

# **International Leadership of Texas – Global and Subsidiary**

**Consolidated Financial Statements  
June 30, 2024**



# International Leadership of Texas – Global and Subsidiary Contents

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## **Independent Auditors' Report**

To the Board of Directors of  
International Leadership of Texas – Global and Subsidiary

### ***Opinion***

We have audited the accompanying consolidated financial statements of International Leadership of Texas - Global and Subsidiary (nonprofit organizations) (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2024 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 opinion.

### ***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Organization changed its method of accounting for the allowance for credit losses effective July 1, 2023 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to that matter.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

*Sutton Frost Cary*

A Limited Liability Partnership

Arlington, Texas  
May 21, 2025

**International Leadership of Texas – Global and Subsidiary**  
**Consolidated Statement of Financial Position**  
**June 30, 2024**

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**Assets**

**Current assets:**

Cash and cash equivalents	\$ 4,190,521
Accounts receivable	10,271
Other current assets	<u>13,000</u>

**Total current assets** 4,213,792

Property and equipment, net 282,588

**Total assets** \$ 4,496,380

**Liabilities and Net Assets**

**Current liabilities:**

Accounts payable and accrued expenses	\$ 241,386
Deferred tuition revenue	2,960,085
Current portion of notes payable	<u>12,806</u>

**Total current liabilities** 3,214,277

Notes payable, net 133,885

**Total liabilities** 3,348,162

**Net Assets:**

Without donor restrictions	1,116,201
With donor restrictions	<u>32,017</u>

**Total net assets** 1,148,218

**Total liabilities and net assets** \$ 4,496,380

See notes to consolidated financial statements.

**International Leadership of Texas – Global and Subsidiary**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support:</b>			
Tuition and related fees, net	\$ 3,433,693	\$ -	\$ 3,433,693
Program service fees	176,992	-	176,992
Contributions	233,219	35,159	268,378
Rental income	31,760	-	31,760
Investment return, net	(241)	-	(241)
Interest Income	23,338	-	23,338
Other	21,145	-	21,145
Net assets released from restrictions	3,142	(3,142)	-
<b>Total revenue and other support</b>	<b>3,923,048</b>	<b>32,017</b>	<b>3,955,065</b>
<b>Operating expenses:</b>			
Educational	2,333,403	-	2,333,403
General and administrative	936,921	-	936,921
<b>Total operating expenses</b>	<b>3,270,324</b>	<b>-</b>	<b>3,270,324</b>
<b>Excess of revenue and support over operating expenses</b>	<b>652,724</b>	<b>32,017</b>	<b>684,741</b>
<b>Non-operating expenses:</b>			
Loss from theft	(32,000)	-	(32,000)
<b>Change in net assets</b>	<b>620,724</b>	<b>32,017</b>	<b>652,741</b>
<b>Net assets at beginning of year</b>	<b>495,477</b>	<b>-</b>	<b>495,477</b>
<b>Net assets at end of year</b>	<b>\$ 1,116,201</b>	<b>\$ 32,017</b>	<b>\$ 1,148,218</b>

See notes to consolidated financial statements.

**International Leadership of Texas – Global and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	Educational	General and Administrative	Total
Salaries and benefits	\$ 463,315	\$ -	\$ 463,315
Travel	-	47,672	47,672
Advertising, marketing and promotion	-	707,622	707,622
Camp programs	22,260	-	22,260
Charitable contributions	95,831	-	95,831
Contracted services	24,800	-	24,800
Dues and subscriptions	423	-	423
General and office supplies	-	63,975	63,975
Grants	9,945	-	9,945
Repairs and Maintenance	-	566	566
Room and board	1,557,300	-	1,557,300
Professional fees	-	86,705	86,705
Licenses and permits	-	9,000	9,000
Occupancy	3,000	-	3,000
Student events	123,786	-	123,786
Utilities	-	5,270	5,270
Depreciation	21,312	-	21,312
Bank fees	11,431	-	11,431
Other	-	16,111	16,111
	<u>\$ 2,333,403</u>	<u>\$ 936,921</u>	<u>\$ 3,270,324</u>

See notes to consolidated financial statements.

**International Leadership of Texas – Global and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**Year Ended June 30, 2024**

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**Cash flows from operating activities:**

Change in net assets	\$ 652,741
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	21,312
Donated stock	(10,159)
Realized losses on investments	553
Changes to assets and liabilities:	
Accounts receivable	(8,871)
Other current assets	13
Accounts payable and accrued expenses	133,881
Refundable advances	(132,603)
Deferred tuition revenue	1,185,893
	1,842,760

**Cash flows from investing activities:**

Purchase of property and equipment	(343,952)
Proceeds from sale of property and equipment	278,766
Purchase of investments	(312)
Proceeds from sale of investments	24,448
Purchase of certificates of deposit	(1,271,848)
Redemption of certificates of deposit	1,271,848
	(41,050)

**Cash flows from financing activities:**

Proceeds from notes payable	343,952
Payments on notes payable	(287,261)
	56,691

**Change in cash and cash equivalents** 1,858,401

**Cash and cash equivalents at beginning of year** 2,332,120

**Cash and cash equivalents at end of year** \$ 4,190,521

**Supplemental disclosure of cash flow information:**

Cash paid during the year for interest	\$ 4,349
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**Noncash investing activities:**

During the year ended June 30, 2024, the Organization received donated stock with a total value of \$10,159

See notes to consolidated financial statements.

# International Leadership of Texas – Global and Subsidiary

## Notes to Consolidated Financial Statements

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### 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. ILTexas 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. ILTexas 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. (Subsidiary) is a Chinese nongovernmental organization solely owned by Global formed to assist Global with International recruitment efforts.

ILTexas Global and Subsidiary are collectively referred to as the Organization. Effective October 4, 2021, ILTexas no longer has a controlling interest in ILTexas Global.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting and Financial Statement Presentation***

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

The consolidated financial statements include the accounts of the Organization. Material 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 and Subsidiary Notes to Consolidated Financial Statements**

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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.

### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2024 uninsured bank balances totaled \$2,401,571. Management has placed these funds with high credit quality institutions in order to minimize risk. The Organization has not experienced any losses on such accounts.

### ***Cash and Cash Equivalents***

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

### ***Certificates of Deposit***

The Organization purchased certificates of deposit during the year ended June 30, 2024 totaling \$1,250,000 with interest rates ranging between 5.10% and 5.25% and, originally set to mature between April through June 2024. Upon maturity, the Organization received proceeds, totaling \$1,271,848 during the year ended June 30, 2024.

### ***Accounts Receivable***

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.

The Organization maintains an allowance for credit losses which is an estimate based upon historical account write-off trends, facts about the current financial condition of the entities, forecasts of future operating results based upon current trends and macroeconomic factors. Credit quality is monitored through the timing of payments compared to payment terms and known facts regarding the financial condition of entities. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. No allowance for credit losses was considered necessary at June 30, 2024.

## **International Leadership of Texas – Global and Subsidiary**

### **Notes to Consolidated Financial Statements**

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#### ***Investments***

The Organization's investments are carried at fair value. Realized gains and losses are recorded as the difference between historical cost and fair value, and are shown on a net basis. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. At June 30, 2024, the entirety of the Organization's investments had been sold.

#### ***Property and Equipment***

Property and 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 to 30 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.

If a student withdraws during the academic year, the Organization does not offer a refund on tuition. Students are only offered refunds in instances that their visa is rejected. At June 30, 2024, there is no refund liability for student tuition.

Deferred tuition consists of tuition and other fees collected in advance and are recognized as revenue over the school year.

## **International Leadership of Texas – Global and Subsidiary Notes to Consolidated Financial Statements**

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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. At June 30, 2024, there were no unconditional promises to give and therefore, no allowance or discount.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances. At June 30, 2024, there were no refundable advances.

Program service fees are recognized when the related services are provided.

Rental revenue is recognized when the rental service is performed. Deposits for rents are recorded as deferred revenue until the rental service is performed.

### ***Functional Allocation of Expenses***

The costs of providing program and administrative activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated 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.

## **International Leadership of Texas – Global and Subsidiary Notes to Consolidated Financial Statements**

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For the year ended June 30, 2024, ILTexas Global did not conduct material unrelated business activities that would be subject to federal income taxes and the effect of accrued unrelated business income tax at June 30, 2024 would be insignificant. Therefore, no tax provision or liability has been reported in the accompanying 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, 2024, 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.

### ***Advertising, Marketing and Promotion***

The Organization expenses advertising, marketing and promotion costs as they are incurred. These costs totaled \$707,622 for the year ended June 30, 2024.

### ***Accounting Pronouncements Adopted***

The Organization adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined. Due to the nature and terms of the accounts receivables, no allowance was considered necessary.

## International Leadership of Texas – Global and Subsidiary Notes to Consolidated Financial Statements

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### 3. Property and Equipment

Property and equipment consists of the following as of June 30, 2024:

Building	\$ 257,437
Photo video equipment	9,878
Vehicles	65,186
Less: accumulated depreciation	<u>(49,913)</u>
	<u>\$ 282,588</u>

Depreciation expense for the year ended June 30, 2024 totaled \$21,312.

### 4. Deferred Tuition Revenue

The following table provides information about significant changes in tuition and related fees paid in advance as of June 30, 2024:

Tuition and related fees paid in advance, beginning of year	\$ 1,774,192
Revenue recognized that was included in deferred tuition and related fees at the beginning of the year	(1,774,192)
Increase in tuition and related fees due to cash received during the year	<u>2,960,085</u>
Tuition and related fees paid in advance, end of year	<u>\$ 2,960,085</u>

### 5. Notes Payable

In September 2021, the Organization entered into a promissory note with a bank requiring yearly interest only payments through the note's maturity on September 1, 2026. The note accrues interest at 1%. The outstanding balance at June 30, 2024 totaled \$90,000.

In July 2023, the Organization entered into promissory notes totaling \$342,952 for ten vehicles. The Organization sold eight of those vehicles as of June 30, 2024 and paid off their related balances. The remaining two notes are payable in monthly installments with an interest rate of 5.49% totaling \$534 each, until maturity at August 14, 2029. The outstanding balance for the remaining two notes totaled \$56,691 at June 30, 2024.

## International Leadership of Texas – Global and Subsidiary Notes to Consolidated Financial Statements

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Future maturities of the notes payable are as follows for the years ended June 30:

2025	\$ 12,806
2026	103,706
2027	12,806
2028	12,806
2029	<u>4,567</u>
Total notes payable	<u>\$ 146,691</u>

### 6. Net Assets With Donor Restrictions

At June 30, 2024, there were net assets with donor restrictions for the Texas Education Fund program and totaled \$32,017.

### 7. Rental Income

The Organization leases its condominium space to a third-party tenant under a cancelable operating lease. Rental income for the year ended June 30, 2024 totaled \$31,760.

### 8. Concentrations and Related Party Transactions

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

At June 30, 2024, the entirety of accounts receivable was due from one student.

For the year ended June 30, 2024, approximately 22% of total contributions were received through payroll deductions facilitated by ILTexas on the behalf of its employees, designated for the Organization.

During the year ended June 30, 2024, the Organization sold vehicles for proceeds totaling \$278,766 to ILTexas.

## International Leadership of Texas – Global and Subsidiary Notes to Consolidated Financial Statements

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### 9. 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 Organization's financial assets that are available to meet general expenditures within one year of the consolidated statement of financial position date are as follows as of June 30, 2024:

Cash and cash equivalents	\$ 4,190,521
Accounts receivable	<u>10,271</u>
Total financial assets at year end	4,200,792
Less those unavailable for general expenditure within one year due to:	
Donor restricted for programs	<u>(32,017)</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,168,775</u>

The Organization has a goal to maintain financial assets on hand to meet six months of normal operating expenses, which for the year ending June 30, 2024, was approximately \$1,635,000. The Organization manages its financial assets to meet its operating expenditures, liabilities and other obligations as they come due.

### 10. Subsequent Events

The Organization evaluated subsequent events through May 21, 2025, the date the consolidated financial statements were available to be issued, and concluded that no additional disclosures are required.