

International Leadership of Texas, Inc.

**Financial Statements with Supplemental Information
and Compliance Reports
June 30, 2025 and 2024**



International Leadership of Texas, Inc.

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**BOARD RESOLUTION
OF
INTERNATIONAL LEADERSHIP OF TEXAS**

WHEREAS, the Board of Directors of International Leadership of Texas, charter holder of International Leadership of Texas, grants the Board the responsibility for the approval of audit reports on behalf of International Leadership of Texas ("ILTexas");

WHEREAS, during the November 19, 2025, board meeting, the Superintendent presented to the Board of Directors the Draft FY25 Financial and Compliance Audit Report of the financial statements of International Leadership of Texas, Inc., which comprise the statements of financial position as of June 30, 2025, and 2024, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

BE IT HEREBY RESOLVED THAT:

International Leadership of Texas, Inc. County District No. 057-848 Certificate of Board:

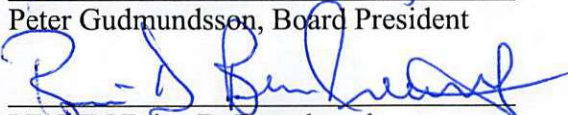
We, the undersigned, certify that the attached Financial and Compliance Report of International Leadership of Texas, Inc., as was reviewed and approved for the year ended June 30, 2025, at a meeting of the governing body of the charter holder on the 17th day of December, 2025.

PASSED AND APPROVED BY THE MAJORITY OF MEMBERS OF THE BOARD OF DIRECTORS OF INTERNATIONAL LEADERSHIP OF TEXAS ON THIS, THE 17TH DAY OF DECEMBER, 2025.

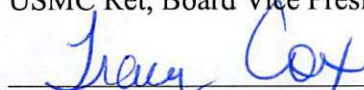
Members Voting in Favor of Resolution:



Peter Gudmundsson, Board President



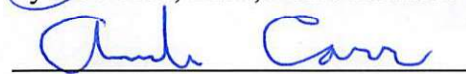
LT GEN Brian D. Beaudreault,
USMC Ret, Board Vice President



Mr. Tracy Cox, Board Secretary



Lynne Beach, M.D., Board Member



Andrew Carr, Board Member

BGEN Marcella Monahan, USMC Ret,
Board Member



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of International Leadership of Texas, Inc. (a nonprofit organization) (ILTexas), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 present fairly, in all material respects, the financial position of ILTexas as of June 30, 2025 and 2024, 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 ILTexas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 ILTexas' 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 ILTexas' 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 ILTexas' 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 December 17, 2025 on our consideration of ILTexas' 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 ILTexas' 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
December 17, 2025

International Leadership of Texas, Inc.
Statements of Financial Position
June 30, 2025 and 2024

Assets		
	2025	2024
Current assets:		
Cash and cash equivalents	\$ 50,933,286	\$ 86,004,384
Restricted cash and cash equivalents	15,562,766	79,458,454
Investments	47,292,192	2,143,249
Due from government agencies	52,923,870	51,263,965
Other receivables	149,072	104,409
Prepaid expenses	788,554	562,591
Total current assets	167,649,740	219,537,052
Property and equipment, net	804,726,332	723,680,004
Right-of-use assets - operating leases, net	520,884	1,395,942
Total assets	<u>\$ 972,896,956</u>	<u>\$ 944,612,998</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 25,964,499	\$ 13,356,010
Accrued payroll	17,405,647	14,905,575
Accrued interest	8,155,528	12,777,955
Student activity funds	1,738,692	1,230,493
Deferred revenue and refundable advances	1,889,934	1,889,934
Other liabilities	653,586	2,008,378
Right-of-use liabilities - operating leases, current	336,832	884,378
Long-term debt, current	21,450,000	11,809,881
Total current liabilities	77,594,718	58,862,604
Right-of-use liabilities - operating leases, net	209,563	546,395
Long-term debt, net	848,748,427	810,612,106
Total liabilities	926,552,708	870,021,105
Net assets:		
Without donor restrictions	38,347,732	27,249,301
With donor restrictions	7,996,516	47,342,592
Total net assets	46,344,248	74,591,893
Total liabilities and net assets	<u>\$ 972,896,956</u>	<u>\$ 944,612,998</u>

See notes to financial statements.

International Leadership of Texas, Inc.
Statement of Activities
Year Ended June 30, 2025

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Local support:			
5722 SSA - Local revenues from member districts	\$ 1,297,500	\$ -	\$ 1,297,500
5742 Earnings from temporary deposits and investments	2,714,188	-	2,714,188
5743 Rent	158,706	-	158,706
5749 Other revenues from local sources	5,955,098	-	5,955,098
5751 Food service activity	1,506,869	-	1,506,869
5769 Miscellaneous revenues from intermediate sources	408,011	-	408,011
Total local support	12,040,372	-	12,040,372
State program revenues:			
5811 Per capita apportionment	-	12,548,325	12,548,325
5812 Foundation school program entitlements	-	264,708,616	264,708,616
5829 State program revenue distributed by TEA	-	4,673,618	4,673,618
5831 Teacher Retirement or TRS Care - On-Behalf Payments	-	10,734,383	10,734,383
5849 Shared Service Arrangements	-	132,829	132,829
Total state program revenues	-	292,797,771	292,797,771
Federal program revenues:			
5920 Federal revenues distributed by TEA	-	46,566,070	46,566,070
5923 Federal revenues - noncash commodities	-	103,761	103,761
5931 School health and related services	-	27,734	27,734
5949 Federal revenues distributed directly from the Federal Government	-	1,687,078	1,687,078
Total federal program revenues	-	48,384,643	48,384,643
Net assets released from restrictions:			
Restrictions satisfied by payments	380,528,490	(380,528,490)	-
Total revenue and support	392,568,862	(39,346,076)	353,222,786
Expenses:			
11 Instruction	167,603,992	-	167,603,992
12 Instruction resources and media services	2,123,364	-	2,123,364
13 Curriculum and instructional staff development	11,276,116	-	11,276,116
21 Instructional leadership	7,992,794	-	7,992,794
23 School leadership	19,170,591	-	19,170,591
31 Guidance, counseling and evaluation services	13,263,125	-	13,263,125
32 Social work services	102,507	-	102,507
33 Health services	2,594,494	-	2,594,494
34 Student transportation	4,776,974	-	4,776,974
35 Food services	12,912,172	-	12,912,172
36 Extracurricular activities	2,936,969	-	2,936,969
41 General administration	14,877,410	-	14,877,410
51 Facilities maintenance and operations	56,831,723	-	56,831,723
52 Security and monitoring services	5,906,726	-	5,906,726
53 Data processing services	8,547,386	-	8,547,386
61 Community services	2,453,381	-	2,453,381
71 Debt service	46,539,358	-	46,539,358
81 Fundraising	619,408	-	619,408
Total expenses	380,528,490	-	380,528,490
Excess of revenues over expenses from operations	12,040,372	(39,346,076)	(27,305,704)
Non-operating activities:			
7959 Other gains	2,115,775	-	2,115,775
8950 Loss on impairment	(3,057,716)	-	(3,057,716)
Total non-operating activities	(941,941)	-	(941,941)
Change in net assets	11,098,431	(39,346,076)	(28,247,645)
Net assets at beginning of year	27,249,301	47,342,592	74,591,893
Net assets at end of year	\$ 38,347,732	\$ 7,996,516	\$ 46,344,248

See notes to financial statements.

International Leadership of Texas, Inc.
Statement of Activities
Year Ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Local support:			
5722 SSA - Local revenues from member districts	\$ 894,876	\$ -	\$ 894,876
5742 Earnings from temporary deposits and investments	2,430,506	-	2,430,506
5743 Rent	187,026	-	187,026
5749 Other revenues from local sources	7,256,759	-	7,256,759
5751 Food service activity	1,299,501	-	1,299,501
Total local support	12,068,668	-	12,068,668
State program revenues:			
5811 Per capita apportionment	-	8,709,577	8,709,577
5812 Foundation school program entitlements	-	242,190,281	242,190,281
5829 State program revenue distributed by TEA	-	2,616,154	2,616,154
5831 Teacher Retirement or TRS Care - On-Behalf Payments	-	8,933,495	8,933,495
5839 Shared Service Arrangements	-	290,018	290,018
Total state program revenues	-	262,739,525	262,739,525
Federal program revenues:			
5920 Federal revenues distributed by TEA	-	34,480,679	34,480,679
5923 Federal revenues - noncash commodities	-	452,153	452,153
5939 Federal revenues distributed by other State of Texas agencies	-	177,333	177,333
5949 Federal revenues distributed directly from the Federal Government	-	21,033,111	21,033,111
Total federal program revenues	-	56,143,276	56,143,276
Net assets released from restrictions:			
Restrictions satisfied by payments	324,001,071	(324,001,071)	-
Total revenue and support	336,069,739	(5,118,270)	330,951,469
Expenses:			
11 Instruction	144,025,828	-	144,025,828
12 Instruction resources and media services	2,349,087	-	2,349,087
13 Curriculum and instructional staff development	10,116,149	-	10,116,149
21 Instructional leadership	6,247,315	-	6,247,315
23 School leadership	17,514,776	-	17,514,776
31 Guidance, counseling and evaluation services	12,243,341	-	12,243,341
32 Social work services	120,966	-	120,966
33 Health services	2,171,806	-	2,171,806
34 Student transportation	2,776,507	-	2,776,507
35 Food services	13,297,386	-	13,297,386
36 Extracurricular activities	3,124,841	-	3,124,841
41 General administration	9,418,242	-	9,418,242
51 Facilities maintenance and operations	46,579,245	-	46,579,245
52 Security and monitoring services	4,545,629	-	4,545,629
53 Data processing services	12,491,530	-	12,491,530
61 Community services	509,994	-	509,994
71 Debt service	34,286,922	-	34,286,922
81 Fundraising	2,181,507	-	2,181,507
Total expenses	324,001,071	-	324,001,071
Excess of revenues over expenses from operations	12,068,668	(5,118,270)	6,950,398
Net assets at beginning of year	15,180,633	52,460,862	67,641,495
Net assets at end of year	\$ 27,249,301	\$ 47,342,592	\$ 74,591,893

See notes to financial statements.

International Leadership of Texas, Inc.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (28,247,645)	\$ 6,950,398
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,496,522	25,169,610
Amortization of right-of-use assets - operating leases	875,058	866,557
Amortization of bond premium/discount	737,682	1,027,050
Amortization of debt issuance costs	5,775,984	1,027,940
Other gains	(2,115,775)	-
Loss on impairment of building	3,057,716	-
Changes in assets and liabilities:		
Due from government agencies	(1,659,905)	(10,150,085)
Other receivables	(44,663)	36,660
Prepaid expenses	(225,963)	313,169
Accounts payable	5,091,226	(19,011,135)
Accrued payroll	2,500,072	1,941,524
Accrued interest	(4,622,427)	(65,318)
Student activity funds	508,199	278,810
Deferred revenue and refundable advances	-	1,064,751
Other liabilities	(1,354,792)	(597,393)
Right-of-use liabilities - operating leases	(884,378)	(839,455)
Net cash provided by operating activities	11,886,911	8,013,083
Cash flows from investing activities:		
Proceeds from legal settlement	1,645,316	-
Purchases of property and equipment	(109,083,303)	(121,325,372)
Purchase of investments	(152,648,993)	(55,090)
Proceeds from sale of investments	107,500,050	-
Net cash used by investing activities	(152,586,930)	(121,380,462)
Cash flows from financing activities:		
Net proceeds from issuance of bonds	506,670,355	222,677,967
Tender for defeasance of bonds	(421,069,541)	-
Proceeds from line of credit	152,929,931	10,000,000
Payments on line of credit	(169,929,931)	(35,000,000)
Payments of bond issuance costs	(15,057,700)	(6,869,860)
Principal payments on bonds	(11,809,881)	(68,007,341)
Net cash provided by financing activities	41,733,233	122,800,766
Change in cash and cash equivalents	(98,966,786)	9,433,387
Cash and cash equivalents at beginning of year	165,462,838	156,029,451
Cash and cash equivalents at end of year	\$ 66,496,052	\$ 165,462,838
Reconciliation of cash and restricted cash reported within the statements of financial position to the statements of cash flows:		
Cash and cash equivalents	\$ 50,933,286	\$ 86,004,384
Restricted cash and cash equivalents	15,562,766	79,458,454
Cash and cash equivalents reported on the statements of cash flows	\$ 66,496,052	\$ 165,462,838

See notes to financial statements.

International Leadership of Texas, Inc.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

Supplemental disclosure of cash flow information:

Cash paid for interest	<u>\$ 44,285,564</u>	<u>\$ 34,541,414</u>
Right-of-use asset obtained in exchange for lease liabilities	<u>\$ -</u>	<u>\$ 1,162,386</u>

Supplemental schedule of noncash investing and financing activities:

Construction in progress accrued in accounts payable at year end	<u>\$ 7,517,263</u>	<u>\$ 11,603,367</u>
Furniture and equipment accrued in accounts payable at year end	<u>\$ -</u>	<u>\$ 366,173</u>

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. 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 2025, ILTexas served over 26,000 students at 26 campuses.

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, 2025 ILTexas had no accounts that were uninsured or without pledged collateral in ILTexas' name.

During the years ended June 30, 2025 and 2024, ILTexas earned revenues totaling \$339,363,841 and \$297,220,204, respectively, from the Texas Education Agency (TEA). These amounts constitute approximately 97% and 96% of total revenue and support earned in each year then ended, respectively. 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.

Investments

At June 30, 2025, the Organization has a certificate of deposit with an interest rate of 4.00% maturing in September 2025. The certificate of deposit is carried at cost plus reinvested interest, which approximates fair value.

Public fund investment pools are stated at net asset value (NAV), which approximates fair value. Investment return is reported in the statement of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Net investment return consists of interest and dividends net of external and direct internal investment expenses.

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.

International Leadership of Texas, Inc.

Notes to Financial Statements

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 2 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. ILTexas recognized a loss on impairment of building totaling \$3,057,716 for the year ended June 30, 2025 (Note 6). There were no indications of asset impairment during the year ended June 30, 2024.

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 refundable advances 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. The ILTexas was awarded costreimbursable grants totaling \$8,899,791 that have not been received or recognized at June 30, 2025 because qualifying expenditures or performance requirements have not been incurred or met.

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.

Contributions of donated noncash assets are recorded at fair value in the period the unconditional commitment is received. The related expense is recognized as the item is used.

Revenue from contracts with customers is derived primarily from food service fees and other miscellaneous fees. Revenue is recognized when the services are provided to a student, in an amount that reflects the consideration. ILTexas expects to be entitled to an exchange for those services. The nature of these services does not give rise to contract costs or any variable considerations, or other related obligations. Amount received in advance of providing services are recorded as deferred revenue.

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, 2025 and 2024, 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, 2025 and 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 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.

International Leadership of Texas, Inc.

Notes to Financial Statements

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.

Reclassifications

Certain items in the 2024 financial statements have been reclassified to conform with the 2025 presentation, a portion of specifically cash and cash equivalents was reclassified as investments in the statements of financial position and cash flows. Such reclassifications had no effect on the previously reported change 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 2018, 2021, 2022, 2024 and 2025 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:

	2025	2024
Debt service reserve fund	\$ -	\$ 33,882,838
Bond debt service fund (interest)	8,797,333	18,386,990
Bond debt service fund (principal)	6,622,918	9,583,334
Bond project and maintenance fund	142,515	17,605,292
Total restricted cash and cash equivalents	\$ 15,562,766	\$ 79,458,454

International Leadership of Texas, Inc.
Notes to Financial Statements

4. Investments

Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Accounting Standards Codification (ASC), disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1	Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
Level 2	Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;
Level 3	Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Certificate of Deposit

Certificate of deposit is valued using \$1 for the net asset value which is classified within level 1 of the hierarchy.

Public Fund Investment Pools

These investments are reported at the net asset value per unit, which approximates fair value, using the amortized cost method. These investments use net asset value as a practical expedient and are not categorized in the fair value hierarchy.

International Leadership of Texas, Inc.
Notes to Financial Statements

The following table presents the financial instruments at fair value at June 30, 2025:

	Level 1	Total
Certificate of deposit	\$ 2,181,439	\$ 2,181,439
Public fund investment pools	-	45,110,753
	<u>\$ 2,181,439</u>	<u>\$ 47,292,192</u>

The following table presents the financial instruments at fair value at June 30, 2024:

	Level 1	Total
Certificate of deposit	\$ 2,082,638	\$ 2,082,638
Public fund investment pools	-	60,611
	<u>\$ 2,082,638</u>	<u>\$ 2,143,249</u>

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2025	2024
Land	\$ 70,614,567	\$ 67,071,539
Buildings and improvements	705,342,632	537,096,947
Furniture and equipment	50,313,785	27,798,446
Vehicles	11,359,643	10,649,247
Construction in progress	94,682,914	200,384,119
Total property and equipment	932,313,541	843,000,298
Less accumulated depreciation	<u>(127,587,209)</u>	<u>(119,320,294)</u>
Property and equipment, net	<u>\$ 804,726,332</u>	<u>\$ 723,680,004</u>

Depreciation expense for the years ended June 30, 2025 and 2024 totaled \$32,496,522 and \$25,169,610, respectively.

At June 30, 2025 and 2024, construction in progress includes costs incurred to purchase land and construct or update eight educational facilities. At June 30, 2025 and 2024, ILTexas had open construction contracts for the construction of new educational facilities totaling \$209,878,275 and \$221,512,292, respectively, of which \$150,441,183 and \$175,048,517 respectively, had been paid or incurred at the years then ended.

International Leadership of Texas, Inc.

Notes to Financial Statements

6. Impairment Loss and Other Gains

During the year ended June 30, 2025, ILTexas recognized an impairment loss totaling \$3,057,766 on a building due to structural failures. ILTexas received insurance settlement proceeds related to the construction deficiencies on the building totaling \$1,645,316. ILTexas also recognized a gain on bond defeasance totaling \$470,459, resulting in \$2,115,775 in other gains on the statement of activities.

7. 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.

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

ILTexas has entered into 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.

International Leadership of Texas, Inc.

Notes to Financial Statements

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

2026	\$ 336,832
2027	78,669
2028	80,444
2029	60,823
Total future discounted lease payments	556,768
Less present value discount	(10,373)
Right-of-use lease liability, net	<u>\$ 546,395</u>

The following represents lease cost and required information for the years ended June 30:

	2025	2024
Total lease cost	<u>\$ 904,723</u>	<u>\$ 907,171</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from leases	<u>\$ (884,378)</u>	<u>\$ (839,455)</u>
Right-of-use assets obtained in exchange for new lease liabilities	<u>\$ -</u>	<u>\$ 1,162,386</u>
Weighted-average remaining lease term:	<u>2.17 years</u>	<u>2.17 years</u>
Weighted-average discount rate:	<u>2.89%</u>	<u>3.21%</u>

8. Long-Term Debt

The following is a summary of changes in ILTexas' total long-term debt for the year ended June 30, 2025:

	Beginning Balances	Additions	Reductions	Tender	Ending Balances	Amounts Due Within One Year
Bonds payable:						
Series 2015A	\$ 94,855,000	\$ -	\$ (2,475,000)	\$ (92,380,000)	\$ -	\$ -
Series 2018C	309,881	-	(309,881)	-	-	-
Series 2018D	335,405,000	-	(6,245,000)	(329,160,000)	-	-
Series 2021	48,660,000	-	(1,010,000)	-	47,650,000	1,050,000
Series 2022	108,865,000	-	(1,770,000)	-	107,095,000	1,865,000
Series 2024A	214,170,000	-	-	-	214,170,000	4,310,000
Series 2025A	-	427,595,000	-	-	427,595,000	6,225,000
Series 2025B	-	61,375,000	-	-	61,375,000	-
Total bonds payable	802,264,881	488,970,000	(11,809,881)	(421,540,000)	857,885,000	13,450,000
Bond premiums/discounts	13,398,341	17,700,355	(4,845,515)	5,583,197	31,836,378	-
Debt issuance costs	(18,241,235)	(15,057,700)	658,771	5,117,213	(27,522,951)	-
Total bonds payable, net	797,421,987	491,612,655	(15,996,625)	(410,839,590)	862,198,427	13,450,000
Lines of credit	25,000,000	152,929,931	(169,929,931)	-	8,000,000	8,000,000
Total	<u>\$ 822,421,987</u>	<u>\$ 644,542,586</u>	<u>\$ (185,926,556)</u>	<u>\$ (410,839,590)</u>	<u>\$ 870,198,427</u>	<u>\$ 21,450,000</u>

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, 2024:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:					
Series 2015A	\$ 100,850,000	\$ -	\$ (5,995,000)	\$ 94,855,000	\$ 2,475,000
Series 2018A	53,020,000	-	(53,020,000)	-	-
Series 2018C	602,222	-	(292,341)	309,881	309,881
Series 2018D	340,220,000	-	(4,815,000)	335,405,000	6,245,000
Series 2018E	2,915,000	-	(2,915,000)	-	-
Series 2021	49,630,000	-	(970,000)	48,660,000	1,010,000
Series 2022	108,865,000	-	-	108,865,000	1,770,000
Series 2024A	-	214,170,000	-	214,170,000	-
Total bonds payable	656,102,222	214,170,000	(68,007,341)	802,264,881	11,809,881
Bond premiums/discounts	3,863,324	8,507,967	1,027,050	13,398,341	-
Debt issuance costs	(12,399,315)	(6,869,860)	1,027,940	(18,241,235)	-
Total bonds payable, net	647,566,231	215,808,107	(65,952,351)	797,421,987	11,809,881
Lines of credit	50,000,000	10,000,000	(35,000,000)	25,000,000	-
Total	\$ 697,566,231	\$ 225,808,107	\$ (100,952,351)	\$ 822,421,987	\$ 11,809,881

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. During the year ended June 30, 2025, ILTexas defeased the Series 2015A bonds by depositing funds into an irrevocable trust to satisfy the 2015 indenture, discharging the debt and releasing ILTexas from future obligation.

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. The series 2018A bonds were paid off during the year ended June 30, 2024.

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. The series 2018E bonds were paid off during the year ended June 30, 2024. During the year ended June 30, 2025, ILTexas defeased the Series 2018D bonds by depositing funds into an irrevocable trust to satisfy the 2018 indenture, discharging the debt and releasing ILTexas from future obligation.

International Leadership of Texas, Inc.

Notes to Financial Statements

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.

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.

On February 29, 2024, ILTexas issued \$214,170,000 of Education Revenue Bonds – Series 2024A. The bonds mature serially each August 15, starting 2025 until 2053. 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.

On June 24, 2025, ILTexas issued \$427,595,000 of Education Revenue Bonds – Series 2025A and \$61,375,000 of Education Revenue Bonds – Series 2025B. The bonds mature serially each August 15, starting 2026 until 2055. 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, 2025 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.

International Leadership of Texas, Inc.
Notes to Financial Statements

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

	Principal	Interest	Total
2026	\$ 13,450,000	\$ 30,199,492	\$ 43,649,492
2027	15,740,000	38,808,275	54,548,275
2028	16,690,000	38,759,613	55,449,613
2029	17,610,000	37,960,581	55,570,581
2030	18,615,000	37,073,894	55,688,894
2031-2034	103,360,000	142,026,202	245,386,202
2035-2039	155,700,000	149,322,003	305,022,003
2040-2044	193,560,000	107,729,963	301,289,963
2045-2049	207,980,000	59,014,062	266,994,062
2050-2055	115,180,000	16,841,240	132,021,240
Total	<u>\$ 857,885,000</u>	<u>\$ 657,735,325</u>	<u>\$ 1,515,620,325</u>

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 daily Secured Overnight Financial Rate (SOFR) Index rate (4.45% at June 30, 2025) plus 2.25%. Interest payments are due monthly with principal due upon maturity on August 31, 2025. As of June 30, 2025, there were no advances outstanding on the line of credit and the Organization did not renew the line of credit.

In June 2023, ILTexas entered into a line of credit agreement with a bank; whereby, it may borrow up to \$85,000,000, with increasing interest due at the Daily SOFR Index rate (4.45% at June 30, 2025) plus 2.25%. Interest payments are due monthly with principal due upon maturity on June 15, 2026. As of June 30, 2025, \$8,000,000 in advances were outstanding 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, 2025 and 2024 totaled \$39,663,137 and \$34,476,096, respectively.

9. 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.

International Leadership of Texas, Inc.
Notes to Financial Statements

10. Contributions of Nonfinancial Assets

ILTexas received the following contributions of nonfinancial assets during the year ended June 30, 2025:

	Program	Administrative	Total
Commodities	\$ 103,761	\$ -	\$ 103,761
TRS On-Behalf	8,228,980	2,505,403	10,734,383
	<u>\$ 8,332,741</u>	<u>\$ 2,505,403</u>	<u>\$ 10,838,144</u>

ILTexas received the following contributions of nonfinancial assets during the year ended June 30, 2024:

	Program	Administrative	Total
Commodities	\$ 452,153	\$ -	\$ 452,153
TRS On-Behalf	7,443,809	1,489,686	8,933,495
	<u>\$ 7,895,962</u>	<u>\$ 1,489,686</u>	<u>\$ 9,385,648</u>

Commodities

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

TRS on-behalf

ILTexas received on-behalf payments in the form of benefits paid to Teacher Retirement System (TRS).

Commodities and TRS on-behalf contributions received during the years ended June 30, 2025 and 2024 were restricted by donor for specific uses.

11. Defined Benefit Pension Plan

Plan Description

ILTexas contributes to the 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

International Leadership of Texas, Inc.

Notes to Financial Statements

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 8.25% of their annual covered salary in 2025. ILTexas contributes 8.25% for new members of the first 90 days of employment, and the State of Texas contributes 8.25%. Additionally, ILTexas makes a 2% 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, 2025 and 2024, ILTexas contributed \$1,494,999 and \$1,302,571 to TRS, respectively. ILTexas also recognized additional on-behalf revenue and expense totaling \$10,734,383 and \$8,933,495 for the years ended June 30, 2025 and 2024, respectively, representing support provided by the state.

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, 2024 and 2023 totaled approximately \$243 billion and \$213 billion, respectively. Accumulated benefit obligation as of August 31, 2024 and 2023 totaled approximately \$272 billion and \$256 billion, respectively. The plan was 77.51% and 73.15% funded as of August 31, 2024 and 2023, respectively.

12. Health Care Coverage

During the years ended June 30, 2025 and 2024, full-time employees of ILTexas were covered by a health insurance plan. ILTexas contributed between \$450 and \$462 per month per employee. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for their dependents. All premiums were paid to licensed insurers.

13. 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.

International Leadership of Texas, Inc.

Notes to Financial Statements

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.

14. 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.

ILTexas' expenses by natural classification and function are as follows for the year ended June 30, 2025:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt Service	Total
Program Services:						
Instructional and instructional related services	\$ 154,755,413	\$ 14,766,618	\$ 10,033,070	\$ 1,448,371	\$ 25,268,598	\$ 206,272,070
Instructional and school leadership	6,886,055	14,348	156,567	935,824	1,115,817	9,108,611
Support services - student	21,010,802	12,265,418	1,061,589	2,248,432	5,107,543	41,693,784
Support services - nonstudent based	3,370,759	23,974,368	1,536,298	33,857,024	8,758,464	71,496,913
Ancillary services	442,908	1,974,369	34,103	2,001	342,499	2,795,880
Total program services	186,465,937	52,995,121	12,821,627	38,491,652	40,592,921	331,367,258
Support Services:						
Instructional and school leadership	18,480,015	24,730	205,456	460,390	2,676,269	21,846,860
Administrative support services	11,037,636	2,865,681	674,032	300,061	2,076,929	16,954,339
Support services - nonstudent based	4,232,764	748,059	1,405,340	2,161,223	1,193,239	9,740,625
Fundraising	-	585,836	33,489	83	-	619,408
Total support services	33,750,415	4,224,306	2,318,317	2,921,757	5,946,437	49,161,232
Total expenses	<u>\$ 220,216,352</u>	<u>\$ 57,219,427</u>	<u>\$ 15,139,944</u>	<u>\$ 41,413,409</u>	<u>\$ 46,539,358</u>	<u>\$ 380,528,490</u>

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, 2024:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt Service	Total
Program Services:						
Instructional and instructional related services	\$ 135,627,783	\$ 8,758,563	\$ 10,334,475	\$ 1,783,086	\$ 18,662,359	\$ 175,166,266
Instructional and school leadership	5,549,609	5,938	151,120	540,648	744,963	6,992,278
Support services - student	17,183,306	11,689,702	1,811,123	3,436,203	4,022,723	38,143,057
Support services - nonstudent based	3,471,335	20,124,284	2,149,083	25,380,172	6,096,402	57,221,276
Ancillary services	350,242	449	152,173	7,130	60,814	570,808
Total program services	162,182,275	40,578,936	14,597,974	31,147,239	29,587,261	278,093,685
Support Services:						
Instructional and school leadership	16,913,291	21,000	268,949	311,536	2,088,555	19,603,331
Administrative support services	7,025,311	922,592	908,098	163,911	1,121,550	10,141,462
Support services - nonstudent based	3,964,561	2,987,554	2,862,953	2,676,462	1,489,556	13,981,086
Fundraising	44,711	1,907,939	228,857	-	-	2,181,507
Total support services	27,947,874	5,839,085	4,268,857	3,151,909	4,699,661	45,907,386
Total expenses	\$ 190,130,149	\$ 46,418,021	\$ 18,866,831	\$ 34,299,148	\$ 34,286,922	\$ 324,001,071

15. 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.

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

	2025	2024
Financial assets at June 30:		
Cash and cash equivalents	\$ 50,933,286	\$ 86,004,384
Investments	47,292,192	2,143,249
Due from government agencies	52,923,870	51,263,965
Other receivables	149,072	104,409
Total financial assets available for general expenditure	\$ 151,298,420	\$ 139,516,007

16. Subsequent Events

ILTexas evaluated subsequent events through December 17, 2025, 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, 2025

Object Code	Description	Amount
6100	Payroll costs	\$ 220,216,352
6200	Professional and contracted services	57,219,427
6300	Supplies and materials	15,139,944
6400	Other operating costs	41,413,409
6500	Debt service	46,539,358
	Total expenses	<u>\$ 380,528,490</u>

International Leadership of Texas
Schedule of Assets
June 30, 2025

Description	Ownership Interest	
	Local	State
1110 Cash and cash equivalents	\$ -	\$ 50,933,286
1120 Investments	-	47,292,192
1510 Land	1,820,228	68,794,339
1520 Buildings and improvements	-	705,342,632
1531 Vehicles	-	11,359,643
1549 Furniture and equipment	-	50,313,785
1551 Right-of-use assets - operating leases	-	520,884
1580 Construction in progress	-	94,682,914
	<u>\$ 1,820,228</u>	<u>\$ 1,029,239,675</u>

International Leadership of Texas

Budgetary Comparison Schedule

Year Ended June 30, 2025

		Budgeted Amounts		Actual	Variance from
		Original	Final	Amounts	Final Budget
Revenue and support:					
Local support:					
5722	SSA- Local revenues from member districts	\$ -	\$ -	\$ 1,297,500	\$ 1,297,500
5742	Interest, dividends, gains, and losses	2,300,000	2,300,000	2,714,188	414,188
5743	Rent	-	-	158,706	158,706
5744	Foundations, other non-profit organizations, gifts, and bequests	622,500	622,500	-	(622,500)
5749	Other revenues from local sources	7,424,435	5,275,198	5,955,098	679,900
5751	Food service activity	-	-	1,506,869	1,506,869
5769	Miscellaneous revenues from intermediate sources	-	-	408,011	408,011
State program revenues:					
5811	Per capita apportionment	1,026,935	1,026,935	12,548,325	11,521,390
5812	Foundation school program entitlements	277,488,174	295,626,935	264,708,616	(30,918,319)
5829	State program revenue distributed by TEA	2,000,000	2,000,000	4,673,618	2,673,618
5831	Teacher Retirement or TRS Care - On-Behalf Payments	-	-	10,734,383	10,734,383
5849	Shared Service Arrangements	-	-	132,829	132,829
Federal program revenues:					
5920	Federal revenues distributed by TEA	51,429,912	48,105,568	46,669,831	(1,435,737)
5931	School health and related services	500,000	500,000	27,734	(472,266)
5949	Federal revenues distributed directly from the Federal Government	310,580	310,580	1,687,078	1,376,498
Total revenue and support		343,102,536	355,767,716	353,222,786	(2,952,941)
Expenses:					
11	Instruction	150,652,300	167,467,718	167,603,992	(136,274)
12	Instruction resources and media services	2,192,425	2,125,006	2,123,364	1,642
13	Curriculum and instructional staff development	11,061,387	11,283,142	11,276,116	7,026
21	Instructional leadership	5,745,792	7,214,471	7,992,794	(778,323)
23	School leadership	18,004,577	18,913,640	19,170,591	(256,951)
31	Guidance, counseling, evaluation services	13,204,058	13,270,780	13,263,125	7,655
32	Social work services	101,024	102,534	102,507	27
33	Health services	2,667,788	2,596,283	2,594,494	1,789
34	Student transportation	3,790,126	4,778,942	4,776,974	1,968
35	Food services	15,837,184	12,912,173	12,912,172	1
36	Extracurricular activities	3,068,879	2,938,569	2,936,969	1,600
41	General administration	10,267,620	11,843,652	14,877,410	(3,033,758)
51	Facilities maintenance and operations	50,002,890	57,059,873	56,831,723	228,150
52	Security and monitoring service	5,112,578	5,906,945	5,906,726	219
53	Data processing services	9,171,762	8,551,799	8,547,386	4,413
61	Community services	1,056,774	2,453,562	2,453,381	181
71	Debt service	41,326,537	46,202,923	46,539,358	(336,435)
81	Fundraising	2,074,000	619,458	619,408	50
Total expenses		345,337,701	376,241,470	380,528,490	(4,287,020)
Excess revenues over expenses from operations		(2,235,165)	(20,473,754)	(27,305,704)	1,334,079
Non-operating activities:					
7959	Other gains	-	-	2,115,775	(2,115,775)
8950	Loss on impairment	-	-	(3,057,716)	3,057,716
Total non-operating activities		-	-	(941,941)	941,941
Change in net assets		(2,235,165)	(20,473,754)	(28,247,645)	2,276,020
Net assets at beginning of year		74,591,893	74,591,893	74,591,893	20,370,637
Net assets at end of year		\$ 72,356,728	\$ 54,118,139	\$ 46,344,248	\$ 22,646,657

International Leadership of Texas
Education Programs Schedule
Year Ended June 30, 2025

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.	\$28,809,279
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)	\$7,001,803
	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	\$6,017,129
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)	\$2,154,059

International Leadership of Texas

Schedule of Real Property Ownership Interest

Year Ended June 30, 2025

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
BLK 6629 TR 11 ACS 26.65	7811 University Hills Blvd., Dallas, TX 75241	N/A		N/A	
BOWEN ADDITION Block 1 Lot 2A	4950 S. Bowen Rd., Arlington, TX 76017	26,252,831		26,252,831	
CHARTER SCHOOL ADDN Block A Lot 1	3501 Great Southwest Pkwy., Grand Prairie, TX 75052	28,321,762		28,321,762	
DUCK CREEK TOWNHOUSE BLK 1, LOT 20	3022 E. Park Dr., Garland, TX 75044	290,710		290,710	
GANDY, BLOCK 1, LOT 1, ACRES 14.38	3610 Longmire Dr., College Station, TX 77845	13,427,513		13,427,513	
GREENWAY BLK 1 LT 2A ACS 3.357	2021 Lakeside Blvd., Richardson, TX 75082	N/A		N/A	
ILTexas ADDN Block 1 Lot 1 LESS PORTION IN TIF D214060708	2301 Heritage Trace Pkwy., Ft. Worth, TX 76177	26,469,980		26,469,980	
ILTexas ADDN Block 1 Lot 1 PORTION IN TIF D214060708	2301 Heritage Trace Pkwy., Ft. Worth, TX 76177	33,318,855		33,318,855	
ILT AGGIELAND HIGH SCHOOL SUB, BLOCK 4, LOT 1, TRACT 5, 12.14 ACRES)	3700 Longmire Dr., College Station 77845	1,728,424		1,728,424	
ILT Texas BLK 1 LT 1 ACS 13.174	3301 N. Shiloh Rd., Garland, TX 75041	N/A		N/A	
ILT HS BLK 1 LOT 1 ACS 14.204	4685 N. Shiloh Rd. (listed as 4749), Garland, TX 75044	N/A		N/A	
ILTexas GP ADDN Block 1 Lot 1	2851 Ragland Rd., Grand Prairie, TX 75052	19,414,225		19,414,225	
ILTexas HS BLK 1 LOT 1 ACS 14.204	4413 N Shiloh Rd. (listed as 4749), Garland, TX 75044	N/A		N/A	
ILTexas HS BLK 1 LT 2 ACS 3.947	2650 Arapaho Rd. (listed as 2640), Garland, TX 75044	N/A		N/A	
LIBERTY AT BROADWAY MARKETPLACE (A0070 WDC HALL) (PEARLAND) BLK 1 LOT 1 (REPLAT) ACRES 16.4895	2468 E. Broadway St., Pearland, TX 77581	33,029,790		33,029,790	
LOT 1 BLK 1 IL TEXAS HERITAGE K-8 ADDN 24.1718 AC (formerly 616 J LAWRENCE 54.419 ACRES)	10701 Heritage Pkwy, Grand Prairie, TX 76065	28,335,144		28,335,144	
NORTHGLENN ADDN Block 1 Lot 1R	4131 Rufe Snow Dr., North Richland Hills, TX 76180	25,041,927		25,041,927	
PLEASANT RUN CHARTER SCHOOL BLK 1 LT 1 ACS 11.680	1900 W Pleasant Run Rd., Lancaster, TX 75146	N/A		N/A	
RES A BLK 1 EAST OREM CHARTER SCHOOL	5445 E Orem Dr. (also listed as 6735 1/2), Houston, TX 77048	N/A		N/A	
RES A BLK 1 PORTER FRANZ	24406 Franz Rd., Katy, TX 77493	N/A		N/A	
RES A WINDMILL LAKES SEC 1 R/P	9901 Windmill Lakes Blvd., Bldgs A-D, Houston, TX 77075	N/A		N/A	
RES A2 WINDMILL LAKES SEC 1 R/P	9901 Windmill Lakes Blvd. (listed as 0 Alemda Genoa Rd.), Bldgs A-D, Houston, TX 77075	N/A		N/A	
RES A3 WINDMILL LAKES SEC 1 R/P	9901 Windmill Lakes Blvd., Bldgs A-D, Houston, TX 77075	N/A		N/A	
RES B WINDMILL LAKES SEC 1 R/P	9898 Windmill Lakes Blvd. (listed as 9901), Houston, TX 77075	N/A		N/A	
RESERVE D, BLOCK 29, SANTA FE 6	4114 Road 5200, Cleveland, TX 77327	11,536,000		\$ 11,536,000	
RICHMOND ADDN - FT WORTH Block 28 Lot 1 PLAT D220093983 (14.60 @)	10421 Lakemont Dr., Ft. Worth, TX 76131	954,236		954,236	
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	18,407,884		18,407,884	
SAGINAW CHARTER SCH SUBD Block 1 Lot 1	500 N. Old Decatur Rd., Saginaw, TX 76179	25,583,962		25,583,962	
SANTA FE, SEC 8, BLOCK 119, LOT RESERVE H1, ACRES 39.78	1954 Road 5714, Cleveland, TX 77327	15,964,590		15,964,590	
SANTA FE, SEC 8, BLOCK 119, LOT RESERVE H1, ACRES 39.78	1040 Road 5740, Cleveland, TX 77327	N/A		N/A	
SANTA FE, SEC 8, BLOCK 119, LOT 6046, ACRES .18	2307 Road 5732, Cleveland, TX 77327	35,730		35,730	
SANTA FE, SEC 8, BLOCK 119, LOT 6086, ACRES .18	1148 Road 5740, Cleveland, TX 77327	35,730		35,730	
SPANISH OAKS APT ADDITION Block 1 Lot 1	5817 Boca Raton Blvd., Ft. Worth, TX 76112	303,831		303,831	
SUNBELT ADD Block A Lot 3 AKA WHIDDON ADDN	6460 S. State Hwy 360, Grand Prairie, TX 75052	123,623		123,623	
WOODHAVEN CNTRY CLUB ESTATES Block 14A Lot 1	5901 Boca Raton Blvd., Ft. Worth, TX 76112	19,079,811		19,079,811	
.3500 U/D IN RES A BLK 1 (14.7958) WESTPARK CHARTER SCHOOL	15300 Bellaire Blvd., Houston, TX 77083	N/A		N/A	
0062 WM MORTON, ACRES 0.078	1120 FM 359 Rd., Richmond, TX 77406	N/A		N/A	
0062 WM MORTON, ACRES 21.922, Block 1, IL Richmond, Unrestricted Reserve "A"	1120 FM 359 Rd., Richmond, TX 77406	N/A		N/A	
0171 JNO FREDERICK, ACRES 21.2802, Katy Westpark High School, Block 1, Unrestricted Reserve "A"	20055 Beechnut St., Richmond, TX 77407	N/A		N/A	
135 S M BLAIR 0.198 ACRES	10745 Davis Dr. (now known as Southgate Bend Dr.), Grand Prairie, TX 76065	5,600		5,600	

International Leadership of Texas
Schedule of Related Party Transactions
Year Ended June 30, 2025

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During Fiscal Year	Principal Balance Due
International Leadership of Texas Global	International Leadership of Texas	Subsidiary	Financial	Dorm Expenses/Supplies for J1 Teachers and international students	State	One Time	\$ 339,939	\$ -
International Leadership of Texas Global	International Leadership of Texas	Subsidiary	Financial	Travel Expenses to as part of regular travel of ILTexas Global Employees and students as part of regular school operations and events throughout school year.	State	Monthly	4,307	-
International Leadership of Texas Global	International Leadership of Texas	Subsidiary	Financial	Every Gift Counts Donations	N/A	One Time	17,616	-
International Leadership of Texas Global	International Leadership of Texas	Subsidiary	Financial	D&M Lease payments for J1 Teacher Car Rentals	State	Monthly	15,859	-

International Leadership of Texas
Schedule of Related Party Compensation and Benefits
Year Ended June 30, 2025

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During Fiscal Year
International Leadership of Texas Global	International Leadership of Texas	Subsidiary	Compensation	Monthly	Regular Payroll for ILTexas Global Employees	State	\$ 270,354
International Leadership of Texas Global	International Leadership of Texas	Subsidiary	Benefit	Monthly	TRS "non-on-behalf" contributions	State	14,180
International Leadership of Texas Global	International Leadership of Texas	Subsidiary	Benefit	Yearly	Insurance for International J1 Teachers Cultural Insurance Service Policy #23 CC008509	State	1,337,243



**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, 2025 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 December 17, 2025.

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 handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
December 17, 2025

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, 2025. 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, 2025.

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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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, as discussed below, we did identify a certain deficient in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on ILTexas' response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. ILTexas' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas
December 17, 2025

International Leadership of Texas, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

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	202424N109946/202525N109946	\$ 1,903,374
National School Lunch Program	10.555	202424N109946/202525N109946	9,529,882
Passed through Texas Department of Agriculture:			
National School Lunch Program - USDA Commodities	10.555	-	103,761
Total Child Nutrition Cluster			<u>11,537,017</u>
Total U.S. Department of Agriculture			11,537,017
U.S Department of Education			
Special Education Cluster:			
Passed through Texas Education Agency:			
Special Education Grants to States (IDEA, Part B)	84.027A	H027A230008/H027A240008	3,925,193
Special Education Preschool Grants (IDEA, Part B)	84.173A	H173A240004	<u>30,623</u>
Total Special Education Cluster			3,955,816
Passed through Texas Education Agency:			
Title I Grants to Local Educational Agencies	84.010A	S010A240043/S010A230043	11,177,476
Career and Technical Education - Basic Grants to States	84.048A	V048230043/V048240043	513,469
COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security	84.425W	S425W210045	21,981
COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security	84.425U	S425U210042	<u>14,647,319</u>
Total ALN 84.425			14,669,300
Student Support and Academic Enrichment Program	84.424A	S424A230045/S424A240045	451,620
Student Support and Academic Enrichment Program	84.424F	S424A220045	<u>24,437</u>
Total ALN 84.424			476,057
Grants for State Assessments and Related Activities	84.369A	S369A220045	23,180
Supporting Effective Instruction State Grants	84.367A	S367A230041/S367A240041	1,132,340
English Language Acquisition State Grants	84.365A	S365A230043/S365A240043	1,036,382
Education for Homeless Children and Youth	84.196A	S196A23045	1,085
Direct:			
Charter Schools	84.282M	-	<u>2,147,709</u>
Total U.S. Department of Education			35,132,814
U.S. Department of Defense:			
Direct:			
Promoting K-12 Student Achievement at Military-Connected Schools	12.556	-	<u>1,005,736</u>
Total U.S. Department of Defense			<u>1,005,736</u>
Total Expenditures of Federal Awards			<u>\$ 47,675,567</u>

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 \$103,761 for the year ended June 30, 2025.

3. Reconciliation of Schedule to Statement of Activities

ILTexas received federal revenue totaling \$709,076 that was not subject to the audit requirements of the Uniform Guidance and therefore was not included in the schedule.

International Leadership of Texas, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

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?	Yes
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)?	Yes
Identification of major federal programs or cluster:	
Title I	ALN 84.010
Child Nutrition Cluster	ALN 10.553/10.555
Dollar threshold used to distinguish between type A and type B programs:	\$1,430,267
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2025-001: Allowable Costs/Cost Principles – Significant deficiency in internal controls over compliance and compliance finding.

Title I ALN 84.010

Criteria: ILTexas is required to comply with allowable cost principles as detailed in 2 CFR 200, Subpart E.

International Leadership of Texas, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Condition: During allowable cost payroll testing for the program, one out of twenty-five samples selected contained unallowable costs, in violation of 2 CFR 200.431(i).

Cause: ILTexas terminated a program employee and paid out the remainder of their contract. The contract payout was charged to the grant in error.

Effect: Unallowable costs were erroneously charged to the grant. ILTexas has reduced a future grant billing to refund the uncollectable cost to the grantors.

Questioned costs: None reported.

Recommendation: ILTexas should implement controls over payroll that ensures unallowable costs, such as contract payouts, are detected and appropriately omitted from grant reimbursement requests.

Management's response: See corrective action plan.

Section IV – Summary of Prior Year Audit Findings

None

INTERNATIONAL LEADERSHIP OF TEXAS

FY25 Corrective Action Plan (CAP)

Finding:

During the audit, it was identified that severance pay for a former employee was charged to the Title I, Part A program. This expenditure is unallowable under 2 CFR §200.431(i), which permits severance payments only when reasonable, necessary, and consistent with written policy and prior approval requirements.

Root Cause:

The unallowable cost occurred due to a breakdown in internal controls among Payroll, HR, Finance, and Federal Programs. The Payroll Department processed the severance payment without verifying the funding source's allowability, and there was no secondary review by Finance, HR, or Federal Programs to identify and reclassify the cost prior to posting. This lack of coordinated oversight led to the unallowable charge to Title I, Part A.

Corrective Action Steps

1. Reimbursement of Unallowable Costs

- The organization will reimburse the Title I, Part A program from local funds for the total amount of severance pay charged in error.
- Documentation of the reimbursement (journal entry and general ledger report) will be retained in the audit file.

2. Policy and Procedure Revision

- The organization will revise its federal programs expenditure review, payroll, finance, and HR procedures to ensure all personnel-related transactions - including severance, stipends, and separation payments - are reviewed for federal allowability before processing.
- Payroll must verify the allowability of the funding source with the Federal Programs Office prior to processing any non-routine payments.
- HR will confirm appropriate coding and funding source alignment during separation processing.
- A pre-approval checklist will be implemented for all employee separation and severance actions.

INTERNATIONAL LEADERSHIP OF TEXAS

FY25 Corrective Action Plan (CAP)

3. Staff Training

- Payroll, HR, Finance, and Federal Programs staff will receive targeted training on EDGAR Subpart E (Cost Principles) and allowability standards under Title I, Part A.
- Training will emphasize cross-departmental accountability and the importance of accurate funding verification.
- Attendance and training documentation will be retained for audit records.

4. Ongoing Monitoring and Quality Control

- The Federal Programs Director, Payroll Director, Finance Director, and HR Director will jointly conduct quarterly monitoring reviews of payroll and personnel transactions charged to federal grants to verify allowability and compliance.
- The reviews will include reconciliation of HR separation records, Payroll disbursements, and Federal Programs expenditure reports.
- The first joint monitoring review will occur within 60 days of CAP approval.

Responsible Parties:

- **Chief Financial Officer (CFO):** Oversees reimbursement, approves policy updates, and ensures CAP implementation.
- **Finance Director:** Verifies accurate cost classification, supports monitoring reviews, and ensures compliance with fiscal controls.
- **Federal Programs Director:** Ensures compliance with federal allowability requirements and leads monitoring activities.
- **Payroll Supervisor:** Confirms allowability of all payroll transactions before disbursement.
- **HR Director:** Ensures accurate coding, separation documentation, and funding alignment for personnel actions.

INTERNATIONAL LEADERSHIP OF TEXAS

FY25 Corrective Action Plan (CAP)

Completion Timeline:

- **Reimbursement:** Within **30 days** of CAP submission.
- **Policy and Procedure Revision:** Within **45 days**.
- **Training and Monitoring Implementation:** Within **60 days**.

Verification of Implementation:

Evidence of completion - including reimbursement documentation, revised policies and procedures, training records, and the first monitoring report - will be submitted to the auditor and TEA as required.