

SIL LEAD

Language Education and Development

SIL LEAD, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2013 and 2012

SIL LEAD, INC.

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INDEPENDENT AUDITORS' AUDIT 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, 2013 and 2012, 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, 2013 and 2012, 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.

Capin Crouse LLP

Dallas, Texas
March 14, 2014

SIL LEAD, INC.

Statements of Financial Position

	September 30,	
	2013	2012
ASSETS:		
Cash and cash equivalents	\$ 41,210	\$ 2,504
Government grants receivable (Note 2)	222,334	46,861
Amounts due from related entities (Note 3)	3,134	130,000
Prepaid expenses	5,001	11,711
	<u>\$ 271,679</u>	<u>\$ 191,076</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses (Note 2)	\$ 48,327	\$ 22,491
Amounts due to related entities (Note 3)	192,538	133,474
	<u>240,865</u>	<u>155,965</u>
Net assets:		
Unrestricted:		
Undesignated	30,814	35,111
Temporarily restricted:	-	-
	<u>\$ 271,679</u>	<u>\$ 191,076</u>

See notes to financial statements

SIL LEAD, INC.

Statements of Activities

	Years Ended September 30,	
	2013	2012
Change in Unrestricted:		
SUPPORT AND REVENUE:		
Governmental grant revenue	\$ 420,495	\$ 46,861
Contributions from related entities	120,000	130,000
Contributions from the public	53,333	127,775
Contributed services from related entities	37,153	13,920
Other income	4,270	-
Interest income	292	464
Net assets released from restrictions	20,000	-
Total Support and Revenue	<u>655,543</u>	<u>319,020</u>
EXPENSES:		
Program (Note 4)	512,920	108,182
General and administrative (Note 4)	146,920	175,727
Total Expenses	<u>659,840</u>	<u>283,909</u>
Change in Unrestricted	<u>(4,297)</u>	<u>35,111</u>
Change in Temporarily Restricted:		
SUPPORT AND REVENUE:		
Contributions from the public	20,000	-
Net assets released from restrictions	<u>(20,000)</u>	<u>-</u>
Change in Temporarily Restricted	<u>-</u>	<u>-</u>
Total Change in Net Assets	(4,297)	35,111
Net Assets, Beginning of Year	<u>35,111</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 30,814</u>	<u>\$ 35,111</u>

See notes to financial statements

SIL LEAD, INC.

Statements of Cash Flows

	Years Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,297)	\$ 35,111
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Changes in operating assets and liabilities:		
Government grants receivable	(175,473)	(46,861)
Amounts due from related entities	126,866	(130,000)
Prepaid expenses	6,710	(11,711)
Accounts payable and accrued expenses	25,836	22,491
Amounts due to related entities	59,064	133,474
Net Cash Provided by Operating Activities	<u>38,706</u>	<u>2,504</u>
Net Change in Cash and Cash Equivalents	38,706	2,504
Cash and Cash Equivalents, Beginning of Year	<u>2,504</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 41,210</u>	<u>\$ 2,504</u>

See notes to financial statements

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2013 and 2012

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 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.

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.

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. The Organization maintains deposits in a financial institution. The Federal Deposit Insurance Corporation (FDIC) provides unlimited insurance coverage of noninterest-bearing transaction accounts and coverage of up to \$250,000 for interest bearing accounts per depositor per bank. The Organization has not experienced any losses in such accounts and does not believe that it is exposed to significant risks from excess deposits.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

GOVERNMENT GRANTS RECEIVABLE

Government grants receivable are primarily amounts due from grant agreements. Pursuant to the communication between these 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. The Organization accrues payroll and expense reports at the end of the year.

NET ASSETS

Unrestricted net assets represent funds over which the board of directors retains full control to use in achieving the Organization's objectives. The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Temporarily restricted net assets represent contributions that contain donor-imposed stipulations that expire with the passage of time or are fulfilled by the actions of the Organization. At September 30, 2013 and 2012, the Organization had no temporarily restricted net assets.

REVENUE RECOGNITION

The Organization records revenue when cash is received, unconditional promises are made, and when ownership of donated assets is transferred. Revenue is also recognized 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. In both the years ended September 30, 2013 and 2012, all grants received were as a sub-contractor.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTED SERVICES

Contributed services represent the value of the staff provided by related organizations. These 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 statement of activities. All expenses are recorded when incurred in accordance with the accrual basis of accounting.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of September 30, 2013, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization files information tax returns in the U.S. and various states. The Organization is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

RECLASSIFICATIONS

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

3. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS:

The Organization is dependent upon the government grant contracts it is awarded. Approximately 64% and 15% of the Organization's support and revenue came from these grants during the years ended September 30, 2013 and 2012, respectively.

The Organization is related to SIL through common purposes and ends (see Note 1), and the Organization's bylaws grant SIL the right to nominate a minority number of Directors to the Board of the Organization. Approximately 24% and 45% of the Organization's support and revenue came from SIL during the years ended September 30, 2013 and 2012, respectively.

The Organization rents office space from SIL and can cancel its lease agreement at any time. The Organization paid \$6,750 and \$9,000 in rent expense to SIL for the years ended September 30, 2013 and 2012, respectively.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2013 and 2012

3. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS, continued:

The Organization had accounts receivable and payable as follows:

	September 30, 2013	
	<u>Receivable</u>	<u>Payable</u>
SIL International	<u>\$ 3,134</u>	<u>\$ 192,538</u>

The Organization received support from and provided support to a related entity. Such amounts included in revenue and expenses were as follows:

	Year Ended September 30, 2013	
	<u>Received from</u>	<u>Provided to</u>
SIL International - cash	<u>\$ 120,000</u>	<u>\$ 6,750</u>
SIL International - contributed services	<u>\$ 37,153</u>	<u>\$ -</u>

The Organization had accounts receivable and payable as follows:

	September 30, 2012	
	<u>Receivable</u>	<u>Payable</u>
SIL International	<u>\$ 130,000</u>	<u>\$ 133,474</u>

The Organization received support from and provided support to a related entity. Such amounts included in revenue and expenses were as follows:

	Year Ended September 30, 2012	
	<u>Received from</u>	<u>Provided to</u>
SIL International - cash	<u>\$ 130,000</u>	<u>\$ 9,000</u>
SIL International - contributed services	<u>\$ 13,920</u>	<u>\$ -</u>

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Notes to Financial Statements

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4. NATURAL CLASSIFICATION OF EXPENSES:

Program expenses consist of the following:

	Year Ended September 30,	
	2013	2012
Labor	\$ 321,809	\$ 73,513
Travel	117,959	18,614
Grants	29,600	9,651
Office expenses	18,192	5,654
Other expenses	13,360	750
Costshare	12,000	-
	<u>\$ 512,920</u>	<u>\$ 108,182</u>

General and administrative expenses consist of:

	Years Ended September 30,	
	2013	2012
Labor	\$ 52,047	\$ 66,140
Program development services	42,650	48,321
Accounting and legal services	21,943	29,581
Administrative and board travel	12,938	18,493
Office and other expenses	17,342	13,192
	<u>\$ 146,920</u>	<u>\$ 175,727</u>

2012 was the first year the Organization was in operation and it had only procured one contract for program services that was undertaken for part of the year. Therefore, general and administrative expenses were extraordinarily high in the first year. The 2013 functional allocation is reflective of a full year of operations.

SIL LEAD, INC.

Notes to Financial Statements

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5. LEASES:

The Organization entered into lease agreements to rent office space. Rent expense for the years ended September 30, 2013 and 2012 was \$10,350 and \$9,000, respectively. Future minimum payments are as follows:

<u>Year Ending September 30,</u>	
2014	\$ 14,400
2015	<u>3,600</u>
	<u>\$ 18,000</u>

6. SUBSEQUENT EVENTS:

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