



# GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018





## REPORT OF INDEPENDENT AUDITOR

The Board of Trustees  
Graduate Institute of Applied Linguistics, Inc.  
Dallas, Texas

We have audited the accompanying financial statements of Graduate Institute of Applied Linguistics, Inc. ("the Institute"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Institute'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 Institute'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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Graduate Institute of Applied Linguistics, Inc., as of June 30, 2018, the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Batts Morrison Wales & Lee, P.A.*

BATTS MORRISON WALES & LEE, P.A.

Plano, Texas  
October 5, 2018

**GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.**

STATEMENT OF FINANCIAL POSITION

June 30, 2018

**ASSETS**

**ASSETS**

Cash and cash equivalents	\$ 578,874
Investments	1,194,931
Investments restricted for long-term purposes	726,336
Other assets	137,772
Property and equipment, net	<u>1,992,112</u>

**Total assets** \$ 4,630,025

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 86,982
Deferred revenue	<u>46,415</u>

**Total liabilities** 133,397

**NET ASSETS**

Unrestricted	\$ 3,256,014
Temporarily restricted	514,278
Permanently restricted	<u>726,336</u>

**Total net assets** 4,496,628

**Total liabilities and net assets** \$ 4,630,025

**GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.**

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Donated labor	\$ 1,260,875	\$ —	\$ —	\$ 1,260,875
Contributions	625,927	105,638	151,979	883,544
Tuition and fees, net	840,369	—	—	840,369
Investment income	103,148	24,305	—	127,453
Other revenue	23,209	—	—	23,209
Change in beneficial interest in split-interest agreements	—	(22,045)	—	(22,045)
Net assets released from restrictions	<u>111,709</u>	<u>(111,709)</u>	<u>—</u>	<u>—</u>
<b>Total public support and revenue and net assets released from restrictions</b>	<b><u>2,965,237</u></b>	<b><u>(3,811)</u></b>	<b><u>151,979</u></b>	<b><u>3,113,405</u></b>
<b>EXPENSES</b>				
Program activities				
Instructional expenses	1,347,764	—	—	1,347,764
Academic support	503,332	—	—	503,332
Student services	<u>382,615</u>	<u>—</u>	<u>—</u>	<u>382,615</u>
Total program activities	<u>2,233,711</u>	<u>—</u>	<u>—</u>	<u>2,233,711</u>
Supporting activities				
General and administrative	615,404	—	—	615,404
Development	<u>81,461</u>	<u>—</u>	<u>—</u>	<u>81,461</u>
Total supporting activities	<u>696,865</u>	<u>—</u>	<u>—</u>	<u>696,865</u>
<b>Total expenses</b>	<b><u>2,930,576</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>2,930,576</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>34,661</b>	<b>(3,811)</b>	<b>151,979</b>	<b>182,829</b>
<b>NET ASSETS - Beginning of year</b>	<b><u>3,221,353</u></b>	<b><u>518,089</u></b>	<b><u>574,357</u></b>	<b><u>4,313,799</u></b>
<b>NET ASSETS - End of year</b>	<b><u>\$ 3,256,014</u></b>	<b><u>\$ 514,278</u></b>	<b><u>\$ 726,336</u></b>	<b><u>\$ 4,496,628</u></b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.

## STATEMENT OF CASH FLOWS For The Year Ended June 30, 2018

### OPERATING CASH FLOWS

Cash received from tuition and fees	\$ 819,112
Cash received from contributors	731,565
Other income received	73,694
Cash paid for operating activities and costs	<u>(1,669,481)</u>

**Net operating cash flows** **(45,110)**

### INVESTING CASH FLOWS

Reinvestment of interest and dividends	(50,485)
Proceeds from sales of investments	275,840
Purchases of and improvements to property and equipment	<u>(51,608)</u>

**Net investing cash flows** **173,747**

### FINANCING CASH FLOWS

Proceeds from contributions restricted for scholarship endowments	<u>151,979</u>
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**Net financing cash flows** **151,979**

**NET CHANGE IN CASH AND CASH EQUIVALENTS** **280,616**

**CASH AND CASH EQUIVALENTS - Beginning of year** **298,258**

**CASH AND CASH EQUIVALENTS - End of year** **\$ 578,874**

### RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS

Change in net assets	\$ 182,829
Adjustments to reconcile change in net assets to net operating cash flows	
Contributions restricted for scholarship endowments	(151,979)
Net investment gain	(76,968)
Depreciation	101,255
Change in other assets	9,339
Change in accounts payable and accrued expenses	(100,918)
Change in deferred revenue	<u>(8,668)</u>

**Net operating cash flows** **\$ (45,110)**

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### **NOTE A – NATURE OF ACTIVITIES**

Graduate Institute of Applied Linguistics, Inc. (“the Institute”) is a not-for-profit Texas corporation located in Dallas, Texas. The purpose of the Institute is to operate a professional institute to provide training and research opportunities leading to undergraduate and graduate degrees in applied linguistics, culture studies, and development of languages.

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Restricted and unrestricted revenue and support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

#### **Revenue recognition**

The Institute’s tuition and fees are reported net of scholarships provided to eligible students. Tuition is recognized ratably throughout the Institute’s academic year. All other revenue is recognized in the period earned.

#### **Cash and cash equivalents**

The Institute considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

#### **Investments**

Investments are carried at estimated fair value.

#### **Investments restricted for long-term purposes**

Investments restricted for long-term purposes consisted of amounts held which are restricted primarily for scholarship endowments.

#### **Property and equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

#### **Deferred revenue**

Deferred revenue consists of tuition payments and other fees received in advance of their recognition as revenue.

#### **Income taxes**

The Institute is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Institute is further classified as a public charity and not a private foundation for federal tax purposes. The Institute has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

#### **Use of estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated fair value of investments, the useful lives of property and equipment, and the estimated value of donated labor. Actual results could differ from the estimates.

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Subsequent events**

The Institute has evaluated for possible financial reporting and disclosure subsequent events through October 5, 2018, the date as of which the financial statements were available to be issued.

### **NOTE C – CONCENTRATIONS**

The Institute maintains its cash and cash equivalents in deposit and brokerage accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Institute has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Institute's investments are held by a single custodian. Approximately 68% of the Institute's donated labor is provided by a related party and approximately 35% of the Institute's contribution revenue is from a related party (see Note G).

### **NOTE D – FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States ("GAAP") define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – quoted prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar investments)

Level 3 – significant unobservable inputs

The estimated fair value of certain assets, which are measured on a recurring basis at June 30, 2018, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 829,851	\$ 829,851	\$ —	\$ —
Bonds	758,212	758,212	—	—
Exchange-traded funds	<u>333,204</u>	<u>333,204</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 1,921,267</u>	<u>\$ 1,921,267</u>	<u>\$ —</u>	<u>\$ —</u>

**GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE D – FAIR VALUE MEASUREMENTS (Continued)**

The above amounts are reported in the accompanying statement of financial position as follows:

Investments	\$ 1,194,931
Investments restricted for long-term purposes	<u>726,336</u>
Total investments	<u>\$ 1,921,267</u>

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

<u>Category</u>	
Library books, journals, and other media	\$ 2,933,169
Computers, furniture, and equipment	254,527
Leasehold improvements	109,931
Historic religious texts	<u>95,000</u>
Total property and equipment	3,392,627
Less: Accumulated depreciation	<u>(1,400,515)</u>
Property and equipment, net	<u>\$ 1,992,112</u>

Depreciation expense amounted to \$101,255 during the year ended June 30, 2018.

**NOTE F – RESTRICTIONS ON NET ASSETS**

Net assets were temporarily restricted for the following purposes during the year ended June 30, 2018:

	<u>Balance July 1</u>	<u>Contributions and other changes</u>	<u>Releases</u>	<u>Balance June 30</u>
Scholarships	\$ 358,714	\$ 75,318	\$ (72,805)	\$ 361,227
Beneficial interest in split-interest agreements	126,686	(22,045)	—	104,641
Other projects	<u>32,689</u>	<u>54,625</u>	<u>(38,904)</u>	<u>48,410</u>
Total	<u>\$ 518,089</u>	<u>\$ 107,898</u>	<u>\$ (111,709)</u>	<u>\$ 514,278</u>

**GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE F – RESTRICTIONS ON NET ASSETS (Continued)**

Net assets were permanently restricted for the following purposes:

Newhouse endowment scholarship	\$	340,549
Blount endowment scholarship		104,292
Tozer endowment scholarship		69,677
Caruth endowment scholarship		55,243
Mayers endowed chair		45,039
Walter endowment scholarship		40,000
Other endowments		<u>71,536</u>
Total	\$	<u>726,336</u>

Distributions from endowment scholarships are restricted for providing scholarships for eligible students. Distributions from the Mayers endowed chair are restricted for support of the Institute’s Applied Anthropology department. The Institute has other endowments for which distributions are restricted for various purposes.

The Institute preserves the estimated fair value of all original endowment gifts as of the gift date, which management deems is in compliance with state law. Accordingly, the Institute classifies as “permanently restricted net assets” (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The Institute has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to supported programs while seeking to maintain the purchasing power of the endowment assets and to preserve the invested capital.

**NOTE G – RELATED PARTIES**

The Institute cooperates with not-for-profit organizations Wycliffe Bible Translators (“WBT”) and SIL International (“SIL”) in accomplishing its purpose. WBT and SIL each nominate one of the Institute’s trustees, who is then approved by other voting members of the Institute’s board.

During the year ended June 30, 2018, the Institute made payments of approximately \$28,000 and \$329,000 (including lease payments, as further discussed in Note I) to WBT and SIL, respectively, primarily for personnel-related costs and facilities costs. The Institute also received cash contributions of approximately \$311,000 and donated labor of approximately \$860,000 from WBT during the year ended June 30, 2018.

**NOTE H – DONATED LABOR**

Faculty and volunteers provide labor and other services for various Institute activities. Donated labor meeting the criteria for revenue recognition in conformity with GAAP amounted to \$1,260,875 during the year ended June 30, 2018, and is included in the accompanying statement of activities as “donated labor” revenue with the related expenses classified according to the benefitted function.

**GRADUATE INSTITUTE OF APPLIED LINGUISTICS, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE I – LEASES**

The Institute has operating leases with SIL to provide facilities and other services to the Institute. Total lease expense for all operating leases for the year ended June 30, 2018 amounted to approximately \$295,000.

Future minimum lease payments under noncancellable operating leases as approximately as follows:

Year Ending <u>June 30,</u>	
2019	\$ 266,000
2020	<u>270,000</u>
Total	<u>\$ 536,000</u>

**NOTE J – TUITION AND FEES**

Tuition and fees for the year ended June 30, 2018 are reported net of related discounts as follows:

Tuition and fees, gross	\$ 925,563
Various scholarships	<u>(85,194)</u>
Tuition and fees, net	<u>\$ 840,369</u>