# VOICE CHARTER SCHOOL

# FINANCIAL STATEMENTS

# JUNE 30, 2009

# VOICE CHARTER SCHOOL
## TABLE OF CONTENTS
June 30, 2009

accountants & advisors

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of
VOICE Charter School

We have audited the accompanying statement of financial position of VOICE Charter School (the "School") as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the period from January 15, 2008 (date of inception) to the year ended June 30, 2009. These financial statements are the responsibility of the School's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VOICE Charter School as of June 30, 2009 and the changes in its net assets and its cash flows for the year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2009 on our consideration of the 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 on 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* and should be considered in assessing the results of our audit.

ERE LLP
New York, NY
October 13, 2009

# VOICE CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

**As of June 30, 2009**

| | | |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $ | 222,029 |
| Grants and other receivables | | 87,181 |
| Prepaid expenses and other assets | | 7,550 |
| Property and equipment, net | | 4,957 |
| **Total Assets** | **$** | **321,717** |
| Liabilities and Net Assets: | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ | 175,479 |
| Accrued salary and other payroll related expenses | | 65,660 |
| Total Liabilities | | 241,139 |
| Net assets - unrestricted | | 80,578 |
| **Total Liabilities and Net Assets** | **$** | **321,717** |

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

# VOICE CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

**Period from January 15, 2008 (date of inception) to June 30, 2009**

| | |
|---|---|
| Operating revenue: | |
| State and local per pupil operating revenue | $ 1,174,951 |
| Government grants and contracts | 368,468 |
| Total operating revenue | 1,543,419 |
| Expenses: | |
| Program services | 1,120,757 |
| Management and general | 515,834 |
| Fund raising | 6,650 |
| Total operating expenses | 1,643,241 |
| Deficit from school operations | (99,822) |
| Support and other income: | |
| Contributions and other grants | 179,314 |
| Interest income | 1,086 |
| Total support and other income | 180,400 |
| Change in net assets | 80,578 |
| Net assets - unrestricted – beginning of year | - |
| **Net assets - unrestricted – end of year** | **$ 80,578** |

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

# VOICE CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES

**Period from January 15, 2008 (date of inception) to June 30, 2009**

| | Program Services | Management and General | Fund Raising | Total |
|---|---|---|---|---|
| Salaries and wages | $ 503,817 | $ 180,976 | $ - | $ 684,793 |
| Payroll taxes and employee benefits | 206,770 | 99,873 | - | 306,643 |
| Accounting fees | - | 53,632 | - | 53,632 |
| Professional fees | 125,369 | 84,456 | 3,000 | 212,825 |
| Professional fees - In-kind | 36,000 | 59,275 | 3,650 | 98,925 |
| Classroom supplies and instructional materials | 121,922 | - | - | 121,922 |
| Furnitures and fixutres - non-capitalizable | 13,100 | 4,455 | - | 17,555 |
| Insurance | - | 6,414 | - | 6,414 |
| Bank service charge | - | 240 | - | 240 |
| Office expense | 2,590 | 10,762 | - | 13,352 |
| Parent activities | 11,287 | - | - | 11,287 |
| Postage and delivery | - | 2,600 | - | 2,600 |
| Printing and photocopying | 7,789 | 4,276 | - | 12,065 |
| Repairs and maintenance | - | 2,533 | - | 2,533 |
| Special education contracted services | 2,660 | - | - | 2,660 |
| Staff professional development | 44,959 | 3,397 | - | 48,356 |
| Student field trips and incentive programs | 12,356 | - | - | 12,356 |
| Student food services | 128 | - | - | 128 |
| Staff recruitment | 17,775 | - | - | 17,775 |
| Technology infrastructure and software | 11,629 | 1,292 | - | 12,921 |
| Telephone and internet | 2,606 | - | - | 2,606 |
| Depreciation | - | 1,653 | - | 1,653 |
| **Total expenses** | **$ 1,120,757** | **$ 515,834** | **$ 6,650** | **$ 1,643,241** |

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

# VOICE CHARTER SCHOOL

## STATEMENT OF CASH FLOWS

**Period from January 15, 2008 (date of inception) to June 30, 2009**

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ | 80,578 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | | 1,653 |
| Changes in operating assets and liabilities: | | |
| Increase in grants and other receivables | | (87,181) |
| Increase in prepaid expenses and other assets | | (7,550) |
| Increase in accounts payable and accrued expenses | | 175,479 |
| Increase in accrued salary and other payroll related expenses | | 65,660 |
| **Net cash provided by operating activities** | | **228,639** |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | | (6,610) |
| **Net cash used in investing activities** | | **(6,610)** |
| Net increase in cash and cash equivalents | | 222,029 |
| **Cash and cash equivalents - beginning of year** | | **-** |
| **Cash and cash equivalents - end of year** | **$** | **222,029** |

**Supplemental Disclosures of Cash Flow Information:**

| | | |
|---|---|---|
| Cash paid during the year for: | | |
| Interest | $ | - |
| Income taxes | $ | - |

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 School is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. VOICE Charter School, located in Long Island City, Queens, primarily educates children residing in District 30.

In fiscal year 2009, the School operated classes for students in grades K-1.

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.

The classification of an organization'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 three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Cash and Cash Equivalents
The School considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of one checking and three saving accounts, including $10,000 in one savings account held aside for contingency purposes as required by the School's charter in the first year of operation.

Grants and Other Receivables
Grants and other receivables represent unconditional promises to give. At June 30, 2009, the School had $87,181 of grants and other receivables that are expected to be collected within one year and recorded at net realizable value. The School has determined that no allowance for uncollectible accounts for contributions receivable is necessary as of June 30, 2009. 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.

Property and Equipment
Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the assets. The School has established a $5,000 threshold above which assets are capitalized. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease. 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.

As part of SFAS No. 144 "*Accounting for the impairment or Disposal of Long-Lived Assets*", 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 year ended June 30, 2009.

Planned Maintenance
Costs related to planned major maintenance are expensed as incurred.

Revenue Recognition
Revenue from the state and local government 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.

Functional Allocation of Expenses
Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using bases determined by management to be reasonable.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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.

Subsequent Events
Management has reviewed subsequent events and transactions that occurred after the balance sheet date through October 13, 2009. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

Implementation of New Accounting Pronouncements
Management has elected to defer the application of FAS FIN 48, *Accounting for Uncertain Tax Positions in accordance with FSP FIN 48-3*. FSP FIN 48-3 defers the effective date for FIN 48 for certain private companies until fiscal years beginning after December 15, 2008. The Company will continue to follow FAS 5, *Accounting for Contingencies*, until it adopts FIN 48.

The current and deferred tax provisions in the financial statements include consideration of uncertain tax positions in accordance with FAS FIN 48, *Accounting for Uncertain Tax Positions.*

**3. PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following as of June 30, 2009:

| | | | Estimated Useful Lives |
|---|---|---|---|
| Musical instruments | $ | 6,610 | 3 years |
| Less: accumulated depreciation | | (1,653) | |
| | $ | 4,957 | |

Depreciation expense for the year ended June 30, 2009 was $1,653.

**4. PENSION PLAN:**

The Teachers' Retirement System of the City of New York (TRS) was founded in 1917 to provide eligible New York City educators with a retirement plan. Effective September 1, 2008, the School adopted the Teachers' Retirement System of the City of New York ("The Plan") which covers most of the employees. The Plan provides for the School to contribute an undisclosed percentage per employee's salary. The School, after further research, has decided to contribute 29% per employee's salary. Employee's enrolled in the plan are required to contribute 4.85% for the first ten years and 1.85% thereafter through twenty-seven years. Employees become vested in the plan after ten years of service. For the fiscal year ended June 30, 2009, pension expense for the School is $148,800, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

TRS Membership offers key benefits including a monthly retirement allowance through a Qualified Pension Plan (QPP) upon meeting certain age and service credit requirements and the opportunity to set aside additional funds for retirement on a pre-tax basis and invest them in a combination of investment plans available through a Tax-Deferred Annuity (TDA) Program.

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. All TRS members participate in TRS Qualified Pension Plan (QPP), a retirement plan administered under Section 401(a) of the Internal Revenue Code. The QPP combines features of a defined-benefit pension plan with those of a defined-contribution pension plan.

**5. 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 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. The accompanying financial statements make no provision for the possible disallowance or refund.

**6. CONCENTRATION:** The School received approximately 67% of its total revenue from per pupil funding from New York City Department of Education.

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# 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 the financial statements of VOICE Charter School (the "School") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 13, 2009. 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.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

## 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 13, 2009.

This report is intended solely for the information and use of the audit committee, board of trustees, management, the New York State Education Department and the Board of Regents of the University of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

ERE LLP

New York, NY
October 13, 2009