



SIL LEAD, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2017 and 2016

SIL LEAD, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6

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, 2017 and 2016, 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, 2017 and 2016, 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

Grapevine, Texas
March 9, 2018

SIL LEAD, INC.

Statements of Financial Position

	September 30,	
	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash and cash equivalents	\$ 713,665	\$ 130,230
Government grants receivable and other receivables (Notes 2 and 3)	396,321	241,760
Prepaid expenses	<u>19,833</u>	<u>-</u>
Total Assets	<u>\$ 1,129,819</u>	<u>\$ 371,990</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses (Notes 2 and 3)	\$ 238,112	\$ 82,061
Net assets:		
Unrestricted:		
Undesignated	852,541	248,106
Temporarily restricted (Note 4)	<u>39,166</u>	<u>41,823</u>
Total Liabilities and Net Assets	<u>\$ 1,129,819</u>	<u>\$ 371,990</u>

See notes to financial statements

SIL LEAD, INC.

Statements of Activities

	Year Ended September 30,	
	2017	2016
Change in Unrestricted:		
SUPPORT AND REVENUE:		
Governmental grant revenue	\$ 2,173,780	\$ 752,281
Contributions from related entities (Note 3)	120,000	120,000
Contributions from the public	25,950	4,666
Contributed goods and services from the public	100	4,795
Other income	442	260
Net assets released from restrictions	4,092	15,344
Total Support and Revenue	<u>2,324,364</u>	<u>897,346</u>
EXPENSES:		
Program (Note 5)	1,459,707	640,853
General and administrative (Note 5)	249,113	287,189
Fundraising (Note 5)	11,109	9,120
Total Expenses	<u>1,719,929</u>	<u>937,162</u>
Change in Unrestricted	<u>604,435</u>	<u>(39,816)</u>
Change in Temporarily Restricted:		
SUPPORT AND REVENUE:		
Contributions from the public	1,435	53,850
Net assets released from restrictions	(4,092)	(15,344)
Change in Temporarily Restricted	<u>(2,657)</u>	<u>38,506</u>
Total Change in Net Assets	601,778	(1,310)
Net Assets, Beginning of Year	<u>289,929</u>	<u>291,239</u>
Net Assets, End of Year	<u>\$ 891,707</u>	<u>\$ 289,929</u>

See notes to financial statements

SIL LEAD, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 601,778	\$ (1,310)
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	(154,561)	(5,960)
Prepaid expenses	(19,833)	3,810
Accounts payable and accrued expenses	156,051	12,333
Net Cash Provided by Operating Activities	<u>583,435</u>	<u>8,873</u>
Net Change in Cash and Cash Equivalents	583,435	8,873
Cash and Cash Equivalents, Beginning of Year	<u>130,230</u>	<u>121,357</u>
Cash and Cash Equivalents, End of Year	<u>\$ 713,665</u>	<u>\$ 130,230</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest (None capitalized)	<u>\$ 48</u>	<u>\$ -</u>

See notes to financial statements

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2017 and 2016

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:

- 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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016, 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.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2017 and 2016

3. RELATED PARTY TRANSACTIONS AND CONCENTRATIONS:

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

	September 30,	
	<u>2017</u>	<u>2016</u>
SIL International – receivable	<u>\$ 410</u>	<u>\$ -</u>
SIL International – accounts payable	<u>\$ 31,761</u>	<u>\$ 30,331</u>
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.	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

The Organization is dependent upon the government grant contracts it is awarded. Approximately 94% and 80% of the Organization's support and revenue came from these grants during the years ended September 30, 2017 and 2016, respectively.

Approximately 5% and 13% of the Organization's support and revenue came from SIL during the years ended September 30, 2017 and 2016, respectively.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2017 and 2016

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	September 30,	
	2017	2016
Scholarship funds	\$ 22,741	\$ 26,823
Overseas grant funds	16,425	15,000
	<u>\$ 39,166</u>	<u>\$ 41,823</u>

5. NATURAL CLASSIFICATION OF EXPENSES:

Program expenses consist of the following:

	Year Ended September 30,	
	2017	2016
Labor	\$ 992,676	\$ 388,699
Travel	271,350	81,173
Benefits	92,384	38,417
Business development services	66,364	67,717
Grants	20,392	35,244
Office expenses	13,967	20,645
Other expenses	2,574	4,163
External cost share	-	4,795
	<u>\$ 1,459,707</u>	<u>\$ 640,853</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2017 and 2016

5. NATURAL CLASSIFICATION OF EXPENSES, continued:

General and administrative expenses consist of:

	Year Ended September 30,	
	2017	2016
Labor	\$ 117,985	\$ 98,968
Accounting and legal services	77,403	46,535
Office and other expenses	26,663	30,147
Benefits	15,901	38,511
Administrative and board travel	11,161	17,429
Program development services	-	55,599
	<u>\$ 249,113</u>	<u>\$ 287,189</u>

Fundraising expenses consist of:

	Year Ended September 30,	
	2017	2016
Other	\$ 8,081	\$ 9,120
Labor	2,096	-
Benefits	932	-
	<u>\$ 11,109</u>	<u>\$ 9,120</u>

6. LEASES:

The Organization entered into lease agreements to rent office space. Rent expense for the years ended September 30, 2017 and 2016, was \$24,259 and \$26,709, respectively. Future minimum payments are as follows:

<u>Year Ending September 30,</u>	
2018	\$ 12,659
2019	13,518
2020	<u>6,759</u>
	<u>\$ 32,936</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2017 and 2016

7. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 9, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.