

VOICE Charter School

Communication With Those Charged With Governance

OCTOBER 22, 2013





October 22, 2013

To the Audit Committee
VOICE Charter School

We have audited the financial statements of VOICE Charter School (the “School”) for the year ended June 30, 2013 and are prepared to issue our report thereon dated October 22, 2013. Professional standards require that we provide you with the following information related to our audit. This letter is divided into two sections: 1) required communications from the auditors to those with audit oversight responsibilities and 2) opportunities for strengthening internal controls or enhancing operating efficiency and our related recommendations.

REQUIRED COMMUNICATIONS

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

As stated in our engagement letter dated August 8, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of VOICE Charter School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

B. Planned Scope and Timing of the Audit:

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 12, 2013.

C. Auditor Independence:

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

D. Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by VOICE Charter School are described in Note 2 to the financial statements. As described therein, the School elected to implement the application of an accounting pronouncement pertaining to accounting for uncertain tax positions. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

E. Accounting Estimates Used in the Financial Statements:

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

1. Allowance for Doubtful Accounts:

As of June 30, 2013, VOICE Charter School recorded grants and other receivables of \$427,860. Management concluded that no allowance for doubtful accounts was necessary. Management calculated based on the assessment of the credit-worthiness of the School's donors, the aged basis of the receivables, as well as economic conditions and historical information. Based on our audit procedures which included a discussion with the Principal, Finance Manager, and a review of subsequent collections (which amounted to 12% as of October 8, 2013) we concur with management's conclusion.

2. 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 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. The School's contribution is a rate based used on actuarial assumptions and methods and a percentage of other participating TRS charter schools' contributions. During the years ended June 30, 2013 and 2012, the School used a rate of 13.75% and 15%, respectively. The difference between the two percentages yielded accumulative credits of approximately \$74,000 and \$450,000 for the years ended June 30, 2013 and 2012, respectively, which were netted against the pension expense. For the fiscal years ended June 30, 2013 and 2012, the School incurred a pension expense of \$266,940 and \$69,523, respectively, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

3. Functional Statement Allocation:

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

4. Depreciation:

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

F. Sensitive Disclosures Affecting the Financial Statements:

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

The disclosure of Risk Management in Note 6 to the financial statements which describes various risks to which the School is exposed.

G. Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Except as those made known to you, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and uncorrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We will identify those adjustments proposed both corrected and uncorrected:

Proposed and Corrected:

There were 9 audit adjustments (3 of which were reclassifying entries) that increased net assets by approximately \$202,000. In the prior year, there were 6 audit adjustments (1 of which was a reclassifying entry) that increased net assets by approximately \$5,000. The most significant adjustment was as follows:

1. To increase net assets by \$200,000 to record additional grant income for multi-year grant received from CEI-PEA during the fiscal year.

Proposed and Uncorrected:

There were no audit adjustments not recorded due to immateriality.

H. Audit Difficulties and Disagreements with Management:

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

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

I. Management Representations:

We have requested certain representations from management that are included in the management representation letter dated October 22, 2013.

J. Management Consultations with Other Independent Accountants:

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

K. Other Audit Findings or Issues:

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

OPPORTUNITIES FOR STRENGTHENING INTERNAL CONTROLS OR ENHANCING OPERATING EFFICIENCY

Please note: Comments with an asterisk (*) were communicated in the prior fiscal year.

***School Facility Lease Agreement:**

Through conversations with the School's Principal, we have been informed that a formal written agreement between VOICE Charter School and the Department of Education does not exist. We recommend that VOICE Charter School periodically re-explore the risks of such a relationship.

***Federal Grants:**

We understand that the School was awarded various Federal and ARRA grants totaling \$182,491. While federal funds are a valuable source of revenue, the grants impose very specific and stringent reporting requirements and compliance. In addition, where expenditure of federal funds exceeds \$500,000, an additional audit is performed in accordance with OMB Circular A-133. We recommend that the School closely review its obligations under any programs in which federal funds are received.

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

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

Very truly yours,

MBAF CPAs, LLC

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