

# 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

**FINANCIAL STATEMENTS**  
(With Independent Auditor's Report)

For The Year Ended August 31, 2020

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, 2020

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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 X approved \_\_\_\_ disapproved for the year ended August 31, 2020 at a Henry Ford Learning Institute's Board of Directors meeting on the 19th day of January, 2021.

DocuSigned by:  
Deborah Parizek 1/19/2021 | 7:55 AM PST  
1AEDEE6BE7A84CD...

Signature of Board Secretary

DocuSigned by:  
Mike Schmidt 1/20/2021 | 3:05 AM  
C815814930A14FF...

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, 2020, and the related statements of activities, functional expenses, 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, 2020, 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.

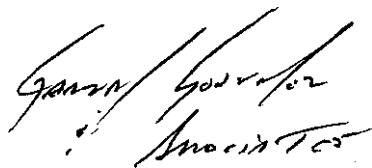
### ***Other Matters***

#### **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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, 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.



January 15, 2021

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, 2020

ASSETS

Current Assets

Cash	\$ 660,775
Due from State	39,162
Other Receivables	6,035
Total Current Assets	<u>705,972</u>

Non-Current Assets

Furniture and Equipment	98,864
Furniture and Equipment - Accumulated Depreciation	(98,864)
Total Non-Current Assets	<u>-</u>

Total Assets	<u><u>\$ 705,972</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 17,341
Accrued Wages Payable	20,338
Payroll Deductions and Withholdings	8,012
Accrued Expenses	407
Due to Student Groups	6,959
Total Current Liabilities	<u>53,057</u>

Total Liabilities	<u>53,057</u>
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Net Assets

Without Donor Restrictions	552,915
With Donor Restrictions	100,000
Total Net Assets	<u>652,915</u>

Total Liabilities and Net Assets	<u><u>\$ 705,972</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Local Support			
Food Service Activity	\$ 2,231	\$ -	\$ 2,231
In-Kind Contributions	111,105	-	111,105
Other Local Revenue	1,260	-	1,260
Total Local Support	114,596	-	114,596
State Program Revenues			
Foundation School Program	-	1,095,581	1,095,581
Other State Revenues	-	211	211
Total State Program Revenues	-	1,095,792	1,095,792
Federal Program Revenues			
ESEA, Title I Part A - Improving Basic Programs	-	31,502	31,502
IDEA, Part B - Formula	-	22,754	22,754
Elementary and Secondary School Emergency Relief Fund (ESSER)	-	27,918	27,918
School Breakfast Program	-	1,518	1,518
National School Lunch Program	-	9,224	9,224
ESEA, Title II, Part A: Teacher/Principal Training and Recruiting	-	3,783	3,783
ESEA, Title III, Part A - LEP	-	63	63
Title IV, Part A	-	3,678	3,678
Total Federal Program Revenues	-	100,440	100,440
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	1,249,024	(1,249,024)	-
Total Revenues and Other Support	1,363,620	(52,792)	1,310,828
<b>EXPENSES</b>			
Program Services			
11 Instruction	556,211	-	556,211
13 Curriculum Development and Instructional Staff Development	17,718	-	17,718
21 Instructional Leadership	2,791	-	2,791
23 School Leadership	146,418	-	146,418
31 Guidance, Counseling and Evaluation Services	58,096	-	58,096
33 Health Services	4,173	-	4,173
34 Student (Pupil) Transportation	3,773	-	3,773
35 Food Services	35,785	-	35,785
36 Extracurricular Activities	1,852	-	1,852
Support Services			
41 General Administration	144,175	-	144,175
51 Facilities Maintenance and Operations	188,832	-	188,832
52 Security and Monitoring Services	4,846	-	4,846
53 Data Processing Services	24,273	-	24,273
61 Community Services	61	-	61
Total Expenses	1,189,004	-	1,189,004
Other Changes			
Loss on Disposal of Real and Personal Property	(87,944)	-	(87,944)
Change in Net Assets	86,672	(52,792)	33,880
Net Assets, Beginning of Year	466,243	152,792	619,035
Net Assets, Ending of Year	\$ 552,915	\$ 100,000	\$ 652,915

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 CASH FLOWS

For The Year Ended August 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Foundation School and Other Program Payments	\$ 1,130,594
Grant Payments	71,411
Miscellaneous Sources	3,491
Payments to Vendors for Goods and Services Rendered	(421,706)
Payments to Charter School Personnel for Services Rendered	(661,652)
Net Cash Provided by Operating Activities	<u>122,138</u>

Net Increase/(Decrease) in Cash	<u>122,138</u>
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Cash, Beginning of Year	<u>538,637</u>
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Cash, End of Year	<u><u>\$ 660,775</u></u>
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RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Change in Net Assets	\$ 33,880
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities	
Depreciation Expense	3,921
Loss on Disposal of Real and Personal Property	87,944
(Increase) Decrease in Assets:	
Due from State	5,774
Deferred Expenses	(7,313)
Increase (Decrease) in Liabilities:	
Accounts Payable	2,941
Accrued Wages Payable	(5,237)
Accrued Expenses	(299)
Due to Student Groups	<u>527</u>
Net Cash Provided by Operating Activities	<u><u>\$ 122,138</u></u>

Noncash Investing and Financing Activities

- The Academy received in-kind contributions in the amount of \$111,105 related to donated office and classroom space.

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 FUNCTIONAL EXPENSES

For The Year Ended August 31, 2020

	Payroll Costs	Professional & Contractual Services	Supplies & Materials	Other Operating Costs	Total
Program Services:					
Instruction	\$ 456,920	\$ 21,340	\$ 20,925	\$ 57,026	\$ 556,211
Curriculum Development and Instructional Staff Development	-	15,924	12	1,782	17,718
Instructional Leadership	594	1,875	17	305	2,791
School Leadership	118,564	5,629	2,663	19,562	146,418
Guidance, Counseling and Evaluation Services	51,343	21	194	6,538	58,096
Health Services	-	3,594	189	390	4,173
Student (Pupil) Transportation	-	3,420	-	353	3,773
Food Services	-	32,119	-	3,666	35,785
Extracurricular Activities	-	420	-	1,432	1,852
Total Program Services	<u>627,421</u>	<u>84,342</u>	<u>24,000</u>	<u>91,054</u>	<u>826,817</u>
Support Services:					
General Administration	28,695	96,140	135	19,205	144,175
Facilities Maintenance and Operations	-	166,700	91	22,041	188,832
Security and Monitoring Services	-	1,500	-	3,346	4,846
Data Processing Services	-	13,668	8,336	2,269	24,273
Community Services	-	-	-	61	61
Total Support Services	<u>28,695</u>	<u>278,008</u>	<u>8,562</u>	<u>46,922</u>	<u>362,187</u>
Total Expenses	<u>\$ 656,116</u>	<u>\$ 362,350</u>	<u>\$ 32,562</u>	<u>\$ 137,976</u>	<u>\$ 1,189,004</u>

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

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2020

**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 an open-enrollment charter, pursuant to Chapter 12 of the Texas Education Code ("TEC"), to operate the Academy through July 31, 2014, which was then 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, the respective changes in net assets, cash flows, and functional expenses 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  
(A Texas Charter School Sponsored by the Henry Ford Learning Institute)  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2020

**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:

*Net Assets Without Donor Restrictions* — are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

*Net Assets With Donor Restrictions* — are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met with the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

**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, 2020, cash is comprised of only demand checking accounts.

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, 2020

**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  
(A Texas Charter School Sponsored by the Henry Ford Learning Institute)  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2020

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

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 \$111,105 which is included as in-kind contributions and as expenses, in various functions, in the statement of activities.

**I. Liquidity and Availability**

The Academy maintains all funds in depository accounts to meet its immediate cash needs. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year as of August 31, 2020 are as follows:

Cash and Cash Equivalents	\$ 660,775
Due from State	39,162
Other Receivables	6,035
	<hr/> 705,972
Less: Financial Assets Not Available for General Expenditure - Grant funds restricted by charter holder	(100,000)
Total Financial Assets Available for General Expenditure	<hr/> \$ 605,972 <hr/>

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, 2020

**II. CASH**

At August 31, 2020, the carrying amount of the Academy's cash deposits were \$660,775 and the bank balance was \$673,808. The Academy maintains an account 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.

**III. PROPERTY AND EQUIPMENT**

At August 31, 2020, property and equipment consists of the following:

Furniture and Equipment	\$ 98,864
Less: Accumulated Depreciation	(98,864)
	<u>\$ -</u>

Depreciation expense totaled \$3,921 for the year ended August 31, 2020 and was charged in the amount of \$1,028 and \$2,893, 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.

**IV. OPERATING LEASE**

On December 6, 2019, the Academy entered into a lease agreement with the University of Texas System to lease space at the University of Texas at San Antonio downtown campus which serves as the Academy's primary location for office and classroom space. The lease began on January 1, 2020, and expires after eighteen months; and, may be renewed for an additional twelve months. During the school year, the rent will be \$11,384 per month, and will be adjusted to a lower amount during non-school periods.

The future minimum rental payments required under this non-cancelable operating leases as of August 31, 2020, are as follows:

Year Ending August 31,	Amount
2021	<u>\$ 111,029</u>



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, 2020

**V. 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.

In early 2020, the COVID-19 virus caused a global pandemic which resulted in an overall decline in economic activity. Management has taken steps to minimize the impact of COVID-19 on the operating and financial performance of the Academy. Although it is reasonably possible that the virus could have a negative effect on its operations in the future, the specific impact is not readily determinable as of the date of these financial statements. Accordingly, the financial statements as of and for the year ended August 31, 2020 have not been adjusted to reflect the impact that may result from the outcome of this uncertainty.

***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.

**VI. 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.

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, 2020

**VII. PENSION PLAN OBLIGATIONS**

***Plan Description***

The Academy participates in a cost-sharing, multiple-employer defined benefit pension plan (Plan), administered by the Teacher Retirement System of Texas (TRS), with one exception: all risks and costs are not shared by the Academy, but are the liability of the State of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. 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. 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.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another charter school or ISD. The risk of participating in multi-employer pension plans is different from single-employer plans. If a participating charter school or ISD stops contributing to the Plan, the unfunded obligations of the Plan gets passed along to the remaining charter schools and ISDs. There is not a withdrawal penalty for leaving the TRS system; and, there is no collective-bargaining agreement.

Legal Name of Plan	Texas Retirement System of Texas
Plan's Employer Identification Number	N/A
Total Plan Assets	\$184,361,871,000
Accumulated Benefit Obligations	\$218,974,205,000
Percentage Plan was Funded	75.54%
Expiration Date of Collective-Bargaining Agreement	N/A
Funding Improvement Plan or Rehabilitation Plan – Implemented or Pending	N/A

*Information obtained from the TRS 2020 CAFR*

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, 2020

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

***Funding Policy***

Contribution requirements are not actuarially determined, but are established and amended by the Texas legislature, pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to TRS members during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Under provisions in state law, plan members and the state are each required to contribute 7.7% and 7.5%, respectively, of the plan member's annual covered salary; and, in certain instances, the Academy is required to make all or a portion of the member's contribution and on the portion of the employees' salaries that exceed the statutory minimum. The following table shows contribution rates by type of contributor:

	Contribution Rates	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%

For the year ended August 31, 2020, the Academy contributed \$8,549, the required contributions for the year, on behalf of its employees to TRS, which included \$7,243 for Non-OASDI members. The State also contributes to TRS on behalf of charter school employees; however, these contributions 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. There have been no changes that would affect the comparison of employer contributions from year to year.

**VIII. OTHER POST-EMPLOYMENT BENEFIT PLANS**

***Plan Description***

The Academy participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan. TRS-Care is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. 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.

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NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2020

**VIII. OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

***Benefits Provided***

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3).

Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare Health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

***Funding Policy***

Contribution rates for the TRS-Care plan are established in state statute by the Texas legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, school districts, and charter schools, based upon member's annual compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the aggregate annual compensation paid to members during the fiscal year. Section 1575.203 establishes the active member's rate which is 0.65% of the member's annual compensation. Section 1575.204 establishes an employer contribution rate of not less than 0.25% and not more than 0.75% of the annual compensation of each active member. The actual employer contribution rate is prescribed by the Texas Legislature in the General Appropriations Act. The following table shows contribution rates to the TRS-Care plan by type of contributor:

	Contribution Rates	
	2019	2020
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

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NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2020

**VIII. OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

For the year ended August 31, 2020, the Academy contributed \$3,622, the required contributions for the year, on behalf of its employees to TRS. The State also contributes to TRS on behalf of charter school employees; however, these contributions are not recognized in the Academy's financial statements under FASB accounting.

**IX. HEALTH CARE COVERAGE**

During the year ended August 31, 2020, 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 \$175 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.

**X. IN-KIND EXPENSES**

In-kind expenses provided by the City of San Antonio for the donated use of office and classroom space, are for the four months ending December 31, 2019 valued at the fair value of \$15 per square foot and benefitted the following functions:

Function	Amount
11 Instruction	\$ 51,955
13 Curriculum Development and Instructional Staff Development	1,656
21 Instructional Leadership	256
23 School Leadership	13,688
31 Guidance, Counseling and Evaluation Services	5,431
33 Health Services	390
34 Student (Pupil) Transportation	353
35 Food Service	3,345
36 Extracurricular Activities	173
41 General Administration	13,478
51 Facilities Maintenance and Operations	17,652
52 Security and Monitoring Services	453
53 Data Processing Services	2,269
61 Community Services	6
Total In-Kind Expenses	<u>\$ 111,105</u>

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NOTES TO FINANCIAL STATEMENTS

For The Year Ended August 31, 2020

**XI. RELATED PARTY TRANSACTIONS**

In the prior year, the Academy received a grant in the amount of \$200,000 from HFLI to address educational and operational costs associated with the ongoing implementation of its educational model as a member of the Henry Ford Academy Network of Schools. The grant funds belong to HFLI; however, the money has been granted to the Academy for future instructional support and facilities improvements as determined and approved by HFLI. During the 2019-2020 school year, the Academy used \$52,792 for instructional support and facilities improvements from the HFLI Grant. HFLI did not request a management fee due to COVID-19. As of August 31, 2020, there is a balance in the grant of \$100,000, which is reflected as net assets with donor restrictions in the statement of financial position.

## **OTHER SUPPLEMENTAL INFORMATION**

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SCHEDULE OF EXPENSES BY OBJECT CODE

For The Year Ended August 31, 2020

		Totals
EXPENSES		
6100	Payroll Costs	\$ 656,116
6200	Professional and Contracted Services	362,350
6300	Supplies and Materials	32,562
6400	Other Operating Costs	137,976
Total Expenses		<u>\$ 1,189,004</u>



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SCHEDULE OF FIXED ASSETS

For The Year Ended August 31, 2020

	Ownership Interest		
	Local	State	Federal
1539 Furniture and Equipment	\$ 88,813	\$ -	\$ 10,051
Total Property and Equipment	\$ 88,813	\$ -	\$ 10,051

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

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BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES

For The Year Ended August 31, 2020

	Budgeted Amounts		Actual	Variance	
	Original	Final	Amounts	from Final	
				Budget	
<b>REVENUES AND OTHER SUPPORT</b>					
Local Support					
Food Service Activity	\$ 2,000	\$ 2,000	\$ 2,231	\$ 231	<b>1</b>
In-Kind Contributions	50,000	50,000	111,105	61,105	<b>2</b>
Other Local Revenue	1,000	1,000	1,260	260	<b>3</b>
Total Local Support	53,000	53,000	114,596	61,596	
State Program Revenues					
Foundation School Program	1,199,000	1,171,082	1,095,581	(75,501)	
Other State Revenues	200	25,200	211	(24,989)	<b>4</b>
Total State Program Revenues	1,199,200	1,196,282	1,095,792	(100,490)	
Federal Program Revenues					
ESEA Title I Part A - Improving Basic Programs	40,500	40,500	31,502	(8,998)	<b>5</b>
IDEA, Part B - Formula	22,754	22,754	22,754	-	
Elementary and Secondary School Emergency Relief Fund (ESSER)	-	27,918	27,918	-	<b>6</b>
School Breakfast Program	2,300	2,300	1,518	(782)	<b>7</b>
National School Lunch Program	18,000	18,000	9,224	(8,776)	<b>8</b>
ESEA, Title II, Part A: Teacher/Principal Training and Recruiting	4,606	4,606	3,783	(823)	<b>9</b>
ESEA, Title III, Part A - LEP	63	63	63	-	
Title IV, Part A	11,983	11,983	3,678	(8,305)	<b>10</b>
Total Federal Program Revenues	100,206	128,124	100,440	(27,684)	
Total Revenues and Other Support	1,352,406	1,377,406	1,310,828	(66,578)	
<b>EXPENSES</b>					
11 Instruction	554,539	547,121	556,211	(9,090)	
13 Curriculum Development and Instructional Staff Development	26,349	26,349	17,718	8,631	<b>11</b>
21 Instructional Leadership	4,595	4,595	2,791	1,804	<b>12</b>
23 School Leadership	203,160	193,160	146,418	46,742	<b>13</b>
31 Guidance, Counseling and Evaluation Services	67,324	67,324	58,096	9,228	<b>14</b>
32 Social Work Services	100	100	-	100	<b>15</b>
33 Health Services	5,100	5,100	4,173	927	<b>16</b>
34 Student (Pupil) Transportation	12,000	4,400	3,773	627	<b>17</b>
35 Food Services	54,000	56,100	35,785	20,315	<b>18</b>
36 Extracurricular Activities	5,800	5,800	1,852	3,948	<b>19</b>
41 General Administration	145,310	145,310	144,175	1,135	
51 Facilities Maintenance and Operations	248,280	266,198	188,832	77,366	<b>20</b>
52 Security and Monitoring Services	16,000	33,500	4,846	28,654	<b>21</b>
53 Data Processing Services	9,149	22,149	24,273	(2,124)	<b>22</b>
61 Community Services	700	200	61	139	<b>23</b>
Total Expenses	1,352,406	1,377,406	1,189,004	188,402	
Other Changes					
Loss on Disposal of Real and Personal Property	-	-	(87,944)	(87,944)	
Change in Net Assets	-	-	33,880	33,880	
Net Assets, Beginning of Year	619,035	619,035	619,035	-	
Net Assets, Ending of Year	\$ 619,035	\$ 619,035	\$ 652,915	\$ 33,880	

(Continued)

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BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended August 31, 2020

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

- (1) Food Service Activity – The original and final budget for food service activity of \$2,000 was based on previous year actuals of students participating in the National School Lunch Program. The variance was a result of 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 – Actual in-kind contributions include revenues of \$111,105 which represent donated space. The amount recorded exceeded the budget of \$50,000.
- (3) Other Local Revenue – The original and final budget of \$1,000 for other local revenues was based on previous year actuals for other local revenues. For the 2020-2021 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.
- (4) Other State Revenues – Alameda School for Art + Design received a Safety and Security Grant in the amount of \$25,000. The charter school did not spent the grant during the 2019-2020 school year.
- (5) Title I Part A budget – The ESEA, Title II, Part A Grant was budgeted originally on estimated revenues based on previous year. The actual revenues realized were less than the original budgeted amount and the final amendment did not reflect actual totals. Staff will continue to monitor the revenues realized throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in revenues for the year.
- (6) Elementary and Secondary School Emergency Relief Fund (ESSER) – The charter school received the grant during the 2019-2020 school year. It was not originally budgeted but a final Amendment was done.
- (7) School Breakfast Program – The original and final budget for the School Breakfast was based on previous year actuals of students participating in the School Breakfast Program The variance was a result of actual number of students participating in the School Breakfast Program decreased from, the amount estimated resulting in and decrease in local revenues.
- (8) National School Lunch Program – Due to the COVID-19 Virus, school on site attendance and instruction was moved to remote instruction attendance reducing the amount received for the National School Lunch Program.
- (9) The Title II, Part A Grant was budgeted originally on estimated revenues based on previous year. The actual revenues realized were less than the original budgeted amount and the final amendment did not reflect actual totals. Staff will continue to monitor the revenues realized throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in revenues for the year.
- (10) The Title IV, Part A grant was budgeted originally on estimated revenues based on previous year. The actual revenues realized were less than the final amendment. Staff will continue to monitor the revenues realized throughout the school year with the number of students qualified for the program in the 2020-2021 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, 2020

- (11) (13) Curriculum Dev. – Curriculum Development was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (12) (21) Instructional Leadership – Instructional Leadership was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (13) (23) School Leadership – School Leadership was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (14) (31) Guidance, Counseling and Eval. Services – Guidance, Counseling and Evaluation Services was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (15) (32) Social Work Services – Social Work Services was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (16) (33) Health Services – Health Services was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.

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BUDGETARY COMPARISON SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended August 31, 2020

- (17) (34) Student (Pupil) Transportation – Student Pupil Transportation was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. COVID-19 virus resulted in students being on virtual remote learning rather than on site at school Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (18) (35) Food Services – Food Services was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. COVID-19 virus resulted in students being on virtual remote learning rather than on site at school Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (19) (36) Extracurricular – Extracurricular was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. COVID-19 virus resulted in students being on virtual remote learning rather than on site at school Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (20) (51) Facilities Maintenance and Operations – Facilities Maintenance and Operations was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (21) (52) Security and Monitoring Services – Security and Monitoring Services was budgeted originally on estimated expenditures based on previous year. The actual expenditures were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (22) (53) Data Processing Services – Data Processing Services was budgeted originally on estimated expenditures based on previous year. The actual expenditures were more than the final amendment due to technology expenses related to COVID-19. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2020-2021 to determine if a final amendment is required to show the actual increase or decrease in expenditures for the year.
- (23) (61) Community Services – Community Services was budgeted originally on estimated expenditures based on previous year. The actual expenditures realized were less than the final amendment. Staff will continue to monitor the expenditures throughout the school year with the number of students qualified for the program in the 2019-2020 to determine if a final amendment is 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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2021.

### **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) as a basis for designing 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.

## Compliance and Other Matters

## Purpose of this Report

James Gordon  
Maurice

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