VOICE CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

MBAF
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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, 2019 and 2018, 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.

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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, 2019 and 2018, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019 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 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 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 7, 2019

VOICE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Cash	$ 2,829,122	$ 3,344,783
Cash - restricted	70,000	70,000
Grants and other receivables	307,196	573,941
Investments	1,499,045	-
Prepaid expenses and other assets	303,239	401,213
Property and equipment, net	2,481,610	2,561,358
Construction in progress	298,513	203,338
TOTAL ASSETS	**$ 7,788,725**	**$ 7,154,633**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 115,939	$ 222,489
Accrued salaries and other payroll related expenses	1,827,574	1,782,221
Deferred rent	1,203,721	1,188,593
TOTAL LIABILITIES	3,147,234	3,193,303
NET ASSETS		
Net assets - without donor restrictions	4,641,491	3,961,330
TOTAL LIABILITIES AND NET ASSETS	**$ 7,788,725**	**$ 7,154,633**

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

VOICE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	$ 11,603,322	$ 11,070,699
Government grants and contracts	1,354,756	1,295,687
	12,958,078	12,366,386
EXPENSES		
Program services	10,701,270	10,046,106
Management and general	1,642,334	1,651,788
	12,343,604	11,697,894
SURPLUS FROM SCHOOL OPERATIONS	614,474	668,492
SUPPORT AND OTHER INCOME		
Contributions, grants, and other income	54,834	48,268
Investment income, net	5,130	-
Interest income	5,723	9,955
	65,687	58,223
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	680,161	726,715
NET ASSETS - BEGINNING OF YEAR	3,961,330	3,234,615
NET ASSETS - END OF YEAR	**$ 4,641,491**	**$ 3,961,330**

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		86,856	13,956	100,812	17,157	117,969
Other contracted services		81,959	40,748	122,707	81,998	204,705
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

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

		Program Services			Supporting Services	
	No. of Positions	General Education	Special Education	Total Program	Management and General	2018
Personnel services costs:						
Instructional personnel	74	$ 4,799,826	$ 991,243	$ 5,791,069	$ -	$ 5,791,069
Administrative personnel	33	-	-	-	917,446	917,446
Total salaries and staff	107	4,799,826	991,243	5,791,069	917,446	6,708,515
Payroll taxes and employee benefits		1,223,482	62,508	1,285,990	183,720	1,469,710
Retirement benefits		500,208	91,061	591,269	86,979	678,248
Professional development		200,541	-	200,541	37,226	237,767
Legal fees		-	-	-	51,579	51,579
Audit and accounting fees		20,531	-	20,531	31,538	52,069
Professional fees - other		59,529	80,406	139,935	6,630	146,565
Other contracted services		169,347	-	169,347	117,827	287,174
Student and staff recruitment		120,090	-	120,090	-	120,090
Curriculum / classroom expenses		279,507	47,043	326,550	-	326,550
Student field trips and incentive programs		54,489	8,818	63,307	-	63,307
Parent activities		2,032	-	2,032	-	2,032
Postage, printing, and copying		2,009	-	2,009	902	2,911
Insurance		47,962	-	47,962	6,540	54,502
Information technology		180,187	537	180,724	25,233	205,957
Leased equipment		12,997	-	12,997	1,847	14,844
Repairs and maintenance		142,843	19,986	162,829	17,467	180,296
Occupancy and facility costs		520,091	77,962	598,053	80,902	678,955
Utilities		50,130	-	50,130	6,836	56,966
Depreciation and amortization		216,914	22,982	239,896	32,498	272,394
Other expense		40,845	-	40,845	27,926	68,771
Office expense		-	-	-	18,692	18,692
		$ 8,643,560	**$ 1,402,546**	**$ 10,046,106**	**$ 1,651,788**	**$ 11,697,894**

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

VOICE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	$ 13,224,823	$ 12,231,744
Cash received from interest income	5,723	9,955
Other cash received	53,576	48,268
Cash paid to employees and suppliers	(11,960,232)	(10,872,921)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,323,890	1,417,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,492,657)	-
Purchase of property and equipment	(194,437)	(235,188)
Proceeds from sale of property and equipment	-	632
Construction in progress	(152,457)	(127,851)
NET CASH USED IN INVESTING ACTIVITIES	(1,839,551)	(362,407)
NET (DECREASE) INCREASE IN CASH	(515,661)	1,054,639
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	3,414,783	2,360,144
CASH AND CASH - RESTRICTED - END OF YEAR	**$ 2,899,122**	**$ 3,414,783**

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

	2019	2018
Change in net assets	$ 680,161	$ 726,715
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	331,467	272,394
Unrealized gain on investments	(6,388)	-
Deferred rent	15,128	30,913
Changes in operating assets and liabilities:		
Grants and other receivables	266,745	(134,642)
Prepaid expenses and other assets	97,974	81,462
Accounts payable and accrued expenses	(106,550)	96,390
Accrued salaries and other payroll related expenses	45,353	343,814
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 1,323,890**	**$ 1,417,046**

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	2019	2018
Non-cash investing activities:		
Construction in progress placed into service and included in property and equipment	$ 57,282	$ 478,193
Cash and cash - restricted:		
Cash	$ 2,829,122	$ 3,344,783
Cash - restricted	70,000	70,000
Total	$ 2,899,122	$ 3,414,783

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 2019, 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 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, such as state and local per pupil operating revenue.

Cash – restricted

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $307,196 and $573,941 at June 30, 2019 and 2018, respectively. The School has determined that no allowance for uncollectible accounts is necessary as of June 30, 2019 and 2018. 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 statement of financial position.

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 (see Note 10) as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined and is industry practice.

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 (See Note 5). 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, 2019 and 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 7, 2019, 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 2016.

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 tax as “other expense.”

The School is subject to tax reportable on Form 990T consisting of unrelated business income because they have provided pre-tax transportation benefits to employees.

Investments

Investments are recorded at fair value based upon quoted market prices. The related dividend and interest income is recorded as interest income in the statement of activities. Unrealized gains are recorded as investment income net of related expenses in the accompanying statement of activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

Adoption of Accounting Pronouncements

Financial Statement Presentation
During the year ended June 30, 2019, the School adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The School has applied the update retrospectively to all periods presented and adjusted the presentation of these financial statements accordingly. As a result, the School reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions. The adoption of this update had no other material effect on the School's financial position and changes in net assets. In addition, the School has elected to continue to present a reconciliation in the statement of cash flows consistent with the indirect method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

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 and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

In June 2018, the FASB issued an accounting standards update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The School is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

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 US GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. 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 the School's 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. The update is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021, with early application permitted.

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, which are highly liquid investments.

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

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

	2019	2018
Cash	$ 2,829,122	$ 3,344,783
Cash - restricted	70,000	70,000
Grants and other receivables	307,196	573,941
Investments	1,499,045	-
Total financial assets	4,705,363	3,988,724
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	$ 4,635,363	$ 3,918,724

In managing its liquidity needs, the School had a committed line of credit of $500,000, which was never drawn down since the inception of the agreement. The School's internal cash is sufficient for their needs and during the year ended June 30, 2019, the School cancelled the line of credit (See Note 10).

At June 30, 2019 and 2018, 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 statement of financial position and the statement of activities.

The following tables present by level, within the fair value hierarchy, the School's investments at fair value as of June 30, 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, 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, 2019, are as follows:

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, 2019 were as follows:

June 30,	2019
Investments, beginning of year	$ -
Purchase of investments	1,492,657
Unrealized gain on investments reported at fair value	6,388
Investments, end of year	**$ 1,499,045**

The School's U.S. Government Securities are scheduled to mature on various dates between September 2019 and June 2021.

5. PROPERTY AND EQUIPMENT

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

	2019	**2018**	Estimated Useful Lives
Furniture and fixtures	$ 502,245	$ 487,489	7 years
Musical instruments	6,610	6,610	3 years
Computers	278,845	231,640	3 years
Software	35,425	35,425	3 years
Leasehold improvements	3,127,827	2,938,069	Life of lease
	3,950,952	3,699,233	
Less: accumulated depreciation and amortization	(1,469,342)	(1,137,875)	
	$ 2,481,610	**$ 2,561,358**	

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was $331,467 and $272,394, 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, 2019 and 2018, construction in progress was $298,513 and $203,338, respectively.

6. CONSTRUCTION IN PROGRESS (CONTINUED)

At June 30, 2019, 100% of the project has been completed and the School will place the remaining construction in progress into service upon receipt of the certificate of occupancy from the City.

7. 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, 2019 and 2018, the School used a rate of 10.23% and 11.19%, respectively.

For the years ended June 30, 2019 and 2018, the School incurred pension expense of $454,693 and $608,566, respectively, which is included in retirement benefits in the accompanying statement 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, 2018. 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*	*2019*	*2018*
Teachers' Retirement System	06/30	*Yellow – As of June 30, 2018*	*$454,693*	*$608,566*

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.

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 $84,755 and $69,682 for the years ended June 30, 2019 and 2018, respectively.

8. 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.

9. 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, 2019 and 2018.

The School's grants and other receivables consist of two major grantors as of June 30, 2019. The School's grants and other receivables consist of three major grantors as of June 30, 2018.

The School's payables consist of four major vendors as of June 30, 2019. The school's payables consist of three major vendors as of June 30, 2018.

10. 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,	
2020	$ 663,365
2021	679,949
2022	696,947
2023	714,371
2024	732,230
Thereafter	5,664,620
	$ 9,151,482

Rent expense and occupancy costs for the years ended June 30, 2019 and 2018 was $684,212 and $678,955, respectively, and is included in occupancy and facility costs on the statement 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.

The School entered into an agreement with a bank whereby it is permitted to borrow up to $500,000 under a line of credit. The line of credit is available until it is cancelled by either the School or the bank. Interest is payable on any outstanding balance at the greater of the bank's prime rate or the bank's minimum interest rate, plus 0.5%. During the year ended June 30, 2019, the School cancelled its line of credit with the bank.

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

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 statements of financial position as of June 30, 2019, 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 7, 2019.

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 7, 2019.

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 7, 2019