

**GRADUATE INSTITUTE  
OF APPLIED LINGUISTICS**

FINANCIAL STATEMENTS

June 30, 2008 and 2007

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Graduate Institute of Applied Linguistics  
Dallas, Texas**

We have audited the statements of financial position of the Graduate Institute of Applied Linguistics as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Graduate Institute of Applied Linguistics as of June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 13 - 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Carol Stream, Illinois  
July 28, 2008

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

## Statements of Financial Position

	June 30,	
	2008	2007
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 234,501	\$ 183,070
Investments	1,203,562	906,641
Accrued interest and other assets	21,811	25,810
Library assets, net	1,964,585	1,972,143
Furniture, equipment, leasehold improvements and collections, net	128,018	52,851
Beneficial interest in split-interest agreements	85,032	39,851
Endowment assets	84,543	55,500
	\$ 3,722,052	\$ 3,235,866
 <b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	\$ 23,148	\$ 21,856
Wages payable and other accrued expenses	85,028	66,484
	108,176	88,340
 Net assets:		
Unrestricted:		
Education and general operations	411,470	273,961
Board designated	650,000	600,000
Net invested in library assets	1,964,585	1,972,143
Net invested in furniture, equipment and leasehold improvements	128,018	52,851
	3,154,073	2,898,955
Temporarily restricted	375,260	193,071
Permanently restricted – endowment	84,543	55,500
	3,613,876	3,147,526
	\$ 3,722,052	\$ 3,235,866

See notes to financial statements

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

## Statement of Activities

	Year Ended June 30, 2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES:</b>				
Tuition and fees	\$ 841,945	\$ -	\$ -	\$ 841,945
Less: Scholarships	(264,436)	-	-	(264,436)
Net tuition and fees	577,509	-	-	577,509
Contributions	594,965	473,942	29,043	1,097,950
Donated labor	696,413	-	-	696,413
Investment income	63,810	1,087	-	64,897
Other revenues	46,214	-	-	46,214
Government grant revenue	-	17,500	-	17,500
Net assets released from restrictions:				
Satisfaction of purpose restrictions	310,340	(310,340)	-	-
	2,289,251	182,189	29,043	2,500,483
<b>EXPENSES:</b>				
Educational and general:				
Instructional	850,759	-	-	850,759
Academic support	447,325	-	-	447,325
Student services	170,987	-	-	170,987
Institutional support	565,062	-	-	565,062
	2,034,133	-	-	2,034,133
Change in net assets	255,118	182,189	29,043	466,350
Net assets, beginning of year	2,898,955	193,071	55,500	3,147,526
Net assets, end of year	\$ 3,154,073	\$ 375,260	\$ 84,543	\$ 3,613,876

See notes to financial statements

## GRADUATE INSTITUTE OF APPLIED LINGUISTICS

### Statement of Activities

	Year Ended June 30, 2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES:</b>				
Tuition and fees	\$ 571,085	\$ -	\$ -	\$ 571,085
Less: Scholarships	(183,002)	-	-	(183,002)
Net tuition and fees	388,083	-	-	388,083
Contributions	502,684	282,560	-	785,244
Donated labor	644,118	-	-	644,118
Investment income	53,642	1,123	-	54,765
Other revenues	57,593	-	-	57,593
Net assets released from restrictions:				
Satisfaction of purpose restrictions	203,529	(203,529)	-	-
Satisfaction of asset acquisition restrictions	23,304	(23,304)	-	-
	1,872,953	56,850	-	1,929,803
<b>EXPENSES:</b>				
Educational and general:				
Instructional	759,481	-	-	759,481
Academic support	411,501	-	-	411,501
Student services	158,672	-	-	158,672
Institutional support	474,046	-	-	474,046
	1,803,700	-	-	1,803,700
Change in net assets	69,253	56,850	-	126,103
Net assets, beginning of year	2,829,702	136,221	55,500	3,021,423
Net assets, end of year	\$ 2,898,955	\$ 193,071	\$ 55,500	\$ 3,147,526

See notes to financial statements

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

## Statements of Cash Flows

	Year Ended June 30,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 466,350	\$ 126,103
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,327	75,377
Contributions received for endowment	(29,043)	-
Net realized and unrealized gain on investments	(6,296)	-
Donated library assets	(13,338)	(9,848)
Donated collection items	(90,000)	(18,915)
Changes in assets and liabilities:		
Contributions receivable from WBT	-	23,304
Accrued interest and other assets	3,999	(10,260)
Beneficial interest in split-interest agreements	(45,181)	(5,525)
Accounts payable, wages payable and accrued expenses	19,836	9,244
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>381,654</b>	<b>189,480</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments and endowment assets	(789,668)	(149,574)
Proceeds from sale/maturity of investments	470,000	98,189
Purchases of library assets	(39,598)	(35,612)
Purchases of furniture and equipment	-	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(359,266)</b>	<b>(86,997)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for endowment	29,043	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>29,043</b>	<b>-</b>
Net change in cash and cash equivalents	51,431	102,483
Cash and cash equivalents, beginning of year	183,070	80,587
Cash and cash equivalents, end of year	<b>\$ 234,501</b>	<b>\$ 183,070</b>
<b>SUPPLEMENTAL SCHEDULE:</b>		
Disposal of fully depreciated assets	<b>\$ 22,603</b>	<b>\$ -</b>

See notes to financial statements

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements  
June 30, 2008 and 2007

## 1. NATURE OF ORGANIZATION:

Graduate Institute of Applied Linguistics (the Institute), located in Dallas, Texas, was incorporated on March 31, 1998, and commenced operations on July 1, 1999, as a graduate professional institute to provide training and research opportunities in such areas as linguistics, language and culture learning, language assessment and development, literacy and Bible translation, and to equip students with the skills to train and serve others. The Institute is mainly supported by charitable contributions, donated labor, tuition and fees.

The Institute is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable state law and has been classified as a public organization that is not a private foundation under 509(a) of the Code. As such, contributions by the public are deductible for income tax purposes within the limitations prescribed in the Code.

The Institute is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award master's degrees.

Related entities, not included in these financial statements due to their financial and administrative independence, are listed below:

SIL International (formerly known as Summer Institute of Linguistics) exists "to work with language communities worldwide to facilitate language-based development through research, translation and literacy". One of the Institute's trustees is nominated by SIL and approved by the other voting members of the Board.

Wycliffe Bible Translators (WBT) exists "to assist the church in making disciples of all nations through Bible translation". One of the Institute's trustees is nominated by WBT and approved by the other voting members of the Board.

Some graduates of the Institute are equipped to serve in disciplines of interest to either or both of these organizations. As such, the Institute has sought to maintain mutual relationships with these organizations.

Wycliffe Foundation (WF) exists to engage new donors and nurture existing donors by offering gift planning services and providing competent financial agreement management and administration of financial resources for Bible translation. WF is a controlled subsidiary of WBT.

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements  
June 30, 2008 and 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES:

### BASIS OF PRESENTATION

The financial statements of the Institute have been prepared on the accrual basis of accounting. The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 represent cash on hand and cash in checking and money market accounts. From time to time, the Institute may have cash deposits in excess of federally insured limits; however, the Institute has not experienced any losses on these accounts and does not believe that it is exposed to any significant credit risk.

### INVESTMENTS AND ENDOWMENT ASSETS

Investments and endowment assets are recorded at fair market value. Donated investments are recorded at market value at the date of donation and thereafter carried at fair market value. Investment income consists of interest, dividends, realized and unrealized gains and losses.

### LIBRARY ASSETS, FURNITURE, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND COLLECTIONS

Library assets, furniture, equipment and leasehold improvements in excess of \$5,000 are capitalized at cost at date of acquisition or fair value at date of donation. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets. Useful lives are as follows:

Library assets	40 years
Furniture, equipment and leasehold improvements	2 -10 years

Items capitalized as collections are reported at cost. Donated items are reported at their appraised or fair market value on the date of the gift. Collections consists of Torah scrolls donated to the Institute.

### BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS

Numerous charitable gift annuities have been established naming the Institute as the beneficiary. The charitable gift annuities are administered by WF and provide for the payment of distributions to the donors over their lifetimes. At the time of the donors' deaths, the Institute will receive its portion of the remaining assets. The present value of future benefits expected to be received by the Institute is estimated by WF using federal discount and mortality tables at a discount rate of 6%.

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements  
June 30, 2008 and 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets.

*Unrestricted net assets* are those amounts without outside restrictions and include:

*Education and general operations:* Includes the amounts associated with the principal mission and operations of the Institute.

*Board designated:* Includes amounts designated by the Board for use in future operations of the Institute.

*Net invested in library assets, furniture, equipment and leasehold improvements:* Includes library assets, furniture, equipment and leasehold improvements, net of accumulated depreciation.

*Temporarily restricted net assets* are those amounts which have donor imposed restrictions for specific operating purposes, for the acquisition of property and equipment, or those with time restrictions.

*Permanently restricted net assets* are those amounts which are contributed with donor restrictions requiring that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes as specified in endowment agreement.

### REVENUE

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made or ownership of other assets is transferred to the Institute. Tuition revenue is due upon registration; therefore, there are no student accounts receivable.

Unconditional promises to give to the Institute are recognized as income and contributions receivable when made. Conditional promises to give are recognized as income when the conditions are met.

The Institute reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions.

The Institute reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired long-lived assets are put into service.

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements  
June 30, 2008 and 2007

## 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

### DONATED LABOR

SIL provides most of the donated labor for the Institute's faculty and staff (Note 8). The remaining donated labor is provided by other outside parties. The fair value of donated labor is reflected in the financial statements if the services (1) require specialized skills, (2) are provided by individuals who possess those skills, and (3) would typically need to be purchased if not contributed. In addition, the Institute receives a significant amount of donated labor that has not been reflected in the financial statements. These services are essential to the completion of the Institute's purposes, but do not meet the accounting criteria necessary for recognition.

### EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the Institute have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Fund-raising expenses of \$151,698 and \$126,863 for the years ended June 30, 2008 and 2007, respectively, were included in institutional support.

### NEW ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 will be effective for fiscal years beginning after December 15, 2007. The effects of FIN 48 have not been determined.

In September 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. The effects of SFAS No. 157 have not been determined.

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements  
June 30, 2008 and 2007

### 3. INVESTMENTS AND ENDOWMENT ASSETS:

Investments and endowment assets consist of the following:

	2008	2007
Government bonds	\$ 994,061	\$ 651,820
Corporate bonds	207,111	216,079
Certificates of deposit	50,099	49,834
Mortgage pool	36,834	44,408
	1,288,105	962,141
Less endowment assets	(84,543)	(55,500)
	\$ 1,203,562	\$ 906,641

Investment income consists of the following:

Interest and dividend income	\$ 58,601	\$ 44,917
Net realized and unrealized gain	6,296	9,848
	\$ 64,897	\$ 54,765

### 4. LIBRARY ASSETS, FURNITURE, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND COLLECTIONS:

Library assets consist of the following:

	2008	2007
Books	\$ 1,651,971	\$ 1,625,489
Journals	750,588	724,471
Vertical files and microfiche	43,677	43,340
	2,446,236	2,393,300
Accumulated depreciation	(481,651)	(421,157)
	\$ 1,964,585	\$ 1,972,143

Furniture, equipment, leasehold improvements and collections consist of the following:

Furniture	\$ 34,427	\$ 34,427
Leasehold improvements	42,977	42,977
Equipment	26,737	49,340
Software	25,575	25,575
	129,716	152,319
Accumulated depreciation	(91,698)	(99,468)
	38,018	52,851
Collections	90,000	-
	\$ 128,018	\$ 52,851

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements  
June 30, 2008 and 2007

## 5. TEMPORARILY RESTRICTED NET ASSETS:

	2008	2007
Temporarily restricted:		
Purpose restricted:		
Scholarships	\$ 275,533	\$ 140,020
Student services technology	-	2,243
Library media center project	4,165	2,165
Student benevolence	2,426	3,385
Distance education	2,500	2,500
Other ministry funds	5,604	2,907
	290,228	153,220
Time restricted:		
Beneficial interest in split-interest agreements	85,032	39,851
	85,032	39,851
	\$ 375,260	\$ 193,071

## 6. PERMANENTLY RESTRICTED NET ASSETS:

	2008	2007
Permanently restricted:		
General endowment	\$ 29,500	\$ 29,500
Tozer scholarship endowment	26,000	26,000
10th anniversary scholarship endowment	29,043	-
	\$ 84,543	\$ 55,500

## 7. OPERATING LEASES:

The Institute has several operating leases with SIL to provide facilities, computer services and phones to the Institute. The lease expenses for the years ended June 30, 2008 and 2007, totaled \$254,938 and \$226,824, respectively. As of June 30, 2008, the computer services and phones are on a month to month basis. The facilities are leased from July 1, 2007, through June 30, 2010.

The future minimum lease payments for facilities are as follows:

<u>Year ending June 30,</u>	
2009	\$ 247,716
2010	263,801
	\$ 511,517

## GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements  
June 30, 2008 and 2007

### 8. RELATED PARTIES:

The accompanying financial statements include the following related party transactions with both SIL and WBT as of June 30, 2008 and 2007, and for the years then ended:

	2008		2007	
	SIL	WBT	SIL	WBT
Revenues:				
Donated labor	\$ 528,413	\$ -	\$ 469,688	\$ -
Library usage	20,000	-	24,000	-
Contributions	-	714,128	-	536,521
	\$ 548,413	\$ 714,128	\$ 493,688	\$ 536,521
Expenses:				
Donated labor expense	\$ 528,413	\$ -	\$ 469,688	\$ -
Lease expense	254,938	-	226,824	-
Insurance	-	49,315	-	47,259
	\$ 783,351	\$ 49,315	\$ 696,512	\$ 47,259
Accounts payable	\$ 21,965	\$ -	\$ 20,071	\$ -

For the years ended June 30, 2008 and 2007, GIAL received contributions from WF amounting to \$1,050 and \$5,000, respectively.

The Institute is a named beneficiary in annuity and trust agreements held and administered by WF. WF has estimated the Institute's remainder interest in those agreements to be \$85,032 and \$39,851 at June 30, 2008 and 2007, respectively. That amount has been included in the statements of financial position as beneficial interest in split-interest agreements.

## **SUPPLEMENTAL INFORMATION**

## GRADUATE INSTITUTE OF APPLIED LINGUISTICS

### Statement of Financial Position FASB Net Asset Class Disaggregation

	June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 234,501	\$ -	\$ -	\$ 234,501
Investments	913,334	290,228	-	1,203,562
Accrued interest and other assets	21,811	-	-	21,811
Library assets, net	1,964,585	-	-	1,964,585
Furniture and equipment, net	128,018	-	-	128,018
Beneficial interest in split-interest agreements	-	85,032	-	85,032
Endowment assets	-	-	84,543	84,543
	<u>\$ 3,262,249</u>	<u>\$ 375,260</u>	<u>\$ 84,543</u>	<u>\$ 3,722,052</u>
 <b>LIABILITIES AND NET ASSETS:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 23,148	\$ -	\$ -	\$ 23,148
Wages payable and other accrued expenses	85,028	-	-	85,028
	<u>108,176</u>	<u>-</u>	<u>-</u>	<u>108,176</u>
 <b>Net assets:</b>				
Unrestricted	3,154,073	-	-	3,154,073
Temporarily restricted	-	375,260	-	375,260
Permanently restricted	-	-	84,543	84,543
	<u>3,154,073</u>	<u>375,260</u>	<u>84,543</u>	<u>3,613,876</u>
	<u>\$ 3,262,249</u>	<u>\$ 375,260</u>	<u>\$ 84,543</u>	<u>\$ 3,722,052</u>

# GRADUATE INSTITUTE OF APPLIED LINGUISTICS

## Statement of Financial Position FASB Net Asset Class Disaggregation

	June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 183,070	\$ -	\$ -	\$ 183,070
Investments	753,421	153,220	-	906,641
Accrued interest and other assets	25,810	-	-	25,810
Library assets, net	1,972,143	-	-	1,972,143
Furniture and equipment, net	52,851	-	-	52,851
Beneficial interest in split-interest agreements	-	39,851	-	39,851
Endowment assets	-	-	55,500	55,500
	<u>\$ 2,987,295</u>	<u>\$ 193,071</u>	<u>\$ 55,500</u>	<u>\$ 3,235,866</u>
 <b>LIABILITIES AND NET ASSETS:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 21,856	\$ -	\$ -	\$ 21,856
Wages payable and other accrued expenses	66,484	-	-	66,484
	<u>88,340</u>	<u>-</u>	<u>-</u>	<u>88,340</u>
 <b>Net assets:</b>				
Unrestricted	2,898,955	-	-	2,898,955
Temporarily restricted	-	193,071	-	193,071
Permanently restricted	-	-	55,500	55,500
	<u>2,898,955</u>	<u>193,071</u>	<u>55,500</u>	<u>3,147,526</u>
	<u>\$ 2,987,295</u>	<u>\$ 193,071</u>	<u>\$ 55,500</u>	<u>\$ 3,235,866</u>