



GRADUATE INSTITUTE OF APPLIED
LINGUISTICS

Financial Statements
With Independent Auditors' Report

June 30, 2017 and 2016

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 accompanying financial statements of Graduate Institute of Applied Linguistics, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 Trustees
Graduate Institute of Applied Linguistics
Dallas, Texas

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 as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of financial position net asset class disaggregation on pages 21 and 22 are presented for purposes of additional analysis and are 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 audits 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
August 21, 2017

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statements of Financial Position

	June 30,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 298,258	\$ 326,122
Investments	1,016,266	858,514
Other assets	20,425	20,664
Library assets–net	1,802,534	1,827,859
Furniture, equipment, leasehold improvements, and collections–net	239,225	264,255
Beneficial interest in split-interest agreements	126,686	108,374
Endowment assets	1,053,388	1,026,131
	<u>\$ 4,556,782</u>	<u>\$ 4,431,919</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 102,513	\$ 26,328
Accrued expenses	85,387	95,112
Deferred revenue	55,083	29,520
	<u>242,983</u>	<u>150,960</u>
Net assets:		
Unrestricted:		
Education and general operations	192,094	171,732
Board designated reserves	750,000	750,000
Board designated quasi-endowment	237,500	237,500
Net invested in library assets	1,802,534	1,827,859
Net invested in furniture, equipment, leasehold improvements, and collections	239,225	264,255
	<u>3,221,353</u>	<u>3,251,346</u>
Temporarily restricted	518,089	480,357
Permanently restricted–endowment	574,357	549,256
	<u>4,313,799</u>	<u>4,280,959</u>
Total Liabilities and Net Assets	<u>\$ 4,556,782</u>	<u>\$ 4,431,919</u>

See notes to financial statements

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statement of Activities

	Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES:				
Tuition and fees	\$ 847,043	\$ -	\$ -	\$ 847,043
Less Scholarships	(52,654)	-	-	(52,654)
Net tuition and fees	794,389	-	-	794,389
Contributions	538,528	182,150	25,101	745,779
Donated labor	1,319,604	-	-	1,319,604
Investment income	109,037	18,567	-	127,604
Other revenues	25,790	-	-	25,790
Net assets released from restrictions:				
Satisfaction of purpose restrictions	162,985	(162,985)	-	-
Total Revenues	2,950,333	37,732	25,101	3,013,166
EXPENSES:				
Educational and general:				
Instructional	1,402,968	-	-	1,402,968
Academic support	561,833	-	-	561,833
Student services	378,993	-	-	378,993
Institutional support	636,532	-	-	636,532
Total Expenses	2,980,326	-	-	2,980,326
 Change in Net Assets	 (29,993)	 37,732	 25,101	 32,840
 Net Assets, Beginning of Year	 3,251,346	 480,357	 549,256	 4,280,959
 Net Assets, End of Year	 \$ 3,221,353	 \$ 518,089	 \$ 574,357	 \$ 4,313,799

See notes to financial statements

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statement of Activities

	Year Ended June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES:				
Tuition and fees	\$ 811,097	\$ -	\$ -	\$ 811,097
Less Scholarships	(67,064)	-	-	(67,064)
Net tuition and fees	744,033	-	-	744,033
Contributions	528,600	85,038	28,245	641,883
Donated labor	1,118,836	-	-	1,118,836
Investment income	87,770	13,963	-	101,733
Other revenues	30,534	-	-	30,534
Net assets released from restrictions:				
Satisfaction of purpose restrictions	181,915	(181,915)	-	-
Satisfaction of timing restrictions	12,482	(12,482)	-	-
Total Revenues	2,704,170	(95,396)	28,245	2,637,019
EXPENSES:				
Educational and general:				
Instructional	1,293,035	-	-	1,293,035
Academic support	456,075	-	-	456,075
Student services	268,727	-	-	268,727
Institutional support	738,830	-	-	738,830
Total Expenses	2,756,667	-	-	2,756,667
Change in Net Assets	(52,497)	(95,396)	28,245	(119,648)
Net Assets, Beginning of Year	3,303,843	575,753	521,011	4,400,607
Net Assets, End of Year	\$ 3,251,346	\$ 480,357	\$ 549,256	\$ 4,280,959

See notes to financial statements

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 32,840	\$ (119,648)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	100,016	102,679
Contributions received for endowment	(25,101)	(28,245)
Net realized and unrealized gain on investments	(85,713)	(65,076)
Donated assets	(4,592)	(3,169)
Change in value of beneficial interest in split-interest agreements	(18,312)	12,482
Changes in operating assets and liabilities:		
Contributions receivable	-	182,041
Other assets	239	5,205
Accrued expenses	66,460	7,717
Deferred revenue	25,563	(23,675)
Net Cash Provided by Operating Activities	91,400	70,311
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments and endowment assets	(431,570)	(783,836)
Proceeds from sale/maturity of investments	332,274	494,772
Purchases of library assets	(41,569)	(41,032)
Purchases of furniture and equipment	(3,500)	(70,753)
Net Cash Used by Investing Activities	(144,365)	(400,849)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for endowment	25,101	28,245
Net Cash Provided by Financing Activities	25,101	28,245
Net Change in Cash and Cash Equivalents	(27,864)	(302,293)
Cash and Cash Equivalents, Beginning of Year	326,122	628,415
Cash and Cash Equivalents, End of Year	\$ 298,258	\$ 326,122

See notes to financial statements

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

The 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 leading to degrees in applied linguistics, culture studies, and development of languages. As part of the Institute's expanded mission, graduate and undergraduate courses are offered. Each graduate from the Institute will have acquired the skills to learn another language and culture, be equipped to participate with ethnic and linguistic communities (in relation to language and culture related goals), and will have basic skills necessary to pass on knowledge and skills they have learned. Students who complete the Institute's graduate program have attained a level of professional competence that allows them to participate actively in scholarly activity and/or professional service in their area of study. The Institute is mainly supported by charitable contributions, donated labor, and 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 and bachelor degrees.

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

SIL International (SIL) 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.

The Wycliffe Seed Company, Inc. (Seed Company) works with local translators and international partner organizations in a concentrated effort to make God's Word readily available for faster church planting. The Seed Company is a controlled subsidiary of WBT.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

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, and 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, software, and leasehold improvements	2 -10 years

Items capitalized as collections are reported at cost. Collections consist of Torah scrolls and antique Latin Bibles donated to the Institute.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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%.

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 quasi endowments and amounts designated by the board for use in future operations of the Institute.

Net invested in library assets, furniture, equipment, leasehold improvements, and collections: Includes library assets, furniture, equipment, software, leasehold improvements, and collections, 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 received for the next school year is recorded as deferred income.

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.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUE, continued

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.

SCHOLARSHIPS

Tuition revenue is recorded net of discounts for scholarships of \$52,654 and \$67,064 for the years ended June 30, 2017 and 2016, respectively. The Institute does not internally fund any of these scholarships awarded as they are funded totally from funds available either from donor restricted donations or from the earnings on donor restricted endowment funds.

DONATED LABOR

WBT provides most of the donated labor or volunteers for the Institute's faculty and staff (Note 7). The remaining donated labor is provided by other outside parties. The fair value of donated labor by outside parties 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. The Institute receives a significant amount of donated labor from outside parties that is not 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 \$147,535 and \$139,654 for the years ended June 30, 2017 and 2016, respectively, were included in institutional support. General and administrative expenses of \$475,212 and \$599,175 for the years ended June 30, 2017 and 2016, respectively, were also included in institutional support.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2017, the Institute had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Institute files informational tax returns in the U.S. and various states. The Institute is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2014.

3. LIBRARY ASSETS, FURNITURE, EQUIPMENT, LEASEHOLD IMPROVEMENTS, AND COLLECTIONS—NET:

Library assets, net consist of the following:

	June 30,	
	2017	2016
Books	\$ 1,856,811	\$ 1,789,854
Journals	979,440	1,000,237
Vertical files and microfiche	46,234	46,234
	<u>2,882,485</u>	<u>2,836,325</u>
Accumulated depreciation	<u>(1,079,951)</u>	<u>(1,008,466)</u>
	<u>\$ 1,802,534</u>	<u>\$ 1,827,859</u>

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

	June 30,	
	2017	2016
Furniture	\$ 90,599	\$ 90,599
Leasehold improvements	109,931	106,432
Equipment	43,958	43,958
Software	100,190	100,190
	<u>344,678</u>	<u>341,179</u>
Accumulated depreciation	<u>(200,453)</u>	<u>(171,924)</u>
	<u>144,225</u>	<u>169,255</u>
Collections	95,000	95,000
	<u>\$ 239,225</u>	<u>\$ 264,255</u>

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets and the related activity is as follows:

	June 30, 2016	Contributions and other changes	Net assets released from restrictions	June 30, 2017
Purpose restricted:				
Scholarships	\$ 95,744	\$ 74,922	\$ (50,247)	\$ 120,419
Endowment scholarships	239,375	3,333	(1,177)	241,531
Other ministry funds	36,864	104,150	(111,561)	29,453
	371,983	182,405	(162,985)	391,403
Time restricted:				
Beneficial interest in split-interest agreements	108,374	18,312	-	126,686
	<u>\$ 480,357</u>	<u>\$ 200,717</u>	<u>\$ (162,985)</u>	<u>\$ 518,089</u>
	June 30, 2015	Contributions and other changes	Net assets released from restrictions	June 30, 2016
Purpose restricted:				
Scholarships	\$ 61,969	\$ 79,144	\$ (45,369)	\$ 95,744
Endowment scholarships	237,865	3,010	(1,500)	239,375
Other ministry funds	155,063	16,847	(135,046)	36,864
	454,897	99,001	(181,915)	371,983
Time restricted:				
Beneficial interest in split-interest agreements	120,856	-	(12,482)	108,374
	<u>\$ 575,753</u>	<u>\$ 99,001</u>	<u>\$ (194,397)</u>	<u>\$ 480,357</u>

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

5. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are held for:

	June 30,	
	2017	2016
General endowment	\$ 32,830	\$ 32,830
Tozer scholarship endowment	69,635	56,680
10th anniversary scholarship endowment	37,735	36,299
M.K. Mayers endowment chair	38,365	37,555
R. Newhouse endowment scholarship	340,549	340,549
W.W. Caruth endowment scholarship	55,243	45,343
	<u>\$ 574,357</u>	<u>\$ 549,256</u>

6. OPERATING LEASES:

The Institute has operating leases with SIL to provide facilities, computer services, and phones to the Institute. The lease expenses for the years ended June 30, 2017 and 2016, totaled \$311,433 and \$305,313, respectively. Leases are on a month to month basis with the exception of the lease for their primary facilities which ends in June 2020 and has monthly payments of approximately \$23,000. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 276,000
2019	276,000
2020	<u>276,000</u>
	<u>\$ 828,000</u>

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

7. RELATED PARTIES:

The accompanying financial statements include the following related party transactions with both SIL and WBT as of June 30, 2017 and 2016, and for the years then ended:

	June 30, 2017		June 30, 2016	
	SIL	WBT	SIL	WBT
Revenues:				
Donated labor	\$ -	\$ 983,000	\$ -	\$ 856,336
Library usage	-	-	15,000	-
Contributions	-	322,107	-	323,840
Total revenues	\$ -	\$ 1,305,107	\$ 15,000	\$ 1,180,176
Expenses:				
Donated labor expense	\$ -	\$ 983,000	\$ -	\$ 856,336
Lease and other expenses	313,130	-	307,830	-
Insurance	-	6,032	-	18,524
Total expenses	\$ 313,130	\$ 989,032	\$ 307,830	\$ 874,860
Accounts payable	\$ 25,976	\$ -	\$ 23,869	\$ -

For the years ended June 30, 2017 and 2016, the Institute received contributions from WF amounting to \$1,100 and \$1,200, respectively. For the year ended June 30, 2017, the Institute received other revenue from the Seed Company of \$9,000 and provided labor services of \$16,286 to them.

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 \$126,686 and \$108,374 at June 30, 2017 and 2016, respectively. That amount has been included in the statements of financial position as beneficial interest in split-interest agreements.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

8. INVESTMENT AND ENDOWMENT ASSETS AND FAIR VALUE MEASUREMENTS:

The Institute uses appropriate valuation techniques to determine fair value based on inputs available. 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 were not available.

Fair values of assets measured on a recurring basis at June 30, 2017 and 2016, are as follows:

	June 30, 2017	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments and endowment assets:				
Corporate bonds	\$ 680,808	\$ 680,808	\$ -	\$ -
Municipal bonds	70,716	70,716	-	-
Mutual funds:				
Corporate bonds	160,080	160,080	-	-
Index funds	102,087	102,087	-	-
Agency securities	172,850	172,850	-	-
Preferred stock	78,340	78,340	-	-
Equities:				
Information technology	212,006	212,006	-	-
Basic materials	18,764	18,764	-	-
Consumer discretionary	36,814	36,814	-	-
Health care	169,289	169,289	-	-
Services	202,798	202,798	-	-
Financials	139,879	139,879	-	-
Consumer staples	25,223	25,223	-	-
	<u>2,069,654</u>	<u>2,069,654</u>	<u>-</u>	<u>-</u>
Less endowment assets	<u>(1,053,388)</u>	<u>(1,053,388)</u>	<u>-</u>	<u>-</u>
Investments	<u>\$ 1,016,266</u>	<u>\$ 1,016,266</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in split-interest agreements	<u>\$ 126,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,686</u>

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

8. INVESTMENT AND ENDOWMENT ASSETS AND FAIR VALUE MEASUREMENTS, continued:

	June 30, 2016	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)
Investments and endowment assets:				
Corporate bonds	\$ 693,761	\$ 693,761	\$ -	\$ -
Municipal bonds	71,598	71,598	-	-
Mutual funds:				
Corporate bonds	161,680	161,680	-	-
Index funds	105,003	105,003	-	-
Agency securities	100,016	100,016	-	-
Mortgage pool	2,910	2,910	-	-
Preferred stock	79,780	79,780	-	-
Equities:				
Information technology	208,115	208,115	-	-
Consumer discretionary	92,213	92,213	-	-
Health care	100,223	100,223	-	-
Industrials	61,506	61,506	-	-
Financials	65,989	65,989	-	-
Consumer staples	67,661	67,661	-	-
Materials	30,591	30,591	-	-
Energy	43,599	43,599	-	-
	1,884,645	1,884,645	-	-
Less endowment assets	(1,026,131)	(1,026,131)	-	-
Investments	\$ 858,514	\$ 858,514	\$ -	\$ -
Beneficial interest in split-interest agreements	\$ 108,374	\$ -	\$ -	\$ 108,374

For the years ended June 30, 2017 and 2016, the total change in value of the beneficial interest in split interest agreements 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 \$18,312 and \$12,482, respectively. The total change in value of the beneficial interest is included in contributions on the statements of activities.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

8. INVESTMENT AND ENDOWMENT ASSETS AND FAIR VALUE MEASUREMENTS, continued:

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

Government bonds, corporate bonds, municipal bonds, mortgage pool, bond funds, index funds, and preferred stock—The fair values of these financial instruments are based on quoted market prices.

Equities—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.

Change in valuation techniques—None.

Investment income consists of the following:

	For the year ended June 30,	
	2017	2016
Interest and dividends	\$ 41,891	\$ 36,657
Net realized and unrealized gain	85,713	65,076
	<u>\$ 127,604</u>	<u>\$ 101,733</u>

9. ENDOWMENTS:

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

The board trustees 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.

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

9. ENDOWMENTS, continued:

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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017:				
Donor restricted funds	\$ -	\$ 241,531	\$ 574,357	\$ 815,888
Board designated funds	237,500	-	-	237,500
	\$ 237,500	\$ 241,531	\$ 574,357	\$ 1,053,388
June 30, 2016:				
Donor restricted funds	\$ -	\$ 239,375	\$ 549,256	\$ 788,631
Board designated funds	237,500	-	-	237,500
	\$ 237,500	\$ 239,375	\$ 549,256	\$ 1,026,131

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

9. ENDOWMENTS, continued:

Changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 237,500	\$ 239,375	\$ 549,256	\$ 1,026,131
Investment return:				
Interest and dividends	-	3,333	-	3,333
Contributions	-	-	25,101	25,101
Amounts appropriated for expenditure	-	(1,177)	-	(1,177)
	-	2,156	25,101	27,257
Endowment net assets, end of year	\$ 237,500	\$ 241,531	\$ 574,357	\$ 1,053,388

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 237,500	\$ 237,865	\$ 521,011	\$ 996,376
Investment return:				
Interest and dividends	-	3,010	-	3,010
Contributions	-	-	28,245	28,245
Amounts appropriated for expenditure	-	(1,500)	-	(1,500)
	-	1,510	28,245	29,755
Endowment net assets, end of year	\$ 237,500	\$ 239,375	\$ 549,256	\$ 1,026,131

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Notes to Financial Statements

June 30, 2017 and 2016

9. ENDOWMENTS, continued:

	Year Ended June 30,	
	2017	2016
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.	<u>\$ 574,357</u>	<u>\$ 549,256</u>
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a purpose restriction under UPMIFA.	<u>\$ 2,089</u>	<u>\$ 1,775</u>

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 trustees, 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.

Spending Policy and How the Investment Objectives Related to Spending Policy—The Institute has a policy of allocating earnings each year based upon the relationship of endowment funds to the average investment. 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.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, 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 Net Asset Class Disaggregation

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS:				
Cash and cash equivalents	\$ 298,258	\$ -	\$ -	\$ 298,258
Investments	866,394	149,872	-	1,016,266
Other assets	20,425	-	-	20,425
Library assets–net	1,802,534	-	-	1,802,534
Furniture and equipment, leasehold improvements, and collections–net	239,225	-	-	239,225
Beneficial interest in split-interest agreements	-	126,686	-	126,686
Endowment assets	237,500	241,531	574,357	1,053,388
Total Assets	\$ 3,464,336	\$ 518,089	\$ 574,357	\$ 4,556,782
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	\$ 102,513	\$ -	\$ -	\$ 102,513
Accrued expenses	85,387	-	-	85,387
Deferred revenue	55,083	-	-	55,083
	242,983	-	-	242,983
Net assets:				
Unrestricted	3,221,353	-	-	3,221,353
Temporarily restricted	-	518,089	-	518,089
Permanently restricted	-	-	574,357	574,357
	3,221,353	518,089	574,357	4,313,799
Total Liabilities and Net Assets	\$ 3,464,336	\$ 518,089	\$ 574,357	\$ 4,556,782

GRADUATE INSTITUTE OF APPLIED LINGUISTICS

Statement of Financial Position Net Asset Class Disaggregation

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS:				
Cash and cash equivalents	\$ 326,122	\$ -	\$ -	\$ 326,122
Investments	725,906	132,608	-	858,514
Contribution receivable	-	-	-	-
Other assets	20,664	-	-	20,664
Library assets–net	1,827,859	-	-	1,827,859
Furniture and equipment, leasehold improvements, and collections–net	264,255	-	-	264,255
Beneficial interest in split-interest agreements	-	108,374	-	108,374
Endowment assets	237,500	239,375	549,256	1,026,131
Total Assets	\$ 3,402,306	\$ 480,357	\$ 549,256	\$ 4,431,919
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	\$ 26,328	\$ -	\$ -	\$ 26,328
Accrued expenses	95,112	-	-	95,112
Deferred revenue	29,520	-	-	29,520
	150,960	-	-	150,960
Net assets:				
Unrestricted	3,251,346	-	-	3,251,346
Temporarily restricted	-	480,357	-	480,357
Permanently restricted	-	-	549,256	549,256
	3,251,346	480,357	549,256	4,280,959
Total Liabilities and Net Assets	\$ 3,402,306	\$ 480,357	\$ 549,256	\$ 4,431,919