

SIL LEAD

Language Education and Development

SIL LEAD, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2021 and 2020

SIL LEAD, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
SIL LEAD, Inc.
Dallas, Texas

We have audited the accompanying financial statements of SIL LEAD, Inc., which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
SIL LEAD, Inc.
Dallas, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SIL LEAD, Inc. as of September 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying indirect cost rate schedule on pages 15-16 is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements* for the purpose of additional analysis and is not a required part of the financial statements. The benefit cost rate schedule on page 17 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.

Capin Crouse LLP

Irving, Texas
March 15, 2022

SIL LEAD, INC.

Statements of Financial Position

	September 30,	
	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and cash equivalents	\$ 391,178	\$ 586,641
Government grants receivable and other receivables (Notes 2 and 3)	175,638	88,506
Prepaid expenses	<u>8,350</u>	<u>4,829</u>
Total Assets	<u>\$ 575,166</u>	<u>\$ 679,976</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses (Notes 2 and 3)	<u>\$ 53,551</u>	<u>\$ 124,496</u>
Net assets:		
Without donor restrictions	418,762	547,734
With donor restrictions	<u>102,853</u>	<u>7,746</u>
Total net assets	<u>521,615</u>	<u>555,480</u>
Total Liabilities and Net Assets	<u>\$ 575,166</u>	<u>\$ 679,976</u>

See notes to financial statements

SIL LEAD, INC.

Statements of Activities

	Year Ended September 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Governmental grant and service revenue	\$ 498,008	\$ 101,200	\$ 599,208	\$ 815,156	\$ -	\$ 815,156
Non-governmental grant and service revenue	159,770	-	159,770	40,302	-	40,302
Contributions from related entities	5,545	-	5,545	93,040	-	93,040
Contributions from the public	24,451	8,600	33,051	29,018	25,948	54,966
Contributed goods and services from related entities	3,056	-	3,056	-	-	-
Contributed goods and services from the public	2,245	-	2,245	12,967	-	12,967
Other income	3,901	-	3,901	6,422	-	6,422
Total Support and Revenue	696,976	109,800	806,776	996,905	25,948	1,022,853
NET ASSETS RELEASED:						
Purpose restrictions	14,693	(14,693)	-	26,570	(26,570)	-
EXPENSES:						
Program (Note 5)	495,277	-	495,277	736,051	-	736,051
General and administrative (Note 5)	292,083	-	292,083	352,556	-	352,556
Fundraising (Note 5)	53,281	-	53,281	51,032	-	51,032
Total Expenses	840,641	-	840,641	1,139,639	-	1,139,639
Change in Net Assets	(128,972)	95,107	(33,865)	(116,164)	(622)	(116,786)
Net Assets, Beginning of Year	547,734	7,746	555,480	663,898	8,368	672,266
Net Assets, End of Year	\$ 418,762	\$ 102,853	\$ 521,615	\$ 547,734	\$ 7,746	\$ 555,480

See notes to financial statements

SIL LEAD, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (33,865)	\$ (116,786)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Government grants receivable and other receivables	(87,132)	109,477
Prepaid expenses	(3,521)	3,833
Accounts payable and accrued expenses	(70,945)	29,030
Net Cash Provided (Used) by Operating Activities	<u>(195,463)</u>	<u>25,554</u>
Net Change in Cash and Cash Equivalents	(195,463)	25,554
Cash and Cash Equivalents, Beginning of Year	<u>586,641</u>	<u>561,087</u>
Cash and Cash Equivalents, End of Year	<u>\$ 391,178</u>	<u>\$ 586,641</u>

See notes to financial statements

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

1. NATURE OF ORGANIZATION:

SIL LEAD, Inc. (the Organization) is a non-profit corporation formed under the laws of the State of Texas in 2011. The Organization was established to serve minority language communities and support the purposes and ends of SIL International (SIL). The Organization amended its bylaws during the year ended September 30, 2020. The updated bylaws make all elections of directors and the executive director subject to the approval of SIL, and SIL may also remove a director at any time. The Organization's financial statements are consolidated as part of SIL's consolidated financial statements. The purpose of the Organization is carried out through advocacy, educational programs, development programs, and linking communities with humanitarian and other multi-sectoral forms of assistance. As an essential part of its mission, the Organization seeks to express Christian values, beliefs, and actions that are in keeping with Scriptural commands to care for the poor, needy, and marginalized and, in general, to "love one's neighbor as oneself."

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law. It is classified as a publicly supported organization, which is not a private foundation under Section 509(a)(1) of the Code.

SIL exists to:

- Train linguists.
- Sponsor such linguists in their study of languages, especially less known and unwritten languages.
- Make available the data gathered by linguists through publication or other means.
- Publish resource materials for persons engaged in linguistic research.
- Prepare literature, both by original composition and by translation into the languages studied.
- Promote literacy among the people who speak the languages studied.
- Train people to promote literacy and prepare literature in their own languages.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader. The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ESTIMATES

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking accounts of which some are interest bearing. The Organization considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents. As of September 30, 2021 and 2020, the Organization has cash and cash equivalents on deposit with financial institutions that exceed the federally insured balance by approximately \$141,000 and \$406,000, respectively. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

GOVERNMENT GRANTS RECEIVABLE AND OTHER RECEIVABLES

Government grants receivable are primarily amounts due from grant agreements. Pursuant to the communication between these partner organizations and the Organization, the Organization believes that 100% of receivables will be collected. Therefore, no allowance for doubtful accounts has been established.

The Organization has remaining government grants that will be recognized as revenue as the conditions are met. Under ASU 2018-08, these are accounted for as conditional contributions. The remaining amounts are anticipated through the fiscal year ending September 30, 2024, for approximately \$1,285,000.

During the year ended September 30, 2021, the Organization entered into an agreement resulting in an unconditional promise to give for \$101,200 at year-end. The Organization believes that 100% of the receivable will be collected. Therefore, no allowance for doubtful accounts has been established. Additionally, no discount was applied to the receivable as all revenue is expected to be received within one year.

PREPAID EXPENSES

Prepaid expenses represent payments made in advance for travel or other expenses.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable represents expenses incurred through invoices but not paid as of the end of the year. Accrued expenses represent payroll, expense reports, and other costs incurred but not paid as of the end of the year.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions represent funds over which the board of directors retains full control to use in achieving the Organization's objectives.

Net assets with donor restrictions represent contributions that contain donor-imposed stipulations that expire with the passage of time or are fulfilled by the actions of the Organization.

REVENUE RECOGNITION

The Organization records support and revenue when cash is received, when unconditional promises are made, and when ownership of donated assets is transferred. Government grant and service revenue is recognized on the reimbursement method after allowable expenses are incurred. Contributions are general contributions from the public or related organizations where the donor receives nothing in return, and these contributions may or may not have restrictions attached to them. Governmental grant revenue is income in response to specific grant proposals to institutional funders where the Organization may be either the primary contractor or a sub-contractor. For both the years ended September 30, 2021 and 2020, all grants received were as a sub-contractor. Service revenue is income from services performed by the Organization in its normal course of business and in relation to its tax exempt purposes.

CONTRIBUTED GOODS AND SERVICES

Contributed goods represent the value of items provided without charge. Contributed services represent the value of professional services received without charge. These goods and services are recorded at fair market value.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program services and supporting activities are allocated and summarized on a functional basis in the statements of activities. All expenses are recorded when incurred in accordance with the accrual basis of accounting. Percentages used to allocate expense categories across their program and supporting functions are reviewed annually to ensure that they continue to accurately reflect the nature of the activities. General and administrative costs are distributed based on specific employee percentages or a weighted average, whichever is most appropriate, and office rent expense is allocated using a weighted average estimate of personnel time spent in the office.

The community based projects are grants to vetted non-profit community organizations that work in literacy and education.

Non-governmental projects are those that are similar to the Governmental Projects; however, they are not funded by a government agency. They also include capacity-building services provided to SIL International and its operating units.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2014, FASB issued ASU No. 2014-09, Not-for-Profit Entities—*Revenue from Contracts with Customers*. Adoption of these standard had no effect on change in net assets by class of net assets or in total. The primary adjustment was additional disclosure of conditional contributions.

RECLASSIFICATIONS

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation. On the statement of activities for the year ended September 30, 2020, expenses for general and administrative and fundraising increased by \$7,862 and \$40,979, respectively. Expenses for governmental projects, community based projects, and non-governmental projects decreased by \$40,103, \$1,028, and \$7,710, respectively.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

3. SIL (CONTROLLING ENTITY) TRANSACTIONS AND CONCENTRATIONS:

The Organization had amounts due from and to SIL as follows:

	September 30,	
	2021	2020
SIL International–accounts payable	\$ 26,598	\$ 91,182
SIL International–accounts receivable and prepaid expenses	\$ 39,556	\$ -
SIL International–unsecured revolving line of credit in the amount of \$400,000, monthly payments of principal and interest vary based on outstanding balance, bearing interest at 2.0%, no set maturity date.	\$ -	\$ -

The Organization received support from and provided support to SIL as follows:

	Year Ended September 30, 2021	
	Received from	Provided to
SIL International–cash	\$ 148,146	\$ 256,938

	Year Ended September 30, 2020	
	Received from	Provided to
SIL International–cash	\$ 125,702	\$ 340,942

The Organization has cash accounts held with SIL as of September 30, 2021 and 2020, of \$100,309 and \$406,400, respectively.

The Organization is dependent upon the government grant contracts it is awarded. Approximately 74% and 80% of the Organization's support and revenue came from these grants and service revenue associated with government projects during the years ended September 30, 2021 and 2020, respectively.

Approximately 18% and 12% of the Organization's support and revenue came from SIL during the years ended September 30, 2021 and 2020, respectively.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following purposes:

	September 30,	
	<u>2021</u>	<u>2020</u>
Community-based language work	\$ 1,653	\$ 7,746
Overseas literacy project	<u>101,200</u>	<u>-</u>
	<u>\$ 102,853</u>	<u>\$ 7,746</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

5. FUNCTIONAL CLASSIFICATION OF EXPENSES:

The following table reflects the functional allocation of expenses by natural classification as of September 30, 2021:

	Governmental Projects	Community Based Projects	Non-governmental Projects	General and Administrative	Fundraising	Total
Salaries	\$ 271,226	\$ 4,613	\$ 116,339	\$ 229,451	\$ 18,680	\$ 640,309
Benefits	26,841	698	7,451	33,027	1,873	69,890
Travel and transportation	13,623	7	32	93	16	13,771
Accounting and legal services	-	-	-	16,693	-	16,693
Grants to organizations and SIL	-	21,718	8,400	-	-	30,118
Business development	521	-	210	-	31,125	31,856
Office expenses	18,388	199	1,191	5,856	892	26,526
Other expenses	2,570	286	964	6,963	695	11,478
	<u>\$ 333,169</u>	<u>\$ 27,521</u>	<u>\$ 134,587</u>	<u>\$ 292,083</u>	<u>\$ 53,281</u>	<u>\$ 840,641</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

5. FUNCTIONAL CLASSIFICATION OF EXPENSES, continued:

The following table reflects the functional allocation of expenses by natural classification as of September 30, 2020:

	Governmental Projects	Community Based Projects	Non-governmental Projects	General and Administrative	Fundraising	Total
Salaries	\$ 467,601	\$ 16,584	\$ 101,250	\$ 267,617	\$ 16,507	\$ 869,559
Benefits	37,408	2,653	8,464	38,638	1,103	88,266
Travel and transportation	52,180	170	441	13,091	122	66,004
Accounting and legal services	-	-	-	16,228	-	16,228
Grants to organizations and SIL	-	22,687	-	-	-	22,687
Business development	1,223	-	235	-	31,271	32,729
Office expenses	20,735	409	1,302	11,149	1,229	34,824
Other expenses	2,060	498	151	5,833	800	9,342
	<u>\$ 581,207</u>	<u>\$ 43,001</u>	<u>\$ 111,843</u>	<u>\$ 352,556</u>	<u>\$ 51,032</u>	<u>\$ 1,139,639</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

6. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of September 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year. All financial assets listed below are considered to be convertible to cash within one year.

	September 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 391,178	\$ 586,641
Government grants receivable and other receivables	175,638	88,506
Financial assets, at year-end	<u>566,816</u>	<u>675,147</u>
Less those unavailable for general expenditure within one year, due to:		
Assets restricted by donors for projects	<u>(101,200)</u>	<u>-</u>
Total unavailable	<u>(101,200)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 465,616</u>	<u>\$ 675,147</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2021 and 2020

6. LIQUIDITY AND FUNDS AVAILABLE, continued:

The Organization manages its liquidity and reserves following these principles: operating within a prudent range of financial soundness, maintaining adequate liquid assets to cover near-term operating needs, and maintaining adequate reserves to provide for longer term obligations. The Organization has a liquidity policy whose goal is to maintain current available financial assets sufficient to fund approximately 12 months of operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 90 days expected total expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually.

The Organization receives significant income from the U.S. government as a sub-contractor on USAID projects. Timing events related to these contracts are taken into consideration when predicting future cash flow, and sufficient cash is kept available for changes that may occur as a result of fluctuating indirect cost rates and the ability to recover indirect costs. The cash reserves in hand at September 30, 2021 and 2020, were held in anticipation of potential cash needs for expenses due in the future period. Cash reserves are kept in an interest bearing account where possible and prudent.

As discussed in Note 3, the Organization has access to a line of credit of \$400,000 for both the years ending September 30, 2021 and 2020, that would be considered available resources for purposes of liquidity.

7. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 15, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SIL LEAD, INC.

Indirect Cost Rate Schedule

For Year Ending September 30, 2021

Cost Element	Direct Costs			Indirect Costs			Total Costs
	Project and Direct Assistance	Fundraising	Total	General and Administrative Expenses	Program Management Costs	Total	
Salaries	\$ 390,417	\$ 18,680	\$ 409,097	\$ 229,451	\$ 1,761	\$ 231,212	\$ 640,309
Benefits	34,948	1,873	36,821	33,028	41	33,069	69,890
Travel and transportation	13,544	16	13,560	93	118	211	13,771
Accounting and legal services	-	-	-	16,693	-	16,693	16,693
Grants to organizations and SIL	30,118	-	30,118	-	-	-	30,118
Business development	-	31,125	31,125	-	731	731	31,856
Other expenses	17,575	1,587	19,162	12,819	6,023	18,842	38,004
Total costs before adjustments	486,602	53,281	539,883	292,084	8,674	300,758	840,641
Plus: accounting fees charged directly	14,641	363	15,004	(15,004)	-	(15,004)	-
Less: business development in fundraising	-	(44,559)	(44,559)	-	44,559	44,559	-
Less unallowable costs and exclusions:							
Entertainment (Note 1)	-	(12)	(12)	(70)	(90)	(160)	(172)
Advertising and promotion (Note 1)	-	(7,261)	(7,261)	-	-	-	(7,261)
Audit fees (Note 1)	-	-	-	(16,693)	-	(16,693)	(16,693)
Total adjustments	14,641	(51,469)	(36,828)	(31,767)	44,469	12,702	(24,126)
Adjusted cost base	\$ 501,243	\$ 1,812	\$ 503,055	\$ 260,317	\$ 53,143	\$ 313,460	\$ 816,515

(continued)

SIL LEAD, INC.

Indirect Cost Rate Schedule

(continued)

For Year Ending September 30, 2021

Indirect Cost Rate Calculation:

Pool costs	\$	313,460
Direct cost base	\$	503,055

Indirect Cost Rate **62.31%**

Notes:

- 1 Entertainment, advertising and promotion, excess per diems, and audit fees are unallowable per the cost principles contained in 2 CFR 200 Subpart E of Uniform Guidance.
- 2 Indirect costs not only include general and administrative expenses but also program supports costs not covered directly by a government award.

SIL LEAD, INC.

Benefit Cost Rate Schedule

For Year Ending September 30, 2021

Benefit Cost Rate Calculation:

United States Full Time:

Total benefits base	\$ 52,699
Total salary cost base	<u>335,593</u>

Benefit Cost Rate - United States Full Time **15.70%**

United States Part Time:

Total benefits base	2,785
Total salary cost base	<u>25,905</u>

Benefit Cost Rate - United States Part Time **10.75%**

Foreign Staff:

Foreign staff benefit base	12,342
Foreign staff salary cost base	<u>28,526</u>

Benefit Cost Rate - Foreign Staff **43.27%**

Reconciling items to functional expenses:

In-kind consultant labor	4,571
Consultant labor salaries and benefits	<u>247,778</u>

Total salaries and benefits \$ 710,199