



**GRADUATE INSTITUTE
OF APPLIED LINGUISTICS**

FINANCIAL STATEMENTS

June 30, 2009 and 2008

CAPINCROUSE_{LLP}
Certified Public Accountants

www.capincrouse.com

120 E. Liberty Drive
Suite 270
Wheaton, IL 60187

630.682.9797

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplemental Information	
Statements of Financial Position – FASB Net Asset Class Disaggregation	18

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, 2009 and 2008, 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 auditing standards generally accepted in the United States of America. 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, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 18 - 19 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.

As discussed in notes 9, 10, and 11, Graduate Institute of Applied Linguistics has implemented SFAS No. 157, *Fair Value Measurements*, SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, FSP FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*, and *Enhanced Disclosures for All Endowment Funds*, and SFAS No. 165, *Subsequent Events*. The adoption of these standards had no impact on previously reported net assets.



Wheaton, Illinois
July 29, 2009

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statements of Financial Position

	June 30,	
	2009	2008
ASSETS:		
Cash and cash equivalents	\$ 495,942	\$ 234,501
Investments	1,054,703	1,203,562
Accrued interest and other assets	24,382	21,811
Library assets, net	1,962,093	1,964,585
Furniture, equipment, leasehold improvements and collections, net	137,347	128,018
Beneficial interest in split-interest agreements	120,633	85,032
Endowment assets	86,380	84,543
	\$ 3,881,480	\$ 3,722,052
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 24,716	\$ 23,148
Wages payable and other accrued expenses	90,254	85,028
	114,970	108,176
 Net assets:		
Unrestricted:		
Education and general operations	484,605	411,470
Board designated	650,000	650,000
Net invested in library assets	1,962,093	1,964,585
Net invested in furniture, equipment and leasehold improvements	137,347	128,018
	3,234,045	3,154,073
Temporarily restricted	446,085	375,260
Permanently restricted – endowment	86,380	84,543
	3,766,510	3,613,876
	\$ 3,881,480	\$ 3,722,052

See notes to financial statements

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statement of Activities

	Year Ended June 30, 2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES:				
Tuition and fees	\$ 872,114	\$ -	\$ -	\$ 872,114
Less: Scholarships	(153,092)	-	-	(153,092)
Net tuition and fees	719,022	-	-	719,022
Contributions	553,165	282,214	1,837	837,216
Donated labor	728,687	-	-	728,687
Investment income	67,565	13,721	-	81,286
Other revenues	39,640	-	-	39,640
Net assets released from restrictions:				
Satisfaction of purpose restrictions	223,831	(223,831)	-	-
Satisfaction of timing restrictions	1,279	(1,279)	-	-
	2,333,189	70,825	1,837	2,405,851
EXPENSES:				
Educational and general:				
Instructional	904,185	-	-	904,185
Academic support	438,223	-	-	438,223
Student services	174,039	-	-	174,039
Institutional support	736,770	-	-	736,770
	2,253,217	-	-	2,253,217
Change in Net Assets	79,972	70,825	1,837	152,634
Net Assets, Beginning of Year	3,154,073	375,260	84,543	3,613,876
Net Assets, End of Year	\$ 3,234,045	\$ 446,085	\$ 86,380	\$ 3,766,510

See notes to financial statements

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statement of Activities

	Year Ended June 30, 2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES:				
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	55,342	9,555	-	64,897
Other revenues	46,214	-	-	46,214
Government grant revenue	-	17,500	-	17,500
Net assets released from restrictions:				
Satisfaction of purpose restrictions	317,574	(317,574)	-	-
Satisfaction of timing restrictions	1,234	(1,234)	-	-
	2,289,251	182,189	29,043	2,500,483
EXPENSES:				
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

Statements of Cash Flows

	Year Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 152,634	\$ 466,350
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,169	75,327
Contributions received for endowment	(1,837)	(29,043)
Net realized and unrealized (gain) loss on investments	(14,586)	(6,296)
Donated furniture and equipment	(12,600)	-
Donated library assets	(14,800)	(13,338)
Donated collection items	-	(90,000)
Changes in assets and liabilities:		
Accrued interest and other assets	(2,571)	3,999
Beneficial interest in split-interest agreements	(35,601)	(45,181)
Accounts payable, wages payable and accrued expenses	6,794	19,836
Net Cash Provided by Operating Activities	154,602	381,654
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments and endowment assets	(381,392)	(789,668)
Proceeds from sale/maturity of investments	543,000	470,000
Purchases of library assets	(44,606)	(39,598)
Purchases of furniture and equipment	(12,000)	-
Net Cash Provided (Used) by Investing Activities	105,002	(359,266)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for endowment	1,837	29,043
Net Cash Provided by Financing Activities	1,837	29,043
Net Change in Cash and Cash Equivalents	261,441	51,431
Cash and Cash Equivalents, Beginning of Year	234,501	183,070
Cash and Cash Equivalents, End of Year	\$ 495,942	\$ 234,501
SUPPLEMENTAL SCHEDULE:		
Disposal of fully depreciated assets	\$ -	\$ 22,603

See notes to financial statements

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements
June 30, 2009 and 2008

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, 2009 and 2008

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 accounting principles generally accepted in the United States of America (GAAP) 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, 2009 and 2008

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, 2009 and 2008

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 \$169,115 and \$151,698 for the years ended June 30, 2009 and 2008, respectively, were included in institutional support.

RECLASSIFICATIONS

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

3. INVESTMENTS AND ENDOWMENT ASSETS:

Investments and endowment assets consist of the following:

	June 30,	
	2009	2008
Government bonds	\$ 614,677	\$ 994,061
Corporate bonds	494,307	207,111
Certificates of deposit	-	50,099
Mortgage pool	32,099	36,834
	1,141,083	1,288,105
Less endowment assets	(86,380)	(84,543)
	\$ 1,054,703	\$ 1,203,562

Investment income consists of the following:

Interest and dividend income	\$ 66,700	\$ 58,601
Net realized and unrealized gain	14,586	6,296
	\$ 81,286	\$ 64,897

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements
June 30, 2009 and 2008

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

Library assets consist of the following:

	June 30,	
	2009	2008
Books	\$ 1,679,113	\$ 1,651,971
Journals	780,791	750,588
Vertical files and microfiche	45,738	43,677
	2,505,642	2,446,236
Accumulated depreciation	(543,549)	(481,651)
	\$ 1,962,093	\$ 1,964,585

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

Furniture	\$ 47,028	\$ 34,427
Leasehold improvements	42,977	42,977
Equipment	26,736	26,737
Software	37,575	25,575
	154,316	129,716
Accumulated depreciation	(106,969)	(91,698)
	47,347	38,018
Collections	90,000	90,000
	\$ 137,347	\$ 128,018

Depreciation expense for the years ended June 30, 2009 and 2008, was \$77,169 and \$75,327, respectively.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements
June 30, 2009 and 2008

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are held for:

	June 30,	
	2009	2008
Purpose restricted:		
Scholarships	\$ 253,560	\$ 275,533
Library media center project	2,165	4,165
Student benevolence	2,934	2,426
Distance education	20,500	2,500
Accreditation fund, Hillcrest grant	43,184	-
Other ministry funds	3,109	5,604
	325,452	290,228
Time restricted:		
Beneficial interest in split-interest agreements	120,633	85,032
	\$ 446,085	\$ 375,260

6. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are held for:

	June 30,	
	2009	2008
General endowment	\$ 29,500	\$ 29,500
Tozer scholarship endowment	26,000	26,000
10th anniversary scholarship endowment	30,880	29,043
	\$ 86,380	\$ 84,543

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, 2009 and 2008, totaled \$274,628 and \$254,938, 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>	
2010	\$ 263,801

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements June 30, 2009 and 2008

8. RELATED PARTIES:

The accompanying financial statements include the following related party transactions with both SIL and WBT as of June 30, 2009 and 2008, and for the years then ended:

	June 30, 2009		June 30, 2008	
	SIL	WBT	SIL	WBT
Revenues:				
Donated labor	\$ 514,044	\$ -	\$ 528,413	\$ -
Library usage	20,000	-	20,000	-
Contributions	-	455,592	-	714,128
Total revenues	<u>\$ 534,044</u>	<u>\$ 455,592</u>	<u>\$ 548,413</u>	<u>\$ 714,128</u>
Expenses:				
Donated labor expense	\$ 514,044	\$ -	\$ 528,413	\$ -
Lease expense	277,028	-	254,938	-
Insurance	-	64,706	-	49,315
Total expenses	<u>\$ 791,072</u>	<u>\$ 64,706</u>	<u>\$ 783,351</u>	<u>\$ 49,315</u>
Accounts payable	<u>\$ 23,115</u>	<u>\$ -</u>	<u>\$ 21,965</u>	<u>\$ -</u>

For the years ended June 30, 2009 and 2008, the Institute received contributions from WF amounting to \$250 and \$1,050, 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 \$120,633 and \$85,032 at June 30, 2009 and 2008, respectively. That amount has been included in the statements of financial position as beneficial interest in split-interest agreements.

9. FAIR VALUE MEASUREMENTS:

Effective July 1, 2008, the Institute adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 has been applied prospectively as of the beginning of the year. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements
June 30, 2009 and 2008

9. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the SFAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2009:

	June 30, 2009	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments and endowment assets:				
Government bonds	\$ 614,677	\$ 614,677	\$ -	\$ -
Corporate bonds	\$ 494,307	\$ 494,307	\$ -	\$ -
Mortgage pool	\$ 32,099	\$ 32,099	\$ -	\$ -
Beneficial interest in split-interest agreements	\$ 120,633	\$ -	\$ -	\$ 120,633

For the year ended June 30, 2009, the total change in value of the beneficial interest in trusts included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date was \$35,601. The total change in value of the beneficial interest is included in contributions on the statements of activities.

Methods and assumptions used by the Institute in estimating fair values are as follows:

Government bonds, corporate bonds and mortgage pool—The fair values of these financial instruments are based on quoted market prices.

Beneficial interest in split-interest agreements—The fair value of beneficial interest in split-interest agreements is estimated as the present value of future payments, as calculated by Wycliffe Foundation.

During the year ended June 30, 2009, the Institute also adopted the provisions of Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure financial instruments and certain other items at fair value as of a specified reporting date. As of June 30, 2009, the Institute has not identified any items for adjustment.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements
June 30, 2009 and 2008

10. ENDOWMENTS:

In August 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA was enacted in Texas in 2007. As a result, FSP 117-1 was adopted July 1, 2007. The most significant impact was the addition of the disclosures in this note.

The Institute's endowments consist of three individual funds established for a variety of purposes as a result of donor contributions. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Institute has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor restricted funds	\$ -	\$ 234,083	\$ 86,380

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements
June 30, 2009 and 2008

10. ENDOWMENTS, continued:

Changes in endowment net assets for year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ -	\$ 233,947	\$ 84,543
Investment return:			
Interest and dividends	-	13,721	-
Net gains/losses (realized and unrealized)	-	-	-
Total investment return	-	13,721	-
Contributions	-	-	1,837
Amounts appropriated for expenditure	-	(13,585)	-
	-	136	1,837
Endowment net asset, end of year	\$ -	\$ 234,083	\$ 86,380

Endowment net asset composition by type of fund as of June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor restricted funds	\$ -	\$ 233,947	\$ 84,543

Changes in endowment net assets for year ended June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ -	\$ 33,860	\$ 55,500
Investment return:			
Interest and dividends	-	9,555	-
Net gains/losses (realized and unrealized)	-	-	-
Total investment return	-	9,555	-
Contributions	-	271,852	29,043
Amounts appropriated for expenditure	-	(81,320)	-
	-	200,087	29,043
Endowment net asset, end of year	\$ -	\$ 233,947	\$ 84,543

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements
June 30, 2009 and 2008

10. ENDOWMENTS, continued:

	Year Ended June 30,	
	2009	2008
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA.	\$ 86,380	\$ 84,543
Total endowment funds classified as permanently restricted net assets	\$ 86,380	\$ 84,543
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions	\$ 1,583	\$ 1,456
Total endowment funds classified as temporarily restricted net assets	\$ 1,583	\$ 1,456

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$-0- as of June 30, 2009 and 2008. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters—The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation adjusted income stream to grow the corpus above the inflation rate. The Institute expects its endowment funds, over time, to provide an average rate of return of approximately 4% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements
June 30, 2009 and 2008

10. ENDOWMENTS, continued:

Spending Policy and How the Investment Objectives Related to Spending Policy—The Institute has a policy of appropriating for distribution each year an amount based upon the actual rate of return on the endowment funds for the previous calendar year. In establishing this policy, the Institute's Board considered long-term expected return on its endowment. This is consistent with the Board's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 29, 2009, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statement of Financial Position FASB Net Asset Class Disaggregation

	June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS:				
Cash and cash equivalents	\$ 495,942	\$ -	\$ -	\$ 495,942
Investments	729,251	325,452	-	1,054,703
Accrued interest and other assets	24,382	-	-	24,382
Library assets, net	1,962,093	-	-	1,962,093
Furniture and equipment, net	137,347	-	-	137,347
Beneficial interest in split-interest agreements	-	120,633	-	120,633
Endowment assets	-	-	86,380	86,380
	<u>\$ 3,349,015</u>	<u>\$ 446,085</u>	<u>\$ 86,380</u>	<u>\$ 3,881,480</u>
 LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	\$ 24,716	\$ -	\$ -	\$ 24,716
Wages payable and other accrued expenses	90,254	-	-	90,254
	<u>114,970</u>	<u>-</u>	<u>-</u>	<u>114,970</u>
 Net assets:				
Unrestricted	3,234,045	-	-	3,234,045
Temporarily restricted	-	446,085	-	446,085
Permanently restricted	-	-	86,380	86,380
	<u>3,234,045</u>	<u>446,085</u>	<u>86,380</u>	<u>3,766,510</u>
	<u>\$ 3,349,015</u>	<u>\$ 446,085</u>	<u>\$ 86,380</u>	<u>\$ 3,881,480</u>

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statement of Financial Position FASB Net Asset Class Disaggregation

	June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS:				
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>
 LIABILITIES AND NET ASSETS:				
Liabilities:				
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>
 Net assets:				
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>