

SIL LEAD

Language Education and Development

SIL LEAD, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying indirect cost rate schedule on pages 15-16 is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements* for the purpose of additional analysis and is not a required part of the financial statements. The benefit cost rate schedule on page 17 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
February 23, 2021

SIL LEAD, INC.

Statements of Financial Position

	September 30,	
	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and cash equivalents	\$ 586,641	\$ 561,087
Government grants receivable and other receivables (Notes 2 and 3)	88,506	197,983
Prepaid expenses	<u>4,829</u>	<u>8,662</u>
Total Assets	<u>\$ 679,976</u>	<u>\$ 767,732</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses (Notes 2 and 3)	<u>\$ 124,496</u>	<u>\$ 95,466</u>
Net assets:		
Without donor restrictions	547,734	663,898
With donor restrictions	<u>7,746</u>	<u>8,368</u>
	<u>555,480</u>	<u>672,266</u>
Total Liabilities and Net Assets	<u>\$ 679,976</u>	<u>\$ 767,732</u>

See notes to financial statements

SIL LEAD, INC.

Statements of Activities

	Year Ended September 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Governmental grant and service revenue	\$ 815,156	\$ -	\$ 815,156	\$ 771,296	\$ -	\$ 771,296
Non-governmental grant and service revenue	40,302	-	40,302	3,000	-	3,000
Contributions from related entities (Note 3)	93,040	-	93,040	89,630	-	89,630
Contributions from the public	29,018	25,948	54,966	34,606	29,380	63,986
Contributed goods and services from the public	12,967	-	12,967	5,476	-	5,476
Other income	6,422	-	6,422	9,160	-	9,160
Total Support and Revenue	996,905	25,948	1,022,853	913,168	29,380	942,548
NET ASSETS RELEASED:						
Purpose restrictions	26,570	(26,570)	-	43,695	(43,695)	-
EXPENSES:						
Program (Note 5)	784,892	-	784,892	694,947	-	694,947
General and administrative (Note 5)	344,694	-	344,694	354,695	-	354,695
Fundraising (Note 5)	10,053	-	10,053	10,433	-	10,433
Total Expenses	1,139,639	-	1,139,639	1,060,075	-	1,060,075
Change in Net Assets	(116,164)	(622)	(116,786)	(103,212)	(14,315)	(117,527)
Net Assets, Beginning of Year	663,898	8,368	672,266	767,110	22,683	789,793
Net Assets, End of Year	\$ 547,734	\$ 7,746	\$ 555,480	\$ 663,898	\$ 8,368	\$ 672,266

See notes to financial statements

SIL LEAD, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (116,786)	\$ (117,527)
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 and other receivables	109,477	166,533
Prepaid expenses	3,833	416
Accounts payable and accrued expenses	29,030	11,351
Net Cash Provided by Operating Activities	<u>25,554</u>	<u>60,773</u>
Net Change in Cash and Cash Equivalents	25,554	60,773
Cash and Cash Equivalents, Beginning of Year	<u>561,087</u>	<u>500,314</u>
Cash and Cash Equivalents, End of Year	<u>\$ 586,641</u>	<u>\$ 561,087</u>

See notes to financial statements

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2020 and 2019

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 amended its bylaws during the year ended September 30, 2020. The updated bylaws make all elections of directors and the Executive Director subject to the approval of SIL, and SIL may also remove a director at any time. The Organization's financial statements are consolidated as part of SIL's consolidated financial statements. 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 exists to:

- Train linguists.
- Sponsor such linguists in their study of languages, especially less known and unwritten languages.
- Make available the data gathered by linguists through publication or other means.
- Publish resource materials for persons engaged in linguistic research.
- Prepare literature, both by original composition and by translation into the languages studied.
- Promote literacy among the people who speak the languages studied.
- 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, 2020 and 2019

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 checking accounts of which some are interest bearing. The Organization considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents. As of September 30, 2020 and 2019, the Organization has cash and cash equivalents on deposit with financial institutions that exceed the federally insured balance by approximately \$406,000 and \$452,000, 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.

The Organization has remaining government grants that will be recognized as revenue as the conditions are met. Under ASU 2018-08, these are accounted for as conditional contributions. The remaining amounts are anticipated through the fiscal year ending September 30, 2024, for approximately \$2,500,000.

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.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

REVENUE RECOGNITION

The Organization records support and revenue when cash is received, when unconditional promises are made, and when ownership of donated assets is transferred. Government grant and service revenue is recognized on the reimbursement method after allowable expenses are incurred. 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, 2020 and 2019, 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.

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

The community based projects are grants to vetted non-profit community organizations that work in literacy and education.

Non-governmental projects are those that are similar to the Governmental Projects; however, they are not funded by a government agency. They also include capacity-building services provided to SIL International and its operating units.

3. SIL (CONTROLLING ENTITY) TRANSACTIONS AND CONCENTRATIONS:

The Organization had amounts due from and to SIL as follows:

	September 30,	
	2020	2019
SIL International—accounts payable	\$ 91,182	\$ 30,425
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.	\$ -	\$ -

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2020 and 2019

3. SIL (CONTROLLING ENTITY) TRANSACTIONS AND CONCENTRATIONS, continued:

The Organization received support from and provided support to SIL as follows:

	Year Ended September 30, 2020	
	Received from	Provided to
SIL International–cash	<u>\$ 125,702</u>	<u>\$ 340,942</u>

	Year Ended September 30, 2019	
	Received from	Provided to
SIL International–cash	<u>\$ 89,630</u>	<u>\$ 128,300</u>

The Organization has cash accounts held with SIL as of September 30, 2020 and 2019, of \$406,400 and \$451,761, respectively.

The Organization is dependent upon the government grant contracts it is awarded. Approximately 80% and 82% of the Organization's support and revenue came from these grants during the years ended September 30, 2020 and 2019, respectively.

Approximately 12% and 10% of the Organization's support and revenue came from SIL during the years ended September 30, 2020 and 2019, respectively.

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following purposes:

	September 30,	
	2020	2019
Overseas grant funds	<u>\$ 7,746</u>	<u>\$ 8,368</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2020 and 2019

5. FUNCTIONAL CLASSIFICATION OF EXPENSES:

The following table reflects the functional allocation of expenses by natural classification as of September 30, 2020:

	Governmental Projects	Community Based Projects	Non-governmental Projects	General and Administrative	Fundraising	Total
Salaries	\$ 479,695	\$ 17,480	\$ 103,577	\$ 262,667	\$ 1,189	\$ 864,608
Benefits	38,139	2,707	8,598	38,631	192	88,267
Travel and transportation	52,273	176	458	13,097	-	66,004
Accounting and legal services	-	-	-	16,228	-	16,228
Grants to organizations and SIL	-	22,687	-	-	-	22,687
Business development	27,447	-	5,281	-	-	32,728
Office expenses	21,678	479	1,484	11,166	19	34,826
Other expenses	2,078	500	155	2,905	8,653	14,291
	<u>\$ 621,310</u>	<u>\$ 44,029</u>	<u>\$ 119,553</u>	<u>\$ 344,694</u>	<u>\$ 10,053</u>	<u>\$ 1,139,639</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2020 and 2019

5. FUNCTIONAL CLASSIFICATION OF EXPENSES, continued:

The following table reflects the functional allocation of expenses by natural classification as of September 30, 2019:

	Governmental Projects	Community Based Projects	Non-governmental Projects	General and Administrative	Fundraising	Total
Salaries	\$ 370,944	\$ 29,418	\$ 27,905	\$ 255,712	\$ 1,533	\$ 685,512
Benefits	57,135	5,244	2,359	36,727	306	101,771
Travel and transportation	72,341	3,243	238	20,589	-	96,411
Accounting and legal services	-	-	-	19,225	-	19,225
Grants to organizations and SIL	-	44,908	-	-	-	44,908
Business development	47,758	-	3,362	-	-	51,120
Office expenses	15,412	1,609	623	15,445	-	33,089
Other expenses	4,770	2,154	5,524	6,997	8,594	28,039
	<u>\$ 568,360</u>	<u>\$ 86,576</u>	<u>\$ 40,011</u>	<u>\$ 354,695</u>	<u>\$ 10,433</u>	<u>\$ 1,060,075</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2020 and 2019

6. LEASES:

The Organization entered into a lease agreement to rent office space that ended on September 30, 2020. Rent expense for the years ended September 30, 2020 and 2019, was \$10,618 and \$14,334 respectively.

7. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Organization's financial assets as of September 30, 2020 and 2019, 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.

	September 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 586,641	\$ 561,087
Government grants receivable and other receivables	88,506	197,983
Financial assets, at year-end	<u>675,147</u>	<u>759,070</u>
Less those unavailable for general expenditure within one year, due to:		
Assets restricted by donors for projects	<u>(7,746)</u>	<u>(8,368)</u>
Total unavailable	<u>(7,746)</u>	<u>(8,368)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 667,401</u>	<u>\$ 750,702</u>

SIL LEAD, INC.

Notes to Financial Statements

September 30, 2020 and 2019

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 whose goal is to maintain current available financial assets sufficient to fund approximately 12 months of operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 90 days expected total 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, 2020 and 2019, the level of liquidity and reserves fell within the range of the Organization's policy goals.

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, 2020 and 2019, were held in anticipation of potential 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, 2020 and 2019, that would be considered available resources for purposes of liquidity.

8. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 23, 2021, 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, 2020

Cost Element	Direct Costs			Indirect Costs			Total Costs
	Project and Direct Assistance	Fundraising	Total	General and Administrative Expenses	Program Management Costs	Total	
Salaries	\$ 584,139	\$ 1,189	\$ 585,328	\$ 262,667	\$ 16,613	\$ 279,280	\$ 864,608
Benefits	48,506	192	48,698	38,631	938	39,569	88,267
Travel and transportation	49,891	-	49,891	13,096	3,017	16,113	66,004
Accounting and legal services	-	-	-	16,228	-	16,228	16,228
Grants to other organizations	22,687	-	22,687	-	-	-	22,687
Business development	-	-	-	-	32,728	32,728	32,728
Other expenses	17,171	8,672	25,843	14,072	9,202	23,274	49,117
Total costs before adjustments	722,394	10,053	732,447	344,694	62,498	407,192	1,139,639
Plus: accounting fees charged directly	15,030	623	15,653	(15,653)	-	(15,653)	-
Less unallowable costs and exclusions:							
Entertainment (Note 1)	-	-	-	(199)	(131)	(330)	(330)
Advertising and promotion (Note 1)	-	-	-	-	(10,020)	(10,020)	(10,020)
Excess per diems (Note 1)	-	-	-	(64)	-	(64)	(64)
Audit fees (Note 1)	-	-	-	(16,228)	-	(16,228)	(16,228)
Total adjustments	15,030	623	15,653	(32,144)	(10,151)	(42,295)	(26,642)
Adjusted cost base	\$ 737,424	\$ 10,676	\$ 748,100	\$ 312,550	\$ 52,347	\$ 364,897	\$ 1,112,997

(continued)

SIL LEAD, INC.

Indirect Cost Rate Schedule

(continued)

For Year Ending September 30, 2020

Indirect Cost Rate Calculation:

Pool costs	\$	364,897
Direct cost base	\$	748,100

Indirect Cost Rate **48.78%**

Notes:

- 1 Entertainment, advertising and promotion, excess per diems, and audit fees 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, 2020

Benefit Cost Rate Calculation:

United States Full Time:

Total benefits base	\$ 63,248
Total salary cost base	<u>391,003</u>

Benefit Cost Rate - United States Full Time **16.18%**

United States Part Time:

Total benefits base	2,580
Total salary cost base	<u>25,870</u>

Benefit Cost Rate - United States Part Time **9.97%**

Foreign Staff:

Foreign staff benefit base	15,777
Foreign staff salary cost base	<u>59,842</u>

Benefit Cost Rate - Foreign Staff **26.36%**

Reconciling items to functional expenses:

In-kind consultant labor	12,968
Consultant labor salaries and benefits	<u>381,587</u>

Total salaries and benefits \$ 952,875