



SIL LEAD, INC.

Financial Statements  
With Independent Auditors' Report

September 30, 2018 and 2017

# 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, 2018 and 2017, 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, 2018 and 2017, 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.

***Emphasis of Matter***

SIL LEAD, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the September 30, 2018 financial statements.

*Capin Crouse LLP*

Grapevine, Texas  
February 15, 2019

# SIL LEAD, INC.

## Statements of Financial Position

	September 30,	
	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 500,314	\$ 713,665
Government grants receivable and other receivables (Notes 2 and 3)	364,516	396,321
Prepaid expenses	<u>9,078</u>	<u>19,833</u>
Total Assets	<u>\$ 873,908</u>	<u>\$ 1,129,819</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses (Notes 2 and 3)	<u>\$ 84,115</u>	<u>\$ 238,112</u>
Net assets:		
Without donor restrictions:		
Operating	767,110	852,541
With donor restrictions:		
Restricted by purpose (Note 4)	<u>22,683</u>	<u>39,166</u>
	<u>789,793</u>	<u>891,707</u>
Total Liabilities and Net Assets	<u>\$ 873,908</u>	<u>\$ 1,129,819</u>

See notes to financial statements

# SIL LEAD, INC.

## Statements of Activities

	Year Ended September 30,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Governmental grant and service revenue	\$ 1,468,907	\$ -	\$ 1,468,907	\$ 2,173,780	\$ -	\$ 2,173,780
Non-governmental grant and service revenue	20,000	-	20,000	-	-	-
Contributions from related entities (Note 3)	93,600	-	93,600	120,000	-	120,000
Contributions from the public	30,345	5,680	36,025	25,950	1,435	27,385
Contributed goods and services from the public	-	-	-	100	-	100
Other income	5,108	-	5,108	442	-	442
<b>Total Support and Revenue</b>	<b>1,617,960</b>	<b>5,680</b>	<b>1,623,640</b>	<b>2,320,272</b>	<b>1,435</b>	<b>2,321,707</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	22,163	(22,163)	-	4,092	(4,092)	-
<b>EXPENSES:</b>						
Program (Note 5)	1,411,514	-	1,411,514	1,459,703	-	1,459,703
General and administrative (Note 5)	302,922	-	302,922	249,117	-	249,117
Fundraising (Note 5)	11,118	-	11,118	11,109	-	11,109
<b>Total Expenses</b>	<b>1,725,554</b>	<b>-</b>	<b>1,725,554</b>	<b>1,719,929</b>	<b>-</b>	<b>1,719,929</b>
<b>Change in Net Assets</b>	<b>(85,431)</b>	<b>(16,483)</b>	<b>(101,914)</b>	<b>604,435</b>	<b>(2,657)</b>	<b>601,778</b>
<b>Net Assets, Beginning of Year</b>	<b>852,541</b>	<b>39,166</b>	<b>891,707</b>	<b>248,106</b>	<b>41,823</b>	<b>289,929</b>
<b>Net Assets, End of Year</b>	<b>\$ 767,110</b>	<b>\$ 22,683</b>	<b>\$ 789,793</b>	<b>\$ 852,541</b>	<b>\$ 39,166</b>	<b>\$ 891,707</b>

See notes to financial statements

# SIL LEAD, INC.

## Statements of Cash Flows

	Year Ended September 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (101,914)	\$ 601,778
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	31,805	(154,561)
Prepaid expenses	10,755	(19,833)
Accounts payable and accrued expenses	(153,997)	156,051
Net Cash Provided (Used) by Operating Activities	<u>(213,351)</u>	<u>583,435</u>
Net Change in Cash and Cash Equivalents	(213,351)	583,435
Cash and Cash Equivalents, Beginning of Year	<u>713,665</u>	<u>130,230</u>
Cash and Cash Equivalents, End of Year	<u>\$ 500,314</u>	<u>\$ 713,665</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest	<u>\$ 3</u>	<u>\$ 48</u>

See notes to financial statements

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2018 and 2017

### 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's bylaws grant SIL the right to nominate a minority number of directors to the board of the Organization. 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 is a related organization which is not consolidated in these financial statements due to its financial and administrative independence.

SIL exists to:

- To train linguists.
- To sponsor such linguists in their study of languages, especially less known and unwritten languages.
- To make available the data gathered by linguists through publication or other means.
- To publish resource materials for persons engaged in linguistic research.
- To prepare literature, both by original composition and by translation into the languages studied.
- To promote literacy among the people who speak the languages studied.
- To 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, 2018 and 2017

### 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 interest-bearing checking accounts. The Organization considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents. Cash accounts may, at times exceed federally insured limits. As of September 30, 2018 and 2017, the Organization had cash balances that exceeded federally insured limits by approximately \$107,000 and \$381,000, 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

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.

#### 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 and expense reports incurred but not paid as of the end of the year.

#### 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.

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2018 and 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### REVENUE RECOGNITION

The Organization records support and revenue when cash is received, unconditional promises are made, and when ownership of donated assets is transferred. Government grant and service revenue is recognized on an accrual basis when earned or when grant conditions have been met. 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, 2018 and 2017, 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 the staff time provided. These goods and services are recorded at fair market value.

#### 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.

#### RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended September 30, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 7) and disclosures related to the functional allocation of expenses were expanded (Note 5).

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2018 and 2017

### 3. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS:

The Organization had amounts due from and to related entities as follows:

	September 30,	
	2018	2017
SIL International–receivable	\$ -	\$ 410
SIL International–accounts payable	\$ 40,763	\$ 31,761
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 a related entity as follows:

	Year Ended September 30, 2018	
	Received from	Provided to
SIL International–cash	\$ 93,600	\$ 102,130

The Organization received support from and provided support to a related entity as follows:

	Year Ended September 30, 2017	
	Received from	Provided to
SIL International–cash	\$ 120,000	\$ 125,856

The Organization employs a consultant who is related to a management level employee. Amounts expensed for consulting work were approximately \$101,800 and \$15,400 for the years ended September 30, 2018 and 2017, respectively.

The Organization is dependent upon the government grant contracts it is awarded. Approximately 90% and 94% of the Organization's support and revenue came from these grants during the years ended September 30, 2018 and 2017, respectively.

Approximately 6% and 5% of the Organization's support and revenue came from SIL during the years ended September 30, 2018 and 2017, respectively.

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2018 and 2017

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following purposes:

	September 30,	
	2018	2017
Scholarship funds	\$ 4,178	\$ 22,741
Overseas grant funds	18,505	16,425
	<u>\$ 22,683</u>	<u>\$ 39,166</u>

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2018 and 2017

5. FUNCTIONAL CLASSIFICATION OF EXPENSES:

The following table reflects the functional allocation of expenses by natural classification as of September 30, 2018:

	Governmental Projects	Community Based Projects	Non-governmental Projects	General and Administrative	Fundraising	Total
Salaries	\$ 848,820	\$ 32,558	\$ 22,482	\$ 115,967	\$ 2,027	\$ 1,021,854
Benefits	63,587	6,005	1,659	60,861	195	132,307
Travel and transportation	245,920	1,373	1,931	15,054	-	264,278
Accounting and legal services	-	-	-	87,443	-	87,443
Grants to other organizations	67,938	20,807	369	-	-	89,114
Business development	73,379	1,268	-	-	-	74,647
Office expenses	15,268	2,103	600	14,048	-	32,019
Other expenses	3,802	1,574	71	9,549	8,896	23,892
	<u>\$ 1,318,714</u>	<u>\$ 65,688</u>	<u>\$ 27,112</u>	<u>\$ 302,922</u>	<u>\$ 11,118</u>	<u>\$ 1,725,554</u>

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2018 and 2017

5. FUNCTIONAL CLASSIFICATION OF EXPENSES, continued:

The following table reflects the functional allocation of expenses by natural classification as of September 30, 2017:

	Governmental Projects	Community Based Projects	Non-governmental Projects	General and Administrative	Fundraising	Total
Salaries	\$ 983,990	\$ 3,641	\$ 5,045	\$ 117,985	\$ 2,096	\$ 1,112,757
Benefits	88,685	1,506	2,193	15,901	932	109,217
Travel and transportation	271,004	309	37	11,161	-	282,511
Accounting and legal services	-	-	-	77,403	-	77,403
Grants to other organizations	16,104	4,204	84	-	-	20,392
Business development	66,364	-	-	-	-	66,364
Office expenses	13,450	369	144	19,155	-	33,118
Other expenses	2,519	53	2	7,512	8,081	18,167
	<u>\$ 1,442,116</u>	<u>\$ 10,082</u>	<u>\$ 7,505</u>	<u>\$ 249,117</u>	<u>\$ 11,109</u>	<u>\$ 1,719,929</u>

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2018 and 2017

### 6. LEASES:

The Organization entered into lease agreements to rent office space. Rent expense for the years ended September 30, 2018 and 2017, was \$16,815 and \$24,259, respectively. Future minimum payments are as follows:

#### Year Ending September 30,

2019	\$	14,234
2020		6,998
		<hr/>
	\$	21,232
		<hr/> <hr/>

### 7. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of September 30, 2018 and 2017, 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.

	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$ 500,314	\$ 713,665
Government grants receivable and other receivables	364,516	396,321
Financial assets, at year-end	<hr/> 864,830	<hr/> 1,109,986
Less those unavailable for general expenditure within one year, due to:		
Assets restricted by donors for projects	<hr/> (22,683)	<hr/> (39,166)
Total unavailable	<hr/> (22,683)	<hr/> (39,166)
Financial assets available to meet cash needs for general expenditures within one year	<hr/> <hr/> \$ 887,513	<hr/> <hr/> \$ 1,149,152

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2018 and 2017

7. 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 to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 90 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended September 30, 2018 and 2017, the level of liquidity and reserves was managed within policy requirements.

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, 2017, were held in anticipation of 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, 2018 and 2017, that would be considered available resources for purposes of liquidity.

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 15, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.