Leadership Education Foundation – Arrow Academy

Financial Statements
and Single Audit Reports
for the year ended August 31, 2025 – Reissued

Leadership Education Foundation – Arrow Academy

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ARROW ACADEMY
A Leadership Education Foundation School

LEADERSHIP education FOUNDATION

LEADERSHIP EDUCATION FOUNDATION

CERTIFICATE OF BOARD

FEBRUARY 18, 2026

Leadership Education Foundation	Brazos	021-805	74-2636905
Name of Charter Holder	County	Co. Dist. Number	Federal EIN

We, the undersigned, certify that the attached financial and compliance report of the above-named charter holder was reviewed and (check one) ___✓__ approved _____ disapproved for the year ended August 31, 2025, at a meeting of the governing body of the charter holder on the 18th day of February 2026.

_Carmen Maxwell_____ __David Shellenberger_____

Signature of Board Secretary Signature of Board Chairman

If the governing body of the charter holder does not approve the independent auditors' report, the reason(s) for disapproving it is (are): (attach list as necessary)

Independent Auditors' Report – Reissued

To the Board of Directors of
Leadership Education Foundation – Arrow Academy:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leadership Education Foundation – Arrow Academy (Arrow Academy), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arrow Academy as of August 31, 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.

Basis for Opinion

We conducted our audits in accordance with 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. 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 Arrow Academy 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Arrow Academy's ability to continue as a going concern for 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Arrow Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arrow Academy's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information and Reissuance of Supplementary Information to Correct an Error

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information on pages 14-27 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The accompanying supplementary information on page 32 included in the schedule of expenditures of federal awards for the year ended August 31, 2025 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes 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 and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The supplementary information on page 17 was corrected to properly report 2025 changes in operating cash flow from amortization of right-of-use assets and lease liabilities. There was no impact on net cash provided by operating activities.

Unaudited Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The explanation for budget variances on page 28 and the schedule of real property ownership interest on page 29 are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the financial statements. The explanation for budget variances and the schedule of real property ownership interest have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2026 on our consideration of Arrow Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 Arrow Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arrow Academy's internal control over financial reporting and compliance.

Blazek & Vetterling

February 18, 2026

Leadership Education Foundation – Arrow Academy

Statements of Financial Position as of August 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash	$ 3,383,834	$ 3,393,540
Certificates of deposit	213,458	206,636
Government grants and other receivables	1,053,554	1,778,926
Prepaid expenses	65,223	87,856
Total current assets	4,716,069	5,466,958
Capital assets:		
Right-of-use assets – operating *(Note 5)*	1,183,687	2,690,564
Furniture and equipment, net *(Note 3)*	24,637	15,611
Total capital assets	1,208,324	2,706,175
TOTAL ASSETS	$ 5,924,393	$ 8,173,133
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 84,493	$ 98,322
Accrued payroll expenses	357,159	372,187
Operating lease liabilities *(Note 5)*	568,327	613,210
Refundable advance	38,587	38,587
Total current liabilities	1,048,566	1,122,306
Operating lease liabilities *(Note 5)*	615,360	2,077,354
Total liabilities	1,663,926	3,199,660
Net assets:		
Without donor restrictions *(Note 6)*	270,731	276,338
With donor restrictions *(Note 7)*	3,989,736	4,697,135
Total net assets	4,260,467	4,973,473
TOTAL LIABILITIES AND NET ASSETS	$ 5,924,393	$ 8,173,133

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statement of Activities for the year ended August 31, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants *(Note 8)*		$ 6,796,045	$ 6,796,045
Contributions	$ 11,081	17,031	28,112
Other revenue	59,987	10,743	70,730
Total revenue	71,068	6,823,819	6,894,887
Net assets released from restrictions:			
Program expenditures	7,531,218	(7,531,218)	
Total	7,602,286	(707,399)	6,894,887
EXPENSES:			
Program services	6,885,326		6,885,326
Management and general	722,567		722,567
Total expenses	7,607,893		7,607,893
CHANGES IN NET ASSETS	(5,607)	(707,399)	(713,006)
Net assets, beginning of year	276,338	4,697,135	4,973,473
Net assets, end of year	$ 270,731	$ 3,989,736	$ 4,260,467

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statement of Activities for the year ended August 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants *(Note 8)*		$ 9,246,595	$ 9,246,595
Contributions	$ 11,562		11,562
Other revenue	40,471	5,419	45,890
Total revenue	52,033	9,252,014	9,304,047
Net assets released from restrictions:			
Program expenditures	8,577,345	(8,577,345)	
Total	8,629,378	674,669	9,304,047
EXPENSES:			
Program services	7,913,624		7,913,624
Management and general	708,631		708,631
Total expenses	8,622,255		8,622,255
CHANGES IN NET ASSETS	7,123	674,669	681,792
Net assets, beginning of year	269,215	4,022,466	4,291,681
Net assets, end of year	$ 276,338	$ 4,697,135	$ 4,973,473

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statements of Functional Expenses for the years ended August 31, 2025 and 2024

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	2025 TOTAL EXPENSES
Salaries and employee benefits	$ 4,559,941	$ 305,698	$ 4,865,639
Contracted services	501,112	250,539	751,651
Rental expense	661,143	20,237	681,380
Food services	410,090		410,090
Supplies	248,479	24,301	272,780
Maintenance and repairs	185,908		185,908
Transportation	110,985		110,985
Utilities	80,772	2,792	83,564
Travel and training	59,390	1,928	61,318
Professional fees and dues		53,427	53,427
Insurance		24,884	24,884
Depreciation	4,515		4,515
Other	62,991	38,761	101,752
Total expenses	$ 6,885,326	$ 722,567	$ 7,607,893

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	2024 TOTAL EXPENSES
Salaries and employee benefits	$ 5,227,439	$ 270,688	$ 5,498,127
Contracted services	448,828	280,961	729,789
Rental expense	780,316	17,237	797,553
Food services	519,768		519,768
Supplies	324,944	27,426	352,370
Maintenance and repairs	241,996		241,996
Transportation	113,490		113,490
Utilities	141,953	1,696	143,649
Travel and training	42,972	1,548	44,520
Professional fees and dues		50,740	50,740
Insurance		23,756	23,756
Depreciation	3,065		3,065
Other	68,853	34,579	103,432
Total expenses	$ 7,913,624	$ 708,631	$ 8,622,255

See accompanying notes to financial statements.

Leadership Education Foundation – Arrow Academy

Statements of Cash Flows for the years ended August 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (713,006)	$ 681,792
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,514	3,065
Amortization of right-of-use assets	661,143	652,958
Changes in operating assets and liabilities:		
Government grants and other receivables	725,372	(473,144)
Prepaid expenses	22,633	24,606
Accounts payable and accrued expenses	(13,829)	(1,329)
Accrued payroll expenses	(15,028)	31,130
Lease liabilities	(661,143)	(652,958)
Net cash provided by operating activities	10,656	266,120
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(6,822)	(206,636)
Purchases of furniture and equipment	(13,540)	
Net cash used by investing activities	(20,362)	(206,636)
NET CHANGE IN CASH	(9,706)	59,484
Cash, beginning of year	3,393,540	3,334,056
Cash, end of year	$ 3,383,834	$ 3,393,540
Supplemental disclosure of cash flow information:		
Reduction in right-of-use asset and lease liability due to modification of lease terms	$845,734	

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Leadership Education Foundation – Arrow Academy (Arrow Academy) operates Texas Open-Enrollment Charter Schools under state charter #021805. The charter is held by Leadership Education Foundation and is operated under the name Arrow Academy. Four schools were in operation for the 2024-2025 school year located in Houston and Bryan, Texas, serving approximately 500 students from kindergarten through 6th grades. Arrow Academy is supported by state and federal grants provided by the Texas Education Agency and by private contributions. Leadership Education Foundation also provides consulting services that are outside of Arrow Academy's charter.

Federal income tax status – Arrow Academy is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(ii).

Concentration of credit risk – Cash deposits exceed the federally insured limit per depositor per institution. Amounts on deposit from federal and state sources that are in excess of the Federal Deposit Insurance Corporation limit of $250,000 are collateralized by a security agreement with the bank.

Certificates of deposit are carried at cost plus accrued interest.

Government grants receivable that are expected to be collected within one year are reported at net realizable value. All government grants are expected to be collected in fiscal year 2026, and thus no discount to estimate the present value of future cash flows is necessary. Management expects all amounts due to be collected in full, and thus no allowance for uncollectible receivables is provided.

Operating right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

Arrow Academy has made the following accounting policy elections:

Short-term leases – Arrow Academy elected to not apply the recognition requirements to short-term leases. Instead, these leases are recognized as expense on a straight-line basis over the lease term.

Discount rate – Arrow Academy elected to use the risk-free discount rate when the rate implicit in a lease is not readily determinable.

Furniture and equipment are reported at cost, if purchased, or at fair value at the date of gift, if donated. Arrow Academy recognizes depreciation using the straight-line method over the estimated useful lives of the assets, which range from 4 to 7 years. Arrow Academy capitalizes additions that have an individual cost of more than $10,000.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions restricted for acquisition of furniture and equipment are released when those assets are placed in service.

Government grants are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are subject to one or more barriers that must be overcome before Arrow Academy is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before the conditions have been met is reported as refundable advances.

Other revenue primarily represents campus activity fund contributions and other general donations.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific program activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of August 31 comprise the following:

	2025	2024
Financial assets:		
Cash	$ 3,383,834	$ 3,393,540
Certificates of deposit	213,458	206,636
Government grants and other receivables	1,053,554	1,778,926
Total financial assets available for general expenditure	$ 4,650,846	$ 5,379,102

Arrow Academy primarily relies on state and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Arrow Academy considers all expenditures related to its ongoing educational activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of Arrow Academy's liquidity management, financial assets have been structured to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash.

NOTE 3 – FURNITURE AND EQUIPMENT

Furniture and equipment are comprised of the following:

	2025	2024
Furniture and equipment, at cost	$ 958,376	$ 944,836
Accumulated depreciation	(933,739)	(929,225)
Furniture and equipment, net	$ 24,637	$ 15,611

Texas statutes state that property purchased with funds received by a charter school holder is considered to be public property for all purposes under state law and is to be held in trust by the charter school holder for the benefit of the students of the open enrollment charter school and may be used only for those purposes.

NOTE 4 – MANAGEMENT SERVICES AGREEMENT

Arrow Academy, LLC, a Delaware corporation, was formed to provide educational and administrative services for charter schools. Arrow Academy entered into an educational and administrative services agreement with Arrow Academy, LLC with an effective term through August 2025. The management fee under the agreement was based on the number of students enrolled in Arrow Academy schools and was approximately $368,000 for the year ended August 31, 2025 and $464,000 for the year ended August 31, 2024.

NOTE 5 – OPERATING LEASES

Arrow Academy leases certain buildings and office equipment in its operations that are classified as operating leases. Payments due under these lease contracts are fixed.

The components of lease costs for the year ended August 31 are as follows:

	2025	2024
Operating leases	$ 646,912	$ 775,692
Short-term leases	34,468	21,861
Total lease costs	$ 681,380	$ 797,553

Future payments due under operating leases as of August 31, 2025 are as follows:

2026	$ 568,327
2027	82,060
2028	82,060
2029	82,060
2030	82,060
Thereafter	433,093
Total undiscounted present value of lease liabilities	1,329,660
Less discount to present value	(145,973)
Total discounted present value of lease liabilities	$ 1,183,687

The weighted-average lease term is 73 and 114 months and the average risk-free discount rate is 3.06% and 3.57% as of August 31, 2025 and 2024, respectively. Arrow Academy determined that they will not exercise the renewal option for one of its operating leases during fiscal year 2025. The lease was remeasured to exclude the renewal period, reducing the operating lease right-of-use asset and lease liability in fiscal year 2025. One other lease has option renewal clauses that allow for the extension of the lease for three additional year terms. The extension clauses are entirely at the discretion of Arrow Academy and

Arrow Academy is reasonably certain it will exercise those options and has included them in the measurement of the right-of-use asset and lease liability. Arrow Academy could decide not to exercise those options if it is later determined not to be in the best interest of the schools. If Arrow Academy determines it is not in the best interest of the schools to extend the lease and allows the lease to expire without exercising a single option term, the weighted-average lease term would be 12 months.

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	2025	2024
Undesignated	$ 246,094	$ 260,727
State ownership interest:		
Furniture and equipment, net	24,637	15,611
Total net assets without donor restrictions	$ 270,731	$ 276,338

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2025	2024
Texas School Foundation Program	$ 3,986,793	$ 4,697,135
Child Nutrition Program	2,943	
Total net assets with donor restrictions	$ 3,989,736	$ 4,697,135

NOTE 8 – GOVERNMENT GRANTS

Arrow Academy is the recipient of government grants from various federal and state agencies. Arrow Academy has a charter with the Texas Education Agency, which provides significant funding for school operations. Should the charter not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Government grants include the following:

	2025	2024
State grants:		
Texas Education Agency Foundation School Program	$ 5,017,676	$ 6,159,388
Strong Foundations	274,092	10,982
TRS Care On-behalf payments	196,609	168,229
Safety and Facilities Enhancement	145,843	
Learning Accelerations Support Opportunities	106,405	237,261
School Safety and Security Grant	48,877	
Instructional materials	16,519	32,261
TCLAS-GR		128,741
Other state revenue	2,237	2,177
Total state grants	5,808,258	6,739,039
Federal grants:		
U. S. Department of Education	608,958	2,022,025
U. S. Department of Agriculture	378,829	485,531
Total federal grants	987,787	2,507,556
Total government grants	$ 6,796,045	$ 9,246,595

The grants from government funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Arrow Academy with the terms of the contracts. Management believes such disallowances, if any, would not be material to Arrow Academy's financial position or changes in net assets.

As of August 31, 2025, Arrow Academy has approximately $454,000 of conditional contributions from various government agencies. The contributions will be recognized as revenue when the conditions, which include performance of allowable activities and incurring allowable expenses, are met. Arrow Academy is party to other government awards for which the award amount is not specified by the grantor. Arrow Academy will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

NOTE 9 – MULTIEMPLOYER PENSION PLANS

Arrow Academy's full-time employees participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. TRS is a cost-sharing, multiemployer, defined benefit pension plan with plan year from September 1 to August 31. All risks and costs are not shared by Arrow Academy but are the liability of the State of Texas. TRS plan contribution rates are effective with TRS eligible compensation paid on or after September 1 of each plan year. TRS plan contribution rates are as follows:

	TRS PLAN YEAR 2025	TRS PLAN YEAR 2024
Member retirement contribution	8.25%	8.25%
State of Texas contribution	8.25%	8.25%
Arrow Academy public education contribution	2.00%	1.90%

Arrow Academy is required to pay the State of Texas contribution during the first 90 days of employment of a new TRS plan member.

TRS plan assets, obligation and funded status as of August 31 are as follows:

	TRS PLAN YEAR 2025	TRS PLAN YEAR 2024
Plan assets	$256.7 billion	$243.1 billion
Accumulated benefit obligations	$289.3 billion	$271.6 billion
Funded status	78.20%	77.50%

The Texas Public School Retired Employees Group Insurance Program (TRS-Care) is a multi-employer, cost-sharing defined benefit plan with plan year from September 1 to August 31. TRS-Care provides health insurance coverage for retirees who are members of the TRS pension systems with at least 10 years of service credit in the TRS pension system. TRS-Care plan contribution rates are effective with TRS eligible compensation paid on or after September 1 of each plan year. TRS-Care plan contribution rates are as follows:

	TRS-CARE PLAN YEAR 2025	TRS-CARE PLAN YEAR 2024
Member TRS-Care contribution	0.65%	0.65%
Arrow Academy TRS-Care contribution	0.75%	0.75%
State of Texas contribution	1.25%	1.25%

TRS-Care plan assets, obligation and funded status as of August 31 are as follows:

	TRS-CARE PLAN YEAR 2025	TRS-CARE PLAN YEAR 2024
Plan assets	$5.8 billion	$5.0 billion
Accumulated benefit obligations	$30.5 billion	$35.2 billion
Funded status	18.30%	13.70%

The risks of participating in a multiemployer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multiemployer 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 no withdrawal penalty for leaving TRS.

Arrow Academy recognized expenses of $254,643 and $343,796 for contributions to TRS and TRS-Care plans during the years ended August 31, 2025 and 2024, respectively. Arrow Academy's contributions do not represent more than 5% of the TRS' or TRS-Care's total contributions. The State of Texas matched approximately $197,000 and $168,000 on behalf of Arrow Academy's employees in 2025 and 2024, respectively, with respect to these plans.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 18, 2026, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Leadership Education Foundation – Arrow Academy

Charter #021805
Supplemental Statements of Financial Position as of August 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash	$ 3,352,594	$ 3,356,406
Government grants and other receivables *	1,054,199	1,780,387
Prepaid expenses	65,223	87,856
Total current assets	4,472,016	5,224,649
Capital assets:		
Right-of-use assets – operating	1,183,687	2,690,564
Furniture and equipment, net	24,637	15,611
Total capital assets	1,208,324	2,706,175
TOTAL ASSETS	$ 5,680,340	$ 7,930,824
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 84,493	$ 98,322
Accrued payroll expenses	357,159	372,187
Operating lease liabilities	568,327	613,210
Refundable advance	38,587	38,587
Total current liabilities	1,048,566	1,122,306
Operating lease liabilities	615,360	2,077,354
Total liabilities	1,663,926	3,199,660
Net assets:		
Without donor restrictions	26,678	34,029
With donor restrictions	3,989,736	4,697,135
Total net assets	4,016,414	4,731,164
TOTAL LIABILITIES AND NET ASSETS	$ 5,680,340	$ 7,930,824

Leadership Education Foundation – Arrow Academy

Charter #021805
Supplemental Statements of Activities by Function for the years ended August 31, 2025 and 2024

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS 2025	TOTALS 2024
REVENUE:					
Local support:					
5740	Other revenue from local sources *	$ 55,185	$ 26,870	$ 82,055	$ 40,061
5750	Co-curriculum/enterprising		904	904	1,354
	Total local support	55,185	27,774	82,959	41,415
State program revenue:					
5810	Foundation School Program Act Revenue		4,979,424	4,979,424	6,129,139
5820	State program revenue distributed by Texas Education Agency		632,225	632,225	441,671
5830	State program revenue distributed by State of Texas		196,609	196,609	168,229
	Total state program revenue		5,808,258	5,808,258	6,739,039
Federal program revenue:					
5920	Federal revenue distributed by the State of Texas Education Agency		987,787	987,787	2,504,718
5930	Federal revenue distributed by the State of Texas government agencies				2,838
	Total federal program revenue		987,787	987,787	2,507,556
Net assets released from restrictions:					
	Program expenditures	7,531,218	(7,531,218)		
	Total revenue	7,586,403	(707,399)	6,879,004	9,288,010

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805
Supplemental Statements of Activities by Function for the years ended August 31, 2025 and 2024 *(continued)*

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS 2025	TOTALS 2024
EXPENSES:					
11	Instruction	3,477,561		3,477,561	4,170,559
13	Curriculum development and instructional staff development	934,595		934,595	892,799
21	Instructional leadership	159,397		159,397	191,614
23	School leadership	497,632		497,632	597,471
31	Guidance counseling and evaluation services	156,708		156,708	80,866
33	Health services	1,810		1,810	2,189
34	Student transportation	110,985		110,985	113,490
35	Food services	441,589		441,589	563,446
41	General administration	453,744		453,744	524,606
51	Plant maintenance and operations	1,120,279		1,120,279	1,364,519
52	Security and monitoring services	190,185		190,185	52,362
53	Data processing services	45,449		45,449	55,091
61	Community services	3,820		3,820	1,780
	Total expenses	7,593,754		7,593,754	8,610,792
CHANGES IN NET ASSETS		(7,351)	(707,399)	(714,750)	677,218
Net assets, beginning of year		34,029	4,697,135	4,731,164	4,053,946
Net assets, end of year		$ 26,678	$ 3,989,736	$ 4,016,414	$ 4,731,164

* Included in this amount is a grant from The Charter Holder for $19,374 in fiscal year 2025 and $15,572 in fiscal year 2024. The grant represents an intercompany grant from The Charter Holder to Charter #021805. This grant is eliminated in the financial statements of Leadership Education Foundation – Arrow Academy.

Leadership Education Foundation – Arrow Academy – Reissued*

Charter #021805
Supplemental Statements of Cash Flows for the years ended August 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (714,750)	$ 677,218
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,514	3,065
Amortization of right-of-use assets	661,143	652,958
Changes in operating assets and liabilities:		
Government grants and other receivables	726,188	(473,574)
Prepaid expenses	22,633	24,606
Accounts payable and accrued expenses	(13,829)	(1,329)
Accrued payroll expenses	(15,028)	31,130
Lease liabilities	(661,143)	(652,958)
Net cash provided by operating activities	9,728	261,116
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(13,540)	
NET CHANGE IN CASH	(3,812)	261,116
Cash, beginning of year	3,356,406	3,095,290
Cash, end of year	$ 3,352,594	$ 3,356,406

*This supplemental statement has been reissued to properly report 2025 changes in operating cash flow from amortization of right-of-use assets and lease liabilities. There was no impact on net cash provided in operating activities.

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)
Supplemental Statements of Financial Position as of August 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash	$ 31,240	$ 37,134
Certificates of deposit	213,458	206,636
Total current assets	244,698	243,770
TOTAL ASSETS	$ 244,698	$ 243,770
LIABILITIES AND NET ASSETS		
Current liabilities:		
Grant payable **	$ 645	$ 1,461
Total current liabilities	645	1,461
Net assets without donor restrictions	244,053	242,309
TOTAL LIABILITIES AND NET ASSETS	$ 244,698	$ 243,770

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)
Supplemental Statements of Activities by Function for the years ended August 31, 2025 and 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS 2025	TOTALS 2024
REVENUE:				
Other revenue	$ 18,226	$ 17,031	$ 35,257	$ 20,146
Net assets released from restrictions:				
Program expenditures	17,031	(17,031)		
Total revenue	35,257	0	35,257	20,146
EXPENSES:				
Grant to Arrow Academy **	19,374		19,374	15,572
General administration	14,139		14,139	
Total expenses	33,513		33,513	15,572
CHANGES IN NET ASSETS	1,744	0	1,744	4,574
Net assets, beginning of year	242,309		242,309	237,735
Net assets, end of year	$ 244,053	$ 0	$ 244,053	$ 242,309

** The grant of $19,374 in fiscal year 2025 and $15,572 in fiscal year 2024 represents an intercompany grant from The Charter Holder to Charter #021805. This grant is eliminated in the financial statements of Leadership Education Foundation – Arrow Academy.

Leadership Education Foundation – Arrow Academy

Leadership Education Foundation (The Charter Holder)
Supplemental Statements of Cash Flows for the years ended August 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 1,744	$ 4,574
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grant payable	(816)	430
Net cash provided by operating activities	928	5,004
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(6,822)	(206,636)
NET CHANGE IN CASH	(5,894)	(201,632)
Cash, beginning of year	37,134	238,766
Cash, end of year	$ 31,240	$ 37,134

Leadership Education Foundation – Arrow Academy

Charter #021805
Schedules of Expenses for the years ended August 31, 2025 and 2024

		2025	2024
6100	Payroll costs	$ 4,865,639	$ 5,498,127
6200	Professional and contracted services	2,244,223	2,556,463
6300	Supplies and materials	294,217	379,968
6400	Other operating costs	189,675	176,234
Total		$ 7,593,754	$ 8,610,792

Leadership Education Foundation – Arrow Academy

Charter #021805
Schedules of Assets as of August 31, 2025 and 2024

		2025 OWNERSHIP INTEREST			
		LOCAL	STATE	FEDERAL	TOTAL
1110	Cash		$ 3,352,594		$ 3,352,594
1539	Furniture and equipment		34,988		34,988
1549	Furniture and equipment	$ 65,810	514,664	$ 342,914	923,388
Total property and equipment		65,810	549,652	342,914	958,376
1570	Accumulated depreciation				(933,739)
Property and equipment, net					24,637
1554	Right-of-use assets: operating lease for buildings		3,167,932		3,167,932
Accumulated amortization					(1,984,245)
Right-of-use assets, net					1,183,687
Total assets		$ 65,810	$ 7,070,178	$ 342,914	
Total assets, net					$ 4,560,918

		2024 OWNERSHIP INTEREST			
		LOCAL	STATE	FEDERAL	TOTAL
1110	Cash		$ 3,356,406		$ 3,356,406
1539	Furniture and equipment		21,448		21,448
1549	Furniture and equipment	$ 65,810	514,664	$ 342,914	923,388
Total property and equipment		65,810	536,112	342,914	944,836
1570	Accumulated depreciation				(929,225)
Property and equipment, net					15,611
1554	Right-of-use assets: operating lease for buildings		4,600,016		4,600,016
Accumulated amortization					(1,909,452)
Right-of-use assets, net					2,690,564
Total assets		$ 65,810	$ 8,492,534	$ 342,914	
Total assets, net					$ 6,062,581

Leadership Education Foundation – Arrow Academy

Charter #021805
Use of Funds Report – Select State Allotment Programs for the year ended August 31, 2025

Section A: Compensatory Education Programs	Responses
Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
Does the LEA have written policies and procedures for its state compensatory education program?	Yes
List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$557,711
List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	$307,361
Section B: Bilingual Education Programs	**Responses**
Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
Does the LEA have written policies and procedures for its bilingual education program?	Yes
List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$23,649
List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	$66,394

Leadership Education Foundation – Arrow Academy

Schedule of Related Party Transactions for the year ended August 31, 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

None

Leadership Education Foundation – Arrow Academy

Schedule of Related Party Compensation and Benefits for the year ended August 31, 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
None							

Leadership Education Foundation – Arrow Academy

Charter #021805
Budgetary Comparison Schedule for the year ended August 31, 2025

		BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	VARIANCE FROM ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FROM FINAL BUDGET
REVENUE:						
Local support:						
5740	Other revenue from local sources	$ 69,645	$ 100,980	$ 31,335 (A)	$ 82,055	$ (18,925) (F)
5750	Co-curriculum/enterprising	1,400	1,400		904	(496) (G)
	Total local support	71,045	102,380	31,335	82,959	(19,421)
State program revenue:						
5810	Foundation School Program Act Revenue	5,716,971	5,135,344	(581,627) (B)	4,979,424	(155,920)
5820	State program revenue distributed by Texas Education Agency	722,924	742,124	19,200	632,225	(109,899) (H)
5830	State program revenue distributed by State of Texas		120,000	120,000 (C)	196,609	76,609
	Total state program revenue	6,439,895	5,997,468	(442,427)	5,808,258	(189,210)
Federal program revenue:						
5920	Federal revenue distributed by the State of Texas Education Agency	1,029,539	1,044,539	15,000	987,787	(56,752)
	Total federal program revenue	1,029,539	1,044,539	15,000	987,787	(56,752)
Total revenue		7,540,479	7,144,387	(396,092)	6,879,004	(265,383)

(continued)

Leadership Education Foundation – Arrow Academy

Charter #021805
Budgetary Comparison Schedule for the year ended August 31, 2025 *(continued)*

		BUDGETED AMOUNTS ORIGINAL	BUDGETED AMOUNTS FINAL	VARIANCE FROM ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE FROM FINAL BUDGET
EXPENSES:						
11	Instruction	3,818,916	3,580,821	(238,095)	3,477,561	(103,260)
13	Curriculum development and instructional staff development	907,446	979,300	71,854	934,595	(44,705)
21	Instructional leadership	168,300	160,338	(7,962)	159,397	(941)
23	School leadership	552,058	533,359	(18,699)	497,632	(35,727)
31	Guidance counseling and evaluation services	176,872	179,510	2,638	156,708	(22,802)
33	Health services	3,731	3,290	(441) (D)	1,810	(1,480)
34	Student transportation	61,250	118,125	56,875 (E)	110,985	(7,140)
35	Food services	546,151	522,025	(24,126)	441,589	(80,436)
41	General administration	562,187	519,966	(42,221)	453,744	(66,222)
51	Plant maintenance and operations	1,127,605	1,134,627	7,022	1,120,279	(14,348)
52	Security and monitoring services	243,339	245,481	2,142	190,185	(55,296)
53	Data processing services	53,187	50,264	(2,923)	45,449	(4,815)
61	Community services	4,250	4,250		3,820	(430)
71	Debt service	200	200			(200)
	Total expenses	8,225,492	8,031,556	(193,936)	7,593,754	(437,802)
CHANGES IN NET ASSETS		(685,013)	(887,169)	(202,156)	(714,750)	172,419
Net assets, beginning of year		4,731,164	4,731,164		4,731,164	
Net assets, end of year		$ 4,046,151	$ 3,843,995	$ (202,156)	$ 4,016,414	$ 172,419

Leadership Education Foundation – Arrow Academy

Charter #021805
Explanation for Budget Variances for the year ended August 31, 2025 (unaudited)

Material Budget Variances

The following is an explanation of the 10% variances from original budget to final budget reported on the Budgetary Comparison Schedule.

(A) 5740 Other Revenue from Local Sources – 45% variance, $31,335

Bank interest budget increased by $7,300. The remaining increase relates to local campus fundraising success.

(B) 5810 Foundation School Program Act Revenue – (10%) variance, ($581,627)

The original budget was based off an estimated 533 students enrolled while the final budget was based off an estimated 470 students enrolled. Enrollment was lower than anticipated.

(C) 5830 State Program Revenue Distributed by State of Texas – 100% variance, $120,000

100% of the variance is related to the TRS On-Behalf Payments not included in the original budget.

(D) Function 33 – Health Services – (12%) variance, ($441)

The decrease in the final budget relates to the decrease in budgeted enrollment.

(E) Function 34 – Student Transportation – 93% variance, $56,875

A bus route was added for the Harvest Preparatory Campus that was not originally budgeted.

The following is an explanation of the 10% variances from final budget to actual amounts reported on the Budgetary Comparison Schedule:

(F) 5740 Other Revenue from Local Sources – (19%) variance, ($18,925)

Actual donations received were under budget by $15,000. Donations are sporadic and difficult to budget.

(G) 5750 Co-curriculum/enterprising – (35%) variance, ($496)

The variance relates to a fewer amount of adult meals purchased than budgeted.

(H) 5820 State Program Revenue Distributed by Texas Education Agency – (15%) variance, ($109,899)

The variance is related to the School Safety Standards Formula Grant (SSSFG) and the Instructional Materials Allotment budget. Actual revenue was $51,000 under budgeted revenue for the SSSFG as the State Safety Allotment was able to cover the majority of safety expenditures. Actual revenue was $43,000 under budgeted revenue for the instructional material allotment budget as the district actual purchase of instructional materials was less than budgeted.

Leadership Education Foundation – Arrow Academy

Schedule of Real Property Ownership Interest for the year ended August 31, 2025 (unaudited)

DESCRIPTION	PROPERTY ADDRESS	TOTAL ASSESSED VALUE	OWNERSHIP INTEREST		
			LOCAL	STATE	FEDERAL

None

Leadership Education Foundation – Arrow Academy

Schedule of Expenditures of Federal Awards for the year ended August 31, 2025

FEDERAL GRANTOR Pass-through Grantor Program Title & Period	Assistance Listing Number	Grant Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
Passed through Texas Education Agency:			
#1 School Breakfast Program – Child Nutrition Cluster			
10/01/23 – 09/30/24	10.553	71402401	$ 10,905
#2 School Breakfast Program – Child Nutrition Cluster			
10/01/24 – 09/30/25	10.553	71402501	73,258
Subtotal – AL #10.553			84,163
#3 National School Lunch Program – Child Nutrition Cluster			
10/01/23 – 09/30/24	10.555	71302401	34,235
#4 National School Lunch Program – Child Nutrition Cluster			
10/01/24 – 09/30/25	10.555	71302501	236,050
Passed through The Healthy Lunchbox:			
#5 National School Lunch Program – Child Nutrition Cluster Food Commodities			
07/01/24 – 06/30/25	10.555	N/A	23,168
Subtotal – AL #10.555			293,453
Total U. S. Department of Agriculture and Child Nutrition Cluster			377,616
U. S. DEPARTMENT OF EDUCATION			
Passed through Texas Education Agency:			
#6 Title I, Grants to Local Educational Agencies			
08/30/23 – 09/30/24	84.010A	24-610101-021805	21,296
#7 Title I, Grants to Local Educational Agencies			
07/31/24 – 09/30/25	84.010A	25-610101-021805	311,076
Subtotal – AL #84.010A			332,372
#8 Special Education Grants to States – Special Education Cluster (IDEA) IDEA-B Formula			
08/30/23 – 09/30/24	84.027A	24-660001-021805-6600	7,383
#9 Special Education Grants to States – Special Education Cluster (IDEA) IDEA-B Formula			
07/30/24 – 09/30/25	84.027A	25-660001-021805-6600	111,124
Subtotal – AL #84.027A – Special Education Cluster (IDEA)			118,507

(continued)

Leadership Education Foundation – Arrow Academy

Schedule of Expenditures of Federal Awards for the year ended August 31, 2025 *(continued)*

FEDERAL GRANTOR Pass-through Grantor Program Title & Period	Assistance Listing Number	Grant Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION *(continued)*			
Passed through Texas Education Agency *(continued)*:			
#10 Supporting Effective Instruction State Grants, Title II, Part A, Teacher and Principal Training and Recruiting 07/31/24 – 09/30/25	84.367A	25-694501-021805	37,547
#11 Student Support and Academic Enrichment Program, Title IV, Part A, Subpart 1 07/31/24 – 09/30/25	84.424A	25-680101-021805	23,417
#12 COVID-19 Education Stabilization Fund Elementary and Secondary School Emergency Relief (ARP) 07/27/21 – 09/30/24	84.425U	21-528001-021805	93,828
Passed through Region VI Educational Service Center:			
#13 English Language Acquisition State Grants Title III, Part A – ELA SSA 07/01/23 – 09/30/24	84.365A	24-671001-236950	3,287
Total U. S. Department of Education			608,958
TOTAL FEDERAL AWARDS			$ 986,574

See accompanying notes to schedule of expenditures of federal awards.

Leadership Education Foundation – Arrow Academy

Notes to Schedule of Expenditures of Federal Awards for the year ended August 31, 2025

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards (the schedule) is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenditures include allowable costs funded by federal awards. Allowable costs are subject to the cost principles of the Uniform Guidance and include costs that are recognized in Arrow Academy's financial statements in conformity with generally accepted accounting principles. Arrow Academy uses its approved Texas Education Agency indirect cost rate for indirect costs and Arrow Academy does not have any subrecipients.

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

NOTE 2 – FOOD COMMODITIES

Food commodities are recognized as federal expenditures when distributed. Distributed food is reported in the schedule of expenditures of federal awards under the National School Lunch Program and is valued based on amounts reported to Arrow Academy by the Texas Department of Agriculture in the statements of commodities shipped at the time the items are received. These amounts are considered to be non-cash assistance to Arrow Academy.

Arrow Academy received $23,168 of commodities during the year ended August 31, 2025, which is reported as non-cash assistance in the schedule of expenditures of federal awards.

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
Leadership Education Foundation – Arrow Academy:

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 Leadership Education Foundation – Arrow Academy (Arrow Academy), which comprise the statement of financial position as of August 31, 2025 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arrow Academy's internal control over financial reporting (internal control) as a basis for designing 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 Arrow Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Arrow Academy'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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arrow Academy'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 financial statements. 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 an instance of other noncompliance that is required to be reported under *Government*

Auditing Standards, and is described in the accompanying schedule of findings and questioned costs as finding #2025-001. The results of our audit tests disclosed no other instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Arrow Academy's Response to Finding

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

Arrow Academy's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Arrow Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

February 18, 2026

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

To the Board of Directors of
Leadership Education Foundation – Arrow Academy:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Leadership Education Foundation – Arrow Academy's (Arrow Academy) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Arrow Academy's major federal programs for the year ended August 31, 2025. Arrow Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Arrow Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 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 *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Arrow Academy 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 Arrow Academy's 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 Arrow Academy's 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 Arrow Academy's 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 Arrow Academy's 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 Arrow Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Arrow Academy's 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 Arrow Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Blazek & Vetterling

February 18, 2026

Leadership Education Foundation – Arrow Academy

Schedule of Findings and Questioned Costs for the year ended August 31, 2025

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Other noncompliance noted? ☒ yes ☐ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

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

Identification of major programs:

Assistance Listing Number(s)	Name of Program or Cluster
84.010	Title I, Grants to Local Educational Agencies

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

Auditee qualified as a low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

Finding #2025-001 – Significant Deficiency and FASRG Non-Compliance

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over reporting the Arrow Academy's enrollment data into the Public Education Information Management System (PEIMS).

Condition and context: During our testing of the accuracy of the PEIMS submission of the enrollment data, we noted that 3 of 40 students tested that were classified as economically disadvantaged had no documentation readily available to support that classification.

Cause: Eligibility documentation was not obtained or retained in accordance with the Arrow Academy's policy.

Effect: Failure to properly document students' status could result in overstatement of state funding allotments and federal program funding.

Recommendation: Strengthen policies and procedures to include an independent management review of the PEIMS submission of the enrollment data to ensure accurate reporting.

Views of responsible officials and planned corrective actions: Management agrees with the finding. See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with 2 CFR §200.516(a).

CORRECTIVE ACTION PLAN

February 18, 2026

U. S. DEPARTMENT OF EDUCATION

Arrow Academy provides its Corrective Action Plan for the fiscal year ended August 31, 2025.

The findings disclosed in the August 31, 2025 Schedule of Findings and Questioned Costs for the year ended August 31, 2025 are partially restated below. The findings are numbered consistently with the numbers assigned in the schedule.

FINANCIAL STATEMENT FINDINGS

Finding #2025-001 – Significant Deficiency and FASRG Non-Compliance

Condition and context: During our testing of the accuracy of the PEIMS submission of the enrollment data, we noted that 3 of 40 students tested that were classified as economically disadvantaged had no documentation readily available to support that classification.

Recommendation: Strengthen policies and procedures to include an independent management review of the PEIMS submission of the enrollment data to ensure accurate reporting.

Planned corrective action: Management believes the issue was primarily one of an inability to retain information rather than obtain information. There was a change in personnel at the campus where all the findings occurred. In the transition from the former employee to the new employee, it is believed documentation files were misplaced/lost. Management has performed a full review of the process and has already implemented the following procedures (which went into effect in August 2025):

- Direct certification lists will be uploaded into the Student Information System (SIS) by the PEIMS Coordinator. The system will automatically match and code students that qualify under direct certification. This was previously done via manual entry at the campus level.
- Annually, prior to the submission of the Fall PEIMS Report, the PEIMS Coordinator will manually confirm a report of direct certification students generated by the SIS to the direct certification list to confirm the upload was successful and performed accurately.
- For the Other Economically Disadvantaged category students (those not directly certified), the paper documentation forms will be collected at the campus level and coding entered into the SIS by the Administrative Assistant at the campus.
- All paper forms collected at the campus will be electronically scanned and sent to the PEIMS Coordinator.
- Annually, prior to the submission of the Fall PEIMS Report, the PEIMS Coordinator will print a report from the SIS and confirm that all students coded other than through direct certification (i.e. those manually entered) have the required, properly dated documentation electronically on file with the PEIMS Coordinator.

Responsible officers: Curt Mackey, Chief Financial Officer

Estimated completion date: August 31, 2025

If the U. S. Department of Education has any questions regarding this plan, please call Curt Mackey at (979) 703-8820.

Sincerely,

Curt Mackey

Curt Mackey
Chief Financial Officer