

draft

International American Education Federation, Inc.

**Consolidated Financial Statements with Supplemental Information
and Compliance Reports**

June 30, 2020

International American Education Federation, Inc.
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**International American Education Federation, Inc.
Federal Employer Identification No. 27-4549127
County District No. 057-848
Certificate of Board**

We, the undersigned, certify that the attached Financial and Compliance Report of International American Education Federation, Inc. was reviewed and (check one) ___ approved ___ disapproved for the year ended June 30, 2020, at a meeting of the governing body of the charter holder on the ___th day of September, 2020.

Signature of Board Secretary

Signature of Board President

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Independent Auditors' Report

To the Board of Directors of
International American Education Federation, Inc.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International American Education Federation, Inc. (a nonprofit Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 – Global were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of International American Education Federation, Inc. as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 September 15, 2020 on our consideration of International American Education Federation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

International American Education Federation, Inc.

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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering International American Education Federation, Inc.'s internal control over financial reporting and compliance.

A Limited Liability Partnership

Arlington, Texas
September , 2020

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International American Education Federation, Inc.
Consolidated Statement of Financial Position
June 30, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 58,456,344
Restricted cash and cash equivalents	56,469,244
Due from government agencies	27,413,333
Accounts receivable	6,500
Other current assets	194,376

Total current assets	142,539,797
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Property and equipment, net	440,263,611
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Total assets	\$ 582,803,408
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 1,059,571
Accrued payroll	14,014,967
Accrued interest	13,365,876
Student activity funds	763,207
Deferred revenue	564,486
Other liability	649,062
Current maturities of finance lease liability	146,446
Current maturities of long-term debt	5,831,373

Total current liabilities	36,394,988
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Long-term liabilities:

Finance lease liability	157,855
Long-term debt, net of debt issuance costs	527,561,232

Total liabilities	564,114,075
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Net assets:

Without donor restrictions	2,396,423
With donor restrictions	16,292,910

Total net assets	18,689,333
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Total liabilities and net assets	\$ 582,803,408
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See notes to consolidated financial statements.

International American Education Federation, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Local support:			
SSA - Local revenues from member districts	\$ 2,131,394	\$ -	\$ 2,131,394
Interest, dividends, gains, and losses	629,581	-	629,581
Foundations, other non-profit organizations, gifts, and bequests	109,648	-	109,648
Other revenues from local sources	867,223	-	867,223
Food service activity	1,103,931	-	1,103,931
Total local support	4,841,777	-	4,841,777
State program revenues:			
Per capita apportionment	-	5,640,996	5,640,996
Foundation school program act revenue	-	180,681,158	180,681,158
State program revenue distributed by TEA	-	1,653,550	1,653,550
Total state program revenues	-	187,975,704	187,975,704
Federal program revenue:			
National school breakfast and lunch program	-	7,733,983	7,733,983
Federal program revenue distributed by TEA	-	6,251,270	6,251,270
Federal revenues distributed by other State of Texas agencies	-	6,906,250	6,906,250
Total federal program revenue	-	20,891,503	20,891,503
Net assets released from restrictions-			
Restrictions satisfied by payments	196,341,174	(196,341,174)	-
Total revenue and support	201,182,951	12,526,033	213,708,984

See notes to consolidated financial statements.

International American Education Federation, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Expenses:			
Instruction	\$ 92,334,474	\$ -	\$ 92,334,474
Instruction resources and media	883,303	-	883,303
Curriculum and instructional staff development	6,638,021	-	6,638,021
Instructional leadership	1,320,821	-	1,320,821
School leadership	9,408,778	-	9,408,778
Guidance, counseling and evaluation services	4,871,333	-	4,871,333
Social work services	88,658	-	88,658
Health services	1,429,905	-	1,429,905
Student transportation	1,229,552	-	1,229,552
Food services	10,102,452	-	10,102,452
Extracurricular activities	1,338,815	-	1,338,815
General administration	6,794,713	-	6,794,713
Facilities maintenance and operations	25,010,072	-	25,010,072
Security and monitoring services	1,487,898	-	1,487,898
Data processing services	5,202,734	-	5,202,734
Community services	1,617,074	-	1,617,074
Debt service	27,901,366	-	27,901,366
Fundraising	6,360	-	6,360
Total expenses	197,666,329	-	197,666,329
Excess of revenues over expenses from operations	3,516,622	12,526,033	16,042,655
Non-operating activities:			
Other gain	220,033	-	220,033
Total non-operating activities	220,033	-	220,033
Change in net assets	3,736,655	12,526,033	16,262,688
Net assets at beginning of year	(1,340,232)	3,766,877	2,426,645
Net assets at end year	\$ 2,396,423	\$ 16,292,910	\$ 18,689,333

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See notes to consolidated financial statements.

International American Education Federation, Inc.
Consolidated Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 16,262,688
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	13,800,184
Amortization of bond discount	(361,708)
Amortization of debt issuance costs	448,335
Changes in assets and liabilities:	
Due from government agencies	124,639
Accounts receivable	97,028
Other receivable	116,779
Other current assets	52,653
Accounts payable	(1,304,066)
Accrued payroll	1,325,253
Accrued interest	472,993
Student activity funds	(32,453)
Deferred revenue	(698,394)
Other liability	649,062
	<hr/>
Net cash provided by operating activities	30,952,993
Cash flows from investing activities:	
Proceeds from sale of investments	16,098,557
Purchases of property and equipment	(4,743,402)
	<hr/>
Net cash provided by investing activities	11,355,155
Cash flows from financing activities:	
Net proceeds from issuance of long-term debt	25,067,478
Principal payments on finance lease liabilities	(3,246,290)
Principal payments on long-term debt	(7,194,614)
	<hr/>
Net cash provided by financing activities	14,626,574
Net increase in cash and restricted cash and cash equivalents	56,934,722
Cash and restricted cash and cash equivalents at beginning of year	<hr/> 57,990,866
Cash and restricted cash and cash equivalents at end of year	<hr/> \$ 114,925,588 <hr/>
Reconciliation of cash and restricted cash and cash equivalents reported within the statement of financial position to the statement of cash flows:	
Cash and cash equivalents	\$ 58,456,344
Restricted cash and cash equivalents	56,469,244
	<hr/>
Cash and restricted cash and cash equivalents reported on the statement of cash flows	\$ 114,925,588 <hr/>
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 30,566,314
	<hr/>
Supplemental schedule of noncash investing and financing activities:	
Property and equipment acquired through finance lease	\$ 358,920
	<hr/>

See notes to consolidated financial statements.

International American Education Federation, Inc.

Notes to Consolidated Financial Statements

1. School and Nature of Activities

International American Education Federation, 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 five 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) and conducts other non-charter activities with and through International Leadership of Texas – Global, a separate not-for-profit corporation.

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 2400 students. This rapid growth has continued and, for the school year ended June 2020, ILTexas served over 19,100 students at 32 campuses among 19 locations. Now, at the opening of the 2020-2021 school year, ILTexas currently serves over 21,000 enrolled students.

International Leadership of Texas - Global (ILT Global) is a Texas not-for-profit corporation formed in 2014 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code with a mission to strengthen, enhance and support the advancement of ILTexas by engaging in fundraising and other charitable activities. ILT Global also operates a private school to serve ninth through twelfth grades with a primary focus of offering a Chinese cultural exchange program for the benefit of students in Texas and China. ILT Global partners with the Corporation's open-enrollment charter school to further support and facilitate cross-cultural educational models and methods.

ILT Global is included in these consolidated financial statements since the Corporation has a direct controlling interest and receives economic benefit from ILT Global. Intercompany transactions and balances are eliminated in the consolidation process. Unless otherwise noted, these consolidated entities are hereinafter referred to as the School. IL Texas receives support from the State of Texas Foundation School Fund, government grants and contributions. ILT Global is funded through tuition revenue, fees and donations.

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies

Basis of Accounting and Consolidated Financial Statement Presentation

The School prepares its consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (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.

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

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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, 2020 the School had no bank balances that were uninsured or without pledged collateral in the School's name.

During the year ended June 30, 2020, the School earned revenues of \$201,960,957 from the Texas Education Agency (TEA). These amounts constitute approximately 95% of total revenues earned. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the School to continue to provide the current level of educational services to its students.

Cash and Cash Equivalents

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

International American Education Federation, Inc.

Notes to Consolidated Financial Statements

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 an expected life greater than one year are capitalized.

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

Impairment of Long Lived Assets

The School reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. There were no indications of asset impairment during the year ended June 30, 2020.

Debt Issuance Costs and Original Issue Discounts

Debt issuance costs and original issue discounts represent costs incurred related to the issuance of bonds payable and are deferred as a direct deduction from the carrying amount of bonds payable and amortized using the interest method over the related bond period. Amortization expense is included in debt service in the accompanying consolidated statement 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 the School meeting certain criteria specified by the donors. Revenues from conditional promises to give are not recognized until the condition has been fulfilled, advances received from donors are recorded as deferred revenues until the condition has been fulfilled.

A portion of the School's 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 the School 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 consolidated statement of financial position. The School was awarded cost-reimbursable grants of \$6,673,059 that have not been received or recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

International American Education Federation, Inc.

Notes to Consolidated Financial Statements

The School 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 the School. No donated services were utilized that met the criteria to be recorded as revenue in the School's financial statements.

Tuition revenue is recognized over the period ILT Global provides services to students. Revenue is reported at the expected transaction price for customers based on historical experience and current market conditions. The estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience.

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic year. Generally, ILT Global bills students prior to the beginning of the academic year and student accounts receivable are due in full before classes begin unless the student has entered into a monthly payment plan. If a student withdraws during the academic year, the student is refunded based on a defined refund schedule. At year-end, there is no refund liability as the academic year is substantially complete. Accounts receivable are stated at the amount of consideration from students, of which the ILT Global has an unconditional right to receive. Balances are comprised of individually insignificant uncollateralized amounts from students and generally require payment either annually, semi-annually or monthly during the fiscal year. Accounts receivable balances older than sixty days are considered delinquent triggering collection efforts. Deferred tuition and fees consist of tuition and other fees collected in advance and are recognized as revenue over the school year.

Leases

The School accounts for two distinct types of leases, finance and operating which (i) requires lessees to record a right-of-use asset and a related liability for the rights and obligations associated with a lease, regardless of lease classification, and recognize lease expense in a manner similar to current accounting, (ii) eliminates current real estate specific lease provisions, (iii) modifies the lease classification criteria and (iv) aligns many of the underlying lessor model principles with those in the new revenue standard.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain premeasurements for the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the School's incremental borrowing rate. Generally, the School uses its incremental borrowing rate as a discount rate.

International American Education Federation, Inc.

Notes to Consolidated Financial Statements

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under the purchase option that the School is reasonably certain to exercise, lease payments in an optional renewal period if the School is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the School is reasonably certain not to early terminate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the School's estimate of the amount expected to be payable under a residual value guarantee, or if the School changes its assessment of whether it will exercise a purchase, extension or termination option.

The School has elected not to recognize right-of-use assets and lease liabilities for short term leases of furniture and equipment that have a lease term of 12 months or less and leases of low-value assets. The School recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Federal Income Taxes

ILTexas and ILT Global are organized as Texas nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. For the year ended June 30, 2020, the entities 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 consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing each entity's annual Form 990 and recognition of a tax liability (or asset) if the entity has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by each entity, and has concluded that as of June 30, 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

International American Education Federation, Inc.

Notes to Consolidated Financial Statements

Estimates and Assumptions

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

Contract Compliance

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

Personal Leave

All employees of the School earn five days of state personal and sick leave per year and three days of local personal 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.

Accounting Pronouncements Adopted

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The School adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* effective July 1, 2019, using the full retrospective method. Based on the School's review of its contracts with students, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard.

In conjunction with the adoption of ASU 2014-09, the School adopted the amendments of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective July 1, 2019, using the full retrospective method. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional.

Adoption of these ASUs had no impact on total beginning net assets, but resulted in additional disclosures and changes in presentation.

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

3. Restricted Cash and Cash Equivalents

Certain cash and cash equivalents are held in trust, which includes amounts required to be maintained in separate bank accounts in accordance with the 2015 and 2018 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, 2020:

Debt service reserve fund	\$ 38,393,858
Bond debt service fund (interest)	10,489,349
Bond debt service fund (principal)	6,815,740
Bond project and maintenance fund	652,792
Classroom consortium (ILT Global)	<u>117,505</u>
Total restricted cash and cash equivalents	<u><u>\$ 56,469,244</u></u>

4. Property and Equipment

Property and equipment consist of the following as of June 30, 2020:

Land	38,839,724
Buildings and improvements	429,746,529
Furniture and equipment	16,348,751
Vehicles	3,133,998
Construction in progress	<u>3,978,239</u>
Total property and equipment	492,047,241
Less accumulated depreciation	<u>(51,783,630)</u>
Property and equipment, net	<u><u>\$ 440,263,611</u></u>

Depreciation expense for the year ended June 30, 2020 totaled \$13,800,184.

5. Deferred Revenue

Deferred revenue consists of the following as of June 30, 2020:

Refundable advance	\$ 156,587
Deferred tuition and related fees	<u>407,899</u>
	<u><u>\$ 564,486</u></u>

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

Tuition and Related Fee Revenue

The following table provides information about significant changes in tuition and related fees paid in advance as of June 30, 2020:

Tuition and related fees paid in advance, beginning of year	\$ 1,262,880
Revenue recognized that was included in deferred tuition and related fees at the beginning of the year	(1,262,880)
Increase in tuition and related fees due to cash received during the year	<u>407,899</u>
Tuition and related fees paid in advance, end of year	<u><u>\$ 407,899</u></u>

6. Leases

Finance Leases

The School leases furniture and equipment totaling \$334,044 under finance leases at June 30, 2020. Accumulated depreciation on these assets totaled \$74,232 at June 30, 2020.

As of June 30, 2020 the School has a finance lease liability totaling \$304,301 bearing interest at the incremental borrowing rate of 4.625%.

The future expected payments for the years ending June 30 are as follows:

2021	\$ 160,317
2022	123,160
2023	39,880
Less amounts representing interest	<u>(19,056)</u>
Present value of future minimum lease payments	304,301
Less current maturities	<u>146,446</u>
Finance lease liability, net of current maturities	<u><u>\$ 157,855</u></u>

The majority of the leases contain purchase options exercisable by the School. The School intends to exercise these purchase options. The School assesses at lease commencement whether it is reasonably certain to exercise its purchase options. The School reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

7. Long-Term Debt

The following is a summary of changes in the School's total long-term debt for the year ended June 30, 2020.

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:					
Series 2015A	\$ 105,680,000	\$ -	\$ -	\$ 105,680,000	\$ 410,000
Series 2015B	3,550,000	-	(1,920,000)	1,630,000	1,630,000
Series 2018A	53,580,000	-	-	53,580,000	-
Series 2018B	1,570,000	-	(345,000)	1,225,000	465,000
Series 2018C	1,615,213	-	(231,561)	1,383,652	245,455
Series 2018D	344,220,000	-	-	344,220,000	-
Series 2018E	12,855,000	-	-	12,855,000	3,055,000
Bond discounts	(4,482,003)	(361,708)	-	(4,843,711)	-
Debt issuance costs	(7,853,149)	-	448,335	(7,404,814)	-
Total bonds payable	510,735,061	(361,708)	(2,048,226)	508,325,127	5,805,455
Notes payable	4,698,053	67,478	(4,698,053)	67,478	25,918
Lines of credit	-	25,000,000	-	25,000,000	-
Total	<u>\$ 515,433,114</u>	<u>\$ 24,705,770</u>	<u>\$ (6,746,279)</u>	<u>\$ 533,392,605</u>	<u>\$ 5,831,373</u>

On June 1, 2015 the School issued \$105,680,000 Education Revenue Bonds – Series 2015A and \$5,360,000 of taxable Education Revenue Bonds – Series 2015B. The bonds mature serially each August 5, starting 2018 until 2045. The bonds were issued as education revenue bonds, and have interest rates ranging from 4.625% to 6%, and are collateralized by a deed of trust and pledge of revenues of the School.

On September 15, 2018 the School issued \$53,580,000 Education Revenue Bonds – Series 2018A, \$1,570,000 of Taxable Education Revenue Bonds – Series 2018B, \$1,615,213 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 the School.

On December 20, 2018 the School issued \$344,220,000 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 the School.

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

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 the School must maintain operating reserves in an amount equal to at least forty five days of actual expenses for the year ended June 30, 2020 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 the School as of the end of the first fiscal year after the date of issuance and thereafter until the individual bond or notes have been paid in full. During the year ended June 30, 2020, the School was in compliance with the requirements in accordance with the master trust indenture. The required debt service payments to satisfy the requirements of the bonds are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,805,455	\$ 29,586,138	\$ 35,391,593
2022	8,295,182	29,237,593	37,532,775
2023	8,865,793	28,785,475	37,651,268
2024	9,352,341	28,300,102	37,652,443
2025	9,849,881	27,797,987	37,647,868
2026-2030	102,235,000	128,162,400	230,397,400
2031-2035	66,720,000	100,699,476	167,419,476
2036-2040	89,105,000	79,311,075	168,416,075
2041-2045	120,020,000	50,372,300	170,392,300
2046-2049	100,325,000	14,182,950	114,507,950
Total	<u>\$ 520,573,652</u>	<u>\$ 516,435,496</u>	<u>\$ 1,037,009,148</u>

As of June 30, 2019 the School had various notes payable with financial institutions totaling \$4,698,053 bearing interest at rates ranging from 4.85% to 5.75%. Principal and interest payments ranged from \$397 to \$135,306 and were due monthly until maturity ranging from June 2020 through September 2023. The notes payable were secured by vehicles and furniture and equipment. During the year ended June 30, 2020, the balance due on the notes payable was paid in full and retired.

In May 2020, ILT Global was granted a forgivable loan (Loan) from Liberty Capital Bank in the aggregate amount of \$67,478, pursuant to the Paycheck Protection Program (PPP) as part of the Cononavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The Loan matures on May 5, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 5, 2020. The Loan may be repaid by ILT Global at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments rent, utilities and interest on other debt obligations incurred before February 15, 2020. The School intends to use the entire Loan amount for qualifying expenses.

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

Under the terms of the Paycheck Protection Program (PPP), certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

In April 2020, the School entered into a line of credit agreement with a bank whereby it may borrow up to \$35,000,000, with interest due at the greater of 3.15% or LIBOR (.60% at June 30, 2020). Interest payments are due monthly with principal due upon maturity on April 23, 2023. As of June 30, 2020, \$15,000,000 in advances were outstanding on the agreements. The line is collateralized under the master trust indenture.

In April 2020, the School entered into a separate line of credit agreement with a bank whereby it may borrow up to \$10,000,000, with interest due at the greater of 4.00% or LIBOR (.60% at June 30, 2020). Interest payments are due monthly with principal due upon maturity on April 23, 2023. As of June 30, 2020, \$10,000,000 in advances were outstanding on the line of credit. The line is collateralized under the master trust indenture.

Future maturities on the lines of credit and note payable are as follows for the years ending June 30:

2021	\$	25,918
2022		41,560
2023		<u>25,000,000</u>
	\$	<u>25,067,478</u>

Interest expense on long-term debt for the year ended June 30, 2020 totaled \$27,279,763.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions represent state resources to be used for educational purposes.

9. Defined Benefit Pension Plan

The School participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS).

TRS's defined benefit pension plan (Plan) is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The Plan's Board of Trustees does not have the authority to establish or amend benefit terms.

International American Education Federation, Inc.

Notes to Consolidated Financial Statements

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the Plan. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas.

The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit.

There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound.

This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Assets contributed by one charter school or Independent School District (ISD) may be used for the benefit of an employee of another ISD or charter school. The unfunded obligations get passed along to the other charter schools and ISDs.

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

There is not a withdrawal penalty for leaving the TRS system. Information with respect to the Plan and the School's participation in the Plan for the year ended June 30, 2020 is as follows:

Legal Name of Plan:	Teacher Retirement System of Texas
EIN/Pension Plan Number:	N/A
Total Plan Assets:	\$183,275,667,769
Accumulated Benefit Obligations:	\$209,961,325,288
Plan funded percentage:	75.24% funded
Is plan covered by collective bargaining agreements?	No
Employer contributions to the plan:	\$2,101,501
Contributions greater than 5% of total plan contributions?	No
Contribution rates:	
Member	7.7%
Non-Employer Contributing Entity (State)	7.5%
Employers	7.5%

10. Health Care Coverage

During the year ended June 30, 2020, full-time employees of the School were covered by a health insurance plan. The School contributed \$367 per month per employee for the period from September 1, 2019 to June 30, 2020 to the plan.

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

11. Commitments and Contingencies

The School receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment.

Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the School 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 American Education Federation, Inc.

Notes to Consolidated Financial Statements

Litigation

The School 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, the School's management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the School's financial position.

Uncertainties

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. As result of the global coronavirus pandemic of 2020, the financial picture for school districts has seen an unanticipated change. To reduce the chance of spreading COVID-19, in March 2020, public schools were closed for in-person instruction through the remainder of the 2019-2020 school year. Immediately following the school closures, ILTexas deployed a virtual platform where teachers taught and students attended class remotely. While ILTexas did not miss a single day of instruction through the transition, there may be short and long-term implications for the instruction and student experience. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) was signed into law. On May 5, 2020, ILT Global received a loan in the amount of \$67,478 pursuant to the Paycheck Protection Program. ILT Global anticipates using all of the proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven.

The CARES Act also created Elementary and Secondary School Emergency Relief Fund (ESSER) specifically for emergency aid grants to public school districts for expenses related to the disruption of campus operations due to COVID-19 and also direct aid to cover costs associated with the significant changes to the delivery of instruction due to COVID-19.

The School's allotment totaled \$3,507,804 under this program. The ESSER allotment for the 2020-2021 school year is in place of the final Foundation School Program (FSP) allotment for the 2019-2020 school year; therefore the School has reduced FSP revenue for the year ended June 30, 2020 accordingly.

Charter schools are able to decide whether to provide instruction virtually or face to face for the 2020-2021 school year. Currently, it is not possible to estimate the full extent of any potential impacts to the School or to determine if any changes in fair values are other than temporary in nature. Accordingly, no adjustments to the financial statements were made as a result of these events.

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

12. Functional Allocation of Expenses

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 the School 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.

The School's expenses by natural classification and function are as follows for the year ended June 30, 2020:

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	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and Instructional related services	\$ 86,236,030	\$ 3,953,580	\$ 7,715,559	\$ 1,950,629	\$ 20,940,043	\$ 120,795,841
Instructional and school leadership	1,199,095	72,560	6,123	43,915	326,796	1,648,489
Support Services - Student	7,786,876	10,320,213	239,282	714,344	1,858,958	20,919,673
Support Services - Nonstudent based	2,088,999	10,235,695	752,742	13,420,534	535,696	27,033,666
Ancillary services	638,232	606,960	354,812	17,070	175,344	1,792,418
Total program services	97,949,232	25,189,008	9,068,518	16,146,492	23,836,837	172,190,087
Support Services:						
Instructional and school leadership	9,209,559	55,204	92,631	50,512	2,506,822	11,914,728
Administrative support services	4,464,679	871,333	76,684	1,382,017	1,127,473	7,922,186
Support services - nonstudent based	1,639,302	1,369,963	754,015	1,439,454	430,234	5,632,968
Fundraising	-	-	-	6,360	-	6,360
Total support services	15,313,540	2,296,500	923,330	2,878,343	4,064,529	25,476,242
Total expenses	\$ 113,262,772	\$ 27,485,508	\$ 9,991,848	\$ 19,024,835	\$ 27,901,366	\$ 197,666,329

International American Education Federation, Inc.
Notes to Consolidated Financial Statements

13. Liquidity and Availability of Resources

The School 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. The School 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 the School's 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.

The School's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

Financial assets at June 30, 2020:	
Cash and cash equivalents	\$ 58,456,344
Restricted cash and cash equivalents	56,469,244
Due from government agencies	27,413,333
Accounts receivable	<u>6,500</u>
	142,345,421
Less financial assets not available for general expenditure:	
Restricted cash and cash equivalents	<u>(45,979,895)</u>
Total financial assets available for general expenditure	<u><u>\$ 96,365,526</u></u>

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14. Subsequent Events

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

Supplemental Information

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International American Education Federation, Inc
Consolidating Statement of Financial Position
June 30, 2020

	International Leadership of Texas	International Leadership of Texas - Global	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 57,500,176	\$ 956,168	\$ -	\$ 58,456,344
Restricted cash and cash equivalents	56,351,739	117,505	-	56,469,244
Due from government agencies	27,413,333	-	-	27,413,333
Accounts receivable	-	6,500	-	6,500
Other current assets	194,376	-	-	194,376
Total current assets	141,459,624	1,080,173	-	142,539,797
Property and equipment, net	440,257,026	6,585	-	440,263,611
Total assets	\$ 581,716,650	\$ 1,086,758	\$ -	\$ 582,803,408
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 1,057,021	\$ 2,550	\$ -	\$ 1,059,571
Accrued payroll	14,014,967	-	-	14,014,967
Accrued interest	13,365,876	-	-	13,365,876
Student activity funds	734,252	28,955	-	763,207
Deferred revenue	156,587	407,899	-	564,486
Other liability	600,000	49,062	-	649,062
Current maturities of finance lease liability	146,446	-	-	146,446
Current maturities of long-term debt	5,805,455	25,918	-	5,831,373
Total current liabilities	35,880,604	514,384	-	36,394,988
Long-term liabilities:				
Finance lease liability	157,855	-	-	157,855
Long-term debt, net of debt issuance costs	527,519,672	41,560	-	527,561,232
Total liabilities	563,558,131	555,944	-	564,114,075
Net assets:				
Without donor restrictions	1,865,609	530,814	-	2,396,423
With donor restrictions	16,292,910	-	-	16,292,910
Total net assets	18,158,519	530,814	-	18,689,333
Total liabilities and net assets	\$ 581,716,650	\$ 1,086,758	\$ -	\$ 582,803,408

See notes to consolidated financial statements.

International American Education Federation, Inc
Consolidating Statement of Activities
Year Ended June 30, 2020

	International Leadership of Texas	International Leadership of Texas - Global	Eliminations	Total
Revenue and support:				
Local support:				
SSA - Local revenues from member districts	\$ 734,240	\$ 2,131,394	(734,240)	\$ 2,131,394
Interest, dividends, gains, and losses	629,581	-	-	629,581
Foundations, other non-profit organizations, gifts, and bequests	91,850	17,798	-	109,648
Other revenues from local sources	730,906	136,317	-	867,223
Food service activity	1,103,931	-	-	1,103,931
Total local support	3,290,508	2,285,509	(734,240)	4,841,777
State program revenues:				
Per capita apportionment	5,640,996	-	-	5,640,996
Foundation school program act revenue	180,681,158	-	-	180,681,158
State program revenue distributed by TEA	1,653,550	-	-	1,653,550
Total state program revenue	187,975,704	-	-	187,975,704
Federal program revenues:				
National school breakfast and lunch program	7,733,983	-	-	7,733,983
Federal program revenue distributed by TEA	6,251,270	-	-	6,251,270
Federal revenues distributed by other State of Texas agencies	6,906,250	-	-	6,906,250
Total federal program revenue	20,891,503	-	-	20,891,503
Total revenue and support	212,157,715	2,285,509	(734,240)	213,708,984

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See notes to consolidated financial statements.

International American Education Federation, Inc
Consolidating Statement of Activities
Year Ended June 30, 2020

	International Leadership of Texas	International Leadership of Texas - Global	Eliminations	Total
Expenses:				
Instruction	\$ 92,039,160	\$ 1,029,554	\$ (734,240)	\$ 92,334,474
Instruction resources and media	883,303	-	-	883,303
Curriculum and instructional staff development	6,638,021	-	-	6,638,021
Instructional leadership	1,320,821	-	-	1,320,821
School leadership	9,408,778	-	-	9,408,778
Guidance, counseling, evaluation services	4,871,333	-	-	4,871,333
Social work services	88,658	-	-	88,658
Health services	1,429,905	-	-	1,429,905
Student transportation	1,229,552	-	-	1,229,552
Food services	10,102,452	-	-	10,102,452
Extracurricular activities	1,338,815	-	-	1,338,815
General administration	5,764,872	1,029,841	-	6,794,713
Facilities maintenance and operations	25,010,072	-	-	25,010,072
Security and monitoring services	1,487,898	-	-	1,487,898
Data processing services	5,202,734	-	-	5,202,734
Community services	1,617,074	-	-	1,617,074
Debt service	27,901,366	-	-	27,901,366
Fundraising	6,360	-	-	6,360
Total expenses	<u>196,341,174</u>	<u>2,059,395</u>	<u>(734,240)</u>	<u>197,666,329</u>
Excess of revenues over expenses from operations	15,816,541	226,114	-	16,042,655
Non-operating activities:				
Other gain	220,033	-	-	220,033
Total non-operating activities	<u>220,033</u>	<u>-</u>	<u>-</u>	<u>220,033</u>
Change in net assets	16,036,574	226,114	-	16,262,688
Net assets at beginning of year	<u>2,121,945</u>	<u>304,700</u>	<u>-</u>	<u>2,426,645</u>
Net assets at end of year	<u>\$ 18,158,519</u>	<u>\$ 530,814</u>	<u>\$ -</u>	<u>\$ 18,689,333</u>

See notes to consolidated financial statements.

Supplemental Information Required by TEA

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International Leadership of Texas
Statement of Financial Position
June 30, 2020

Assets

Current assets:	
Cash and cash equivalents	\$ 57,500,176
Restricted cash and cash equivalents	56,351,739
Due from government agencies	27,413,333
Other current assets	<u>194,376</u>
Total current assets	141,459,624
Property and equipment, net	<u>440,257,026</u>
Total assets	<u><u>\$ 581,716,650</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 1,057,021
Accrued payroll	14,014,967
Accrued interest	13,365,876
Student activity funds	734,252
Deferred revenue	156,587
Other liability	600,000
Current maturities of finance lease liability	146,446
Current maturities of long-term debt	<u>5,805,455</u>
Total current liabilities	35,880,604
Long-term liabilities:	
Finance lease liability	157,855
Long-term debt, net of debt issuance costs	<u>527,519,672</u>
Total liabilities	563,558,131
Net assets:	
Without donor restrictions	1,865,609
With donor restrictions	<u>16,292,910</u>
Total net assets	<u>18,158,519</u>
Total liabilities and net assets	<u><u>\$ 581,716,650</u></u>

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See notes to consolidated financial statements.

International Leadership of Texas
Statement of Activities
Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Local support:			
5722 SSA - Local revenues from member districts	\$ 734,240	\$ -	\$ 734,240
5742 Interest, dividends, gains, and losses	629,581	-	629,581
5744 Foundations, other non-profit organizations, gifts, and bequests	91,850	-	91,850
5749 Other revenues from local sources	730,906	-	730,906
5751 Food service activity	1,103,931	-	1,103,931
Total local support	3,290,508	-	3,290,508
State program revenues:			
5811 Per capita apportionment	-	5,640,996	5,640,996
5812 Foundation school program act revenue	-	180,681,158	180,681,158
5829 State program revenue distributed by TEA	-	1,653,550	1,653,550
Total state program revenue	-	187,975,704	187,975,704
Federal program revenues:			
5921 National school breakfast and lunch program	-	7,733,983	7,733,983
5929 Federal program revenue distributed by TEA	-	6,251,270	6,251,270
5939 Federal revenues distributed by other State of Texas agencies	-	6,906,250	6,906,250
Total federal program revenue	-	20,891,503	20,891,503
Net assets released from restrictions			
Restrictions satisfied by payments	196,341,174	(196,341,174)	-
Total revenue and support	199,631,682	12,526,033	212,157,715

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See notes to consolidated financial statements.

International Leadership of Texas
Statement of Activities
Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Expenses:			
11 Instruction	\$ 92,039,160	\$ -	\$ 92,039,160
12 Instruction resources and media	883,303	-	883,303
13 Curriculum and instructional staff development	6,638,021	-	6,638,021
21 Instructional leadership	1,320,821	-	1,320,821
23 School leadership	9,408,778	-	9,408,778
31 Guidance, counseling, evaluation services	4,871,333	-	4,871,333
32 Social work services	88,658	-	88,658
33 Health services	1,429,905	-	1,429,905
34 Student transportation	1,229,552	-	1,229,552
35 Food services	10,102,452	-	10,102,452
36 Extracurricular activities	1,338,815	-	1,338,815
41 General administration	5,764,872	-	5,764,872
51 Facilities maintenance and operations	25,010,072	-	25,010,072
52 Security and monitoring services	1,487,898	-	1,487,898
53 Data processing services	5,202,734	-	5,202,734
61 Community services	1,617,074	-	1,617,074
71 Debt service	27,901,366	-	27,901,366
81 Fundraising	6,360	-	6,360
Total expenses	<u>196,341,174</u>	<u>-</u>	<u>196,341,174</u>
Excess of revenues over expenses from operations	3,290,508	12,526,033	15,816,541
Non-operating activities:			
7959 Other gain	220,033	-	220,033
Total non-operating activities	<u>220,033</u>	<u>-</u>	<u>220,033</u>
Change in net assets	3,510,541	12,526,033	16,036,574
Net assets (deficit) at beginning of year	<u>(1,644,932)</u>	<u>3,766,877</u>	<u>2,121,945</u>
Net assets at end of year	<u>\$ 1,865,609</u>	<u>\$ 16,292,910</u>	<u>\$ 18,158,519</u>

See notes to consolidated financial statements.

International Leadership of Texas
Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	\$ 16,036,574
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	13,796,891
Amortization of bond premium	(361,708)
Amortization of debt issuance costs	448,335
Changes in assets and liabilities:	
Due from government agencies	124,639
Other receivable	116,779
Other current assets	46,149
Accounts payable	(1,264,424)
Accrued payroll	1,325,253
Accrued interest	472,993
Student activity funds	(61,408)
Deferred revenue	(220,168)
Other liability	600,000
Net cash provided by operating activities	<u>31,059,905</u>
Cash flows from investing activities:	
Proceeds from sale of investments	16,098,557
Purchases of property and equipment	<u>(4,743,402)</u>
Net cash provided by investing activities	11,355,155
Cash flows from financing activities:	
Net proceeds from issuance of long-term debt	25,000,000
Principal payments on finance lease liabilities	(3,246,290)
Principal payments on long-term debt	<u>(7,194,614)</u>
Net cash provided by financing activities	<u>14,559,096</u>
Net increase in cash and cash equivalents	56,974,156
Cash and restricted cash and cash equivalents at beginning of year	<u>56,877,759</u>
Cash and restricted cash and cash equivalents at end of year	<u><u>\$ 113,851,915</u></u>
Reconciliation of cash and restricted cash and cash equivalents reported within the statement of financial position to the statement of cash flows:	
Cash and cash equivalents	\$ 57,500,176
Restricted cash and cash equivalents	<u>56,351,739</u>
Cash and restricted cash and cash equivalents reported on the statement of cash flows	<u><u>\$ 113,851,915</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u><u>\$ 30,566,314</u></u>
Supplemental schedule of noncash investing and financing activities:	
Property and equipment acquired through finance lease	<u><u>\$ 358,920</u></u>

See notes to consolidated financial statements.

International Leadership of Texas
Schedule of Expenses
Year Ended June 30, 2020

<u>Object Code</u>	<u>Description</u>	<u>Amount</u>
6100	Payroll costs	\$112,896,724
6200	Professional and contracted services	27,393,678
6300	Supplies and materials	9,826,565
6400	Other operating costs	18,322,841
6500	Debt service	<u>27,901,366</u>
	Total expenses	<u>\$196,341,174</u>

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International Leadership of Texas
Schedule of Capital Assets
June 30, 2020

Description	Ownership Interest	
	Local	State
1510 Land	\$ 519,788	\$ 38,319,936
1520 Buildings and improvements	4,376,666	425,369,863
1531 Vehicles	74,806	3,059,192
1549 Furniture and equipment	743,325	15,595,548
1580 Construction in progress	-	3,978,239
1570 Accumulated depreciation	(1,022,634)	(50,757,703)
	<u>\$ 4,691,951</u>	<u>\$ 435,565,075</u>

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International Leadership of Texas
Budgetary Comparison Schedule
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenue and support:				
Local support:				
5722 SSA- Local revenues from member districts	\$ 650,000	\$ 734,240	\$ 734,240	\$ -
5742 Interest, dividends, gains, and losses	-	629,581	629,581	-
5744 Foundations, other non-profit organizations, gifts, and bequests	3,500	91,850	91,850	-
5749 Other revenues from local sources	695,650	730,906	730,906	-
5750 Food service activity	1,679,620	1,103,931	1,103,931	-
State program revenues:				
5811 Per capita apportionment	7,010,453	5,640,996	5,640,996	-
5812 Foundation school program act revenue	177,928,767	180,681,158	180,681,158	-
5829 State program revenue distributed by TEA	1,907,000	1,653,550	1,653,550	-
Federal program revenues:				
5920 Federal program revenue distributed by TEA	22,301,630	20,891,503	20,891,503	-
Total revenue and support	212,176,620	212,157,715	212,157,715	-
Expenses:				
11 Instruction	97,778,651	92,039,160	92,039,160	-
12 Instruction resources and media	1,014,102	883,303	883,303	-
13 Curriculum and instructional staff development	8,260,031	6,638,021	6,638,021	-
21 Instructional leadership	1,537,749	1,320,821	1,320,821	-
23 School leadership	9,653,236	9,408,778	9,408,778	-
31 Guidance, counseling, evaluation services	5,530,639	4,871,333	4,871,333	-
32 Social work services	110,891	88,658	88,658	-
33 Health services	1,783,625	1,429,905	1,429,905	-
34 Student transportation	1,719,724	1,229,552	1,229,552	-
35 Food services	8,388,928	10,102,452	10,102,452	-
36 Extracurricular activities	1,916,646	1,338,815	1,338,815	-
41 General administration	5,742,511	5,764,872	5,764,872	-
51 Facilities maintenance and operations	24,874,420	25,010,072	25,010,072	-
52 Security and monitoring service	2,434,988	1,487,898	1,487,898	-
53 Data processing services	6,287,083	5,202,734	5,202,734	-
61 Community services	1,245,190	1,617,074	1,617,074	-
71 Debt service	31,789,635	27,901,366	27,901,366	-
81 Fundraising	-	6,360	6,360	-
Total expenses	210,068,049	196,341,174	196,341,174	-
Excess revenues over expenses from operations	2,108,571	15,816,541	15,816,541	-
Non-operating activities:				
7959 Other gain	-	220,033	220,033	-
Total non-operating activities	-	220,033	220,033	-
Change in net assets	2,108,571	16,036,574	16,036,574	-
Net assets at beginning of year	2,121,945	2,121,945	2,121,945	-
Net assets at end of year	\$ 4,230,516	\$ 18,158,519	\$ 18,158,519	\$ -

See notes to consolidated financial statements.

Compliance Reports

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**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***

Board of Directors
International American Education Federation, Inc.

We have audited the consolidated financial statements of International American Education Federation, Inc. (School) (a nonprofit Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 15, 2020. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The consolidated financial statements of International Leadership of Texas – Global were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with International Leadership of Texas – Global.

Internal Control over Financial Reporting

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In planning and performing our audit of the consolidated financial statements, we considered the School's 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s 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 the School’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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A Limited Liability Partnership

Arlington, Texas
September , 2020

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

Board of Directors
International American Education Federation, Inc.

Report on Compliance for Each Major Federal Program

We have audited International American Education Federation, Inc.'s (School) (a nonprofit Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2020. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A Limited Liability Partnership

Arlington, Texas
September , 2020

International American Education Federation, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to consolidated financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs or cluster:

Child Nutrition Cluster	CFDA 10.553 and 10.555
Charter School Program	CFDA 84.282A
Child and Adult Care Food Program	CFDA 10.558

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

Audit findings: None

Section III – Federal Award Findings and Questioned Costs

Audit findings: None

Section IV – Summary of Prior Year Audit Findings

Audit findings: None

International American Education Federation, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through Texas Education Agency:			
School Breakfast Program	10.553	71401901	\$ 1,733,546
National School Lunch Program	10.555	71301901	5,665,361
Passed through Texas Department of Agriculture:			
Commodities - Noncash assistance	10.555	3001201	<u>335,076</u>
Total Child Nutrition Cluster			7,733,983
Child and Adult Care Food Program	10.558	N/A	<u>1,624,265</u>
Total U.S. Department of Agriculture			9,358,248
U.S. Department of Education:			
Passed through Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010A	2061014057848	484,820
Passed through Region X Education Service Center:			
ESEA Title I Part A - Improving Basic Programs	84.010A	2061014057848	<u>3,994,504</u>
Total CFDA 84.010			4,479,324
Passed through Texas Education Agency:			
Special Education-Grants to States (IDEA, Part B)	84.027A	206600010578486000	2,470,907
Charter School Program	84.282A	185901017110013	2,497,657
Career and Technical - Basic Grant	84.048	20420006057848	207,088
Passed through Region X Education Service Center:			
ESEA Title II Part A - Teacher & Principal Training	84.367A	20694501057848	548,430
Summer School LEP	84.369A	69551902	286,517
Title III, Language Instruction LEP	84.365A	20671001057848	<u>452,534</u>
Total U.S. Department of Education			10,942,457
U.S. Department of Health and Human Services			
Passed through State Department of Health and Human Services:			
Medicaid Administrative Claiming Program	93.778	N/A	<u>46,531</u>
Total Expenditures of Federal Awards			<u><u>\$ 20,347,236</u></u>

See notes to schedule of expenditures of federal awards.

International American Education Federation, 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 the International American Education Federation, Inc. (School). 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 the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

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

2. Non-Cash Federal Awards

The School received non-cash awards in the form of food commodities totaling \$335,076 for the year ended June 30, 2020.