

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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**HENRY FORD ACADEMY:**  
**ALAMEDA SCHOOL FOR ART + DESIGN**  
(A Texas Charter School Sponsored by the Henry Ford Learning Institute)  
San Antonio, Texas

**FINANCIAL STATEMENTS**

For The Year Ended August 31, 2016

HENRY FORD ACADEMY:  
ALAMEDA SCHOOL FOR ART + DESIGN  
San Antonio, Texas

(A Texas Charter School Sponsored by the Henry Ford Learning Institute)

FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

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## **INTRODUCTORY SECTION**

HENRY FORD ACADEMY:  
ALAMEDA SCHOOL FOR ART + DESIGN

BEXAR

015-833

Name of Charter

County

Co. Dist. Number

We, the undersigned, certify that the attached financial statements of the above named charter school were reviewed and ☒ approved ☐ disapproved for the year ended August 31, 2016 at a Henry Ford Learning Institute's Board of Directors meeting on the 25<sup>th</sup> day of January, 2017.

  
Signature of Board Secretary

  
Signature of Board President

If the Board of Directors disapproved of the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

## **FINANCIAL SECTION**

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Henry Ford Learning Institute (HFLI)  
Dearborn, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Henry Ford Academy (the Academy): Alameda School for Art + Design (A Texas Nonprofit Charter School Sponsored by the HFLI), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year 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 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 from 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 Academy'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 Academy'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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

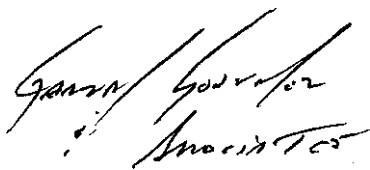
#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Other Supplemental Information (Budgetary Comparison Schedule of Revenues and Expenses) is presented for purposes of additional analysis and is not a required part of the basic finance statements, but is presented as required by the Texas Education Agency. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, on our consideration of the Academy'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 the Academy's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Garrison/Gordon" followed by "Auditor".

January 13, 2017

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
(A Texas Charter School Sponsored by the Henry Ford Learning Institute)  
San Antonio, Texas

STATEMENT OF FINANCIAL POSITION

August 31, 2016

ASSETS

Current Assets

Cash	\$	255,275
Due from State		60,846

Total Current Assets		<u>316,121</u>
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Non-Current Assets

Leasehold Improvements, Net		86,459
Furniture and Equipment, Net		39,190

Total Non-Current Assets		<u>125,649</u>
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Total Assets	\$	<u><u>441,770</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	-
Accrued Wages Payable		56,198
Payroll and Payroll Related Liabilities		3,046
Accrued Expenses		1,073

Total Current Liabilities		<u>60,317</u>
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Total Liabilities		<u>60,317</u>
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Net Assets

Unrestricted		<u>381,453</u>
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Total Liabilities and Net Assets	\$	<u><u>441,770</u></u>
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The accompanying notes to financial statements  
form an integral part of this statement.



HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
(A Texas Charter School Sponsored by the Henry Ford Learning Institute)  
San Antonio, Texas

STATEMENT OF ACTIVITIES

For The Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Local Support			
Food Service Activity	\$ 4,223	\$ -	\$ 4,223
In-Kind Contributions	333,315	-	333,315
Other Local Revenue	58,465	-	58,465
Total Local Support	396,003	-	396,003
State Program Revenues			
Foundation School Program	-	1,127,852	1,127,852
Other State Revenues	-	260	260
Total State Program Revenues	-	1,128,112	1,128,112
Federal Program Revenues			
ESEA, Title I Part A - Improving Basic Programs	-	34,697	34,697
IDEA, Part B - Formula	-	23,571	23,571
School Breakfast Program	-	5,395	5,395
National School Lunch Program	-	20,968	20,968
ESEA, Title II, Part A: Teacher/Principal Training and Recruiting	-	14,981	14,981
ESEA, Title III, Part A - LEP	-	361	361
Total Federal Program Revenues	-	99,973	99,973
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	1,228,085	(1,228,085)	-
Total Revenues and Other Support	1,624,088	-	1,624,088
EXPENSES			
11 Instruction	595,064	-	595,064
13 Curriculum Development and Instructional Staff Development	33,441	-	33,441
21 Instructional Leadership	131,670	-	131,670
23 School Leadership	198,835	-	198,835
31 Guidance, Counseling and Evaluation Services	74,139	-	74,139
33 Health Services	4,800	-	4,800
34 Student (Pupil) Transportation	13,232	-	13,232
35 Food Services	68,572	-	68,572
36 Extracurricular Activities	60,180	-	60,180
41 General Administration	170,284	-	170,284
51 Facilities Maintenance and Operations	245,290	-	245,290
52 Security and Monitoring Services	18,499	-	18,499
53 Data Processing Services	27,219	-	27,219
61 Community Services	312	-	312
Total Expenses	1,641,537	-	1,641,537
Change in Net Assets	(17,449)	-	(17,449)
Net Assets, Beginning of Year	398,902	-	398,902
Net Assets, Ending of Year	\$ 381,453	\$ -	\$ 381,453

The accompanying notes to financial statements  
form an integral part of this statement.

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

STATEMENT OF CASH FLOWS

For The Year Ended August 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Foundation School and Other Program Payments	\$ 1,122,181
Grant Payments	100,794
Miscellaneous Sources	62,688
Payments to Vendors for Goods and Services Rendered	(542,619)
Payments to Charter School Personnel for Services Rendered	(706,510)
Net Cash Provided by Operating Activities	<u>36,534</u>
Net Increase/(Decrease) in Cash	<u>36,534</u>
Cash, Beginning of Year	<u>218,741</u>
Cash, End of Year	<u><u>\$ 255,275</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Change in Net Assets	\$ (17,449)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities	
Depreciation Expense	11,261
(Increase) Decrease in Assets:	
Due from State	(5,110)
Deferred Expenses	21,209
Increase (Decrease) in Liabilities:	
Accounts Payable	(9,584)
Accrued Wages Payable	39,890
Accrued Expenses	<u>(3,683)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 36,534</u></u>

Noncash Investing and Financing Activities

- The Academy received in-kind contributions in the amount of \$333,315 related to rental space.

The accompanying notes to financial statements  
form an integral part of this statement.

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Henry Ford Academy (the Academy): Alameda Academy for Art + Design is a Texas Charter School sponsored by the Charter Holder, Henry Ford Learning Institute (HFLI), a not-for-profit corporation incorporated in the state of Michigan on March 30, 1999 to create innovative small schools by providing startup, administrative, and ongoing support services to schools and education related entities that it helps launch in various communities. In 2009, the Texas State Board of Education granted HFLI a fourteenth generation open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code ("TEC"), to operate the Academy through July 31, 2014, unless the charter is renewed or terminated. In 2014 the charter was renewed through July 31, 2024. HFLI, the Charter Holder, only operates the Academy in the state of Texas and did not conduct any other charter or non-charter activities in the state of Texas.

The Academy is a college preparatory high school, where all enrolled students in 9<sup>th</sup> through 12<sup>th</sup> grade attend tuition-free. The Academy was opened in San Antonio, Texas as an art and design high school focusing on strong academics, art and design; and, as a public charter school.

The Academy is governed by HFLI's Board of Directors (the Board), which is comprised of eight members who are both appointed and elected. The Board has the authority to make decisions, appoint the Superintendent, and significantly influence operations of the Academy. The Board has the primary accountability for the fiscal affairs of the Academy.

The accompanying financial statements include only the financial position and the respective changes in net assets and cash flows of the Academy and are not intended to be a complete financial statement presentation of the Academy's Sponsor and Charter Holder, HFLI.

The Academy receives funding from the Texas Education Agency ("TEA") based on the Academy's Average Daily Attendance ("ADA") Foundation Formula program. Since the Academy receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting and Presentation**

The fiscal year of the HFLI is from January 1<sup>st</sup> to December 31<sup>st</sup> and separate audited financial statements are prepared as of that date. The accompanying financial statements of the Academy have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, income and expenses are recognized when earned or incurred.

The Academy accounts and reports its activities in accordance with the Financial Accounting Standards Board, *Accounting Standards Codification (FASB ASC)*, which is the source of generally accepted accounting principles (GAAP) for non-governmental entities. The accompanying financial statements and the related accounting system are also organized and prepared in accordance with the Special Supplement to Financial Accounting and Reporting — Nonprofit Charter School Chart of Accounts, a module of the TEA's *Financial Accountability Resource Guide* (the "Resource Guide").

In accordance with the FASB ASC, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions or relevant law. Accordingly, net assets of the Academy and changes therein are classified and reported as follows:

*Unrestricted* — Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. As of August 31, 2016, unrestricted net assets totaled \$381,453.

*Temporarily Restricted* — Temporarily restricted net assets are those resources, subject to donor-imposed restrictions, that will be satisfied by the actions of the Academy or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of August 31, 2016, the Academy did not hold any assets that were designated as temporarily restricted.

*Permanently Restricted* — Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund annual operations. As of August 31, 2016, the Academy did not hold any assets that were designated as permanently restricted.

**C. Cash and Cash Equivalents**

The Academy considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. However, at August 31, 2016, cash is comprised of only demand checking accounts.

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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Property and Equipment**

Property and equipment are stated at historical cost, if purchased, or at fair value if donated. Furniture and equipment, as defined by the Academy are assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful life of the respective asset, which is five years.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged to an expense. Major improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Property and equipment acquired with public funds received by the Academy for operations constitute public property pursuant to Chapter 12 of the Texas Education Code.

**E. Use of 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 disclosures 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.

**F. Income Taxes**

HFLI, the Charter Holder, is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. HFLI has no unrelated business income; accordingly, a provision for income taxes has not been made in the accompanying financial statements. HFLI is not classified as a private foundation.

The amount of income tax benefit that may be disallowed by the IRS, if any, cannot be determined although HFLI expects such amounts, if any, to be immaterial. HFLI is subject to IRS and state examinations for a period of at least three (3) years after its IRS Form 990 has been filed. The Academy is included within HFLI's IRS Form 990 and does not separately file.

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Revenues and Support**

Revenues from the State's available Foundation Fund are based on reported student attendance. Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support.

- Contributions with donor-imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.
- Contributions without donor-imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

Governmental grant contracts that are entered into by the Academy are recognized as revenue when services are rendered or when the expenses in connection with those services are incurred.

It is the Academy's policy to first apply restricted resources to its expenses and then unrestricted revenues.

**H. In-Kind Contributions**

The Academy's in-kind contributions are comprised of donated office and classroom space provided by the City of San Antonio. In-kind contributions are measured and recorded in the accompanying financial statements at their fair values.

The total amount of in-kind contributions received in the current year was \$333,315 which is included as in-kind contributions and as expenses, in various functions, in the statement of activities.

**II. CASH**

At August 31, 2016, cash consists of \$255,275 in demand accounts with Plains Capital Bank.

Concentration of Credit Risk - The Academy maintains its cash in a commercial bank which is insured by the Federal Deposit Insurance Corporation (FDIC). During the year, the Academy's cash balances exceeded the FDIC limit of \$250,000. Management believes the credit risk exposure to the Academy is mitigated by the strength of the financial institution.

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**III. PROPERTY AND EQUIPMENT**

At August 31, 2016, property and equipment consists of the following:

Leasehold Improvements	\$ 100,404
Furniture and Equipment	154,119
Less: Accumulated Depreciation	
Leasehold Improvements	(13,945)
Furniture and Equipment	(114,929)
	<u>\$ 125,649</u>

Depreciation expense totaled \$11,261 for the year ended August 31, 2016 and was charged in the amount of \$10,690 and \$571 to function 11 – Instruction and function 52 – Security and Monitoring, respectively. Title to property and equipment may revert to the donor/grantor upon disposition or as directed by the resource provider. The Schedule of Capital Assets on page 17 indicates ownership interest.

**IV. CONTINGENCIES**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Academy has not been named or involved in any claims and legal actions.

***Grants***

The Academy receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Academy have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by TEA or other grantor agency. Management is of the opinion that no material liability will result from such audits.

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
(A Texas Charter School Sponsored by the Henry Ford Learning Institute)  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**V. REGULATED INDUSTRY**

The majority of the Academy's activities and revenues are as a result of contracts with TEA and its operations are concentrated in the education field. As such, the Academy operates in a heavily regulated environment. The operations of the Academy are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

Continued operations of the Academy are dependent upon the issuance of the charter by the Texas State Board of Education. Failure to meet accountability or financial ratings can result in the revocation of the charter.

**VI. PENSION PLAN OBLIGATIONS**

***Plan Description***

The Academy contributes to the Teacher Retirement System of Texas ("TRS"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the Academy, but are the liability of the state of Texas. The TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. The TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas legislature. The TRS' annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701, by calling 1-800-223-8778, or by downloading the report from the TRS website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.



HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**VI. PENSION PLAN OBLIGATIONS (Continued)**

***Funding Policy***

Under provisions in state law, plan members and the State are each required to contribute 7.2% and 6.80% of the annual covered salary, respectively. The Academy's employees contributed \$43,786 and the State contributed \$38,751 on behalf of its employees, to TRS for the year ended August 31, 2016, the required contributions for the year. The State's contribution to TRS are not recognized in the Academy's financial statements under FASB accounting. The Academy's contributions to the plan did not represent more than 5% of the total contributions to the plan. The Academy contributes for new member salaries, federal grants, and non-OASDI at a rate of 6.80% of covered salary. Total contributions made by the Academy were \$11,725. There have been no changes that would affect the comparison of employer contributions from year to year.

	Contribution Rates	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Legal Name of Plan	Texas Retirement System of Texas
Plan's Employer Identification Number	N/A
Total Plan Assets	\$149,780,061,824
Accumulated Benefit Obligations	\$163,887,375,172
Percentage Plan was Funded	78.4% funded
Expiration Date of Collective-Bargaining Agreement	N/A
Funding Improvement Plan or Rehabilitation Plan Implemented or Pending	N/A
Employer Contributions Made for the Non-OASDI Participating Surcharge	\$9,172

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**VII. RETIREE HEALTH PLAN**

***Plan Description***

The Academy contributes to the Teacher Public School Retirement Employees Group Insurance Program (TRS Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Texas Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Texas Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and option group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes required supplementary information for TRS-Care. The report may be obtained by visiting the TRS website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

***Funding Policy***

Under provisions in state law, plan members and the State are required each to contribute .65% and 1.00%, respectively, of the annual covered salaries. The State contributed \$9,148 on behalf of its employees, to the TRS for the year ended August 31, 2016, the required contributions for the year. The members contributed \$3,953 to the plan.

**VIII. HEALTH CARE COVERAGE**

During the year ended August 31, 2016, employees of the Academy were covered by TRS Active-Care, a statewide health coverage program for public education employees established by the 77th Texas Legislature. The Academy contributed \$150 per employee, per month to the plan, while the state contributed \$75 per employee, per month to the plan. Employees, at their option, authorize payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

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San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2016

**IX. IN-KIND EXPENSES**

In-kind expenses provided by the City of San Antonio for the donated use of office and classroom space, is valued at the fair value of \$15 per square foot and benefitted the following functions:

Function	Amount
11 Instruction	\$ 120,827
13 Curriculum Development and Instructional Staff Development	6,790
21 Instructional Leadership	26,736
23 School Leadership	40,374
31 Guidance, Counseling and Evaluation Services	15,054
33 Health Services	975
34 Student (Pupil) Transportation	2,687
35 Food Service	13,924
36 Extracurricular Activities	12,220
41 General Administration	34,576
51 Facilities Maintenance and Operations	49,806
52 Security and Monitoring Services	3,756
53 Data Processing Services	5,527
61 Community Services	63
Total In-Kind Expenses	<u>\$ 333,315</u>

**X. SUBSEQUENT EVENTS**

The Academy has evaluated any potential material subsequent events through January 13, 2017, the date of the audit report, and has determined that no additional subsequent events have occurred.

## **OTHER SUPPLEMENTAL INFORMATION**

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
(A Texas Charter School Sponsored by the Henry Ford Learning Institute)  
San Antonio, Texas

SCHEDULE OF EXPENSES BY OBJECT CODE

For The Year Ended August 31, 2016

		Totals
EXPENSES		
6100	Payroll Costs	\$ 742,716
6200	Professional and Contracted Services	431,478
6300	Supplies and Materials	46,836
6400	Other Operating Costs	420,507
Total Expenses		<u>\$ 1,641,537</u>

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

SCHEDULE OF CAPITAL ASSETS

For The Year Ended August 31, 2016

		Ownership Interest		
		Local	State	Federal
1520	Leasehold Improvements	\$ 100,404	\$ -	\$ -
1539	Furniture and Equipment	127,175	-	26,944
Total Property and Equipment		\$ 227,579	\$ -	\$ 26,944

Furniture and equipment with a cost of \$88,813 were acquired through in-kind contributions in prior years.

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
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San Antonio, Texas

BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES

For The Year Ended August 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	from Final Budget
<b>REVENUES AND OTHER SUPPORT</b>				
Local Support				
Food Service Activity	\$ 1,500	\$ 1,500	\$ 4,223	\$ 2,723 (1)
In-Kind Contributions	400,000	400,000	333,315	(66,685) (2)
Henry Ford Learning Institute	1,000	1,000	-	(1,000) (3)
Other Local Revenue	10,000	10,000	58,465	48,465 (4)
Total Local Support	412,500	412,500	396,003	(16,497)
State Program Revenues				
Foundation School Program	1,125,518	1,125,518	1,127,852	2,334
Other State Revenues	200	200	260	60 (5)
Total State Program Revenues	1,125,718	1,125,718	1,128,112	2,394
Federal Program Revenues				
ESEA Title I Part A - Improving Basic Programs	38,793	40,336	34,697	(5,639) (6)
School Breakfast Program	7,300	7,300	5,395	(1,905) (7)
National School Lunch Program	28,000	28,000	20,968	(7,032) (8)
ESEA, Title II, Part A: Teacher/Principal Training and Recruiting	7,813	15,248	14,981	(267) (9)
ESEA, Title III, Part A - LEP	-	-	361	361 (10)
IDEA, Part B - Formula	-	-	23,571	23,571 (11)
Total Federal Program Revenues	81,906	90,884	99,973	9,089
Total Revenues and Other Support	1,620,124	1,629,102	1,624,088	(5,014)
<b>EXPENSES</b>				
11 Instruction	617,981	623,966	595,064	28,902
13 Curriculum Development and Instructional Staff Development	48,979	51,414	33,441	17,973 (12)
21 Instructional Leadership	100,529	101,087	131,670	(30,583) (13)
23 School Leadership	175,322	175,322	198,835	(23,513) (14)
31 Guidance, Counseling and Evaluation Services	67,182	67,182	74,139	(6,957) (15)
33 Health Services	4,100	4,100	4,800	(700) (16)
34 Student (Pupil) Transportation	11,000	11,000	13,232	(2,232) (17)
35 Food Services	68,500	68,500	68,572	(72)
36 Extracurricular Activities	5,900	5,900	60,180	(54,280) (18)
41 General Administration	226,271	226,271	170,284	55,987 (19)
51 Facilities Maintenance and Operations	258,560	258,560	245,290	13,270
52 Security and Monitoring Services	16,000	16,000	18,499	(2,499) (20)
53 Data Processing Services	19,100	19,100	27,219	(8,119) (21)
61 Community Services	700	700	312	388 (22)
Total Expenses	1,620,124	1,629,102	1,641,537	(12,435)
Change in Net Assets	-	-	(17,449)	(17,449)
Net Assets, Beginning of Year	398,902	398,902	398,902	-
Net Assets, Ending of Year	\$ 398,902	\$ 398,902	\$ 381,453	\$ (17,449)

(Continued)

HENRY FORD ACADEMY: ALAMEDA SCHOOL FOR ART + DESIGN  
(A Texas Charter School Sponsored by the Henry Ford Learning Institute)  
San Antonio, Texas

BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES

For The Year Ended August 31, 2016

Below are management's explanations for variances exceeding 10% between original and final budgets and between actual and final budgeted expenses.

- (1) Food Service Activity – The original and final budget for food service activity of \$1,500 was based on previous year actuals of students participating in the National School Lunch Program. The actual number of students participating in the National School Lunch Program increased from the amount anticipated resulting in an increase in local revenues.
- (2) In-Kind Contributions – The school depends on In-Kind Contributions from Henry Ford Learning Institute, other private foundations and partnerships throughout the year. The In-Kind Contributions varies from year to year. The school will continue to review and project revenues in contributions for the 2016-2017 school year.
- (3) Henry Ford Learning Institute – The parent company for the charter school, Henry Ford Learning Institute provided \$0.00 in revenue. There are years when Henry Ford Learning Institute provides to enhance the instructional program at Alameda School.
- (4) Other Local Revenues – The original and final budget of \$10,000 for other local revenues was based on previous year actuals for other local revenues. For the 2016-2017 school year, the school will review other local revenues as received throughout the year to determine if a final amendment is required to show the actual increase or decrease in revenues for the year.
- (5) Other State Revenues – State revenues earned in the current year were more than anticipated.
- (6) ESEA, Title I, Part A – Improving Basic Program – The ESEA, Title I, Part A Grant was budgeted originally on estimated revenues based from previous year. The actual revenues realized were less than the original budgeted amount. Staff will continue to monitor the revenues realized throughout the school year based on the number of students qualified for the program in the 2016-2017 to determine if a final amendment is required to show the actual increase or decrease in revenues for the year.
- (7) School Breakfast Program – The original and final budget for school breakfast program of \$7,300 was based on previous year totals. The actual number of students participating in the School Breakfast Program decreased from the amount anticipated resulting in a decrease in revenues. Staff will continue to monitor the number of students qualified for the program in the 2016-2017 school year and will review to determine if a final amendment is required to show the actual increase or decrease in revenues for the year.
- (8) National School Lunch Program – The original budget for the National School Lunch Program \$28,000 was based on previous year totals. The actual number of students participating in the National School Lunch Program decreased from the amount anticipated resulting in a decrease in revenues. Staff will continue to monitor the number of students qualified for the program in the 2016-2017 school year and will review to determine if a final amendment is required to show the actual increase or decrease in revenues for the year.



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BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES

For The Year Ended August 31, 2016

- (9) ESEA, Title II, Part A – Teacher/Principal Training and Recruiting – The ESEA, Title II, Part A Grant was budgeted originally on estimated revenues based from previous year. The actual revenues realized were more than the original budgeted amount and staff did not make a final amendment to reflect actual totals. Staff will continue to monitor the revenues realized throughout the school year the number of students qualified for the program in the 2016-2017 to determine if a final amendment is required to show the actual increase or decrease in revenues for the year.
- (10) ESEA, Title III, Part A – LEP – The ESEA, Title III, Part A Grant is a shared service agreement with Education Service Center Region 20.
- (11) IDEA, Part B-Formula – The IDEA, Part B-Formula Grant is administered by the San Antonio Special Education Cooperative. Alameda School is a member of this special education cooperative. All funds are administered by the special education cooperative for the charter school.
- (12) (13) Curriculum Development and Instructional Staff Development – The original budget amount of \$48,979 was based on previous year totals. The position was vacant during parts of the year. The school will review and prepare a final amendment if required to show the actual increase or decrease in expenditures for the 2016-2017 school year.
- (13) (21) Instructional Leadership – The original budget amount of \$100,529 was based on previous year totals. A staff member was assigned additional responsibilities in function (21) Instructional Leadership to address improvements in student performance scores. The school will review and prepare a final amendment required to show the actual increase or decrease in expenditures for the 2016-2017 school year.
- (14) (23) School Leadership – There was an increase in expenses from the original budget amount of \$175,322 to the actual amount of \$198,835 due to several employees being reclassified in function code due to job responsibilities changing. A final amendment to the budget will be prepared for the 2016-2017 school year if required.
- (15) (31) Guidance, Counseling and Evaluation Services – There was an increase in expenses from the original budget amount of \$67,182 to the final budget amount of \$74,139. The school will review and prepare a final amendment required to show the actual increase or decrease in expenditures for the 2016-2017 school year.
- (16) (33) Health Services – There is a decrease in Health Services expenditures from the original budget amount of \$4,100 to the actual amount of \$4,800 due to increase in students needing a health service provider that is contracted out as needed based on student needs. The school will review and prepare a final amendment as required to show the actual increase or decrease in expenditures for the year.
- (17) (34) Student (Pupil) Transportation – There is an increase in Student (Pupil) Transportation from the original budget amount of \$11,0000 to \$13,232. There was an increase in students participating in the Student (Pupil) Transportation for the 2015-2016 school year. The school contracts out transportation services and payment is made on actual students receiving transportation services only. The school will review and prepare a final amendment as required to show the actual increase or decrease in expenditures for the year.

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For The Year Ended August 31, 2016

- (18) (36) Extracurricular Activities – There is an increase in Extracurricular Activities from the original budget amount of \$5,900 to the actual amount of \$60,180 due to an increase in students participating in extracurricular activities. The school will review and prepare a final amendment as required to show the actual increase or decrease in expenditures for the year.
- (19) (41) General Administration - There is a decrease in General Administration expenditures from the original budget amount of \$226,271 to the actual amount of \$170,284 due to decrease in contracted services needed. The school will review and prepare a final amendment as required to show the actual increase or decrease in expenditures for the year.
- (20) (52) Security and Monitoring Services – There was an increase in Security and Monitoring Services from the original budget amount of \$16,000 to the actual amount of \$18,499 due to additional changes in the schedule of security and monitoring services. The school will review and prepare a final amendment as required to show the actual increase or decrease in expenditures for the year.
- (21) (53) Data Processing Services – There is an increase in Data Processing Services from the original budget amount of \$19,100 to the actual amount of \$27,219 due to increases in Data Processing Services from the contracted services vendor for maintenance and operations. The school will review and prepare a final amendment as required to show the actual increase or decrease in expenditures for the year.
- (22) (61) Community Services – There is a decrease in Community Services from the original budget amount of \$700 to the actual amount of \$312 due to decreases in Community Services in the 2015-2016 school year. The school will review and prepare a final amendment as required to show the actual increase or decrease in expenditures for the year.

# **GOVERNMENT AUDITING STANDARDS REPORT**

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

## 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*

Board of Directors  
Henry Ford Learning Institute (HFLI)  
Dearborn, Michigan

We have audited, in accordance with the 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 the Henry Ford Academy (the Academy): Alameda School for Art + Design (A Texas Nonprofit Charter School Sponsored by HFLI), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy'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**

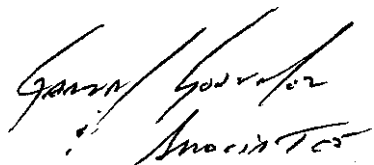
As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

### **Other Matters**

We noted a certain matter that we reported to management of the Academy in a separate letter dated January 13, 2017.

### **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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Gordon/Gordon" followed by a date "1/13/2017".

January 13, 2017