



International Leadership of Texas, Inc.

**Financial Statements with Supplemental Information and Compliance Reports
June 30, 2023 and 2022**

International Leadership of Texas, Inc.

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International Leadership of Texas, Inc.
Federal Employer Identification No. 27-4549127
County District No. 057-848
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of International Leadership of Texas, Inc. was reviewed and (check one) approved ___ disapproved for the year ended June 30, 2023, at a meeting of the governing body of the charter holder on the 18th day of October, 2023.



Signature of Board Secretary



Signature of Board President



Independent Auditors' Report

To the Board of Directors of
International Leadership of Texas, Inc.

Opinion

We have audited the accompanying financial statements of International Leadership of Texas, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements are presented fairly, in all material respects, the financial position of International Leadership of Texas, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of International Leadership of Texas, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about International Leadership of Texas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 International Leadership of Texas, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Leadership of Texas, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis as required by the Texas Education Agency and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose 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. The 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental 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 October 18, 2023 on our consideration of International Leadership of Texas, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of International Leadership of Texas, Inc.'s 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 International Leadership of Texas, Inc.'s internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas
October 18, 2023

International Leadership of Texas, Inc.
Statements of Financial Position
June 30, 2023 and 2022

Assets		
	2023	2022
Current assets:		
Cash and cash equivalents	\$ 94,525,900	\$ 74,820,835
Restricted cash and cash equivalents	63,591,710	59,223,280
Due from government agencies	41,113,880	38,831,462
Other receivables	141,069	7,296
Prepaid expenses	875,760	299,262
Total current assets	200,248,319	173,182,135
Long-term assets:		
Property and equipment, net	615,554,702	520,533,037
Right-of-use assets - operating leases, net	1,100,113	-
Total assets	\$ 816,903,134	\$ 693,715,172
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 20,397,605	\$ 16,485,219
Accrued payroll	12,964,051	15,072,705
Accrued interest	12,843,273	11,259,640
Student activity funds	951,683	946,329
Deferred revenue	825,183	587,816
Other liabilities	2,605,771	2,897,749
Right-of-use liabilities - operating leases, current	464,158	-
Current maturities of finance lease liability	-	39,632
Current maturities of long-term debt	10,322,341	28,865,793
Total current liabilities	61,374,065	76,154,883
Long-term liabilities:		
Right-of-use liabilities - operating leases, net	643,684	-
Long-term debt, net	687,243,890	567,914,936
Total liabilities	749,261,639	644,069,819
Net assets:		
Without donor restrictions	15,180,633	4,340,359
With donor restrictions	52,460,862	45,304,994
Total net assets	67,641,495	49,645,353
Total liabilities and net assets	\$ 816,903,134	\$ 693,715,172

See notes to financial statements.

International Leadership of Texas, Inc.
Statement of Activities
Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Local support:			
5722 SSA - Local revenues from member districts	\$ 700,850	\$ -	\$ 700,850
5742 Interest, dividends, gains, and losses	992,878	-	992,878
5743 Rent	139,795	-	139,795
5744 Foundations, other non-profit organizations, gifts, and bequests	10,150	-	10,150
5744 Foundations, other non-profit organizations, gifts, and bequests - donated land	1,210,000	-	1,210,000
5749 Other revenues from local sources	6,292,450	-	6,292,450
5751 Food service activity	1,494,151	-	1,494,151
Total local support	10,840,274	-	10,840,274
State program revenues:			
5811 Per capita apportionment	-	12,587,894	12,587,894
5812 Foundation school program act revenue	-	212,437,287	212,437,287
5829 State program revenue distributed by TEA	-	1,231,567	1,231,567
Total state program revenues	-	226,256,748	226,256,748
Federal program revenues:			
5920 Federal program revenue distributed by TEA	-	39,882,861	39,882,861
5923 Federal program revenue - noncash commodities	-	785,505	785,505
5939 Federal revenues distributed by other State of Texas agencies	-	398,685	398,685
5949 Federal revenues distributed directly from the Federal Government	-	448,630	448,630
Total federal program revenues	-	41,515,681	41,515,681
Net assets released from restrictions-			
Restrictions satisfied by payments	260,616,561	(260,616,561)	-
Total revenue and support	271,456,835	7,155,868	278,612,703
Expenses:			
11 Instruction	111,028,194	-	111,028,194
12 Instruction resources and media	1,478,764	-	1,478,764
13 Curriculum and instructional staff development	10,427,523	-	10,427,523
21 Instructional leadership	7,684,200	-	7,684,200
23 School leadership	12,763,655	-	12,763,655
31 Guidance, counseling and evaluation services	8,013,463	-	8,013,463
32 Social work services	179,399	-	179,399
33 Health services	1,953,857	-	1,953,857
34 Student transportation	2,524,783	-	2,524,783
35 Food services	9,742,243	-	9,742,243
36 Extracurricular activities	2,753,457	-	2,753,457
41 General administration	8,324,792	-	8,324,792
51 Facilities maintenance and operations	39,195,205	-	39,195,205
52 Security and monitoring services	3,183,644	-	3,183,644
53 Data processing services	8,578,558	-	8,578,558
61 Community services	788,119	-	788,119
71 Debt service	29,707,752	-	29,707,752
81 Fundraising	2,288,953	-	2,288,953
Total expenses	260,616,561	-	260,616,561
Excess of revenues over expenses from operations	10,840,274	7,155,868	17,996,142
Net assets at beginning of year	4,340,359	45,304,994	49,645,353
Net assets at end year	\$ 15,180,633	\$ 52,460,862	\$ 67,641,495

See notes to financial statements.

International Leadership of Texas, Inc.
Statement of Activities
Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Local support:			
5722 SSA - Local revenues from member districts	\$ 410,198	\$ -	\$ 410,198
5742 Interest, dividends, gains, and losses	49,665	-	49,665
5743 Rent	-	-	-
5744 Foundations, other non-profit organizations, gifts, and bequests	560,000	-	560,000
5749 Other revenues from local sources	245,519	-	245,519
5751 Food service activity	176,508	-	176,508
Total local support	1,441,890	-	1,441,890
State program revenues:			
5811 Per capita apportionment	-	10,314,737	10,314,737
5812 Foundation school program act revenue	-	192,732,709	192,732,709
5829 State program revenue distributed by TEA	-	1,727,594	1,727,594
Total state program revenues	-	204,775,040	204,775,040
Federal program revenues:			
5920 Federal program revenue distributed by TEA	-	38,326,886	38,326,886
5923 Federal program revenue - noncash commodities	-	665,868	665,868
5939 Federal revenues distributed by other State of Texas agencies	-	2,610,932	2,610,932
5949 Federal revenues distributed directly from the Federal Government	-	366,403	366,403
Total federal program revenues	-	41,970,089	41,970,089
Net assets released from restrictions-			
Restrictions satisfied by payments	238,999,140	(238,999,140)	-
Total revenue and support	240,441,030	7,745,989	248,187,019
Expenses:			
11 Instruction	104,853,724	-	104,853,724
12 Instruction resources and media	1,325,929	-	1,325,929
13 Curriculum and instructional staff development	8,082,500	-	8,082,500
21 Instructional leadership	5,258,404	-	5,258,404
23 School leadership	11,672,421	-	11,672,421
31 Guidance, counseling and evaluation services	6,191,205	-	6,191,205
32 Social work services	119,290	-	119,290
33 Health services	1,749,485	-	1,749,485
34 Student transportation	2,000,653	-	2,000,653
35 Food services	10,270,667	-	10,270,667
36 Extracurricular activities	1,885,621	-	1,885,621
41 General administration	5,764,892	-	5,764,892
51 Facilities maintenance and operations	34,007,143	-	34,007,143
52 Security and monitoring services	2,934,789	-	2,934,789
53 Data processing services	7,795,007	-	7,795,007
61 Community services	3,814,583	-	3,814,583
71 Debt service	30,870,975	-	30,870,975
81 Fundraising	401,852	-	401,852
Total expenses	238,999,140	-	238,999,140
Excess of revenues over expenses from operations	1,441,890	7,745,989	9,187,879
Non-operating activities:			
7959 Other gain	264,929	-	264,929
Total non-operating activities	264,929	-	264,929
Change in net assets	1,706,819	7,745,989	9,452,808
Net assets at beginning of year	2,633,540	37,559,005	40,192,545
Net assets at end year	\$ 4,340,359	\$ 45,304,994	\$ 49,645,353

See notes to financial statements.

International Leadership of Texas, Inc.
Statements Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 17,996,142	\$ 9,452,808
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,310,700	18,510,203
Amortization of right-of-use assets - operating leases	743,677	-
Amortization of bond discount	(1,223,555)	(401,723)
Amortization of debt issuance costs	591,579	510,143
Donated land	(1,210,000)	-
Changes in assets and liabilities:		
Due from government agencies	(2,282,418)	(6,800,920)
Other receivables	(133,773)	(7,296)
Prepaid expenses	(576,498)	(299,262)
Accounts payable	(3,797,604)	3,742,360
Accrued payroll	(2,108,654)	(556,367)
Accrued interest	1,583,633	367,388
Student activity funds	5,354	188,599
Deferred revenue	237,367	327,326
Right-of-use liabilities - operating leases	(735,948)	-
Other liabilities	(291,978)	-
Net cash provided by operating activities	29,108,024	25,033,259
Cash flows from investing activities:		
Purchases of property and equipment	(106,412,375)	(58,828,314)
Net cash used by investing activities	(106,412,375)	(58,828,314)
Cash flows from financing activities:		
Net proceeds from issuance of long-term debt	114,352,593	-
Proceeds from line of credit	70,000,000	50,000,000
Payments on line of credit	(70,000,000)	(10,000,000)
Payments of debt issuance costs	(4,069,322)	-
Principal payments on finance lease liabilities	(39,632)	(118,223)
Principal payments on long-term debt	(8,865,793)	(8,295,182)
Net cash provided by financing activities	101,377,846	31,586,595
Change in cash and cash equivalents	24,073,495	(2,211,661)
Cash and cash equivalents at beginning of year	134,044,115	136,255,776
Cash and cash equivalents at end of year	\$ 158,117,610	\$ 134,044,115
Reconciliation of cash and restricted cash reported within the statements of financial position to the statements of cash flows:		
Cash and cash equivalents	\$ 94,525,900	\$ 74,820,835
Restricted cash and cash equivalents	63,591,710	59,223,280
Cash and cash equivalents reported on the statements of cash flows	\$ 158,117,610	\$ 134,044,115
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 27,709,979	\$ 29,999,928
Right-of-use asset obtained in exchange for lease liabilities	\$ 1,843,790	\$ -
Supplemental schedule of noncash investing and financing activities:		
Construction in progress accrued in accounts payable at year end	\$ 7,709,990	\$ 2,412,916
Donated land for the purpose of building new charter schools	\$ 1,210,000	\$ -

See notes to financial statements.

International Leadership of Texas, Inc.

Notes to Financial Statements

1. School and Nature of Activities

International Leadership of Texas, Inc. (Corporation) is a Texas not-for-profit corporation formed in 2011 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Effective October 20, 2020, the Corporation changed its name from International American Education Federation, Inc. to International Leadership of Texas, Inc. The Corporation is governed by a Board of Directors comprised of six members. The Board of Directors is selected pursuant to the bylaws of the Corporation and has the authority to make decisions, appoint the chief executive officer of the Corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Corporation. The Corporation operates a single charter school, International Leadership of Texas (ILTexas).

ILTexas is a state authorized, open enrollment charter school incorporating leadership and culture into all student classrooms. Students are given leadership roles teaching the concept of others before self. Each year, students put their dedication into action in a community service project and spend time learning 12 important character traits that foster a good leader. These traits empower students to overcome challenges to create a better, and more productive society in which to live and work. Stated directly, the mission of ILTexas is to prepare students for exceptional leadership roles in the international community by emphasizing servant leadership, mastering the English, Spanish, and Chinese languages, and strengthening the mind, body and character. In 2018, the Texas Education Agency approved the ILTexas charter renewal through 2028.

In 2013, its first year of operations, ILTexas opened its doors to over 2,400 students. This rapid growth has continued and, for the school year ended June 2023, ILTexas served over 20,500 students at 38 campuses among 23 locations. Now, at the opening of the 2023-2024 school year, ILTexas currently serves over 23,000 enrolled students.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

ILTexas prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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. Where applicable, net assets without donor restrictions remain subject to state accountability.

International Leadership of Texas, Inc.

Notes to Financial Statements

Net assets with donor restrictions - Net assets subject to donor or grantor restrictions that will be met by actions of ILTexas and/or the passage of time. When a restriction expires, net assets with donor or grantor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are 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, 2023 ILTexas had no accounts that were uninsured or without pledged collateral in ILTexas' name.

During the years ended June 30, 2023 and 2022, ILTexas earned revenues of \$266,139,609 and \$243,238,472, respectively, from the Texas Education Agency (TEA). These amounts constitute approximately 96% and 98%, respectively, of total revenues earned. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of ILTexas to continue to provide the current level of educational services to its students.

Cash and Cash Equivalents

ILTexas considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents are limited as to use under the terms of the bond indenture.

Property and Equipment

Property and equipment are stated at cost, if purchased, and at fair market value, if donated. Assets with a cost of \$5,000 or more and a useful life greater than one year are capitalized.

Property and equipment acquired with public funds received for the operation of ILTexas constitute public property pursuant to Chapter 12 of the Texas Education Code. Depreciation of these assets is calculated on a straight-line basis over the estimated useful lives of 3 to 40 years. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred.

Impairment of Long Lived Assets

ILTexas reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. There were no indications of asset impairment during the years ended June 30, 2023 and 2022.

International Leadership of Texas, Inc.
Notes to Financial Statements

Debt Issuance Costs and Original Issue Discounts or Premiums

Debt issuance costs and original issue discounts or premiums represent costs incurred related to the issuance of bonds payable and are deferred as a direct deduction from or addition to the carrying amount of bonds payable. Debt issuance costs are amortized on a straight-line basis and premiums and discounts are amortized using the interest method over the related bond period. Amortization expense is included in debt service in the accompanying statements of activities.

Revenue Recognition

Revenues from the state of Texas are earned based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met. If public and private terms are not met, revenues are reimbursed to funder. Conditional promises to give are contingent upon ILTexas meeting certain criteria specified by the donors. Revenues from conditional promises to give are not recognized until the condition has been fulfilled. Advances received from donors are recorded as deferred revenues until the condition has been fulfilled.

A portion of ILTexas' revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when ILTexas has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Cost-reimbursable grants that have not been received or recognized at June 30, 2023 consist of the following:

ARP II Homeless Grant	\$	41,924
COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act II		7,471,448
COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act III		15,544,890
Title I Grants to Local Educational Agencies		2,505,734
Supporting Effective Instruction State Grants		37,852
English Language Acquisition State Grants		247,166
Student Support and Academic Enrichment Program		32,030
Career and Technical Education - Basic Grants to States (Perkins V)		47,738
Special Education Grants to States (IDEA, Part B)		758,431
School Improvement Grant		127,593
ARP I Homeless Grant		37,180
TCLAS - GR		996,161
TCLAS - ESSER III		421,208
Silent Panic Alert Technology Grant		32,074
Dyslexia Grant Award Program		115,460
School Safety Standards		918,791
Teacher Leadership, Cycle 2 Continuation		9,239
TEHCY		19,435
WLARP Grant		1,952,942
		1,952,942
	\$	31,317,296

International Leadership of Texas, Inc.

Notes to Financial Statements

ILTexas recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to ILTexas. No donated services were utilized that met the criteria to be recorded as revenue in ILTexas' financial statements.

Federal Income Taxes

ILTexas 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. ILTexas is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, ILTexas is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. For the years ended June 30, 2023 and 2022, ILTexas 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.

GAAP requires the evaluation of tax positions taken in the course of preparing ILTexas' annual Form 990 and recognition of a tax liability (or asset) if ILTexas has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax position and has concluded that as of June 30, 2023 and 2022, 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 financial statements.

Estimates and Assumptions

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contract Compliance

ILTexas is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for return of funds. In the opinion of ILTexas' management, such disallowance, if any, would not be significant to ILTexas' financial statements.

Personal Leave

All employees of ILTexas earn five days of state personal and sick leave per year and three days of local personal and sick leave per year. There is no material liability for unpaid accumulated sick leave since the schools do not have a policy to pay any amount when the employees separate from service with the schools, and any unused balance of state days is transferable to other schools. The local days, if not used, are forfeited at the end of each year.

International Leadership of Texas, Inc.
Notes to Financial Statements

Accounting Pronouncements Adopted

ILTexas adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributed nonfinancial assets (gifts in-kind) as a separate line item in the statements of activities.

Reclassification

Certain items in the 2022 financial statements have been reclassified to conform to current year classifications, specifically, accounts payable in the statement of cash flows, purchases of property and equipment in the statement of cash flows and federal program revenue in the statement of activities. Such reclassifications had no effect on previously reported changes in net assets.

3. Restricted Cash and Cash Equivalents

Certain cash and cash equivalents are held in trust, which includes amounts required to be maintained in separate bank accounts in accordance with the 2015, 2018, 2021 and 2022 Series Master Trust Indenture and Security Agreements. Cash and cash equivalents held in trust and interest income earned on these funds are limited as to use under the terms of the bond indenture.

Restricted cash and cash equivalents held in trust were restricted as follows at June 30:

	<u>2023</u>	<u>2022</u>
Debt service reserve fund	\$ 38,734,280	\$ 38,471,997
Bond debt service fund (interest)	15,533,348	12,909,323
Bond debt service fund (principal)	8,845,364	7,540,264
Bond project and maintenance fund	<u>478,718</u>	<u>301,696</u>
Total restricted cash and cash equivalents	<u><u>\$ 63,591,710</u></u>	<u><u>\$ 59,223,280</u></u>

International Leadership of Texas, Inc.
Notes to Financial Statements

4. Property and Equipment

Property and equipment consist of the following as of June 30:

	2023	2022
Land	\$ 67,071,539	\$ 65,657,897
Buildings and improvements	513,341,402	456,350,562
Furniture and equipment	14,260,574	9,175,841
Vehicles	5,919,918	5,279,840
Construction in progress	109,111,954	57,932,887
Total property and equipment	709,705,387	594,397,027
Less accumulated depreciation	(94,150,685)	(73,863,990)
Property and equipment, net	\$ 615,554,702	\$ 520,533,037

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$20,310,700 and \$18,510,203, respectively.

At June 30, 2023, construction in progress includes costs incurred to purchase land and construct or update nine educational facilities. At June 30, 2023, ILTexas had open construction contracts for the construction of new educational facilities totaling \$131,901,407, of which \$80,079,390 had been paid or incurred at year end.

5. Deferred Revenue

As of June 30, 2023 and 2022, ILTexas has deferred revenue consisting of refundable advances totaling \$825,183 and \$587,816, respectively.

6. Leases

In evaluating its contracts, ILTexas separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office and educational spaces. ILTexas has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. ILTexas determines lease classification as operating or finance at the lease commencement date.

International Leadership of Texas, Inc.

Notes to Financial Statements

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. ILTexas uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, ILTexas uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that ILTexas is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. ILTexas has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

During the year ended June 30, 2023, ILTexas entered into multiple operating lease arrangements for general office space. The leases expire through February 28, 2029. The leases note different renewal options that will be utilized and require ILTexas to pay all executory costs (maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreements.

Future minimum lease payments and reconciliations to the statement of financial position at June 30, 2023 are as follows for the years ending June 30:

2024	\$ 464,158
2025	354,051
2026	99,948
2027	78,669
2028	80,444
Thereafter	<u>54,418</u>
Total future discounted lease payments	1,131,688
Less present value discount	<u>(23,846)</u>
Right-of-use lease liability, net	<u><u>\$ 1,107,842</u></u>

International Leadership of Texas, Inc.
Notes to Financial Statements

The following represents lease cost and required information for the year ended June 30, 2023:

Total lease cost	<u>\$ 848,479</u>
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from lease	<u>\$ (735,948)</u>
Right-of-use assets obtained in exchange for new lease liabilities	<u>\$ 1,843,790</u>
Weighted-average remaining lease term	
Operating leases	<u>3.25 years</u>
Weighted-average discount rate	
Operating leases	<u>1.14%</u>

7. Long-Term Debt

The following is a summary of changes in ILTexas' total long-term debt for the year ended June 30, 2023:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:					
Series 2015A	\$ 103,110,000	\$ -	\$ (2,260,000)	\$ 100,850,000	\$ 2,365,000
Series 2018A	53,580,000	-	(560,000)	53,020,000	765,000
Series 2018B	170,000	-	(170,000)	-	-
Series 2018C	878,015	-	(275,793)	602,222	292,341
Series 2018D	342,220,000	-	(2,000,000)	340,220,000	3,015,000
Series 2018E	6,515,000	-	(3,600,000)	2,915,000	2,915,000
Series 2021	49,630,000	-	-	49,630,000	970,000
Series 2022	-	108,865,000	-	108,865,000	-
Total bonds payable	556,103,015	108,865,000	(8,865,793)	656,102,222	10,322,341
Bond premiums/discounts	(400,714)	5,487,593	(1,223,555)	3,863,324	-
Debt issuance costs	(8,921,572)	(4,069,322)	591,579	(12,399,315)	-
Total bonds payable, net	546,780,729	110,283,271	(9,497,769)	647,566,231	10,322,341
Lines of credit	50,000,000	70,000,000	(70,000,000)	50,000,000	-
Total	\$ 596,780,729	\$ 180,283,271	\$ (79,497,769)	\$ 697,566,231	\$ 10,322,341

International Leadership of Texas, Inc.
Notes to Financial Statements

The following is a summary of changes in ILTexas' total long-term debt for the year ended June 30, 2022:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:					
Series 2015A	\$ 105,270,000	\$ -	\$ (2,160,000)	\$ 103,110,000	\$ 2,260,000
Series 2018A	53,580,000	-	-	53,580,000	560,000
Series 2018B	760,000	-	(590,000)	170,000	170,000
Series 2018C	1,138,197	-	(260,182)	878,015	275,793
Series 2018D	344,220,000	-	(2,000,000)	342,220,000	2,000,000
Series 2018E	9,800,000	-	(3,285,000)	6,515,000	3,600,000
Series 2021	49,630,000	-	-	49,630,000	-
Total bonds payable	564,398,197	-	(8,295,182)	556,103,015	8,865,793
Bond discounts	1,009	(445,516)	43,793	(400,714)	-
Debt issuance costs	(9,431,715)	-	510,143	(8,921,572)	-
Total bonds payable, net	554,967,491	(445,516)	(7,741,246)	546,780,729	8,865,793
Lines of credit	10,000,000	50,000,000	(10,000,000)	50,000,000	20,000,000
Total	<u>\$ 564,967,491</u>	<u>\$ 49,554,484</u>	<u>\$ (17,741,246)</u>	<u>\$ 596,780,729</u>	<u>\$ 28,865,793</u>

On June 1, 2015, ILTexas issued \$105,680,000 of Education Revenue Bonds – Series 2015A and \$5,360,000 of taxable Education Revenue Bonds – Series 2015B. The bonds mature serially each August 15, starting 2018 until 2045. The bonds were issued as education revenue bonds, and have interest rates ranging from 4.625% to 6.25%, and are collateralized by a deed of trust and pledge of revenues of ILTexas.

On September 15, 2018, ILTexas issued \$53,580,000 of Education Revenue Bonds – Series 2018A, \$1,570,000 of Taxable Education Revenue Bonds – Series 2018B and \$1,615,213 of Subordinate Education Revenue Bonds – Series 2018C. The bonds mature serially each March 1, starting 2019 until 2043. The bonds were issued as education revenue bonds, and have interest rates ranging from 6% to 8.5%, and are collateralized by a deed of trust and pledge of revenues of ILTexas.

On December 20, 2018, ILTexas issued \$344,220,000 of Education Revenue Bonds – Series 2018D and \$12,855,000 of Taxable Education Revenue Bonds – Series 2018E. The bonds mature serially each August 15, starting 2020 until 2048. The bonds were issued as education revenue bonds, and have interest rates ranging from 5% to 6.125%, and are collateralized by a deed of trust and pledge of revenues of ILTexas.

On June 1, 2021, ILTexas issued \$49,630,000 of Education Revenue Bonds – Series 2021. The bonds mature serially each August 15, starting 2023 until 2041. The bonds were issued as education revenue bonds, have interest rates ranging from 3% to 5%, and are collateralized by a deed of trust and pledge of revenues of ILTexas. The bonds are guaranteed by the Permanent School Fund of the State of Texas.

International Leadership of Texas, Inc.
Notes to Financial Statements

On September 8, 2022, ILTexas issued \$108,865,000 of Education Revenue Bonds – Series 2022. The bonds mature serially each August 15, starting 2024 until 2052. The bonds were issued as education revenue bonds, have interest rates ranging from 4% to 5%, and are collateralized by a deed of trust and pledge of revenues of ILTexas. The bonds are guaranteed by the Permanent School Fund of the State of Texas.

Proceeds of the bonds were used for capital asset purchases, construction, repayment of previously issued debt and establishing reserves for future debt service. The bonds are secured by notes issued under the master trust indenture, and such notes are secured by real estate.

The master trust indenture establishes that ILTexas must maintain operating reserves in an amount equal to at least forty-five days of actual expenses for the year ended June 30, 2023 as well as a debt service coverage ratio, which stipulates that available revenues for each fiscal year must be equal to at least 1.10 times the annual debt service of ILTexas as of the end of each fiscal year until the individual bond or notes have been paid in full. At June 30, 2023, ILTexas was in compliance with these requirements.

The required debt service payments to satisfy the requirements of the bonds are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 10,322,341	\$ 34,606,209	\$ 44,928,550
2025	12,629,881	34,424,981	47,054,862
2026	13,050,000	33,803,170	46,853,170
2027	13,720,000	33,162,613	46,882,613
2028	14,445,000	32,458,507	46,903,507
2029-2033	126,670,000	139,065,126	265,735,126
2034-2038	102,690,000	112,473,582	215,163,582
2039-2043	135,075,000	81,711,456	216,786,456
2044-2048	162,080,000	41,557,476	203,637,476
2049-2052	65,420,000	6,460,038	71,880,038
Total	<u>\$ 656,102,222</u>	<u>\$ 549,723,158</u>	<u>\$ 1,205,825,380</u>

In April 2020, ILTexas entered into a line of credit agreement with a bank whereby it may borrow up to \$35,000,000, with interest due at 3.15%. Interest payments are due monthly with principal due upon maturity on April 23, 2023. As of June 30, 2023, there is no outstanding advances on the line of credit. The line is collateralized under the master trust indenture and was not renewed as of June 30, 2023.

International Leadership of Texas, Inc.
Notes to Financial Statements

In March 2022, ILTexas entered into a line of credit agreement with a bank whereby it may borrow up to \$60,000,000, with increasing interest due at the Bloomberg Short Term Bank Yield Index rate (4.8% at June 30, 2023) increasing by 1.95% per annum. Interest payments are due monthly with principal due upon maturity on August 31, 2025. As of June 30, 2023, \$50,000,000 in advances were outstanding on the line of credit. The line is collateralized under the master trust indenture.

In June 2023, ILTexas entered into a line of credit agreement with a bank whereby it may borrow up to \$60,000,000, with increasing interest due at the Bloomberg Short Term Bank Yield Index rate (4.8% at June 30, 2023) plus 2.25%. Interest payments are due monthly with principal due upon maturity on June 15, 2026. As of June 30, 2023, there is no outstanding advances on the line of credit. The line is collateralized under the master trust indenture.

Interest expense on long-term debt for the years ended June 30, 2023 and 2022 totaled \$29,848,991 and \$30,752,618, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions represent resources received from the state to be used under management’s discretion for educational purposes.

9. Contributions of Nonfinancial Assets

ILTexas received the following contributions of nonfinancial assets during the year ended June 30, 2023:

	<u>Asset</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Commodities	\$ -	\$ 785,505	\$ -	\$ -	\$ 785,505
Land	1,210,000	-	-	-	1,210,000
	<u>\$ 1,210,000</u>	<u>\$ 785,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,995,505</u>

ILTexas received the following contributions of nonfinancial assets during the year ended June 30, 2022:

	<u>Asset</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Commodities	\$ -	\$ 665,868	\$ -	\$ -	\$ 665,868
	<u>\$ -</u>	<u>\$ 665,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 665,868</u>

Commodities

Contributed commodities are reported at fair value using value provided by grantor agency.

International Leadership of Texas, Inc.

Notes to Financial Statements

Land

Contributed land is valued using fair market value of similar tracts of land as appraised by an independent firm.

10. Defined Benefit Pension Plan

Plan Description

ILTexas contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Funding Policy

Plan members contributed 8% of their annual covered salary in 2023. ILTexas contributes 8% for new members of the first 90 days of employment, and the State of Texas contributes 8%. Additionally, ILTexas makes a 1.8% non-OASDI payment for all TRS eligible employees. ILTexas contributions do not represent more than 5% of the TRS' total contributions. For the year ended June 30, 2023 and 2022, ILTexas contributed \$1,159,162 and \$999,965 to TRS, respectively.

The risks of participating in a multi-employer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is not withdrawal penalty for leaving TRS.

Total TRS plan assets as of August 31, 2022 and 2021 totaled approximately \$208 billion and \$223 billion, respectively. Accumulated benefit obligation as of August 31, 2022 and 2021 totaled approximately \$244 billion and \$227 billion, respectively. The plan was 75.62% and 88.79% funded as of August 31, 2022 and 2021, respectively.

International Leadership of Texas, Inc.
Notes to Financial Statements

11. Health Care Coverage

During the years ended June 30, 2023 and 2022, full-time employees of ILTexas were covered by a health insurance plan. ILTexas contributed between \$410 and \$429 per month per employee for the years ended June 30, 2023 and 2022.

Employees, at their option, authorized payroll withholdings to pay contributions or premiums for their dependents. All premiums were paid to licensed insurers.

12. Contingencies

ILTexas 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 ILTexas have complex compliance requirements and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or other grantor agency.

Litigation

ILTexas is contingently liable in connection with certain claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, ILTexas' management and general counsel are of the opinion that the outcome of such matters will not have a material effect on ILTexas' financial position.

13. Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or management and general or fundraising. Program services are the direct conduct or supervision of activities that fulfill the purposes for which ILTexas exists. Fundraising activities include the solicitation of contributions of money, securities, material, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities.

Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefited. Salaries and related costs are charged directly either to program services, fundraising or administration based on actual time worked in each area. Information technology costs, depreciation, interest expense, and occupancy costs are allocated based on whether the costs are associated with instructional campuses (program services) or with administrative buildings.

International Leadership of Texas, Inc.
Notes to Financial Statements

ILTexas' expenses by natural classification and function are as follows for the year ended June 30, 2023:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 109,056,516	\$ 6,903,377	\$ 5,242,552	\$ 1,732,036	\$ 15,974,584	\$ 138,909,065
Instructional and school leadership	19,065,586	37,166	212,766	1,132,337	998,515	21,446,370
Support services - student	11,711,438	10,196,109	1,703,785	1,555,870	3,270,324	28,437,526
Support services - nonstudent based	5,174,277	20,972,707	3,035,082	21,775,341	5,506,872	56,464,279
Ancillary services	348,123	379,333	14,312	46,351	102,411	890,530
Total program services	145,355,940	38,488,692	10,208,497	26,241,935	25,852,706	246,147,770
Support Services:						
Instructional and school leadership	-	-	-	-	1,658,559	1,658,559
Administrative support services	5,229,596	1,202,456	499,385	1,393,355	1,081,756	9,406,548
Support services - nonstudent based	-	-	-	-	1,114,731	1,114,731
Fundraising	438,187	1,850,766	-	-	-	2,288,953
Total support services	5,667,783	3,053,222	499,385	1,393,355	3,855,046	14,468,791
Total expenses	\$ 151,023,723	\$ 41,541,914	\$ 10,707,882	\$ 27,635,290	\$ 29,707,752	\$ 260,616,561

ILTexas' expenses by natural classification and function are as follows for the year ended June 30, 2022:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 104,408,769	\$ 5,078,133	\$ 3,539,640	\$ 1,235,611	\$ 16,997,804	\$ 131,259,957
Instructional and school leadership	15,967,905	135,255	187,198	640,467	780,521	17,711,346
Support services - student	9,505,690	10,197,783	1,328,821	1,184,627	3,297,725	25,514,646
Support services - nonstudent based	4,165,491	17,893,373	3,619,132	19,058,943	5,483,404	50,220,343
Ancillary services	679,394	3,039,992	65,156	30,041	566,210	4,380,793
Total program services	134,727,249	36,344,536	8,739,947	22,149,689	27,125,664	229,087,085
Support Services:						
Instructional and school leadership	-	-	-	-	1,732,573	1,732,573
Administrative support services	4,297,694	1,229,064	111,379	126,755	855,701	6,620,593
Support services - nonstudent based	-	-	-	-	1,157,037	1,157,037
Fundraising	383,146	-	-	18,706	-	401,852
Total support services	4,680,840	1,229,064	111,379	145,461	3,745,311	9,912,055
Total expenses	\$ 139,408,089	\$ 37,573,600	\$ 8,851,326	\$ 22,295,150	\$ 30,870,975	\$ 238,999,140

14. Liquidity and Availability of Resources

ILTexas relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, ILTexas considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of ILTexas' liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

International Leadership of Texas, Inc.
Notes to Financial Statements

ILTexas' financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at June 30:		
Cash and cash equivalents	\$ 94,525,900	\$ 74,820,835
Due from government agencies	<u>41,113,880</u>	<u>38,831,462</u>
Total financial assets available for general expenditure	<u>\$ 135,639,780</u>	<u>\$ 113,652,297</u>

15. Subsequent Events

ILTexas evaluated subsequent events through October 18, 2023, the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

Supplemental Information and Compliance Reports

International Leadership of Texas
Schedule of Expenses
Year Ended June 30, 2023

<u>Object Code</u>	<u>Description</u>	<u>Amount</u>
6100	Payroll costs	\$ 151,023,723
6200	Professional and contracted services	41,541,914
6300	Supplies and materials	10,707,882
6400	Other operating costs	27,635,290
6500	Debt service	<u>29,707,752</u>
	Total expenses	<u><u>\$ 260,616,561</u></u>

International Leadership of Texas
Schedule of Assets
June 30, 2023

Description	Ownership Interest	
	Local	State
1110 Cash	\$ -	\$ 158,117,610
1510 Land	1,820,228	65,251,311
1520 Buildings and improvements	-	513,341,402
1531 Vehicles	-	5,919,918
1549 Furniture and equipment	-	14,260,574
1551 Right-of-use asset - operating leases	-	1,100,113
1580 Construction in progress	-	109,111,954
	<u>\$ 1,820,228</u>	<u>\$ 867,102,882</u>

International Leadership of Texas
Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenue and support:				
Local support:				
5722 SSA- Local revenues from member districts	\$ -	\$ 700,000	\$ 700,850	\$ 850
5742 Interest, dividends, gains, and losses	1,000,000	1,000,000	992,878	(7,122)
5743 Rent	180,000	140,000	139,795	(205)
5744 Foundations, other non-profit organizations, gifts, and bequests	1,500,000	1,500,000	1,220,150	(279,850)
5749 Other revenues from local sources	6,750,000	7,000,000	6,292,450	(707,550)
5751 Food service activity	1,000,000	1,500,000	1,494,151	(5,849)
State program revenues:				
5811 Per capita apportionment	12,000,000	14,000,000	12,587,894	(1,412,106)
5812 Foundation school program act revenue	208,000,000	215,000,000	212,437,287	(2,562,713)
5829 State program revenue distributed by TEA	1,200,000	1,200,000	1,231,567	31,567
Federal program revenues:				
5920 Federal program revenue distributed by TEA	42,000,000	42,000,000	40,668,366	(1,331,634)
5939 Federal revenues distributed by other State of Texas agencies	460,000	460,000	398,685	(61,315)
5949 Federal revenues distributed directly from the Federal Government	500,000	500,000	448,630	(51,370)
Total revenue and support	274,590,000	285,000,000	278,612,703	(6,387,297)
Expenses:				
11 Instruction	118,034,000	116,000,000	111,028,194	4,971,806
12 Instruction resources and media	1,463,000	1,500,000	1,478,764	21,236
13 Curriculum and instructional staff development	8,639,000	10,500,000	10,427,523	72,477
21 Instructional leadership	5,700,000	7,550,000	7,684,200	(134,200)
23 School leadership	12,750,000	12,850,000	12,763,655	86,345
31 Guidance, counseling, evaluation services	6,794,000	8,150,000	8,013,463	136,537
32 Social work services	139,000	185,000	179,399	5,601
33 Health services	1,974,000	1,990,000	1,953,857	36,143
34 Student transportation	2,065,000	2,600,000	2,524,783	75,217
35 Food services	11,886,000	10,500,000	9,742,243	757,757
36 Extracurricular activities	2,126,000	2,600,000	2,753,457	(153,457)
41 General administration	6,709,000	8,000,000	8,324,792	(324,792)
51 Facilities maintenance and operations	34,947,000	40,000,000	39,195,205	804,795
52 Security and monitoring service	3,143,000	3,250,000	3,183,644	66,356
53 Data processing services	9,149,000	8,300,000	8,578,558	(278,558)
61 Community services	4,455,000	815,000	788,119	26,881
71 Debt service	32,571,000	32,000,000	29,707,752	2,292,248
81 Fundraising	400,000	2,290,000	2,288,953	1,047
Total expenses	262,944,000	269,080,000	260,616,561	8,463,439
Excess revenues over expenses from operations	11,646,000	15,920,000	17,996,142	(14,850,736)
Change in net assets	11,646,000	15,920,000	17,996,142	(14,850,736)
Net assets at beginning of year	49,645,353	49,645,353	49,645,353	-
Net assets at end of year	\$ 61,291,353	\$ 65,565,353	\$ 67,641,495	\$ 2,076,142

**International Leadership of Texas
Education Programs Schedule
Year Ended June 30, 2023**

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$24,460,777
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PIC's 24, 26, 28, 29, 30, 34)	\$7,420,477
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies sand procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year	\$4,982,101
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)	\$3,098,623

International Leadership of Texas

Schedule of Real Property Ownership Interest

Year Ended June 30, 2023

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
A005401, R STEVENSON (ICL), TRACT 5, 12.14 ACRES	3700 Longmire Dr., College Station, TX 77845	\$ 1,763,960	\$ -	\$ 1,763,960	\$ -
BOWEN ADDITION Block 1 Lot 2A	4950 S. Bowen Rd., Arlington, TX 76017	21,442,526	-	21,442,526	-
ILTexas GP ADDN Block 1 Lot 1	2851 Ragland Rd., Grand Prairie, TX 75052	15,596,422	-	15,596,422	-
SUNBELT ADD Block A Lot 3 AKA WHIDDON ADDN	6460 S. State Hwy 360, Grand Prairie, TX 75052	123,623	-	123,623	-
GANDY, BLOCK 1, LOT 1, ACRES 14.38	3610 Longmire Dr., College Station, TX 77845	13,448,849	-	13,448,849	-
WOODHAVEN CNTRY CLUB ESTATES Block 14A Lot 1	5901 Boca Raton Blvd., Ft. Worth, TX 76112	15,438,041	-	15,438,041	-
SPANISH OAKS APT ADDITION Block 1 Lot 1	5817 Boca Raton Blvd., Ft. Worth, TX 76112	303,831	-	303,831	-
ILTexas BLK 1 LT 1 ACS 13.174	3301 N. Shiloh Rd., Garland, TX 75041	4,820	-	4,820	-
CHARTER SCHOOL ADDN Block A Lot 1	3501 Great Southwest Pkwy., Grand Prairie, TX 75052	22,568,751	-	22,568,751	-
GREENWAY BLK 1 LT 2A ACS 3.357	2021 Lakeside Blvd., Richardson, TX 75082	6,245,000	-	6,245,000	-
RES A BLK 1 PORTER FRANZ	24406 Franz Rd., Katy, TX 77493	17,619,755	-	17,619,755	-
0171 JNO FREDERICK, ACRES 21.2802, Katy Westpark High School, Block 1, Unrestricted Reserve "A"	20055 Beechnut St., Richmond, TX 77407	18,161,043	-	18,161,043	-
ILTexas ADDN Block 1 Lot 1 LESS PORTION IN TIF D214060708	2301 Heritage Trace Pkwy., Ft. Worth, TX 76177	19,287,541	-	19,287,541	-
ILTexas ADDN Block 1 Lot 1 PORTION IN TIF D214060708	2301 Heritage Trace Pkwy., Ft. Worth, TX 76177	23,398,587	-	23,398,587	-
RICHMOND ADDN - FT WORTH Block 36 Lot 1	10537 NW Hwy. 287, Ft. Worth, TX 76131	907,716	-	907,716	-
RICHMOND ADDN - FT WORTH Block 36 Lot 1 IMPROVEMENT ONLY	10537 NW Hwy. 287, Ft. Worth, TX 76131	14,691,268	-	14,691,268	-
RICHMOND ADDN - FT WORTH Block 28 Lot 1 PLAT D220093983 (14.60 @)	10421 Lakemont Dr., Ft. Worth, TX 76131	954,236	-	954,236	-
PLEASANT RUN CHARTER SCHOOL BLK 1 LT 1 ACS 11.680	1900 W Pleasant Run Rd., Lancaster, TX 75146	427	-	427	-
NORTHGLENN ADDN Block 1 Lot 1R	4131 Rufe Snow Dr., North Richhland Hills, TX 76180	19,812,177	-	19,812,177	-
RES A BLK 1 EAST OREM CHARTER SCHOOL	5445 E Orem Dr., Houston, TX 77048	4,230,420	-	4,230,420	-
SAGINAW CHARTER SCH SUBD Block 1 Lot 1	500 N. Old Decatur Rd., Saginaw, TX 76179	20,984,596	-	20,984,596	-
BLK 6629 TR 11 ACS 26.65	7811 University Hills Blvd., Dallas, TX 75241	533,000	-	533,000	-
.3500 U/D IN RES A BLK 1 (14.7958) WESTPARK CHARTER SCHOOL	15300 Bellaire Blvd., Houston, TX 77083	6,298,783	-	6,298,783	-
RES B WINDMILL LAKES SEC 1 R/P	9898 Windmill Lakes Blvd. (listed as 9901), Houston, TX 77075	5,229,065	-	5,229,065	-
RES A WINDMILL LAKES SEC 1 R/P	9901 Windmill Lakes Blvd., Houston, TX 77075	7,313,575	-	7,313,575	-
RES A3 WINDMILL LAKES SEC 1 R/P	9901 Windmill Lakes Blvd., Houston, TX 77075	7,313,575	-	7,313,575	-
RES A2 WINDMILL LAKES SEC 1 R/P	9901 Windmill Lakes Blvd., Houston, TX 77075	7,313,575	-	7,313,575	-
RESERVE D, BLOCK 29, SANTA FE 6	4114 Road 5200, Cleveland, TX 77327	265,920	-	265,920	-
616 J LAWRENCE 54.419 ACRES	10701 Heritage Pkwy, Grand Prairie, TX 76065	1,112,142	-	1,112,142	-
Liberty at Broadway Marketplace (A0070 WDC Hall) (Pearland) BLK1 Lot 1 Acres 4.587 (Front Acreage)	2468 E Broadway St., Pearland, TX 77581	495,377	-	495,377	-
Liberty at Broadway Marketplace (A0070 WDC Hall) (Pearland) BLK 1 Lot2 Acres 8.028 (Primary Site)		578,523	-	578,523	-
0062 WM MORTON, TRACT 1, ACRES 52.92	1120 FM 359 Road, Richmond, TX 77406	1,528,520	-	1,528,520	-
135 S M BLAIR 0.198 ACRES	10745 Davis Dr., Grand Prairie, TX 76065	5,400	-	5,400	-
RESERVE H1, BLOCK 119, SANTA FE 8	1954 Road 5714, Cleveland, TX 77327 (Complete)				
LOT 6086, BLOCK 119, SANTA FE 8	1040 Road 5740, Cleveland, TX 77327 (In-Progress)	618,620	-	618,620	-
LOT 6046, BLOCK 119, SANTA FE 8	1148 Road 5740, Cleveland, TX 77327	35,730	-	35,730	-
	2307 Road 5732, Cleveland, TX 77327	35,730	-	35,730	-

**International Leadership of Texas
Schedule of Related Party Transactions
Year Ended June 30, 2023**

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal Year</u>	<u>Principal Balance Due</u>
None								

International Leadership of Texas
Schedule of Related Party Compensation and Benefits
Year Ended June 30, 2023

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During Fiscal Year</u>
None							

**Independent Auditors' 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***

To the Board of Directors of
International Leadership of Texas, Inc.

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 International Leadership of Texas, Inc. (ILTexas), which comprise the statement of financial position as of June 30, 2023 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 October 18, 2023.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ILTexas' 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*.

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 ILTexas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ILTexas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
October 18, 2023

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
International Leadership of Texas, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited International Leadership of Texas, Inc.'s (ILTexas) compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of ILTexas' major federal programs for the year ended June 30, 2023. ILTexas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, ILTexas complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effects on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ILTexas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of ILTexas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to ILTexas' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ILTexas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ILTexas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ILTexas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ILTexas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ILTexas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose



A Limited Liability Partnership

Arlington, Texas
October 18, 2023

International Leadership of Texas, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs or cluster:	
Education Stabilization Fund Under the Coronavirus Aid, Relief, And Economic Security Act	ALN 84.425D, 84.425U, 84.425W
Dollar threshold used to distinguish between type A and type B programs:	\$1,221,463
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Year Audit Findings

None

International Leadership of Texas, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal AL Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Child Nutrition Cluster:			
Passed through Texas Education Agency: School Breakfast Program	10.553	202222N109946/202323N109946	\$ 1,667,848
National School Lunch Program	10.555	202222N109946/202323N109946	8,539,208
Passed through Texas Department of Agriculture: National School Lunch Program - USDA Commodities	10.555	-	<u>785,505</u>
Total Child Nutrition Cluster			<u>10,992,561</u>
Total U.S. Department of Agriculture			10,992,561
U.S. Department of Education:			
Special Education Cluster:			
Passed through Texas Education Agency: Special Education Grants to States (IDEA, Part B)	84.027A	H027A210008/H027A220008	3,493,773
COVID-19 - Special Education Grants to States (IDEA, Part B)	84.027X	H027X210008	<u>50,856</u>
Total Special Education Cluster			3,544,629
Passed through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	S010A190043/S010A200043/S010A210043/S010A220043	5,549,395
Career and Technical Education - Basic Grants to States (Perkins V)	84.048A	V048A210043/V048A220043	273,785
COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425D	S425D210042	4,282,502
COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425W	S425W210045	86,193
COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425U	S425U210042	<u>13,394,731</u>
Total ALN 84.425			17,763,426
Student Support and Academic Enrichment Program	84.424A	S424A210045/S424A220045	491,900
Grants for State Assessments and Related Activities	84.369A	S369A200045/S369A210045	21,865
Supporting Effective Instruction State Grants	84.367A	S367A210041/S367A220041	1,109,180
English Language Acquisition State Grants	84.365A	S365A210043/S365A220043	<u>622,463</u>
Total U.S. Department of Education			29,376,643
U.S. Department of Defense:			
Direct:			
Promoting K-12 Student Achievement at Military-Connected Schools	12.556	-	<u>47,058</u>
Total U.S. Department of Defense			47,058
U.S. Department of Health and Human Services:			
Passed through Texas Education Agency:			
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	HHS001114100001	<u>299,162</u>
Total U.S. Department of Health and Human Services			299,162
Total Expenditures of Federal Awards			<u>\$ 40,715,424</u>

See notes to schedule of expenditures of federal awards.

International Leadership of Texas, Inc.
Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all applicable federal award programs of ILTexas. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of ILTexas, it is not intended to and does not present the financial position, changes in net assets or cash flows of ILTexas.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ILTexas has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Food Commodities

Food commodities are recognized as federal expenditures when distributed. Distributed food is reported in the Schedule under the National School Lunch Program and is valued based on amounts reported to ILTexas by the Texas Department of Agriculture. These amounts are considered to be non-cash assistance to ILTexas.

ILTexas received non-cash assistance in the form of food commodities totaling \$785,505 for the year ended June 30, 2023.