VOICE CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2011

(With Comparative Totals for 2010)

VOICE CHARTER SCHOOL
TABLE OF CONTENTS
June 30, 2011

MBAF E:E
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

MBAF-ERE CPAs, LLC
440 Park Avenue South
New York, NY 10016-8012
Tel: 212.576.1400
Fax: 212.576.1414
www.mbafcpa.com

An Independent Member of Baker Tilly International

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, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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. The prior year summarized comparative information has been derived from the School's 2010 financial statements and, in our report dated October 27, 2010, we expressed an unqualified opinion on those financial statements.

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, 2011 and the changes in its net assets and its cash flows for the year then ended, 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 25, 2011 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.

MBAF-ERE CPAs, LLC

New York, NY
October 25, 2011

VOICE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

June 30, 2011 (with Comparative Totals for 2010)	2011	2010
Assets:		
Cash	$ 679,090	$ 652,682
Cash - NYCDOE Set-aside	70,000	30,000
Grants and other receivables	88,974	56,784
Prepaid expenses and other assets	431,662	71,569
Property and equipment, net	81,393	33,021
Total Assets	**$ 1,351,119**	**$ 844,056**
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	$ 69,662	$ 53,810
Accrued salary and other payroll related expenses	643,568	559,084
Due to NYC Department of Education	-	45,260
Total Liabilities	713,230	658,154
Net assets - unrestricted	637,889	185,902
Total Liabilities and Net Assets	**$ 1,351,119**	**$ 844,056**

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

VOICE CHARTER SCHOOL

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011 (with Comparative Totals for 2010)	2011	2010
Operating revenue:		
State and local per pupil operating revenue	$ 3,137,068	$ 1,983,967
Government grants and contracts	257,771	298,434
Total operating revenue	3,394,839	2,282,401
Expenses:		
Program services	2,480,377	1,840,870
Management and general	494,568	430,935
Total operating expenses	2,974,945	2,271,805
Surplus from school operations	419,894	10,596
Support and other income:		
Contributions, grants and other income	24,682	51,604
In-kind contributions	4,900	41,202
Interest income	2,511	1,922
Total support and other income	32,093	94,728
Change in net assets - unrestricted	451,987	105,324
Net assets - unrestricted – beginning of year	185,902	80,578
Net assets - unrestricted – end of year	**$ 637,889**	**$ 185,902**

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

VOICE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011
(with comparative totals for 2010)

	Program Services	Management and General	2011	2010
Salaries and wages	$ 1,426,463	$ 198,329	$ 1,624,792	$ 1,180,759
Payroll taxes and employee benefits	479,742	65,090	544,832	504,849
Accounting fees	-	108,274	108,274	56,125
Professional fees	281,941	30,795	312,736	156,536
Professional fees - In-kind	-	4,900	4,900	31,800
Donated materials and supplies	-	-	-	6,702
Donated use of facilities	-	-	-	2,700
Classroom supplies and instructional materials	151,016	8,861	159,877	148,704
Insurance	15,986	2,180	18,166	10,092
Bank service charge	-	-	-	190
Office expense	21,784	8,316	30,100	22,681
Bad debt expense	-	-	-	4,763
Parent activities	10,484	-	10,484	-
Postage and delivery	4,997	2,976	7,973	2,680
Printing and photocopying	4,776	4,524	9,300	4,241
Publications and advertisements	1,050	-	1,050	3,035
Repairs and maintenance	580	-	580	-
Other contracted services	7,934	37,058	44,992	62,326
Staff professional development	52,626	3,320	55,946	28,476
Student field trips and incentive programs	2,456	-	2,456	2,585
Student food services	666	-	666	1,395
Staff recruitment	4,494	-	4,494	8,864
Technology infrastructure and software	-	-	-	9,572
Telephone and internet	5,181	11,648	16,829	12,980
Depreciation and amortization	8,201	8,297	16,498	9,750
Total expenses	**$ 2,480,377**	**$ 494,568**	**$2,974,945**	**$2,271,805**

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

VOICE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011 (with Comparative Totals for 2010)	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 451,987	$ 105,324
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,498	9,750
Bad debt expense	-	4,763
Changes in operating assets and liabilities:		
Increase in cash - restricted	(40,000)	(20,000)
(Increase) decrease in grants and other receivables	(77,450)	25,634
Increase in prepaid expenses and other assets	(360,093)	(64,019)
Increase in accounts payable and accrued expenses	12,524	311,358
Increase in accrued salary and other payroll related expenses	55,871	60,397
Increase in deferred revenue	-	45,260
Net cash provided by operating activities	**59,337**	**478,467**
Cash flows from investing activities:		
Purchase of property and equipment	(32,929)	(37,814)
Net cash used in investing activities	**(32,929)**	**(37,814)**
Net increase in cash	26,408	440,653
Cash - beginning of year	652,682	212,029
Cash - end of year	**$ 679,090**	**$ 652,682**
Non-cash investing activities:		
Accrued property and equipment	$ 31,942	$ -
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 and under the corresponding provisions of the New York State tax laws. VOICE Charter School, located in Long Island City, Queens, primarily educates children residing in District 30.

In fiscal year 2011, the School operated classes for students in grades K-3. During fiscal year 2010, the School operated classes for students in grades K-2.

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
The School considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The School held aside $70,000 during the fiscal year ended June 30, 2011 for contingency purposes as required by the NYCDOE.

Grants and Other Receivables
Grants and other receivables represent unconditional promises to give. At June 30, 2011 and 2010, the School had $88,974 and $56,784, respectively 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, 2011. 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.

The carrying value of the grants and other receivables approximates fair value. Management reviews those receivables due in more than one year for impairment and none was determined as of June 30, 2011 and 2010.

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. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease. The School has established a $5,000 threshold above which assets are capitalized. Property and equipment acquired with certain government contract funds is recorded as expenses pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

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, 2011.

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. 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 are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

Donated Goods and Services
The School receives contributed goods and services that are an integral part of its operations. Such goods and services are only recorded as contributions in-kind, at their fair value, provided it meets the criteria for recognition. Donated facilities and professional services received are estimated at $4,900 for the year ended June 30, 2011. These are reflected as donated goods and services both as income and expense in the accompanying financial statements.

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 based upon benefits received.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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
The School has evaluated events through October 25, 2011 which is the date the financial statements were available to be issued.

Comparative Financial Information
The June 30, 2011 financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2010 are presented. As a result, the June 30, 2010 comparative information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such June 30, 2010 information should be read in conjunction with the School's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

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, accounting in interim periods, disclosure and transition.

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 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.

The School files informational returns in the United States federal and New York State jurisdictions. With few exceptions, the School is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for fiscal years before 2008.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3. PROPERTY AND EQUIPMENT:

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

	2011	2010	Estimated Useful Lives
Furniture and fixtures	$ 43,266	$ 17,470	7 years
Musical instruments	6,610	6,610	3 years
Computers	9,564	9,564	3 years
Software	10,780	10,780	3 years
Leasehold improvements	39,075	-	20 years
	109,295	44,424	
Less: accumulated depreciation and amortization	(27,902)	(11,403)	
	$ 81,393	$ 33,021	

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 was $16,498 and $9,750, respectively.

4. DUE TO NYC DEPARTMENT OF EDUCATION:

During the fiscal year ended June 30, 2010, the NYCDOE paid the School Per Pupil grant funds that the Department thought was due to the School. The School determined that an overpayment totaling $45,260 had been made.

5. 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 only employees with approved job titles ("Principal" and "Teacher"). The Plan provides for the School to contribute an undisclosed percentage per employee's salary. The balance is included in cash at June 30, 2011 and 2010. The School, after further research, has decided to accrue 29% per employee's salary, based on the percentage of other participating TRS charter schools' contributions. Employees 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 School's contribution to the plan after ten years of service. For the fiscal years ended June 30, 2011 and 2010, pension expense for the School were $218,330 and $284,227, respectively, 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.

6. 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, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.

7. CONCENTRATIONS:

A. Financial instruments that potentially subject the school to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation (FDIC) insured limits. The FDIC has temporarily increased the limit to $250,000 through December 31, 2012.

B. The School received approximately 93% and 87% of its total revenue from per pupil funding from NYCDOE during the fiscal years ended June 30, 2011 and 2010, respectively.

C. The School's grants and other receivables exclusively consist of two major grantors.

D. The School's payables exclusively consist of two major vendors.

8. COMMITMENTS 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 36-25 11th Street, Long Island City, New York 11106. The School prepaid $280,000 for the year 2012. The lease term is from July 1, 2011 to June 30, 2031. Future minimum rental lease payments are as follows:

June 30,	
2012	$ 280,000
2013	360,000
2014	440,000
2015	560,000
2016	560,000
Thereafter	11,046,267
	$ 13,246,267

The School is committed to providing approximately $250,000 for improvements to the space.

9. SUBSEQUENT EVENTS:

In July 2011, TRS began deducting $16,323 monthly from the School's bank account to pay off the pension expense related to fiscal year 2010. The pension accrual is included in accrued salary and other payroll related expenses in the accompanying statement of financial position.

As of July 2011, the School took occupancy of a new building, which is being used to house the School's 3rd and 4th grades.

In August 2011, the School ("Sublandlord") entered into a Sublease Agreement with Academy of the City Charter School ("Subtenant"), for space at The Roman Catholic Church of St. Rita (See note #8). The term of this Sublease shall commence as of July 1, 2011 and shall expire on June 30, 2013. During the initial term, there shall be no base rent due from Subtenant under this Sublease. However, other expenses such as utilities, water and sewer are charged to the Subtenant. There is an option for a third year where the Subtenant will be charged $220,000.

MBAF E:E
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

MBAF-ERE CPAs, LLC
440 Park Avenue South
New York, NY 10016-8012
Tel: 212.576.1400
Fax: 212.576.1414
www.mbafcpa.com

An Independent Member of Baker Tilly International

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, 2011, and have issued our report thereon dated October 25, 2011. 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 *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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 25, 2011.

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.

MBAF-ERE CPAs, LLC

New York, NY
October 25, 2011