



International Leadership of Texas - Global

Consolidated Financial Statements
June 30, 2021

International Leadership of Texas - Global Contents

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Independent Auditors' Report

To the Board of Directors of
International Leadership of Texas - Global

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Leadership of Texas - Global (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 entity'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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Leadership of Texas - Global as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
October 17, 2022

International Leadership of Texas - Global
Consolidated Statement of Financial Position
June 30, 2021

Assets

Current assets:

Cash	\$ 531,540
Restricted cash	9,784
Other current assets	<u>10,013</u>

Total current assets	551,337
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Equipment, net	<u>3,293</u>
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Total assets	<u><u>\$ 554,630</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$ 26,606
Deferred tuition revenue	<u>154,965</u>

Total current liabilities	181,571
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Note payable	<u>79,684</u>
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Total liabilities	261,255
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Net assets:

Without donor restrictions	<u>293,375</u>
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Total net assets	<u>293,375</u>
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Total liabilities and net assets	<u><u>\$ 554,630</u></u>
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See notes to the consolidated financial statements.

International Leadership of Texas - Global
Consolidated Statement of Activities
Year Ended June 30, 2021

Revenue and support:	
Tuition and related fees, net	\$ 984,820
Contributions and grants	17,650
Other revenue	<u>67,571</u>
Total revenue and other support	1,070,041
Operating expenses:	
Educational	1,061,317
General and administrative	<u>244,233</u>
Total operating expenses	<u>1,305,550</u>
Change in net assets	(235,509)
Net assets at beginning of year	<u>528,884</u>
Net assets at end of year	<u><u>\$ 293,375</u></u>

See notes to the consolidated financial statements.

International Leadership of Texas - Global
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Educational</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 472,610	\$ -	\$ 472,610
Marketing	-	163,700	163,700
Travel	-	14,944	14,944
Charitable contributions	13,583	-	13,583
Contracted services	42,200	-	42,200
Confucious classroom	16,986	-	16,986
Dues and subscriptions	2,953	-	2,953
Room and board	496,578	-	496,578
Professional fees	-	53,587	53,587
Occupancy	3,000	-	3,000
Student events	3,572	-	3,572
Depreciation	3,293	-	3,293
Bank fees	5,866	-	5,866
Other	676	12,002	12,678
	<u>\$ 1,061,317</u>	<u>\$ 244,233</u>	<u>\$ 1,305,550</u>

See notes to the consolidated financial statements.

International Leadership of Texas - Global
Consolidated Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ (235,509)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,292
Gain on forgiveness of Paycheck Protection Program loan	(67,478)
Changes to assets and liabilities:	
Accounts receivable	6,500
Other current assets	(1,943)
Accounts payable and accrued expense	(403)
Funds held for others	(28,955)
Deferred tuition revenue	(252,934)
Due to/from related party	(34,603)
	(612,033)
Net cash used by operating activities	(612,033)
Cash flows from financing activities:	
PPP loan proceeds	79,684
	(532,349)
Decrease in cash	(532,349)
Cash and restricted cash at beginning of year	1,073,673
Cash and restricted cash at end of year	\$ 541,324
Reconciliation of cash reported within the statement of financial position to the statement of cash flows:	
Cash	\$ 531,540
Restricted cash	9,784
	\$ 541,324
Cash reported on the statement of cash flows	\$ 541,324
Noncash financing activities:	
Forgiveness of Paycheck Protection Program loan	\$ 67,478
	\$ 67,478

See notes to the consolidated financial statements.

International Leadership of Texas - Global

Notes to the Consolidated Financial Statements

1. Nature of Activities

International Leadership of Texas - Global (ILTexas Global) is a Texas not-for-profit corporation formed in 2014 with a mission to strengthen, enhance and support the advancement of International Leadership of Texas (ILTexas), a not-for-profit organization by engaging in fundraising and other charitable activities. Global also operates a private school to serve ninth through twelfth grades with a primary focus of offering a Chinese cultural exchange program for the benefit of students in Texas and China. Global partners with ILTexas' charter schools to further support and facilitate cross-cultural educational models and methods.

The International Leadership of Texas (Shanghai) Commercial Consulting Co., Ltd. (ILTexas Shanghai) is a Chinese nongovernmental organization solely owned by Global formed to assist Global with International recruitment efforts.

ILTexas Global and ILTexas Shanghai are collectively referred to as the Organization.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with United States generally accepted accounting principles (GAAP). Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

The consolidated financial statements include the accounts of ILTexas Global and ILTexas Shanghai. Intercompany transactions and balances have been eliminated in consolidation.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor or grantor imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor or grantor restrictions that will be met by actions of the Organization and/or the passage of time.

International Leadership of Texas - Global Notes to the Consolidated Financial Statements

Revenues are reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Donor restricted contributions whose restrictions are met in the same year the contributions are received are reported as net assets without donor restrictions.

Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash and accounts receivable. Cash is placed with high credit quality financial institutions to minimize risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021, the Organization had no bank balances that were uninsured or without pledged collateral in the Organization's name.

Equipment

Equipment is stated at cost, if purchased, and at fair market value, if donated. Assets with a cost of \$5,000 or more and an expected life greater than one year are capitalized. Depreciation of these assets is calculated on a straight-line method over the estimated useful lives of 3 years. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred.

Revenue Recognition

Tuition revenue is recognized over the period that the Organization provides services to students. Revenue is reported at the amount of consideration which the Organization expects to be entitled in exchange for providing tuition. The Organization determines the transaction price based on standard charges for goods and services provided. The Organization estimates the transaction price for students based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience.

Revenue from contracts with students for tuition is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing instruction and other services. Revenue is recognized as performance obligations are satisfied, which is ratably over the academic year. Tuition revenue is considered to be separate contracts with separate performance obligations. Generally, the Organization bills students prior to the beginning of the academic year and student accounts receivable are due in full before classes begin unless the student has entered into a monthly payment plan.

International Leadership of Texas - Global

Notes to the Consolidated Financial Statements

If a student withdraws during the academic year, the student is refunded based on a defined refund schedule and what week the student is in the academic year. At year-end, there is no refund liability as the academic year is substantially complete.

Accounts receivable are stated at the amount of consideration from students, of which the Organization has an unconditional right to receive. Balances are comprised of individually insignificant uncollateralized amounts from students and generally require payment either annually, semi-annually or monthly during the fiscal year. Accounts receivable balances older than sixty days are considered delinquent triggering collection efforts. Deferred tuition consists of tuition and other fees collected in advance and are recognized as revenue over the school year.

Contributions are recognized as revenues in the period received. Unconditional promises to give are recorded at their net realizable value if they are expected to be collected within one year or at fair value, which is measured using the present value of future cash flows, if they are expected to be collected over periods longer than one year. Contributions to be received after one year are discounted using a risk-adjusted rate of return. Amortization of discounts is recorded as additional contribution revenue reflecting donor-imposed restrictions, if any. An allowance for uncollectible promises to give is provided based upon management's judgment after considering prior collection history and type of contribution.

Functional Allocation of Expenses

The costs of providing program and administrative activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Certain costs are charged directly to the functions they benefit. Other expenses require allocation on a reasonable basis that is consistently applied.

Foreign Denominated Transactions

Transactions denominated in foreign currencies are translated at the exchange rate prevailing when the transaction is realized. Translation adjustments are recorded as other income or loss in the consolidated statement of activities. At each statement of financial position date, the monetary assets and liabilities are recorded at the historical exchange rate.

Federal Income Taxes

ILTexas Global is organized as a Texas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, ILTexas Global is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. For the year ended June 30, 2021, ILTexas Global did not conduct unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

International Leadership of Texas - Global Notes to the Consolidated Financial Statements

GAAP requires the evaluation of tax positions taken in the course of preparing ILTexas Global's annual Form 990 and recognition of a tax liability (or asset) if the entity has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by each entity, and has concluded that as of June 30, 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Equipment

Equipment consists of the following as of June 30, 2021:

Video equipment	\$	9,878
Less accumulated depreciation		<u>(6,585)</u>
	<u>\$</u>	<u>3,293</u>

Depreciation expense for the year ended June 30, 2021 totaled \$3,292.

4. Tuition and Related Fee Revenue

The following table provides information about significant changes in tuition and related fees paid in advance as of June 30, 2021:

Tuition and related fees paid in advance, beginning of year	\$	407,899
Revenue recognized that was included in deferred tuition and related fees at the beginning of the year		(407,899)
Increase in tuition and related fees due to cash received during the year		<u>154,965</u>
Tuition and related fees paid in advance, end of year	<u>\$</u>	<u>154,965</u>

International Leadership of Texas - Global Notes to the Consolidated Financial Statements

5. Related Party Transactions

ILTexas Global is an affiliate of and was formed by ILTexas. During the year ended June 30, 2021 ILTexas Global paid ILTexas \$381,842 for International students to attend the International Leadership of Texas Private High School in Garland, Texas and live in student housing owned and managed by ILTexas.

ILTexas Shanghai owns a noncontrolling interest in ILTexas China. ILTexas Shanghai's investment in ILTexas China is not material to the consolidated financial statements.

6. Coronavirus Aid, Relief, and Economic Security Act and Other Coronavirus Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic and recommended containment and mitigation measures worldwide. The coronavirus outbreak has caused business disruption through mandated closings of non-essential businesses and severely restricted the level of economic activity around the world. The Organization has adjusted operational plans to protect the employees and individuals served while still meeting client needs for essential services. The Organization continues to closely monitor the impact of COVID-19 on all aspects of the business. Given the uncertainty of the spread and duration of the coronavirus, any further related financial impact to the Organization, if any, cannot be determined at this time.

Paycheck Protection Program Loan

In May 2020, the Organization entered into an unsecured loan (PPP Loan) in the aggregate amount of \$67,478 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration (SBA), and is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), as amended by the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act). The Organization received notification of full forgiveness of the PPP Loan on April 13, 2021. Accordingly, the Organization has recognized \$67,478 as a gain in the other revenues section of the consolidated statement of activities for the year ended June 30, 2021.

In March 2021, the Organization received a second PPP loan (PPP2 Loan) in the amount of \$79,684. The PPP2 Loan may be forgiven partially or in full, if certain conditions are met. If the PPP2 Loan is not forgiven, it will accrue interest at 1% and will be due in 2 years. Management of the Organization believes the PPP2 Loan will be fully forgiven. At June 30, 2021, the balance of the PPP2 Loan totaling \$79,684 is reported as a long-term note payable.

International Leadership of Texas - Global Notes to the Consolidated Financial Statements

7. Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets sufficient to cover general expenditures for a reasonable period of time. The following table reflects the Organization's financial assets that are available to meet general expenditures within one year of the consolidated statement of financial position date of June 30, 2021:

Financial assets at June 30, 2021:	
Cash	\$ 531,540
Restricted cash	<u>9,784</u>
	541,324
Less financial assets not available for general expenditure:	
Restricted cash	<u>(9,784)</u>
Total financial assets available for general expenditure	<u><u>\$ 531,540</u></u>

8. Subsequent Events

Effective July 1, 2021, ILTexas no longer has a controlling interest in ILTexas Global.

The Organization evaluated subsequent events through the date the consolidated financial statements were available to be issued, and concluded that no additional disclosures are required.