

# SIL LEAD

Language Education and Development

SIL LEAD, INC.

Financial Statements  
With Independent Auditors' Report

September 30, 2016 and 2015

# 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, 2016 and 2015, 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, 2016 and 2015, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying indirect cost rate schedule on pages 12-13 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*), and is not a required part of the financial statements. The accompanying benefit cost rate schedule on page 14 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*

Grapevine, Texas  
March 2, 2017

# SIL LEAD, INC.

## Statements of Financial Position

	September 30,	
	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 130,230	\$ 121,357
Government grants receivable and other receivables (Notes 2 and 3)	241,760	235,800
Prepaid expenses	-	3,810
	<hr/>	<hr/>
Total Assets	<u>\$ 371,990</u>	<u>\$ 360,967</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses (Notes 2 and 3)	\$ 82,061	\$ 69,728
Net assets:		
Unrestricted:		
Undesignated	248,106	287,922
Temporarily restricted (Note 4)	41,823	3,317
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 371,990</u>	<u>\$ 360,967</u>

See notes to financial statements

# SIL LEAD, INC.

## Statements of Activities

	Year Ended September 30,	
	2016	2015
<b>Change in Unrestricted:</b>		
SUPPORT AND REVENUE:		
Governmental grant revenue	\$ 752,281	\$ 922,622
Contributions from related entities (Note 3)	120,000	120,000
Contributions from the public	4,666	4,347
Contributed goods and services from related entities (Note 3)	-	28,691
Contributed goods and services from the public	4,795	4,896
Other income	260	22,400
Net assets released from restrictions	15,344	-
Total Support and Revenue	<u>897,346</u>	<u>1,102,956</u>
EXPENSES:		
Program (Note 5)	640,853	943,667
General and administrative (Note 5)	287,189	209,638
Fundraising	9,120	-
Total Expenses	<u>937,162</u>	<u>1,153,305</u>
Change in Unrestricted	<u>(39,816)</u>	<u>(50,349)</u>
<b>Change in Temporarily Restricted:</b>		
SUPPORT AND REVENUE:		
Contributions from the public	53,850	3,317
Net assets released from restrictions	(15,344)	-
Change in Temporarily Restricted	<u>38,506</u>	<u>3,317</u>
Total Change in Net Assets	(1,310)	(47,032)
Net Assets, Beginning of Year	<u>291,239</u>	<u>338,271</u>
Net Assets, End of Year	<u>\$ 289,929</u>	<u>\$ 291,239</u>

See notes to financial statements

# SIL LEAD, INC.

## Statements of Cash Flows

	Year Ended September 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (1,310)	\$ (47,032)
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	(5,960)	54,724
Prepaid expenses	3,810	2,392
Accounts payable and accrued expenses	12,333	(11,519)
Net Cash Provided (Used) by Operating Activities	<u>8,873</u>	<u>(1,435)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on the line of credit	-	(100,000)
Net Cash Used by Financing Activities	<u>-</u>	<u>(100,000)</u>
Net Change in Cash and Cash Equivalents	8,873	(101,435)
Cash and Cash Equivalents, Beginning of Year	<u>121,357</u>	<u>222,792</u>
Cash and Cash Equivalents, End of Year	<u>\$ 130,230</u>	<u>\$ 121,357</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest (None capitalized)	<u>\$ -</u>	<u>\$ 1,543</u>

See notes to financial statements

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2016 and 2015

### 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's ends as established by their board are:

SIL exists to the end that:

1. In this and every generation, language communities worldwide have access to Scripture and related materials in the languages that serve them well. Individuals and communities of believers are engaging with them for personal growth and in transforming their society, and
2. Language communities have increased their capacity to develop their languages in ways that benefit them and relevant institutions have increased their capacity to support language communities in that process, and
3. Individuals and communities benefit from our contribution to an increasing body of knowledge regarding the world's languages and cultures, and to the academic and professional disciplines related to language development.

### 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, 2016 and 2015

### 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.

#### 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.

#### NET ASSETS

*Unrestricted net assets* represent funds over which the board of directors retains full control to use in achieving the Organization's objectives.

*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.

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2016 and 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2016 and 2015, all grants received were as a sub-contractor.

#### 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.

#### 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 statements of activities. As of September 30, 2016, 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 2013.

#### RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation.

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2016 and 2015

### 3. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS:

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

	September 30,	
	2016	2015
SIL International – accounts payable	\$ 30,331	\$ 20,019
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 2.75%, no set maturity date.	\$ -	\$ -

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

	Year Ended September 30, 2016	
	Received from	Provided to
SIL International – cash	\$ 120,000	\$ 109,661

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

	Year Ended September 30, 2015	
	Received from	Provided to
SIL International – cash	\$ 120,000	\$ 109,000
SIL International – contributed goods and services	\$ 28,691	\$ -

The Organization is dependent upon the government grant contracts it is awarded. Approximately 80% and 84% of the Organization's support and revenue came from these grants during the years ended September 30, 2016 and 2015, respectively.

Approximately 13% and 13% of the Organization's support and revenue came from SIL during the years ended September 30, 2016 and 2015, respectively.

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2016 and 2015

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	September 30,	
	2016	2015
Scholarship funds	\$ 26,823	\$ 1,633
Overseas grant funds	15,000	1,684
	<u>\$ 41,823</u>	<u>\$ 3,317</u>

5. NATURAL CLASSIFICATION OF EXPENSES:

Program expenses consist of the following:

	Year Ended September 30,	
	2016	2015
Labor	\$ 388,699	\$ 620,116
Benefits	38,417	26,762
Travel	81,173	209,697
Grants	35,244	22,200
Other expenses	4,163	22,842
Office expenses	20,645	4,406
Program development services	67,717	33,644
External costshare	4,795	4,000
	<u>\$ 640,853</u>	<u>\$ 943,667</u>

# SIL LEAD, INC.

## Notes to Financial Statements

September 30, 2016 and 2015

5. NATURAL CLASSIFICATION OF EXPENSES, continued:

General and administrative expenses consist of:

	Year Ended September 30,	
	2016	2015
Labor	\$ 98,968	\$ 82,090
Benefits	38,511	83
Office and other expenses	30,147	54,037
Accounting and legal services	46,535	28,168
Administrative and board travel	17,429	21,665
Program development services	55,599	23,595
	<u>\$ 287,189</u>	<u>\$ 209,638</u>

6. LEASES:

The Organization entered into lease agreements to rent office space. Rent expense for the years ended September 30, 2016 and 2015, was \$26,709 and \$25,802, respectively. Future minimum payments are as follows:

Year Ending September 30,

2017	<u>\$ 14,000</u>
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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.

# SIL LEAD, INC.

## Indirect Cost Rate Schedule

For Year Ending September 30, 2016

Cost Element	Direct Costs			Indirect Costs			Total Costs
	Project and Direct	Fundraising	Total	General and Administrative	Program Management	Total	
	Assistance			Expenses	Costs		
Salaries	\$ 350,147	\$ -	\$ 350,147	\$ 98,968	\$ 38,552	\$ 137,520	\$ 487,667
Benefits	30,753	-	30,753	38,511	7,664	46,175	76,928
Travel & transportation	81,173	-	81,173	17,429	-	17,429	98,602
Accounting and legal services	-	-	-	46,535	-	46,535	46,535
Occupancy	4,289	-	4,289	20,360	12,692	33,052	37,341
Grants to other organizations	35,244	-	35,244	-	-	-	35,244
Program development	-	-	-	55,599	67,717	123,316	123,316
Other expenses	11,388	9,121	20,509	9,787	1,233	11,020	31,529
Total costs before adjustments	512,994	9,121	522,115	287,189	127,858	415,047	937,162
Plus: accounting fees charged directly	9,739	-	9,739	(9,739)	-	(9,739)	-
Less unallowable costs and exclusions:							
Entertainment (Note 1)	-	-	-	(403)	-	(403)	(403)
Advertising and promotion (Note 1)	-	-	-	(2,229)	(2,363)	(4,592)	(4,592)
Excess per diems (Note 1)	(344)	-	(344)	(1,640)	-	(1,640)	(1,984)
Total adjustments	9,395	-	9,395	(14,011)	(2,363)	(16,374)	(6,979)
Adjusted cost base	\$ 522,389	\$ 9,121	\$ 531,510	\$ 273,178	\$ 125,495	\$ 398,673	\$ 930,183

(continued)

# SIL LEAD, INC.

## Indirect Cost Rate Schedule

(continued)

For Year Ending September 30, 2016

### Indirect Cost Rate Calculation:

Pool costs	\$	398,673
Direct cost base		531,510

**Indirect Cost Rate** **75.01%**

### Notes:

- 1 Entertainment, Advertising and promotion, and Excess per diems 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, 2016

### Benefit Cost Rate Calculation:

#### United States Full Time:

Total benefits base	\$	74,253
Total salary cost base		<u>167,047</u>

**Benefit Cost Rate-United States Full Time** **44.45%**

#### United States Part Time:

Total benefits base	\$	4,343
Total salary cost base		<u>26,417</u>

**Benefit Cost Rate-United States Part Time** **16.44%**

#### Foreign Staff:

Foreign staff benefit base	\$	5,871
Foreign staff salary cost base		<u>25,420</u>

**Benefit Cost Rate - Foreign Staff** **23.10%**

#### Reconciling items to functional expenses:

Salary and benefits included in program development	\$	(123,316)
Salary and benefits included in accounting		(42,760)
Salary and benefits included in fundraising		(403)
Consultant labor salaries		<u>427,723</u>

Total salaries and benefits \$ 564,595