

# Garza/Gonzalez & Associates

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CERTIFIED PUBLIC ACCOUNTANTS

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

**REPORT ON THE CONDUCT OF AUDIT**

For The Year Ended August 31, 2017

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

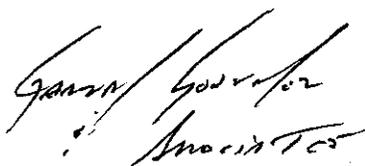
We have audited the financial statements of the Henry Ford Academy (the Academy): Alameda School for Art + Design (A Texas Charter School Sponsored by HFLI) for the year ended August 31, 2017, and have issued our report thereon dated January 12, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, and that we also communicate to you other information related to our audit. Our responsibilities and other information related to our audit are provided in the following sections of this report:

- the conduct of our audit (Parts I – VIII); and,
- non-compliance with State requirements (Part IX).
- Other Comment (Part X)

This letter does not affect our report dated January 12, 2018, on the financial statements of the Academy. Our comment and recommendation, which has been discussed with the management, is intended to improve the internal control structure and ensure compliance with State requirements.

This report is intended solely for the use of the Board of Directors and management of the Academy and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the personnel of the Academy during the course of our audit.

Handwritten signature in cursive script, appearing to read "Garza/Gonzalez & Associates".

January 12, 2018

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

REPORT ON THE CONDUCT OF AUDIT

For The Year Ended August 31, 2017

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## **I. The Auditors' Responsibility Under U. S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, dated November 15, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by the Academy's management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

As part of our audit, we considered the Academy's internal control solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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.

## **II. Qualitative Aspects of Significant Accounting Practices**

### *Accounting Policies*

The Academy's management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note I to the financial statements. The Academy accounts for 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. In addition to the FASB ASC, the Academy's financial statements and accounting system were organized and prepared in accordance with the Nonprofit Charter School Chart of Accounts, issued by the Texas Education Agency. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions appear to be recognized in the financial statements in the proper period.

### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by the Academy's management and are based on their 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 Academy's financial statements are depreciation, state revenues, payroll accruals, and in-kind revenues/expenses. Following are the bases used by the Academy's management for such estimates:

- depreciation is based on estimated useful lives of the respective fixed asset class.
- state revenue for the state foundation school program (FSP) is recorded using the Texas Education Agency's estimated allocation amount based on the best available data at that time. The related receivable for the number of days of instruction in August 2017 for the 2017-2018 school year is computed using the 2018 FSP allocated amount.
- payroll accrual is based on employee wages earned but not paid before year end.
- in-kind revenues/expenses related to donated space are estimated based on rental fair values.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### **III. Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in performing and completing our audit.

### **IV. 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. For the Academy, the audit adjustments had the net effect of increasing assets, liabilities, revenues, and expenses by \$15,373, \$32,639, \$47,994, and \$65,260, respectively.

An uncorrected misstatement was identified during the audit which understated revenues and expenses by \$11,791 related to funds received and expended but accounted for through asset and liability accounts only. Management believes that the uncorrected misstatement is immaterial to the financial statements.

### **V. 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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **VI. Management Representations**

We have requested certain representations from the Academy's management that are included in the management representation letter dated January 12, 2018.

### **VII. 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 Academy'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 or determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## VIII. Other Issues

### *Matters Discussed with Management Prior to Re-appointment*

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

### *Supplementary Information*

With respect to the other supplemental information as listed in the Academy's Financial Statement's table of contents and accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America; the method of preparing it has not changed from the prior period; and, the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled such supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. This supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented in accordance with Texas Education Agency requirements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we expressed an opinion on it in relation to the financial statements taken as a whole.

## IX. Noncompliance with State Requirements

### *Prior Year Comment*

#### **Board Member Training**

Texas Administrative Code §100.1102 requires Board members to receive 12 hours of initial training over required school topics within 1 calendar year of appointment and 6 hours annually thereafter. Our testing indicated that Academy Board members have not received the required initial or annual training.

We recommend that all Board members receive the required 12 hours of initial training and 6 hours annually thereafter.

## X. Other Comment

### *Current Year Comment*

#### **Accounting**

Funds raised by students, for the benefit of students, and for which students have decision making authority, should be held and recorded by the Academy in a fiduciary capacity using a student activity fund. These types of fiduciary funds will not affect revenues and expenses of the Academy. Funds raised by students and/or Academy personnel, for which Academy administrators have decision making authority, should be recorded similar to a campus activity fund, where revenues and expenses are recognized. During the year, certain receipts and disbursements were improperly accounted for in a Student Activity Fund which understated the Academy's revenues and expenses by \$11,791. This difference is not considered material and is reported as an uncorrected misstatement.

We recommend that the Academy review the activity in this fund for propriety and ensure that future transactions are properly accounted for.