

SIL LEAD

Language Education and Development

Financial Statements
With Independent Auditors' Report

September 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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
January 30, 2015

SIL LEAD, INC.

Statements of Financial Position

	September 30,	
	2014	2013
ASSETS:		
Cash and cash equivalents	\$ 222,792	\$ 41,210
Government grants receivable (Note 2)	289,778	222,334
Amounts due from related entities (Note 3)	746	3,134
Prepaid expenses	6,202	5,001
	<u>\$ 519,518</u>	<u>\$ 271,679</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses (Note 2)	\$ 41,879	\$ 48,327
Amounts due to related entities (Note 3)	39,368	192,538
Line of credit	100,000	-
	<u>181,247</u>	<u>240,865</u>
Net assets:		
Unrestricted:		
Undesignated	338,271	30,814
Temporarily restricted:	-	-
	<u>\$ 519,518</u>	<u>\$ 271,679</u>

See notes to financial statements

SIL LEAD, INC.

Statements of Activities

	Years Ended September 30,	
	2014	2013
Change in Unrestricted:		
SUPPORT AND REVENUE:		
Governmental grant revenue	\$ 977,627	\$ 420,495
Contributions from related entities	120,000	120,000
Contributions from the public	248,253	53,333
Contributed services from related entities	35,641	37,153
Contributed services from the public	11,642	-
Other income	4,393	4,270
Interest income	-	292
Net assets released from restrictions	4,678	20,000
Total Support and Revenue	<u>1,402,234</u>	<u>655,543</u>
EXPENSES:		
Program (Note 4)	940,884	512,920
General and administrative (Note 4)	153,893	146,920
Total Expenses	<u>1,094,777</u>	<u>659,840</u>
Change in Unrestricted	<u>307,457</u>	<u>(4,297)</u>
Change in Temporarily Restricted:		
SUPPORT AND REVENUE:		
Contributions from the public	4,678	20,000
Net assets released from restrictions	(4,678)	(20,000)
Change in Temporarily Restricted	<u>-</u>	<u>-</u>
Total Change in Net Assets	307,457	(4,297)
Net Assets, Beginning of Year	<u>30,814</u>	<u>35,111</u>
Net Assets, End of Year	<u>\$ 338,271</u>	<u>\$ 30,814</u>

See notes to financial statements

SIL LEAD, INC.

Statements of Cash Flows

	<u>Years Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 307,457	\$ (4,297)
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	(67,444)	(175,473)
Amounts due from related entities	2,388	126,866
Prepaid expenses	(1,201)	6,710
Accounts payable and accrued expenses	(6,448)	25,836
Amounts due to related entities	(153,170)	59,064
Net Cash Provided by Operating Activities	<u>81,582</u>	<u>38,706</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	<u>100,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>100,000</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	181,582	38,706
Cash and Cash Equivalents, Beginning of Year	<u>41,210</u>	<u>2,504</u>
Cash and Cash Equivalents, End of Year	<u>\$ 222,792</u>	<u>\$ 41,210</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest (None capitalized)	<u>\$ 873</u>	<u>\$ -</u>

See notes to financial statements

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2014 and 2013

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, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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. 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, 2014 and 2013, 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. For both the years ended September 30, 2014 and 2013, all grants received were as a sub-contractor.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2014 and 2013

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. All contributions have been received from related entities or initiated by them, without any significant fund raising activities, therefore the Organization has not incurred any fund raising expenses.

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, 2014, 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.

3. LINE OF CREDIT:

	September 30,	
	2014	2013
Unsecured revolving line of credit to SIL in the amount of \$400,000, monthly payments of principal and interest of \$8,458, bearing interest at 2.75%, maturing September 30, 2015.	\$ 100,000	\$ -

Subsequent to year end, the Organization has repaid approximately \$25,000 on the line of credit.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2014 and 2013

4. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS:

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

	September 30, 2014	
	Receivable	Payable
SIL International	\$ 746	\$ 39,368

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

	September 30, 2014	
	Received from	Provided to
SIL International - cash	\$ 120,000	\$ 12,000
SIL International - contributed services	\$ 35,641	\$ -

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

	September 30, 2013	
	Receivable	Payable
SIL International	\$ 3,134	\$ 192,538

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

	September 30, 2013	
	Received from	Provided to
SIL International - cash	\$ 120,000	\$ 6,750
SIL International - contributed services	\$ 37,153	\$ -

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2014 and 2013

4. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS, continued:

The Organization is dependent upon the government grant contracts it is awarded. Approximately 70% and 64% of the Organization's support and revenue came from these grants during the years ended September 30, 2014 and 2013, 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 11% and 24% of the Organization's support and revenue came from SIL during the years ended September 30, 2014 and 2013, respectively.

The Organization received a grant from a foundation that represented approximately 16% of the Organization's support and revenue for the year ended September 30, 2014.

The Organization rented office space from SIL and could cancel its lease agreement at any time. The Organization cancelled the agreement in June 2013 and paid \$6,750 in rent expense to SIL for the year ended September 30, 2013.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2014 and 2013

5. NATURAL CLASSIFICATION OF EXPENSES:

Program expenses consist of the following:

	Year Ended September 30,	
	2014	2013
Labor	\$ 649,726	\$ 321,809
Travel	238,771	117,959
Grants	13,978	29,600
Other expenses	21,228	13,360
Office expenses	7,181	18,192
Costshare	10,000	12,000
	<u>\$ 940,884</u>	<u>\$ 512,920</u>

General and administrative expenses consist of:

	Years Ended September 30,	
	2014	2013
Labor	\$ 73,724	\$ 52,047
Office and other expenses	30,169	17,342
Accounting and legal services	19,644	21,943
Administrative and board travel	20,356	12,938
Program development services	10,000	42,650
	<u>\$ 153,893</u>	<u>\$ 146,920</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2014 and 2013

6. LEASES:

The Organization entered into lease agreements to rent office space. Rent expense for the years ended September 30, 2014 and 2013 was \$14,580 and \$10,350, respectively. Future minimum payments are as follows:

<u>Year Ending September 30,</u>	
2015	\$ 22,320
2016	<u>25,647</u>
	<u>\$ 47,967</u>

7. 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.