Andrea Leder

From: David Rogers <drogers@lorenzocpa.com>
Sent: Friday, November 16, 2012 10:38 AM
To: Andrea Leder
Cc: alorenzo@lorenzocpa.com
Subject: Enagement Letters - New Destiny
Attachments: EngageLtr (LCQ) ND 2012.pdf; EngageLtr ND 2012.pdf

Andrea-
Good morning; attached are engagement letters for New Destiny Leadership Charter School for your approval.

Please let us know if you have any questions; thank you,

David J. Rogers, CPA
Lorenzo, PLC
1450 W. Guadalupe Road, Suite 111
Gilbert, AZ 85233
P: (480) 644-1097
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Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

Member of American Institute of Certified Public Accountants
Member of Arizona State Society of Certified Public Accountants

November 9, 2012

New Destiny Leadership Charter School
1923 E. Broadway Road
Phoenix, AZ 85040

Dear Board of Directors:

We are pleased to confirm our understanding of the services we are to provide New Destiny Leadership Charter School (Organization) for the fiscal year ended June 30, 2012 which meets the Arizona State Board for Charter Schools (ASBCS) audit guidelines dated June 11, 2012. We also affirm that Lorenzo, PLC, meets the mandatory audit firm qualifications as stated in the ASBCS guidelines dated June 11, 2012. We will audit the statement of financial position of the Organization as of June 30, 2012 and the related statements of activities and cash flows for the fiscal year then ended. We will also complete the appropriate compliance questionnaire(s) as required by the ASBCS in accordance with both the agreed upon procedures (instructions contained therein) and the attestation standards established by the American Institute of Certified Public Accountants.

We will also prepare the Organization's federal information return (Form 990 Return of Organization Exempt from Income Tax) for the fiscal year ended June 30, 2012.

Audit Objectives

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (which does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the organization, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that New Destiny Leadership Charter School is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards established by the Auditing Standards Board and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

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Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with the preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with the preparation of the financial statements that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate a management-level individual with suitable skill, knowledge, or experience to oversee any nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them. We will prepare the trial balance for use during the audit. Our preparation of the trial balance will be limited to formatting information into a working trial balance based on management's chart of accounts.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for helping to ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. The Organization is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include test of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards.*

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards.*

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of New Destiny Leadership Charter School compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Lorenzo, PLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to your sponsor or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities, or produce the audit documentation at your sponsor's office, if so requested. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Lorenzo, PLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Arizona State Board for Charter Schools (ASBCS). If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Anthony Lorenzo is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately November 19, 2012 and to complete your financial statement audit and appropriate compliance questionnaire(s) no later than January 15, 2013. We will submit a copy of the financial statement audit and appropriate compliance questionnaire(s) to the appropriate State of Arizona regulatory agency on your behalf no later than January 15, 2012.

As part of our engagement, we will also prepare the federal information return (Form 990 Return of Organization Exempt from Income Tax) for the fiscal year ended June 30, 2012. We may file extensions on your behalf (no Organization official's signature necessary) for your Form 990 prior to the required dates of November 15, 2012 and February 15, 2013. These extensions will prevent you from incurring penalties or late fees and will allow you to file a complete and accurate return on or before May 15, 2013. Your Form 990 will be completed no later than May 15, 2013.

We will not audit or verify the data you submit to us for the Form 990, although we may ask you for clarification when necessary. The information you submit to us, to the best of your knowledge and belief, will be correct and complete. Also, you will be responsible to include all information necessary for the completion of your Form 990. You have the final responsibility for submitting your Form 990 to the correct filing agency. Please review them carefully before you sign and mail them to the correct filing agency.

Our audit engagement ends upon delivery of the June 30, 2012 financial statement audit and appropriate compliance questionnaire(s) to the appropriate State of Arizona regulatory agency. Three copies of the financial statement audit and one copy of the compliance questionnaire(s) will be provided to you. Our tax engagement ends upon delivery of the Form 990, signed by an authorized representative of Lorenzo, PLC, to you. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service. You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Our fee for the financial statement audit and completion of the appropriate compliance questionnaire(s) will be $5,000, and our fee for the information return (Form 990) will be $900. The aforementioned audit fee does not include additional time required for 1) expansion of the scope of the audit to render an unqualified opinion, nor 2) expansion of the scope of the audit to eliminate findings. The fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. Our expectation is that the audit will not take longer than 60 hours. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. If additional time is

needed to complete the audit engagement, you are in agreement that the fees related to this additional time will need to be paid prior to the audit report being issued.

Our invoices for these fees will be rendered each week as work progresses and are payable upon presentation; however on January 1, 2013, the remaining unbilled audit fee, if any, less $1,000, will be invoiced and due prior to the submission of the financial statement audit and appropriate compliance questionnaire(s) to the appropriate State of Arizona regulatory agency. The final $1,000 fee will be invoiced upon completion of the draft of your financial statements and appropriate compliance questionnaire(s). All invoices will be considered past due if they remain unpaid 31 days past the date of the invoice. In accordance with our firm policies, work may be suspended if your account becomes 31 days or more past due and will not be resumed until your account is paid in full. If your account remains unpaid beyond 60 days from the invoice date a finance charge of 2% of the outstanding balance or a minimum $50 service fee will be assessed each month until your account is paid in full. If we elect to terminate our services for nonpayment, lack of management cooperation, or any other reason, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all services rendered and/or time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

This engagement letter and all work hereunder are subject to the laws, rules, regulations, and decrees of the State of Arizona. In the event of litigation between the Organization and us, litigation shall be commenced and prosecuted in an appropriate court of competent jurisdiction within the State of Arizona.

This engagement will not be assigned by us without the prior written consent of both the Organization and the ASBCS. Any changes in scope, character, or complexity of the work may be negotiated if it is mutually agreed that such changes are necessary.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our March 31, 2009 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign below and return a copy of the document to our office as soon as possible. The original document should be retained for your records. The terms of this engagement letter only become effective after approval by ASBCS and on the subsequent date of execution by the Organization. We must have a signed copy on file prior to beginning your audit.

Very truly yours,

Anthony Lorenzo, CPA
Lorenzo, PLC

RESPONSE:

This letter correctly sets forth the understanding of New Destiny Leadership Charter School

Officer Signature: _____

Title: _____

Date: _____

Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

Member of American Institute of Certified Public Accountants
Member of Arizona State Society of Certified Public Accountants

November 9, 2012

New Destiny Leadership Charter School
1923 E. Broadway Road
Phoenix, AZ 85040

Dear Governing Board:

We are pleased to confirm our understanding of the services we are to provide for New Destiny Leadership Charter School (School).

We will apply the agreed-upon procedures which the Arizona State Board for Charter Schools has specified in the Arizona State Board for Charter Schools Legal Compliance Questionnaire (LCQ), as of and for the fiscal year ended June 30, 2012. This engagement is solely to assist the Arizona State Board for Charter Schools in determining New Destiny Leadership Charter School's compliance with the requirements contained in the Legal Compliance Questionnaire. Our engagement to apply the agreed-upon procedure as contained in the Legal Compliance Questionnaire (the LCQ and its procedures can be obtained at asbcs.az.gov) will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures described in the Legal Compliance Questionnaire is solely the responsibility of the Arizona State Board for Charter Schools. Consequently, we make no representation regarding the sufficiency of the procedures described in the Legal Compliance Questionnaire either for the purpose for which this report has been requested or for any other purpose.

Management is responsible for the School's internal control and compliance with all applicable laws, regulations, and contracts and agreements, including those related to the Legal Compliance Questionnaire. Management also is responsible for the design, implementation, and monitoring of the policies and procedures upon which compliance is based.

Our engagement to perform agreed-upon procedures is substantially less in scope than an audit or examination, the objective of which is the expression of an opinion. Accordingly, we will not express such an opinion or any other form of assurance thereon.

Our responsibility is to perform the procedures as described in the Arizona State Board for Charter Schools Legal Compliance Questionnaire. The attest documentation (i.e. working papers) that we prepare in connection with this engagement is the property of Lorenzo, PLC. However, we may be requested to make certain attest documentation available to the Arizona State Board for Charter Schools. We will notify you of any such request. If requested, access to such attest documentation will be provided under the supervision of Lorenzo, PLC personnel. Furthermore, upon request, we may provide copies of the attest documentation to the Arizona State Board for Charter Schools, at their office. The Arizona State Board for Charter Schools may decide to distribute the copies or information contained therein to others, including other governmental agencies. The working papers are prepared for the purpose of providing the principal support for the independent accountant's report and the conclusions reached in the Legal Compliance Questionnaire.

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In the event we are requested or authorized by the School or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as a witness with respect to our engagements for the School, the School will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Our working papers and documentation for this engagement will be retained for a minimum of five years after the report date or for any additional period requested by the Arizona State Board for Charter Schools.

We plan to begin the engagement on approximately November 30, 2012 and, unless unforeseeable problems are encountered, the engagement should be completed by December 14, 2012. Anthony Lorenzo is the engagement partner and is responsible for supervising the engagement, signing the report, and signing the Legal Compliance Questionnaire. At the conclusion of our engagement, we will require a representation letter from management that, among other things, will confirm management's responsibility for substantial compliance with the Legal Compliance Questionnaire.

Our fee for these services is $100, which includes all travel and other out-of-pocket costs. Our invoices for these fees will be presented weekly based on our percentage of completion and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 31 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, lack of cooperation from management, or for any other reason, our engagement will be deemed to have been completed even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. The fee above is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

The distribution of the independent accountant's report and the Legal Compliance Questionnaire will be restricted to the governing board, management, and the Arizona State Board for Charter Schools, or its representatives.

We appreciate the opportunity to be of service to New Destiny Leadership Charter School and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

Lorenzo, PLC

Anthony Lorenzo, CPA
Managing Member

Accepted and agreed to by: _____

Title: _____

Date: _____