

WILLIAM A. LAWSON INSTITUTE FOR
PEACE AND PROSPERITY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE
YEARS ENDED JUNE 30, 2025 AND 2024
AND INDEPENDENT AUDITOR'S REPORTS



MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
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Certificate of Board

The Lawson Academy

(Federal Employer Identification Number: 76-0496051)

We, the undersigned, certify that the attached Financial and Compliance Report of The Lawson Academy was reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2025, at a meeting of the governing body of the charter holder on the 7th day of November 2025.



Signature of Board Secretary



Signature of Board President



MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

William A. Lawson Institute for Peace and Prosperity and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of William A. Lawson Institute for Peace and Prosperity and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information for The Lawson Academy (pages 23 - 33) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, except for that portion marked "unaudited," has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, except for that portion marked "unaudited," on which we express no opinion nor any assurance, the supplemental 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 November 7, 2025 on our consideration of the Organization'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 (pages 34 - 35). 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Mick : Mick, L.L.P.

Houston, Texas
November 7, 2025

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash	\$ 557,638	\$ 965,649
Restricted cash	246,159	153,583
Investments	1,173,596	1,120,900
Contributions receivable	192,855	241,780
Note receivable	-	3,168,655
Prepaid expenses	-	67,671
Total current assets	<u>2,170,248</u>	<u>5,718,238</u>
Noncurrent Assets:		
Capital assets, net	12,821,150	13,016,395
Note receivable	-	4,084,645
	<u>12,821,150</u>	<u>17,101,040</u>
	<u>\$ 14,991,398</u>	<u>\$ 22,819,278</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 120,284	\$ 295,556
Current maturities of notes payable	<u>715,541</u>	<u>3,415,260</u>
Total current liabilities	<u>835,825</u>	<u>3,710,816</u>
Notes payable, net of current maturities	<u>1,814,898</u>	<u>9,662,189</u>
Net Assets:		
Without donor restrictions	12,069,516	9,305,203
With donor restrictions	<u>271,159</u>	<u>141,070</u>
	<u>12,340,675</u>	<u>9,446,273</u>
	<u>\$ 14,991,398</u>	<u>\$ 22,819,278</u>

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>			<u>2024</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:						
Federal grants	\$ -	\$ 522,422	\$ 522,422	\$ -	\$ 1,059,289	\$ 1,059,289
State grants	-	2,039,955	2,039,955	-	1,911,767	1,911,767
Gifts and bequests	407,185	25,000	432,185	103,971	-	103,971
Property rental income	582,368	-	582,368	607,815	-	607,815
Interest	3,224	-	3,224	77,474	-	77,474
Gain from forgiveness (Note 14)	3,152,243	-	3,152,243	-	-	-
Other	640,550	-	640,550	207,070	-	207,070
	<u>4,785,570</u>	<u>2,587,377</u>	<u>7,372,947</u>	<u>996,330</u>	<u>2,971,056</u>	<u>3,967,386</u>
Net assets released from restrictions	<u>2,457,288</u>	<u>(2,457,288)</u>	<u>-</u>	<u>3,426,147</u>	<u>(3,426,147)</u>	<u>-</u>
Total support and revenue	<u>7,242,858</u>	<u>130,089</u>	<u>7,372,947</u>	<u>4,422,477</u>	<u>(455,091)</u>	<u>3,967,386</u>
Expenses:						
Program services	3,901,510	-	3,901,510	3,194,721	-	3,194,721
Management and general	564,930	-	564,930	528,594	-	528,594
Fundraising	12,105	-	12,105	11,546	-	11,546
Total expenses	<u>4,478,545</u>	<u>-</u>	<u>4,478,545</u>	<u>3,734,861</u>	<u>-</u>	<u>3,734,861</u>
Change in net assets	2,764,313	130,089	2,894,402	687,616	(455,091)	232,525
Net assets, beginning of year	<u>9,305,203</u>	<u>141,070</u>	<u>9,446,273</u>	<u>8,617,587</u>	<u>596,161</u>	<u>9,213,748</u>
Net assets, end of year	<u>\$ 12,069,516</u>	<u>\$ 271,159</u>	<u>\$ 12,340,675</u>	<u>\$ 9,305,203</u>	<u>\$ 141,070</u>	<u>\$ 9,446,273</u>

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2025

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Senior Housing Operations</u>	<u>Charter School Operations</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total Expenses</u>
Salaries and Related Expenses:							
Salaries	\$ -	\$ 1,186,318	\$ 1,186,318	\$ 151,463	\$ -	\$ 151,463	\$ 1,337,781
Employee fringe benefits	-	88,650	88,650	2,342	-	2,342	90,992
Payroll taxes	-	26,168	26,168	14,053	-	14,053	40,221
Total salaries and related expenses	-	1,301,136	1,301,136	167,858	-	167,858	1,468,994
Operating Expenses:							
Contract services:							
Legal and professional fees	-	449,690	449,690	78,387	-	78,387	528,077
Food service	-	190,174	190,174	-	-	-	190,174
Transportation	-	106,445	106,445	-	-	-	106,445
Custodial services	11,055	-	11,055	-	-	-	11,055
Dues and licensing	-	437,885	437,885	-	-	-	437,885
Other contracted services	45,653	26,297	71,950	214	8,592	8,806	80,756
Property and equipment rent	-	29,735	29,735	-	-	-	29,735
Materials and supplies	-	72,923	72,923	1,298	3,513	4,811	77,734
Maintenance and repairs	590,382	40,107	630,489	-	-	-	630,489
Utilities	89,934	78,410	168,344	-	-	-	168,344
Insurance	-	63,745	63,745	95,832	-	95,832	159,577
Interest	53,394	117,885	171,279	-	-	-	171,279
Other	14,485	48,491	62,976	12,231	-	12,231	75,207
Total operating expenses before depreciation	804,903	1,661,787	2,466,690	187,962	12,105	200,067	2,666,757
Depreciation	103,536	30,148	133,684	209,110	-	209,110	342,794
Total Functional Expenses	<u>\$ 908,439</u>	<u>\$ 2,993,071</u>	<u>\$ 3,901,510</u>	<u>\$ 564,930</u>	<u>\$ 12,105</u>	<u>\$ 577,035</u>	<u>\$ 4,478,545</u>

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the Year Ended June 30, 2024

	Program Services			Supporting Services			
	<u>Senior Housing Operations</u>	<u>Charter School Operations</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total Expenses</u>
Salaries and Related Expenses:							
Salaries	\$ -	\$ 873,164	\$ 873,164	\$ 160,095	\$ -	\$ 160,095	\$ 1,033,259
Employee fringe benefits	-	94,528	94,528	2,342	-	2,342	96,870
Payroll taxes	-	16,700	16,700	13,810	-	13,810	30,510
Total salaries and related expenses	-	984,392	984,392	176,247	-	176,247	1,160,639
Operating Expenses:							
Contract services:							
Legal and professional fees	-	704,778	704,778	27,764	-	27,764	732,542
Food service	-	134,368	134,368	-	-	-	134,368
Transportation	-	117,881	117,881	-	-	-	117,881
Custodial services	17,434	-	17,434	-	-	-	17,434
Dues and licensing	-	168,067	168,067	-	-	-	168,067
Other contracted services	16,612	35,488	52,100	-	7,932	7,932	60,032
Property and equipment rent	-	24,906	24,906	-	-	-	24,906
Materials and supplies	-	219,069	219,069	1,519	937	2,456	221,525
Maintenance and repairs	61,851	32,172	94,023	-	-	-	94,023
Utilities	87,829	63,707	151,536	-	-	-	151,536
Insurance	-	53,054	53,054	92,318	-	92,318	145,372
Interest	56,431	212,661	269,092	-	-	-	269,092
Other	13,445	49,930	63,375	17,965	2,677	20,642	84,017
Total operating expenses before depreciation	253,602	1,816,081	2,069,683	139,566	11,546	151,112	2,220,795
Depreciation	124,320	16,326	140,646	212,781	-	212,781	353,427
Total Functional Expenses	<u>\$ 377,922</u>	<u>\$ 2,816,799</u>	<u>\$ 3,194,721</u>	<u>\$ 528,594</u>	<u>\$ 11,546</u>	<u>\$ 540,140</u>	<u>\$ 3,734,861</u>

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
State grant receipts	\$ 2,027,258	\$ 1,852,598
Federal grant receipts	555,837	1,005,096
Property rental receipts	582,368	607,815
Contribution receipts	432,185	128,971
Interest received	3,224	77,474
Receipts from miscellaneous sources	640,550	214,921
Payments to vendors for goods and services rendered	(2,603,079)	(1,880,682)
Payments to or on behalf of employees for services rendered	(1,468,994)	(1,160,639)
Interest paid	<u>(170,504)</u>	<u>(265,046)</u>
Net cash provided by (used in) operating activities	<u>(1,155)</u>	<u>580,508</u>
Cash Flows from Investing Activities:		
Purchase of investments	(63,799)	(1,120,900)
Proceeds from sale of investments	10,103	-
Purchase of capital assets	<u>(147,549)</u>	<u>(47,005)</u>
Net cash used in investing activities	<u>(201,245)</u>	<u>(1,167,905)</u>
Cash Flows from Financing Activities:		
Payments on notes payable	<u>(113,035)</u>	<u>(153,458)</u>
Net cash used in financing activities	<u>(113,035)</u>	<u>(153,458)</u>
Net decrease in cash and restricted cash	(315,435)	(740,855)
Cash and Restricted Cash, beginning of year	<u>1,119,232</u>	<u>1,860,087</u>
Cash and Restricted Cash, end of year	<u>\$ 803,797</u>	<u>\$ 1,119,232</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ 2,894,402	\$ 232,525
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	342,794	353,427
Gain from forgiveness	(3,152,243)	-
Amortization of debt issuance costs	775	4,046
Changes in operating assets and liabilities:		
Contributions receivable	20,718	(80,511)
Prepaid expenses	67,671	(67,671)
Accounts payable and accrued expenses	<u>(175,272)</u>	<u>138,692</u>
Net cash provided by (used in) operating activities	<u>\$ (1,155)</u>	<u>\$ 580,508</u>

(See Notes to Consolidated Financial Statements)

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

William A. Lawson Institute for Peace and Prosperity (“WALIPP”) is a nonprofit organization incorporated in the State of Texas in March 1996. WALIPP is governed by a Board of Directors (“WALIPP Board”) comprised of not fewer than three members. The WALIPP Board is elected pursuant to the bylaws of WALIPP and has the authority to make decisions, appoint the chief executive officer of WALIPP, and significantly influence operations. The WALIPP Board has primary accountability for the fiscal affairs of WALIPP.

WALIPP operates The Lawson Academy (the “Academy”) for boys and girls and a senior housing facility (the “Residence”), both located in Houston, Texas. WALIPP is supported through funds received from federal, state, and local governmental agencies, as well as from private donors including foundations, corporations, and other nonprofit organizations.

The Lawson Academy Real Estate Co. (“Real Estate Co.”) was formed as a supporting organization and for the exclusive benefit of WALIPP, the sole member of Real Estate Co. Real Estate Co. is governed by a separate Board of Directors comprised of five members, of which three are also members of the WALIPP Board. In July 2024, Real Estate Co.’s assets and liabilities were distributed to WALIPP and the lease agreement with the Academy was terminated. Subsequently, Real Estate Co. ceased operations.

WALIPP Regency Lofts, LLC (“Regency Lofts”), is a limited liability company formed to transact business under the Internal Revenue Code (“IRC”) of 1986, as amended. WALIPP is the sole member of Regency Lofts. In February 2024, WALIPP Senior, LLC (“WALIPP Senior”) and WALIPP Senior Residence Expansion, LP (“Senior Residence Expansion”) were formed to construct, develop, renovate, repair, improve, and maintain the Residence. WALIPP is the sole member of WALIPP Senior, and WALIPP Senior is the general partner of Senior Residence Expansion. For the years ended June 30, 2025 and 2024, there were no operations in Regency Lofts, WALIPP Senior, or Senior Residence Expansion.

Operations

The Academy was organized in 2001 to provide educational services to students in the 6th through 8th grades. In 2011, the Texas State Board of Education granted the Academy an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Effective July 1, 2023 and May 1, 2024, the charter was amended to add prekindergarten three-year olds through grade five (5) to the Academy’s charter as grade levels served and to add a location under the Academy’s campus number, The Lawson Academy Regency Lofts Pre-K, which serves prekindergarten three- and four-year olds, respectively. In August 2024, the charter was amended to add thirty additional sites under the Academy’s campus number to serve prekindergarten three- and four-year olds.

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Academy is operated in accordance with the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter. The Academy's programs, services, activities, and functions are governed by the WALIPP Board. The Academy is part of the public school system of the State of Texas and is, therefore, entitled to distributions from the State's available school fund. The Academy does not have the authority to impose ad valorem taxes on its district or to charge tuition.

In May 2023, the Academy entered into a joint venture agreement ("Agreement") with two independent entities to establish and operate Lawson Pre-K, a childcare program serving children ages three and four. The Agreement ended in June 2024 and member contributions were subsequently returned. In July 2024, the Academy and Community Preschools ("CP") entered into a new joint venture agreement ("JV Agreement") to replace the original Agreement. The joint venture terminates July 1, 2026, and is managed by a committee comprised of one representative from the Academy and CP, each.

Real Estate Co. owns real and personal property in Houston, Texas. Through July 2024, Real Estate Co. had an operating lease agreement with the Academy for the use of its land and facilities as the Academy's school (the "School"). In July 2024, Real Estate Co. ceased operations and transferred the assets and liabilities to WALIPP.

The Residence was constructed in 2003 and is a four-story structure with 42 two-bedroom apartments and eight one-bedroom apartments designed for independent living by adults 55 and older, of which 26 of the apartments are designated for low-income and very low-income adults.

Regency Lofts has a 20% investment in DWR Regency GP, LLC ("Regency GP"), a Texas limited liability company formed to develop, construct, own, and operate the Regency Lofts project, a 120-unit low-income housing tax credit project and pre-k program located in Houston, Texas (Note 13). The units opened for operations in November 2022, and the Lawson Pre-K program opened for the 2023 – 2024 school year. In October 2037, the end of a 15-year low-income housing tax credit compliance period, Regency Lofts has the option to purchase the other member's interest in Regency GP at a price defined in the Regency GP Company Agreement. Regency GP is recorded on the equity basis of accounting. Regency GP had no operations in 2025 or 2024.

Principles of Consolidation

The consolidated financial statements include the accounts of WALIPP, Real Estate Co., Regency Lofts, WALIPP Senior, and Senior Residence Expansion (together, the "Organization"). All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting and Presentation

The consolidated financial statements of the Organization are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 those resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Revenue Recognition

Contributions are recognized as revenue when an unconditional promise to give is received and is recorded as net assets without donor restrictions or net assets with donor restrictions depending on the absence or existence of any restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in net assets released from restrictions on the consolidated statements of activities and changes in net assets.

Grants are recognized as revenue when eligible expenditures are incurred.

Property rental income is recognized on a straight-line basis of the total required rental payments over the lease term, which is usually twelve months or less.

In-Kind Contributions

In-kind contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the consolidated financial statements because the services did not meet the criteria for recognition under U.S. GAAP.

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Restricted cash consists of funds received for state and federal grants and lender funds received for capital expenditures under a debt agreement (Note 8). In July 2024, the debt agreement was fully paid, and the restricted cash from lender funds was released. Funds received for state and federal grants are maintained in a separate bank account.

Investments

The Organization invests in money market accounts measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. See Note 4 for discussion of fair value measurements. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded as earned on the accrual basis. Dividends are recorded on the ex-dividend date. For 2025 and 2024, investment income amounted to \$62,325 and \$31,687, respectively, and is included in other on the consolidated statements of activities and changes in net assets.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are reported at net realizable value. An allowance for contributions receivable is provided when it is believed balances may not be collected in full. It is WALIPP's policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of credit loss on contributions receivable recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and individual account-by-account analysis of receivable balances. It is possible that management's estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables. At June 30, 2025 and 2024, management determined no allowance for credit losses was considered necessary.

Capital Assets

Capital assets are recorded at cost. The Organization has no donated capital assets to be valued. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from capital asset disposals are credited or charged to operations currently. Capital assets are depreciated using the straight-line method over the estimated useful lives of the respective classes of assets. Construction in progress represents costs incurred on building and improvements expected to be placed in service in future periods.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

WALIPP is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the IRC and currently has no taxable unrelated business income. Accordingly, no provision for income taxes has been recorded.

Management has evaluated WALIPP's tax positions and concluded that WALIPP has taken no uncertain tax positions that require adjustment to the consolidated financial statements. In 2025 and 2024, WALIPP had no tax-related interest or penalties included in the consolidated statements of activities and changes in net assets. With few exceptions, WALIPP is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2022.

Functional Allocation of Expenses

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

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2025 and 2024 are comprised of the following:

	<u>2025</u>	<u>2024</u>
Cash	\$ 557,638	\$ 965,649
Investments	1,173,596	1,120,900
Contributions receivable	<u>192,855</u>	<u>241,780</u>
Total financial assets available for general expenditure	<u>\$1,924,089</u>	<u>\$2,328,329</u>

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NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to the financial assets available to meet general expenditures, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. As part of the liquidity management practices, the Organization structures financial assets to be available as general expenditures, liabilities, and other obligations become due by maintaining a significant portion of assets in cash.

NOTE 3 - CASH AND RESTRICTED CASH

The following table provides a reconciliation of cash and restricted cash in the Organization's consolidated statements of financial position to the total amount reported in the consolidated statements of cash flows at June 30, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Cash	\$ 557,638	\$ 965,649
Restricted cash:		
State and federal grants	246,159	141,070
Lender funds under a debt agreement	-	12,513
Restricted cash	<u>246,159</u>	<u>153,583</u>
Total cash and restricted cash	<u>\$ 803,797</u>	<u>\$1,119,232</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

Various inputs are used in determining the fair value of the Organization's investments. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy, including the types of investments that fall under each category and the valuation methodologies used to measure fair value, are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Mutual Funds: Comprised of funds invested primarily in cash, U.S. government securities, and repurchase agreements collateralized fully by cash or other government securities. The funds seek to maintain a stable net asset value of \$1. The funds are traded on an active market.

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NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable inputs (i.e., projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The inputs and methodologies used for valuing investments are not an indication of the risk associated with investing in those securities. There have been no changes in the methodologies used at June 30, 2025 or 2024.

At June 30, 2025 and 2024, the Organization's money market investments measured at fair value on a recurring basis are level 1 investments within the fair value hierarchy and valued at \$1,173,596 and \$1,120,900, respectively, in the consolidated statements of financial position.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Teacher Education Agency ("TEA")	\$192,855	\$213,573
Other	<u>-</u>	<u>28,207</u>
	<u>\$192,855</u>	<u>\$241,780</u>

NOTE 6 - CAPITAL ASSETS

Capital assets at June 30, 2025 and 2024 consist of the following:

	<u>Useful Lives</u>	<u>2025</u>	<u>2024</u>
Land		\$ 6,457,084	\$ 6,457,084
Building and improvements	5 - 40 years	10,138,750	10,138,750
Furniture and equipment	3 - 5 years	353,039	391,345
Vehicles	5 years	88,550	-
Construction in progress		<u>93,750</u>	<u>34,750</u>
		17,131,173	17,021,929
Less: Accumulated depreciation		<u>4,310,023</u>	<u>4,005,534</u>
		<u>\$12,821,150</u>	<u>\$13,061,395</u>

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NOTE 7 - NOTE RECEIVABLE

Through July 2024, the Organization had a note receivable agreement with the Lawson Academy Investment Fund, LLC ("Investment Fund"), an unrelated third-party, under the New Markets Tax Credit ("NMTC") program (Note 14). Interest, only, was due quarterly at 1% through the first principal balloon payment of \$3 million in July 2024. Prior to July 2024, no prepayments of principal were allowed. Payments to the Organization were made only from distribution funds received by the Investment Fund from TMG Sub-CDE 31, LLC ("TMF Sub-CDE") and Wells Fargo Community Development Enterprise Round 12 Subsidiary 16, LLC ("WFCDE"), the direct and indirect lenders, respectively, of four notes payable between the lenders and Real Estate Co. The note receivable was collateralized by a first-priority assignment of and security interest in TMF Sub-CDE and WFCDE. Interest income was recorded as earned on the accrual basis.

Effective ninety days after the earlier of (1) the seventh anniversary of the last qualified equity investment ("QEI") by the Investment Fund from TMF Sub-CDE and WFCDE or (2) a specified recapture event such as a recapture, loss, or disallowance of NMTCs attributable to the applicable QEI, the sole member of the Investment Fund has one hundred eighty calendar days ("Put Exercise Period") to require the Organization to purchase the sole member's 100% interest in the Investment Fund. After the expiration of the Put Exercise Period, the Organization has a right and option to purchase the 100% interest in the Investment Fund for ninety days ("Call Exercise Period"). The put and call exercise prices are defined in the Investment Fund Put and Call Agreement.

In July 2024, the note receivable was fully forgiven for \$7,253,300, and the Organization purchased the 100% interest in the Investment Fund for \$1,000.

NOTE 8 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Note; payable to a financial institution in monthly installments of \$6,252, including interest at 4.99%, maturing June 2026, collateralized by an interest in the senior housing facility, net of unamortized debt issuance costs of \$475 and \$950 at June 30, 2025 and 2024, respectively.*	\$ 641,064	\$ 682,346
Construction note; payable to a nonprofit corporation; principal and interest at 6% due in monthly installments of \$14,329; maturing July 2024; collateralized by a first lien deed of trust on certain real property and substantially all assets of the Organization; net of unamortized debt issuance costs of \$300 at June 30, 2024. There were no unamortized debt issuance costs at June 30, 2025.** In July 2024, the note was amended to increase the interest rate to 8.125%, decrease the monthly payment to \$13,406; and extend the maturity date to July 2029.	1,564,608	1,593,622

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NOTE 8 - NOTES PAYABLE (CONTINUED)

	<u>2025</u>	<u>2024</u>
Note; payable to a financial institution in monthly installments of \$4,972, including interest at 5.146%, maturing October 2026, collateralized by a deed of trust in real estate.	\$ 324,767	\$ 366,481
Four notes; payable to TMF Sub-CDE and Renaissance New Markets Fund, LLC ("Renaissance"), two separate community development entities and NMTC lenders (Note 14); only interest due quarterly at 1.11683% through the first principal balloon payment of \$3 million in July 2024; beginning September 2024, principal and interest due in quarterly installments of \$91,932; maturing July 2047; collateralized by a leasehold deed of trust against the School and interest in the land and a deposit account.*** Principal prepayments are not allowed until July 2024. In July 2024, the four notes were fully forgiven.	<u>-</u>	<u>10,435,000</u>
Total, net of debt issuance costs of \$475 and \$1,250 at June 30, 2025 and 2024, respectively	2,530,439	13,077,449
Less: Current maturities	<u>715,541</u>	<u>3,415,260</u>
	<u>\$1,814,898</u>	<u>\$ 9,662,189</u>

Future maturities of the notes payable, net of debt issuance costs, at June 30, 2025 are as follows:

<u>For the Year Ending June 30:</u>	
2026	\$ 715,541
2027	313,339
2028	35,567
2029	38,567
2030	<u>1,427,425</u>
	<u>\$2,530,439</u>

Amortization of debt issuance costs is included in interest expense on the consolidated statements of functional expenses.

*The senior housing facility is included in building and improvements and was constructed with \$1.3 million in federal funds passed through from the City of Houston, Texas (the "City"). Per the terms of the grant agreement with the City, the facility was subject to a minimum affordability period of 20 years which terminated in December 2024. During the affordability period, the Organization was required to designate 26 apartment units of the total 50 residential rental units on a continuous basis for low-income and very low-income adults age 55 and older, and the facility could not be mortgaged or used as collateral, sold, or otherwise transferred to another party without the written permission of the City. Title to the facility vests with the Organization.

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NOTE 8 - NOTES PAYABLE (CONTINUED)

**The proceeds of the note payable were provided from the Credit Enhancement of Charter School Facilities Program authorized by Title V, Part B, Subpart 2 of the No Child Left Behind Act. In accordance with the note agreement and amendments, the Academy must remain a charter school during the note term and comply with applicable federal, state, and local laws and regulations as they relate to the application, acceptance, and use of the proceeds.

***A fee reserve deposit account was established for the benefit of TMF Sub-CDE and Renaissance (collectively, “Lenders”) under an Account Pledge and Control Agreement (“Control Agreement”). In accordance with the Control Agreement, the deposit account held funds for compliance with NMTC covenants, future improvements, and other costs, as determined by the Lenders. After final payment and satisfaction of all obligations under the note payable agreements, the remaining funds would be released to the Organization. The deposit account was held at Wells Fargo, the servicer of the Control Agreement. In conjunction with the full forgiveness of the note payable agreements in July 2024, the funds were released to the Organization.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to expenditure for a specific purpose. Total net assets with donor restrictions consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
TEA federal and state grants	\$246,159	\$141,070
Capital project	<u>25,000</u>	<u>-</u>
	<u>\$271,159</u>	<u>\$141,070</u>

Net assets were released from restrictions during 2025 and 2024 by incurring expenses satisfying the purpose restrictions of TEA federal and state grants totaling \$2,457,288 and \$3,426,147, respectively.

NOTE 10 - PENSION PLAN OBLIGATION

The Academy’s full-time employees participate in the Teacher Retirement System of Texas (“TRS”), a public employee retirement system. TRS is a cost-sharing, multiple-employer, defined benefit pension plan and is qualified under Section 401(a) of the IRC. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by downloading the report from the TRS website, www.trs.texas.gov.

For each of the years ended June 30, 2025 and 2024, plan members, the Academy, and the State of Texas contributed 8.25% of plan members’ annual covered salary, and the Academy made a 1.9% non-OASDI surcharge payment for TRS eligible employees. For 2025 and 2024, the Academy contributed \$50,834 and \$49,950, respectively, which does not represent more than 5% of the TRS plan’s total contributions.

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NOTE 10 - PENSION PLAN OBLIGATION (CONTINUED)

The risks of participating in a multiple-employer defined benefit plan are different from single-employer plans because (a) amounts contributed to a multiple-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

As of August 31, 2024 and 2023, TRS plan assets were \$243.1 billion and \$213.5 billion; plan accumulated benefit obligations were \$271.6 billion and \$255.9 billion; and the plan was 77.8% and 77.5% funded, respectively.

NOTE 11 - POSTRETIREMENT HEALTH CARE BENEFIT

Plan Description

The Organization contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing, multiple-employer, defined benefit Other Post-Employment Benefit plan administered by the Board of Trustees of TRS. The statutory authority for TRS-Care is the Texas Insurance Code, Chapter 1575. Under Section 1575.052, the Board of Trustees has the authority to establish basic and optional group insurance coverage for participants as well as amend benefit terms as needed. TRS-Care is funded on a pay-as-you-go basis and is subject to change based on available funding. The Texas Legislature determines the contribution rates for TRS-Care, and there is no continuing obligation to provide benefits beyond each fiscal year. Eligibility includes retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system and have at least ten years of service credit in the TRS pension system.

Funding Policy

Texas Insurance Code, Chapter 1575, Section 202 to 204 establishes state, active employee, and public school contribution rates. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers based on active employee compensation. Public school contributions may not be less than 0.25% or greater than 0.75% of the salary of each active employee. For the years ended June 30, 2025 and 2024, contribution amounts for active members were \$7,544 and \$4,733 and contribution amounts for the Academy were \$10,616 and \$5,461, respectively.

NOTE 12 - HEALTH CARE COVERAGE

The 77th Texas Legislature enacted the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343), establishing a statewide health coverage program for public school employees and their dependents. TRS administers this program, known as TRS-ActiveCare. For each of the years ended June 30, 2025 and 2024, the Organization contributed \$225 per month per employee. The risk associated with this program is retained by the participants, and no risk is transferred to TRS, the Organization, or the State of Texas.

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June 30, 2025 and 2024

NOTE 13 - REGENCY LOFTS PROJECT

In December 2020, WALIPP entered into a Development Services Agreement (“Development Agreement”) with the majority owner of Regency GP (Note 1) for the development, construction, maintenance and operation of the Regency Lofts project (the “Project”), a 120-unit low-income housing tax credit project located in Houston, Texas. Under the Development Agreement, WALIPP receives 20% of the development fee for the Project in exchange for providing certain services. For 2025 and 2024, development fees of \$76,122 and \$142,000 were received by WALIPP and included in other revenue on the consolidated statements of activities and changes in net assets, respectively.

In December 2022, WALIPP entered into an Affordable Housing Program Agreement for Rental Projects (“AHP Agreement”) with Federal Home Loan Bank of Dallas (“FHLB of Dallas”) and Frost Bank. Under the AHP Agreement, FHLB of Dallas approved the funding of a direct subsidy to Frost Bank in an amount not to exceed \$750,000. Frost Bank provided the direct subsidy as a conditional grant to WALIPP for the construction of a low-income rental project required to be completed by October 2026. As of June 30, 2025 and 2024, no funding had been received from the direct subsidy.

In October 2025, WALIPP received the \$750,000 subsidy as part of the financing of the Senior Residence Expansion project (“Expansion Project”) to develop affordable housing for independent living adults ages 55 and older (“Eligible Residents”) with the construction of two 4-story and one 2-story rental unit buildings located in Houston, Texas, on land provided by a nonprofit local government corporation under a grant agreement with certain requirements, including the use of the land for affordable housing for a specified period of time. Subsequently, the property remains under control of Senior Residence Expansion.

NOTE 14 - NEW MARKETS TAX CREDIT

In July 2024, the seven-year tax credit period under the NMTC program ended. Accordingly, the note receivable and accrued interest income due from the Investment Fund was fully forgiven; the four notes payable to the NMTC lenders were fully forgiven; the construction note payable was extended to July 2029 at a fixed interest rate and a lower monthly payment; and the Organization purchased the sole member’s interest in the Investment Fund. As a result, a gain of \$3,152,243 was recognized and reported as gain from forgiveness on the consolidated statements of activities and changes in net assets.

NOTE 15 - RELATED PARTY TRANSACTIONS

CP, a joint venture partner of the Lawson Pre-K program, has an annual lease agreement, with automatic renewals, to lease the Pre-K site at The Lawson Academy for \$5,000 per month. The lease agreement terminated in October 2024. For the years ended June 30, 2025 and June 30, 2024, total rental income is \$20,000 and \$50,000, respectively. The leased site is included in building and improvements in capital assets on the consolidated statements of financial position.

CP provided food services to the Lawson Academy and Lawson Pre-K for 75% and 90% of the combined National School Lunch Program (“NSLP”) and School Breakfast Program (“SBP”) federal funds during the 2023-2024 and 2024-2025 school years, respectively. In August 2025, the rate decreased to 85% of the combined NSLP and SBP federal funds, and the food service agreement was extended to

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NOTE 15 - RELATED PARTY TRANSACTIONS (CONTINUED)

July 2026. CP also managed the Lawson Pre-K program's average daily attendance analysis ("ADA") in exchange for 80% - 85% of Foundation School Program state funds earned by dually enrolled students in the Pre-K program. Effective August 2025, the ADA agreement was renewed to include all students enrolled in the Lawson Pre-K program and to extend the agreement for an additional five years, terminating in July 2030. For the years ended June 30, 2025 and 2024, total food service expenses are \$178,753 and \$125,713, respectively; and ADA expenses are \$437,885 and \$168,067, respectively.

NOTE 16 - CONCENTRATIONS OF CREDIT RISK

The Organization receives a portion of funding from the TEA. As of June 30, 2025 and 2024 and for the years then ended, TEA funding comprised approximately 100% and 88% of contributions receivable, respectively, and approximately 35% and 74% of total support and revenue, respectively. An unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the Academy to continue to provide the current level of services to its students.

The Organization 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 the TEA and is subject to audit and adjustment. In addition, expenses charged to federal and state programs are subject to audit and adjustment by the grantor agencies. These funding sources may suspend payments, require reimbursement of expenses or return of funds, or both, as a result of noncompliance with the terms of their funding agreements. This could result in a liability or decrease of revenues for the Organization. Also, grants and contributions are funded annually and subject to annual funding renewals. In management's opinion, the risk of these events occurring is minimal.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash deposits in excess of federally insured limits. The Organization places cash with financial institutions that are considered high quality financial institutions by the Organization's management. At times, such cash investments may be in excess of federally insured limits.

NOTE 17 - SUBSEQUENT EVENTS

In October 2025, the Senior Residence Expansion limited partnership agreement was amended and restated to replace the limited partner with an investor limited partner ("Investor") and add a Class B limited partner ("Class B Partner"). The Investor is a financial institution whose equity contribution subsidized the development of low-income housing. In return, the Investor received tax credits paid in annual allotments under the 9% low-income housing tax credit ("LIHTC") equity loan for \$17.51 million which subsidizes approximately 70% of the Expansion Project's total cost.

To fund the remaining cost of the Expansion Project, Senior Residence Expansion obtained financing from a (1) construction note payable to a nonprofit corporation; (2) debt agreement with the Class B partner which is funded from the Community Development Financial Institutions Capital Magnet

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NOTE 17 - SUBSEQUENT EVENTS (CONTINUED)

Fund (“CFDI”) and a separate agreement from an affiliate of the Class B partner; and (3) four separate promissory notes with WALIPP. The WALIPP promissory notes are funded from AHP Agreements from Federal Home Loan Bank of Dallas and Federal Home Loan Bank of Atlanta, grant agreements received from certain foundations, and congressional appropriation. The CFDI and AHP Agreements include certain requirements for affordable housing to be fulfilled over ten to fifteen years after completion of the Expansion Project. Subsequently, the debt, excluding the construction note payable, will be forgiven, and the property will remain under control of Senior Residence Expansion for affordable housing of independent adults ages 55 and over.

Management has evaluated subsequent events through November 7, 2025, the date the consolidated financial statements were available to be issued.

THE LAWSON ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash	\$ 447,116	\$ 716,137
Investments	747,487	714,318
Due from Texas Education Agency	192,855	213,573
Other receivables	1,551,657	24,796
Prepaid expenses	<u>-</u>	<u>67,671</u>
Total current assets	2,939,115	1,736,495
 Capital assets, net	 <u>75,633</u>	 <u>17,232</u>
	 <u>\$ 3,014,748</u>	 <u>\$ 1,753,727</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 98,436	\$ 263,405
Current maturities of notes payable	<u>30,249</u>	<u>-</u>
Total current liabilities	128,685	263,405
 Notes payable, net of current maturities	 <u>1,534,359</u>	 <u>-</u>
 Net Assets:		
Without donor restrictions	1,105,545	1,349,252
With donor restrictions	<u>246,159</u>	<u>141,070</u>
	1,351,704	1,490,322
	 <u>\$ 3,014,748</u>	 <u>\$ 1,753,727</u>

THE LAWSON ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2025 and 2024

		<u>2025</u>			<u>2024</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>		<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>			<u>Restrictions</u>	<u>Restrictions</u>	
Revenues:							
Local support:							
5742 Earnings from temporary deposits and investments	\$ 33,170	\$ -	\$ 33,170		\$ -	\$ -	\$ -
5743 Rent	20,000	-	20,000		50,000	-	50,000
5744 Revenue from foundations, other nonprofit organizations, gifts, and bequests	252,524	-	252,524		34,191	-	34,191
5749 Other revenues from local sources	6,382	-	6,382		163,828	-	163,828
	<u>312,076</u>	<u>-</u>	<u>312,076</u>		<u>248,019</u>	<u>-</u>	<u>248,019</u>
State program revenues:							
5811 Per capita apportionment	-	89,670	89,670		-	50,167	50,167
5812 Foundation School Program entitlements	-	1,831,200	1,831,200		-	1,625,948	1,625,948
5829 State program revenues distributed by the Texas Education Agency	-	119,085	119,085		-	235,652	235,652
	<u>-</u>	<u>2,039,955</u>	<u>2,039,955</u>		<u>-</u>	<u>1,911,767</u>	<u>1,911,767</u>
Federal program revenues:							
5921 School breakfast program	-	66,544	66,544		-	53,516	53,516
5922 National school lunch program	-	140,368	140,368		-	105,261	105,261
5923 United States Department of Agriculture (USDA) Commodities	-	-	-		-	9,456	9,456
5929 Federal revenues distributed by the Texas Education Agency	-	315,510	315,510		-	891,056	891,056
	<u>-</u>	<u>522,422</u>	<u>522,422</u>		<u>-</u>	<u>1,059,289</u>	<u>1,059,289</u>
Net assets released from restrictions:							
8910 Net assets released from restrictions	2,457,288	(2,457,288)	-		3,426,147	(3,426,147)	-
Total revenues	<u>2,769,364</u>	<u>105,089</u>	<u>2,874,453</u>		<u>3,674,166</u>	<u>(455,091)</u>	<u>3,219,075</u>

THE LAWSON ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
For the Years Ended June 30, 2025 and 2024

		<u>2025</u>			<u>2024</u>		
		<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
		<u>Restrictions</u>	<u>Restrictions</u>		<u>Restrictions</u>	<u>Restrictions</u>	
Expenses:							
11	Instruction	\$ 868,943	\$ -	\$ 868,943	\$ 1,136,610	\$ -	\$ 1,136,610
13	Curriculum development and instructional staff development	323,310	-	323,310	33,077	-	33,077
23	School leadership	227,496	-	227,496	170,665	-	170,665
31	Guidance, counseling, and evaluation services	27,697	-	27,697	-	-	-
34	Student transportation	114,158	-	114,158	117,881	-	117,881
35	Food services	227,953	-	227,953	175,485	-	175,485
36	Extracurricular activities	15,873	-	15,873	15,637	-	15,637
41	General administration	717,387	-	717,387	407,717	-	407,717
51	Facilities maintenance and operations	203,044	-	203,044	466,460	-	466,460
52	Security and monitoring services	140,533	-	140,533	211,105	-	211,105
53	Data processing services	28,792	-	28,792	129,501	-	129,501
71	Debt service	117,885	-	117,885	-	-	-
	Total expenses	<u>3,013,071</u>	<u>-</u>	<u>3,013,071</u>	<u>2,864,138</u>	<u>-</u>	<u>2,864,138</u>
	Change in net assets	(243,707)	105,089	(138,618)	810,028	(455,091)	354,937
Net assets, beginning of year		<u>1,349,252</u>	<u>141,070</u>	<u>1,490,322</u>	<u>539,224</u>	<u>596,161</u>	<u>1,135,385</u>
Net assets, end of year		<u>\$ 1,105,545</u>	<u>\$ 246,159</u>	<u>\$ 1,351,704</u>	<u>\$ 1,349,252</u>	<u>\$ 141,070</u>	<u>\$ 1,490,322</u>

THE LAWSON ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
State grant receipts	\$ 2,027,258	\$ 1,852,598
Federal grant receipts	555,837	1,005,096
Property rental receipts	20,000	50,000
Contribution receipts	252,524	34,191
Interest received	33,170	-
Receipts from miscellaneous sources	73,443	139,032
Payments to vendors for goods and services rendered	(1,661,200)	(1,717,671)
Payments to or on behalf of employees for services rendered	(1,301,136)	(984,392)
Interest paid	<u>(117,885)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(117,989)</u>	<u>378,854</u>
Cash Flows from Investing Activities:		
Purchase of investments	(33,169)	(714,318)
Purchase of capital assets	<u>(88,549)</u>	<u>-</u>
Net cash used in investing activities	<u>(121,718)</u>	<u>(714,318)</u>
Cash Flows from Financing Activities:		
Payments on notes payable	<u>(29,314)</u>	<u>-</u>
Net cash used in financing activities	<u>(29,314)</u>	<u>-</u>
Net decrease in cash	(269,021)	(335,464)
Cash, beginning of year	<u>716,137</u>	<u>1,051,601</u>
Cash, end of year	<u>\$ 447,116</u>	<u>\$ 716,137</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ (138,618)	\$ 354,937
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	30,148	16,326
Changes in operating assets and liabilities:		
Due from Texas Education Agency	20,718	(113,362)
Other receivables	67,061	(24,796)
Prepaid expenses	67,671	(67,671)
Accounts payable and accrued expenses	<u>(164,969)</u>	<u>213,420</u>
Net cash provided by (used in) operating activities	<u>\$ (117,989)</u>	<u>\$ 378,854</u>

THE LAWSON ACADEMY
SCHEDULES OF EXPENSES
For the Years Ended June 30, 2025 and 2024

		<u>2025</u>	<u>2024</u>
Expenses:			
6100	Payroll costs	\$ 1,301,136	\$ 984,392
6200	Professional and contracted services	940,858	1,373,300
6300	Supplies and materials	72,923	219,069
6400	Other operating expenses	580,269	287,377
6500	Debt service	<u>117,885</u>	<u>-</u>
	Total expenses	<u>\$ 3,013,071</u>	<u>\$ 2,864,138</u>

THE LAWSON ACADEMY
SCHEDULES OF ASSETS
June 30, 2025 and 2024

<u>2025</u>		<u>Ownership Interest</u>			
	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>	
1110	Cash	\$ 3,483	\$ 262,168	\$ 181,465	\$ 447,116
1120	Investments - current	256	747,231	-	747,487
1531	Vehicles	88,550	-	-	88,550
1539	Furniture and equipment	-	118,855	144,124	262,979
Total cash, investments, and capital assets		<u>\$ 92,289</u>	<u>\$ 1,128,254</u>	<u>\$ 325,589</u>	<u>\$ 1,546,132</u>

Reconciliation of schedule of assets to statement of financial position:

Total cash, investments, and capital assets	\$ 1,546,132
1572 Accumulated depreciation - vehicles	(14,550)
1573 Accumulated depreciation - furniture and equipment	(261,346)
1241 Due from Texas Education Agency	192,855
1290 Other receivables	1,551,657
Total assets - statement of financial position	<u>\$ 3,014,748</u>

<u>2024</u>		<u>Ownership Interest</u>			
	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>	
1110 Cash	\$ 939,388	\$ (294,977)	\$ 71,726	\$ 716,137	
1120 Investments - current	256	714,062	-	714,318	
1539 Furniture and equipment	<u>34,654</u>	<u>140,256</u>	<u>124,942</u>	<u>299,852</u>	
Total cash, investments, and capital assets	<u>\$ 974,298</u>	<u>\$ 559,341</u>	<u>\$ 196,668</u>	<u>\$ 1,730,307</u>	

Reconciliation of schedule of assets to statement of financial position:

Total cash, investments, and capital assets	\$ 1,730,307
1573 Accumulated depreciation - furniture and equipment	(282,620)
1241 Due from Texas Education Agency	213,573
1290 Other receivables	24,796
1410 Deferred expenses	67,671
Total assets - statement of financial position	<u>\$ 1,753,727</u>

THE LAWSON ACADEMY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
For the Year Ended June 30, 2025

		<u>Budgeted Amounts</u>			<u>Variance from</u>
		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:					
5700	Local and intermediate sources	\$ 833,003	\$ 833,003	\$ 312,076	\$ 520,927
5800	State program	2,001,115	2,003,475	2,039,955	(36,480)
5900	Federal program	<u>534,299</u>	<u>534,299</u>	<u>522,422</u>	<u>11,877</u>
	Total revenues	<u>3,368,417</u>	<u>3,370,777</u>	<u>2,874,453</u>	<u>496,324</u>
Expenses:					
11	Instruction	650,149	810,497	868,943	(58,446)
13	Curriculum development and instructional staff development	908,266	323,445	323,310	135
23	School leadership	220,763	211,423	227,496	(16,073)
31	Guidance, counseling, and evaluation services	65,000	42,000	27,697	14,303
34	Student transportation	150,000	117,300	114,158	3,142
35	Food services	201,184	199,159	227,953	(28,794)
36	Extracurricular activities	13,500	12,666	15,873	(3,207)
41	General administration	433,109	419,392	717,387	(297,995)
51	Facilities maintenance and operations	402,650	422,742	203,044	219,698
52	Security and monitoring services	170,953	168,253	140,533	27,720
53	Data processing services	18,450	25,250	28,792	(3,542)
71	Debt service	<u>-</u>	<u>162,000</u>	<u>117,885</u>	<u>44,115</u>
	Total expenses	<u>3,234,024</u>	<u>2,914,127</u>	<u>3,013,071</u>	<u>(98,944)</u>
	Change in net assets	134,393	456,650	(138,618)	595,268
Net assets, beginning of year		<u>786,621</u>	<u>850,657</u>	<u>1,490,322</u>	<u>(639,665)</u>
Net assets, end of year		\$ 921,014	\$ 1,307,307	\$ 1,351,704	\$ (44,397)

THE LAWSON ACADEMY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED) (CONTINUED)
For the Year Ended June 30, 2025

MATERIAL BUDGET VARIANCE REVENUE

- (1) The following is an explanation of the 10% variance from final budget to actual revenues reported on the Budgetary Comparison Schedule for the year ended June 30, 2025.

Object 5700 – Projected revenue from Texas A&M University TERM program ceased when the program was cancelled.

MATERIAL BUDGET VARIANCE EXPENDITURES

- (1) The following is an explanation of the 10% variances from original budget to final budget of expenditures reported on the Budgetary Comparison Schedule for the year ended June 30, 2025.

Function 11 – Additional costs for teachers hired to support the Texas A&M University TERM program.

Function 13 – The projection for Texas A&M University payroll funding for the TERM project was removed when the program abruptly ended.

Function 31 – Communities in Schools was able to share the cost for the counselor since they raised additional funds for the Academy's campus.

Function 34 – Received a donation to purchase a bus for the Academy and discontinued use of vendor in Spring 2025.

Function 53 – Projected use of new SIS (PowerSchool) was higher than expected.

Function 71 – No entry was initially projected for debt service.

MATERIAL BUDGET VARIANCE EXPENDITURES

- (1) The following is an explanation of the 10% variances from final budget to actual expenditures reported on the Budgetary Comparison Schedule for the year ended June 30, 2025.

Function 31 – Communities in Schools shared more of the cost than expected.

Function 35 – Meal estimate based on projections, and Community Preschools increased enrollment in its early education population, resulting in increased costs.

Function 36 – Increased vehicle rentals for participation in TCSAAL (athletics) for girls sports.

Function 41 – Expenses for meals were higher than expected for first year of Community Preschools multi-campus service.

Function 51 – Maintained lower costs to protect bottom line.

Function 52 – Grant revenues were less than expected.

Function 53 – Increased cost for poster-making equipment.

Function 71 – Debt service consisted of less debt than expected.

THE LAWSON ACADEMY
USE OF FUNDS REPORT – SELECT STATE ALLOTMENT PROGRAMS
(UNAUDITED)
For the Year Ended June 30, 2025

<u>Data Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did the charter school expend any state compensatory education program state allotment funds during the charter school's fiscal year?	Yes
AP2	Does the charter school have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the charter school's fiscal year.	<u>\$360,668</u>
AP4	Actual direct program expenditures for state compensatory education programs during the charter school's fiscal year. (PICs 24, 26, 28, 29, 30)	<u>\$323,141</u>
<u>Section B: Bilingual Education Allotment Programs</u>		
AP5	Did the charter school expend any bilingual education program state allotment funds during the charter school's fiscal year?	No
AP6	Does the charter school have written policies and procedures for its bilingual education allotment program?	No
AP7	Total state allotment funds received for bilingual education allotment programs during the charter school's fiscal year.	<u>\$ -0-</u>
AP8	Actual direct program expenditures for bilingual education allotment programs during the charter school's fiscal year. (PIC 25)	<u>\$ -0-</u>

THE LAWSON ACADEMY
SCHEDULES OF RELATED PARTY TRANSACTIONS
For the Years Ended June 30, 2025 and 2024

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During FY</u>	<u>Principal Balance Due</u>
<u>2025</u>								
The Lawson Academy Real Estate Co.	William A. Lawson Institute for Peace and Prosperity	100% Owned Subsidiary	Rental Expense	\$20,000 Payable, monthly; terminated in July 2024	State Funds	Monthly	\$ 20,000	\$ -
Community Preschools	William A. Lawson Institute for Peace and Prosperity	Lawson Pre-K Partner	Rental Income	\$5,000 Received, monthly; from July 2024 to October 2024	N/A	N/A	\$ -	\$ -
Community Preschools	William A. Lawson Institute for Peace and Prosperity	Lawson Pre-K Partner	Professional Services Expense	90% of federal funds, received under the National School Lunch Program (“NSLP”) and School Breakfast Program for the 2024-2025 school year. Effective August 2025, contract was renewed and expense decreased to 85% of federal funds received from the NSLP, terminating in July 2026	Federal Funds	Monthly	\$ 178,753	\$ -
Community Preschools	William A. Lawson Institute for Peace and Prosperity	Lawson Pre-K Partner	Average Daily Attendance Analysis	85% of state funds received under the Foundation School Program and earned by dually-enrolled students in the Lawson Pre-K program for the 2024-2025 school year. Effective August 2025, the contract was renewed and includes all students in the Lawson Pre-K program for five years, terminating in July 2030.	State Funds	Monthly	\$ 437,885	\$ -

THE LAWSON ACADEMY
SCHEDULES OF RELATED PARTY TRANSACTIONS (CONTINUED)
For the Years Ended June 30, 2025 and 2024

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During FY</u>	<u>Principal Balance Due</u>
<u>2024</u>								
The Lawson Academy	William A. Lawson Institute	100% Owned	Rental Expense	\$20,000 Payable, monthly; terminating in July 2024, after cessation of operations.	State Funds	Monthly	<u>\$ 240,000</u>	<u>\$ -</u>
Real Estate Co.	for Peace and Prosperity	Subsidiary						
The Lawson Academy	William A. Lawson Institute	100% Owned	Additional Rental	\$5,000 Payable, monthly; from September 2023 to December 2023	State Funds	Monthly	<u>\$ 20,000</u>	<u>\$ -</u>
Real Estate Co.	for Peace and Prosperity	Subsidiary	Expense					
Community Preschools	William A. Lawson Institute for Peace and Prosperity	Lawson Pre-K Partner	Rental Income	\$5,000 Received, monthly; from August 2023 to July 2024	N/A	N/A	<u>\$ -</u>	<u>\$ -</u>
Community Preschools	William A. Lawson Institute for Peace and Prosperity	Lawson Pre-K Partner	Professional Services Expense	75% of federal funds, received under the National School Lunch Program (“NSLP”) and School Breakfast Program for the 2023-2024 school year. Effective July 15, 2024, the expense is increased to 90% of federal funds received from the NSLP, terminating July 2025.	Federal Funds	Monthly	<u>\$ 125,713</u>	<u>\$ -</u>
Community Preschools	William A. Lawson Institute for Peace and Prosperity	Lawson Pre-K Partner	Average Daily Attendance Analysis	80% - 85% of state funds received under the Foundation School Program and earned by dually-enrolled students in the Lawson Pre-K program for the 2023-2024 school year	State Funds	Monthly	<u>\$ 168,067</u>	<u>\$ -</u>



MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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
William A. Lawson Institute for Peace and Prosperity and Subsidiaries

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 consolidated financial statements of William A. Lawson Institute for Peace and Prosperity and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 7, 2025 (pages 2 - 3).

Report On Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's consolidated 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses or significant deficiencies may exist that were not identified.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Muk: Muk. L.L.P.

Houston, Texas
November 7, 2025

WILLIAM A. LAWSON INSTITUTE FOR PEACE AND PROSPERITY
AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2025

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:
Unmodified

Internal control over financial reporting:

- | | | |
|---|-----------|-----------------------|
| • Material weakness(es) identified? | _____ Yes | ___x___ No |
| • Significant deficiency(ies) identified? | _____ Yes | ___x___ None Reported |

Noncompliance material to financial statements noted?	_____ Yes	___x___ No
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Section II: Financial Statement Findings

None