable services to students and teachers in non-public schools. The School was granted funds to defray the COVID-19 outbreak costs under the aforementioned ESSER fund during the year ended June 30, 2021.

11. 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 up to \$250,000.

The School received approximately 91% and 90% of its total revenue from per pupil funding from the NYCDOE during each of the years ended June 30, 2021 and 2020, respectively.

The School's grants and other receivables consist of three major grantors at June 30, 2021. The School's grants and other receivables consist of two major grantors at June 30, 2020.

The School's payables consist of two major vendors at June 30, 2021. The School's payables consist of two major vendors at June 30, 2020.

VOICE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

12. COMMITMENT AND CONTINGENCIES

The School leases facilities under two operating leases with The Roman Catholic Church of St. Rita (the "Church") at 36-24 12th Street, Long Island City, New York 11106. In June 2011, the School entered into a lease agreement with the Church for leasing the school building and the immediately adjoining sidewalk and pavement area. The lease term is from July 1, 2011 to June 30, 2031. In November 2020, the School entered into a lease agreement with the Church for leasing a portion of the lower Church. The lease term is from December 1, 2020 to June 30, 2025. The aggregate future minimum rental lease payments are as follows:

June 30,	
2022	\$ 777,048
2023	796,175
2024	815,779
2025	835,873
2026	769,300
Thereafter	<u>4,144,784</u>
	<u>\$ 8,138,959</u>

Rent expense and occupancy costs for the years ended June 30, 2021 and 2020 was \$716,620 and \$684,753, respectively, and is included in occupancy and facility costs on the statements of functional expenses.

On December 10, 2020, the School entered into a Facilities Transition Agreement (the "Agreement") with Growing Up Green Charter School ("GUG"), A New York not-for-profit education corporation having an address at 36-49 11th Street, Long Island City, NY 11101. The landlord of the GUG premises is the Church. The Agreement is for GUG to transfer its interest in the GUG premises to the School, so that the GUG premises can become part of the VOICE Charter School premises all under one lease between the School and the Church. The terms of the Agreement state the transfer date of GUG premises to the School is expressly conditioned upon GUG's new facility being completed, with a anticipated delivery date of July 1, 2022. Per the Agreement, the School is obligated to pay a transition fee in the amount of \$1,000,000 for the improvements GUG made to the GUG premises. On the commencement date of the Agreement, the School paid a down payment of \$200,000 (the "down payment") which is included in prepaid expenses and other assets in the accompanying statements of financial position at June 30, 2021. The Down Payment is held in an escrow by GUG's counsel. The remaining balance of the transition fee, amounting to \$800,000 is payable, and the Down Payment is to be released upon GUG vacating the GUG premises in accordance with the Agreement.

The School is currently in discussion to enter into a new lease with the Church for leasing the GUG premises. The lease is for the school building, the immediately adjoining sidewalk and pavement area, another building and the associated rear play yard and has a duration of twenty years. As part of the lease agreement, the School will pay a security deposit of \$105,700 which is included in prepaid expenses and other assets in the accompanying statements of financial position at June 30, 2021. The terms of the agreement have not yet been finalized as of the date the financial statements were available to be issued, and the School has not taken possession of the premises.



Tel: 212-576-1400
Fax: 212-576-1414
www.bdo.com

600 Third Avenue, 3rd Floor
New York, NY 10016

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

To the Board of Trustees
VOICE Charter School
New York, New York

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, 2021, 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 19, 2021.

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") as a basis for designing 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 financial statements. 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*.



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.

BDO USA, LLP

New York, NY
October 19, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Noncompliance material to financial statements

2. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.