



THE WYCLIFFE SEED COMPANY, INC.

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2019 and 2018

THE WYCLIFFE SEED COMPANY, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Wycliffe Seed Company, Inc.
Arlington, Texas

We have audited the accompanying consolidated financial statements of The Wycliffe Seed Company, Inc., which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Wycliffe Seed Company, Inc.
Arlington, Texas

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Wycliffe Seed Company, Inc. as of September 30, 2019 and 2018, and the changes in its consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Related Party Relationship

The accompanying consolidated financial statements are those of The Wycliffe Seed Company, Inc., under common control with Wycliffe Bible Translators, Inc., and are not those of the primary reporting entity. Consolidated financial statements of Wycliffe Bible Translators, Inc. and Affiliates for the years ended September 30, 2019 and 2018, have been issued separately with the independent auditors' report.

Emphasis of Matter

The Wycliffe Seed Company, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the September 30, 2019 and 2018 consolidated financial statements.

Capin Crouse LLP

Grapevine, Texas
February 10, 2020

THE WYCLIFFE SEED COMPANY, INC.

Consolidated Statements of Financial Position

	September 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents (Note 2)	\$ 10,367,372	\$ 8,630,222
Prepaid expenses and other assets	1,975,122	1,915,629
Investments (Note 5)	12,954,733	18,894,714
Beneficial interest in split-interest agreements (Note 13)	764,572	621,810
Intangible assets under development (Note 2)	1,197,385	280,215
Property and equipment—net of accumulated depreciation (Note 6)	3,554,598	5,195,562
Total Assets	<u>\$ 30,813,782</u>	<u>\$ 35,538,152</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses (Note 2)	\$ 1,818,612	\$ 1,595,602
Amounts due to related entities (Note 13)	197,586	450,699
Deferred lease incentive (Note 7)	483,951	514,198
	<u>2,500,149</u>	<u>2,560,499</u>
Net assets:		
Without donor restrictions (Note 8)	9,185,914	12,893,948
With donor restrictions (Note 9)	19,127,719	20,083,705
	<u>28,313,633</u>	<u>32,977,653</u>
Total Liabilities and Net Assets	<u>\$ 30,813,782</u>	<u>\$ 35,538,152</u>

See notes to consolidated financial statements

THE WYCLIFFE SEED COMPANY, INC.

Consolidated Statements of Activities

	Year Ended September 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 4,640,362	\$ 37,942,668	\$ 42,583,030	\$ 4,467,212	\$ 37,332,736	\$ 41,799,948
Support from affiliates (Note 13):						
Wycliffe contributions	40,062	505,188	545,250	534,435	1,643,716	2,178,151
Member support	4,759,741	-	4,759,741	5,097,880	-	5,097,880
Service income	15,000	-	15,000	276,567	-	276,567
Investment income (Note 5)	474,158	-	474,158	848,666	-	848,666
Other income	9,414	-	9,414	64,133	-	64,133
Net assets released from restrictions:						
Field operations adjustments	6,483,998	(6,483,998)	-	6,870,841	(6,870,841)	-
Administrative assessments (19% administration & fund-raising)	6,951,347	(6,951,347)	-	7,048,618	(7,048,618)	-
Satisfaction of program restrictions	25,968,497	(25,968,497)	-	24,761,146	(24,761,146)	-
Total Support and Revenue	49,342,579	(955,986)	48,386,593	49,969,498	295,847	50,265,345
OPERATING EXPENSES:						
Program services—Bible translation	42,299,964	-	42,299,964	38,148,946	-	38,148,946
General and administration services	3,491,922	-	3,491,922	3,879,116	-	3,879,116
Fund-raising services	7,258,727	-	7,258,727	7,643,752	-	7,643,752
Total Expenses	53,050,613	-	53,050,613	49,671,814	-	49,671,814
Change in Net Assets	(3,708,034)	(955,986)	(4,664,020)	297,684	295,847	593,531
Net Assets, Beginning of Year	12,893,948	20,083,705	32,977,653	12,596,264	19,787,858	32,384,122
Net Assets, End of Year	\$ 9,185,914	\$ 19,127,719	\$ 28,313,633	\$ 12,893,948	\$ 20,083,705	\$ 32,977,653

See notes to consolidated financial statements

THE WYCLIFFE SEED COMPANY, INC.

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,664,020)	\$ 593,531
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,078,642	1,201,631
Realized and unrealized gains on investments	(157,266)	(438,183)
Gain on disposal of property and equipment	-	(3,020)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(59,493)	106,214
Beneficial interest in split-interest agreements	(142,762)	(79,087)
Accounts payable and accrued expenses	223,010	486,913
Amounts due to affiliated entities	(253,113)	(73,991)
Deferred lease incentive	(30,247)	(30,247)
Net Cash Provided (Used) by Operating Activities	(3,005,249)	1,763,761
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(302,752)	(410,272)
Purchases of intangible assets under development	(917,170)	(280,215)
Proceeds from sale of investments	6,400,000	2,500,000
Proceeds from sale of property and equipment	-	3,020
Purchase of property and equipment	(437,679)	(2,100,193)
Net Cash Provided (Used) by Investing Activities	4,742,399	(287,660)
Change in Cash and Cash Equivalents	1,737,150	1,476,101
Cash and Cash Equivalents, Beginning of Year	8,630,222	7,154,121
Cash and Cash Equivalents, End of Year	\$ 10,367,372	\$ 8,630,222

See notes to consolidated financial statements

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

1. NATURE OF ORGANIZATION:

The Wycliffe Seed Company, Inc. (Seed Company) is a religious non-profit corporation incorporated in the state of California, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The organization has been classified as a public organization, which is not a private foundation under Section 509(a) of the Code. Contributions are tax deductible within the limitations prescribed by the Code.

Vision Statement : God's Word transforming lives in every language in this generation.

Mission Statement : To accelerate Scripture translation and impact for people without God's Word through Great Commission partnerships.

Background : Founded in 1993 by Wycliffe Bible Translators Inc. (Wycliffe USA), Seed Company has become one of the fastest growing Bible translation organizations in the world by developing innovative ways to more rapidly, efficiently, and accurately translate the Bible for people groups who don't have it in their language.

Avodah Labs Inc. (Avodah) is a non-profit corporation incorporated in the State of Florida, exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code). Avodah commenced operations on September 26, 2017. The organization has been classified as a public organization, which is not a private foundation under section 509(a) of the Code. Contributions are tax deductible within the limitations prescribed by the Code.

Avodah is a wholly-controlled subsidiary of The Wycliffe Seed Company, Inc. (Seed Company), designed to research, develop, and share improved technologies for communicating with sign Deaf communities in the United States and around the world to spread the Gospel of Jesus Christ. Avodah will also recruit, train, and deploy sign Deaf translators to translate the Bible and other Christian writings into as many sign Deaf languages and dialects as possible to facilitate the spread of the Christian faith.

In May 2019, the Avodah Labs, Inc. board made the decision to move intellectual property assets and future technology developments into a for-profit corporate structure. As a result, a structure of companies to allow this to happen was created. Avodah Labs, Inc. remains as a 501(c)3 entity, and the following entities were formed: Avodah, Inc. (a C Corp), and Avodah Partners, LLC. Avodah Partners, LLC owns 100% of Avodah, Inc., and Avodah Labs, Inc. has 99% ownership of Avodah Partners, LLC. Once these organizations were established, Avodah Labs, Inc. transferred its patent rights to Avodah Partners, LLC, who then transferred them to Avodah, Inc. In the months to follow, Avodah Labs, Inc. assisted in the restructuring to make Avodah, Inc. operational by the fiscal year starting October 1, 2019.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

1. NATURE OF ORGANIZATION, continued:

Ministry Methodology: Seed Company works with local translators and international partner organizations as well as financial and prayer partners in a concentrated effort to make God’s Word readily available for faster church planting, effective discipleship and greater community transformation. These partnerships ensure the Scriptures are translated accurately and provided in the most accessible forms for maximum impact in the local communities.

Seed Company, in partnership with others, develops and manages national-led translation projects with clearly defined timeframes, outcomes, milestones and budgets. Financial and prayer partners for each project provide the necessary resources. Experienced linguists train and mentor local translators, while every scriptural translation is reviewed thoroughly for accuracy and clarity. In addition, emerging technology, such as solar-powered equipment, satellite uplinks and cell phones, is accelerating the pace of Bible translation and making it possible even in the most remote regions of the world.

Ministry Motivation: Each year, 2.4 million people die without hearing the promises and truth in God’s Word in their language. Motivated by this reality and the Great Commission given in Matthew 28:18-20 to “go and make disciples,” Seed Company is on an urgent mission to see God’s Word transforming lives in every language in this generation. Seed Company believes that as lives are enriched by Scripture, communities are empowered to thrive. With approximately 2,000 language groups who do not have full access to God’s promises and truth, now is the time to act.

Deep Roots: Wycliffe USA pioneered the modern-day Bible translation movement among unreached international people groups by sending missionaries to live with them, learn their heart language, and help provide an understandable and accurate translation of the Scriptures. Realizing it would take multiple generations to reach the last languages, Wycliffe USA launched Seed Company with a renewed sense of urgency. Seed Company’s mandate was to develop innovative methods empowering national translators to accelerate Bible translation, leverage linguistic expertise, maximize Scripture impact and ultimately, change lives.

Financial Accountability: Seed Company is able to fulfill its mission and pursue its vision through the investments of its financial partners. With a firm commitment to accountability and stewardship, 81% of every dollar (donor restricted) invested in translation projects is utilized for translation expenses, as noted by the 19% assessment on restricted gifts. Seed Company is an accredited member of the Evangelical Council for Financial Accountability, demonstrating compliance with established standards for financial stewardship, ethical fund-raising, and proper board governance.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

1. NATURE OF ORGANIZATION, continued:

Technological Advancement: Seed Company is creating new opportunities for accelerating Bible translation even in the most remote locations by leveraging emerging technologies such as cellular and satellite systems for remote connectivity and proven solar technology for powering equipment. Today, a translation consultant in the U.S. can provide same-day assistance and guidance for a translation team located in a remote village. In addition, software tools developed specifically for local translators further equip them for even greater productivity and accuracy.

Biblical Accuracy: Seed Company ensures that every translation accurately conveys the meaning of the biblical text by following a rigorous six-step process in every project. This process includes careful analysis of the text before creating a first draft translation, multiple reviews to confirm accuracy and clarity, and careful checking at every stage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

Seed Company maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of The Wycliffe Seed Company, Inc., and Avodah Labs, Inc. All significant intercompany transactions have been eliminated in consolidation.

RELATED ENTITIES

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

- Summer Institute of Linguistics, Inc. (SIL) provides training programs for linguists and supports the study of and translation into the less known and unwritten languages in the world. It also promotes literacy development in these languages. JAARS, Inc. (JAARS) provides technical, logistic and personnel support for field operations. SIL and JAARS are consolidated for financial reporting purposes.
- Wycliffe Bible Translators International (dba Wycliffe Global Alliance) (the Alliance) promotes the efforts of organizations (over 100 alliance organizations) as they engage the worldwide Church in providing resources for Bible translation and related ministry around the globe.
- RIA Charitable Investments Inc. (RIACII) exists to provide a pooled investment opportunity for certain Alliance Organizations.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, checking accounts, and a cash deposit with a related entity. From time to time, balances in these accounts may exceed federally insured limits. As of September 30, 2019 and 2018, Seed Company had cash balances exceeding federally insured limits by approximately \$8,100,000 and \$7,200,000, respectively. Seed Company has not experienced any losses on these accounts and does not believe it is subject to any credit risk related to cash and cash equivalents. For the years ended September 30, 2019 and 2018, Seed Company had \$494,951 and \$327,938, respectively, deposited with a related entity functioning as a money market account.

INVESTMENTS

Investments consist of funds placed with RIA Charitable Investments, Inc. (RIACII). RIACII operates as an investment pool available to certain Wycliffe Global Alliance organizations. Funds deposited with RIACII are invested in a variety of fixed income securities including U.S. Treasury issues, corporate bonds, and mortgage backed bonds, which borrow and pay in U.S. dollars. RIACII carries two investment pools. The short-term portfolio pays interest at a stated rate as determined from time to time by the RIACII board of directors (2.00% for both years ending September 30, 2019 and 2018) to participants in proportion to the amount they have on deposit in the pool. The long-term portfolio does not pay out interest, but allocates all net income or loss to the participant's deposit in the pool. The long-term pool also invests in equity securities, mutual funds, and exchange traded funds.

Investment income consists of interest income earned on the short-term portfolio and net income or loss allocated to the long-term portfolio. Interest income recorded in the consolidated statement of activities for 2019 and 2018 was \$316,892 and \$410,483, respectively. As of September 30, 2019 and 2018, RIACII reported total assets with a fair value of approximately \$95,763,000 and \$95,706,000, respectively, of which Seed Company holds \$12,954,733 and \$18,894,714 (14% and 20%), respectively. Credit risk is the failure of another party to perform in accordance with the contract terms. Seed Company is exposed to credit risk for the amount invested in the pool.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment in excess of \$5,000 are capitalized and reported at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets which are:

Buildings	30 to 40 years
Leasehold improvements	20 years
Equipment and furnishings	3 to 10 years
Website development/software	2 to 3 years
Vehicles	5 years

INTANGIBLE ASSETS UNDER DEVELOPMENT

Intangible assets under development consist of costs paid to outside contractors and capitalized for the development of software by Avodah. Phase 1, which was the research and development phase of the project, was completed in fiscal year 2018. Approximately \$550,000 of research and development costs were incurred and expensed during the year ended September 30, 2018. During the year ended September 30, 2019, Phase 2 of development was completed and Phase 3 was substantially completed. The majority of the costs incurred during Phase 2 and 3 have been capitalized.

DEFERRED MATCHING CONTRIBUTION REVENUE

Seed Company receives funds with donor stipulations that matching contributions be raised in order to retain the gift. Contribution revenue is recognized as matching funds are raised. During 2019 and 2018, Seed Company received approximately \$1,200,000 and \$1,400,000, respectively, in matching grants for certain translation projects that must be raised within a three-year period. For the year ended September 30, 2019 and 2018, a deferred matching contribution revenue liability was accrued in the amount of \$58,367 and \$0, respectively.

NET ASSETS

Net assets are classified into net asset categories according to externally (donor) imposed restrictions as follows:

Net assets without donor restrictions include gifts or those resources invested in property and equipment and intangible assets for the general operations of Seed Company or designated by the board of directors for a specific use.

Seed Company maintains an operating reserve policy that requires the board set aside a portion of available unrestricted net assets to fund a Board-Designated Operating Reserve. The policy also establishes a goal for the Board-Designated Operating Reserve of a target balance equal to three months of operating expenses.

Net assets with donor restrictions include gifts for which donor-imposed restrictions or time restrictions have not been met, but for which the ultimate purpose of the proceeds is not restricted in perpetuity.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND SERVICE INCOME

Support and service income are recognized when cash is received, unconditional promises are made or when ownership of donated assets is transferred to Seed Company. Contribution income to translation projects is subject to a 19% assessment, which is used for general and administrative and fund-raising expenses. This assessment is reclassified from net assets with donor restrictions to net assets without donor restrictions at the time the contribution is received.

For both the years ended September 30, 2019 and 2018, Wycliffe USA provided 97% respectively, of total support from affiliates, of which 90% and 70% is non-cash contributions consisting of the value of member labor, respectively (Note 13).

For the year ended September 30, 2019, two donors provided 19% and three foundations, representing 89 donors, provided 42% of total contributions. For the year ended September 30, 2018, two donors provided 21%, and three foundations, representing 53 donors, provided 43% of total contributions.

CONTRIBUTED GOODS AND SERVICES

Contributed goods are recorded at the fair market value at the time of the contribution. Contributed services are recorded as contributions at their estimated fair values at the date of donation if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Seed Company generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Seed Company with specific assistance programs, campaign solicitations and various committee assignments. The organization receives more than 10,800 volunteer hours per year, these services are not recognized as contributions in the consolidated financial statements because the recognition criteria were not met.

Contributed services from affiliates represent the value of compensation for Wycliffe member staff. These services are recorded at the compensation expense amount incurred by the affiliate organization. See Note 13 for contributed services from affiliates recorded.

ALLOCATION OF EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Seed Company. These expenses included depreciation, information technology, and facilities operations and maintenance. Depreciation is allocated based on square footage. Costs of other categories were allocated based on estimates of time and effort.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Seed Company adopted the provisions of this new ASU during the year ended September 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), and disclosures related to functional allocation of expenses were expanded (Note 10).

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects Seed Company's financial assets as of September 30, 2019, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Financial assets:

Cash and cash equivalents	\$ 10,367,372
Investments	12,954,733
Beneficial interest in split-interest agreements	<u>764,572</u>
Financial assets, at year-end	<u>24,086,677</u>

Less those unavailable for general expenditure within one year, due to:

Contractual or donor-imposed restrictions:

Beneficial interest in split-interest agreements	(764,572)
Board designated operating reserves	<u>(5,769,833)</u>
	<u>(6,534,405)</u>
	<u>\$ 17,552,272</u>

As part of Seed Company's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Seed Company has \$18,363,147 of donor restricted funds for language projects, translations and other initiatives. These programs are considered general expenditures of Seed Company and thus are considered available to fund operations in fiscal year 2020. Also, as of September 30, 2019, Seed Company expended \$1,975,122 of resources (recorded as prepaid expenses on the consolidated statement of financial position) that will fund general expenditures in fiscal year 2020.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

4. PREPAID EXPENSES AND OTHER ASSETS:

Prepaid expenses and other assets consist of the following:

	September 30,	
	2019	2018
Investor event deposits	\$ 529,198	\$ 483,360
Investor event prepaid expenses	318,227	585,631
Other prepaid expenses	601,811	598,812
Other receivables, including partner advances	525,886	247,826
	<u>\$ 1,975,122</u>	<u>\$ 1,915,629</u>

5. INVESTMENTS:

	September 30,	
	2019	2018
Investments consist of the following:		
Investments at fair market value:		
Long term investment with RIACII	\$ 4,273,016	\$ 4,061,536
Investments at cost plus accrued interest:		
Short term investment with RIACII	8,681,717	14,833,178
	<u>\$ 12,954,733</u>	<u>\$ 18,894,714</u>
Investment income consist of the following:		
Interest income	\$ 316,892	\$ 410,483
Realized and unrealized gains on investments	157,266	438,183
	<u>\$ 474,158</u>	<u>\$ 848,666</u>

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

6. PROPERTY AND EQUIPMENT—NET:

Property and equipment consist of the following:

	September 30,	
	2019	2018
Software	\$ 3,368,739	\$ 2,399,972
Leasehold improvements	1,824,231	1,824,231
Furniture and equipment	1,085,733	1,091,588
Website	167,402	167,402
Company and overseas vehicles	141,600	141,600
	6,587,705	5,624,793
Less accumulated depreciation	(3,315,796)	(2,153,955)
	3,271,909	3,470,838
*Construction in progress	282,689	1,724,724
	\$ 3,554,598	\$ 5,195,562

*Construction in progress is related to several software and technology initiatives that Seed Company has in process.

7. OPERATING LEASES:

Seed Company has entered into operating lease agreements expiring through 2022 for office space and various equipment. Per the office space agreement, the lessor agreed to pay for leasehold improvements up to \$604,983. This is considered a lease incentive and, the total costs of the leasehold improvements were capitalized and the amount paid directly by the lessor (\$604,983) was recorded as a deferred lease incentive liability (consolidated statements of financial position) to be amortized (\$2,517 per month) over the life of the lease as an offset against rent expense. As of September 30, 2019 and 2018, the unamortized balance of the deferred lease was \$483,951 and \$514,198, respectively. Seed Company incurred \$467,924 and \$446,263 in rental expense during the years ended September 30, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	
2020	\$ 475,501
2021	477,480
2022	482,608
2023	492,462
2024	502,561
Thereafter	859,530
	\$ 3,290,142

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

8. NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions consist of the following:

	September 30,	
	2019	2018
Undesignated	\$ 3,416,081	\$ 4,810,615
Board-designated operating reserve	5,769,833	8,083,333
	<u>\$ 9,185,914</u>	<u>\$ 12,893,948</u>

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	September 30,	
	2019	2018
Purpose restricted:		
Language projects, translations, and other initiatives	\$ 18,363,147	\$ 19,461,895
Time restricted:		
Beneficial interest in split-interest agreements	764,572	621,810
	<u>\$ 19,127,719</u>	<u>\$ 20,083,705</u>

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

10. NATURAL CLASSIFICATION OF EXPENSES:

Functional expenses by natural classification for the year ended September 30, 2019:

	Program Services– Bible Translation	General and Administration Services	Fund-raising Services	Total
Grants	\$ 19,827,312	\$ 100,000	\$ -	\$ 19,927,312
Compensation and benefits	12,935,330	2,208,776	3,787,799	18,931,905
Travel, conference, and meetings	3,086,813	319,860	1,928,456	5,335,129
Professional services	2,599,542	368,004	960,226	3,927,772
Depreciation	1,918,053	79,267	81,321	2,078,641
Information technology	920,322	149,647	95,491	1,165,460
Office expenses	532,491	144,667	241,058	918,216
Occupancy	380,322	86,235	98,484	565,041
Advertising and promotion	68,458	6,075	56,244	130,777
Other	31,321	29,391	9,648	70,360
	<u>\$ 42,299,964</u>	<u>\$ 3,491,922</u>	<u>\$ 7,258,727</u>	<u>\$ 53,050,613</u>

	Year ended September 30,	
	2019	2018
Grants	\$ 19,927,312	\$ 18,184,491
Compensation and benefits	18,931,905	17,558,412
Travel, conference, and meetings	5,335,129	6,250,447
Professional services	3,927,772	3,532,756
Depreciation	2,078,641	1,201,631
Information technology	1,165,460	1,047,046
Office expenses	918,216	1,011,071
Occupancy	565,041	570,117
Advertising and promotion	130,777	265,392
Other	70,360	50,451
	<u>\$ 53,050,613</u>	<u>\$ 49,671,814</u>

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

11. EXPENSES:

Salaries of Wycliffe members assigned to Seed Company are primarily funded by donors through related organizations (support from affiliates). In some cases, Seed Company provides financial partnership to Wycliffe members. Included in Seed Company's fiscal 2019 and 2018 expenses, yet funded through affiliated organizations, are \$324,354 and \$483,360, respectively, of salary expenses in administration and fund-raising.

12. EMPLOYEE RETIREMENT PLAN:

Seed Company has established a 403(b) retirement plan. Seed Company contributes 3% of annual salary and matches employee contributions at 100% up to 2% of annual salary. Employees are eligible for the plan after completely satisfying the earnings requirement and service requirements. Employees are vested over a two year period. For the years ended September 30, 2019 and 2018, Seed Company contributed \$460,998 and \$405,342 to this plan, respectively.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

13. TRANSACTIONS WITH RELATED ENTITIES:

Seed Company had assets held with related entities as follows:

	September 30,	
	2019	2018
Cash:		
SIL	\$ 494,951	\$ 327,938
Investments:		
RIACII	12,954,733	18,894,714
Beneficial interest in split-interest agreements:*		
Wycliffe Foundation (WF)	764,572	621,810
	\$ 14,214,256	\$ 19,844,462

*Seed Company is a named beneficiary in annuity and trust agreements held and administered by WF. The Foundation estimates Seed Company's remainder interest in these agreements.

Seed Company had amounts due to a related entity as follows:

	September 30,	
	2019	2018
SIL	\$ 197,586	\$ 450,699

Seed Company received support and revenue from related entities. Such amounts are included in support and revenue and were received as follows:

	Year Ended September 30,	
	2019	2018
Wycliffe organizations	\$ 5,304,991	\$ 7,276,031

Of the total amounts received from affiliates, approximately \$4,760,000 and \$5,098,000 were non-cash contributions consisting of the value of labor by members assigned to Seed Company during the years ended September 30, 2019 and 2018, respectively. For the years ended September 30, 2019 and 2018, there was \$15,000 and \$26,000, respectively, of service income received from affiliates.

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

14. FAIR VALUE MEASUREMENTS:

Seed Company uses appropriate valuation techniques to determine fair value based on inputs available. When available, Seed Company 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. 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 following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Long-term investments: Long-term investments consists of one pooled investment which is not valued based upon quoted market prices. Underlying investments of the pool include money market funds, mutual funds, exchange traded funds, and bond instruments. These investments are reported at estimated fair value as measured by their net asset value as reported by the fund manager (RIACII). That amount represents the Seed Company's proportionate interest in the capital of the invested funds.

Beneficial interest in split-interest agreements: Beneficial interest in split-interest agreements is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and an appropriate discount rate.

Changes in methods and assumptions: None.

Fair value of assets measured on a recurring basis as of September 30, 2019, are as follows:

	Level 1	Level 2	Level 3	Total
Long term investment with RIACII	\$ -	\$ 4,273,016	\$ -	\$ 4,273,016
Beneficial interest in split-interest agreements	\$ -	\$ 764,572	\$ -	\$ 764,572

Fair value of assets measured on a recurring basis as of September 30, 2018, are as follows:

	Level 1	Level 2	Level 3	Total
Long term investment with RIACII	\$ -	\$ 4,061,536	\$ -	\$ 4,061,536
Beneficial interest in split-interest agreements	\$ -	\$ 621,810	\$ -	\$ 621,810

THE WYCLIFFE SEED COMPANY, INC.

Notes to consolidated financial statements

September 30, 2019 and 2018

14. FAIR VALUE MEASUREMENTS, continued:

The Seed Company uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The Seed Company's investments include one pooled fund that calculates NAV per share (or its equivalent) and uses an investment strategy that includes long and short term strategies. This fund has no lockup restrictions and is normally redeemable upon notice. There are no unfunded commitments and no redemption restrictions in place at year end. The Seed Company's investment in this fund was \$4,273,016 and \$4,061,536 as of September 30, 2019 and 2018, respectively.

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 10, 2020, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY DATA

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY DATA**

Board of Directors
The Wycliffe Seed Company, Inc.
Arlington, Texas

We have audited the consolidated financial statements of The Wycliffe Seed Company, Inc., and Avodah Labs, Inc., as of and for the years ended September 30, 2019 and 2018, and our report thereon dated February 10, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets and consolidating statements of activities are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated financial statements as a whole.

Capin Crouse LLP

Grapevine, Texas
February 10, 2020

THE WYCLIFFE SEED COMPANY, INC.

Consolidated Statement of Financial Position

	September 30, 2019			
	Wycliffe Seed Company, Inc.	Avodah Labs, Inc.	Eliminations	Total
ASSETS:				
Cash and cash equivalents (Note 2)	\$ 10,361,456	\$ 5,916	\$ -	\$ 10,367,372
Prepaid expenses and other assets	1,975,122	-	-	1,975,122
Investments (Note 5)	12,954,733	-	-	12,954,733
Beneficial interest in split-interest agreements (Note 13)	764,572	-	-	764,572
Intangible assets under development (Note 2)	-	1,197,385	-	1,197,385
Property and equipment—net of accumulated depreciation (Note 6)	3,554,598	-	-	3,554,598
	\$ 29,610,481	\$ 1,203,301	\$ -	\$ 30,813,782
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses (Note 2)	\$ 1,709,767	\$ 108,845	\$ -	\$ 1,818,612
Amounts due to related entities (Note 13)	197,586	-	-	197,586
Deferred lease incentive (Note 7)	483,951	-	-	483,951
	2,391,304	108,845	-	2,500,149
Net assets:				
Without donor restrictions (Note 8)	8,091,458	1,094,456	-	9,185,914
With donor restrictions (Note 9)	19,127,719	-	-	19,127,719
	27,219,177	1,094,456	-	28,313,633
	\$ 29,610,481	\$ 1,203,301	\$ -	\$ 30,813,782
Total Liabilities and Net Assets	\$ 29,610,481	\$ 1,203,301	\$ -	\$ 30,813,782

See notes to consolidated financial statements

THE WYCLIFFE SEED COMPANY, INC.

Consolidated Statement of Activities

Year Ended September 30, 2019

	Wycliffe Seed Company, Inc.	Avodah Labs, Inc.	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 42,583,030	\$ 1,556,700	\$ (1,556,700)	\$ 42,583,030
Support from affiliates (Note 13):				
Wycliffe contributions	545,250	-	-	545,250
Member support	4,759,741	-	-	4,759,741
Service income	15,000	-	-	15,000
Investment income (Note 5)	474,158	-	-	474,158
Other income	9,414	-	-	9,414
Total Support and Revenue	48,386,593	1,556,700	(1,556,700)	48,386,593
OPERATING EXPENSES:				
Program services—Bible translation	43,327,238	501,076	(1,528,350)	42,299,964
General and administration services	3,356,719	163,553	(28,350)	3,491,922
Fund-raising services	7,241,331	17,396	-	7,258,727
Total Expenses	53,925,288	682,025	(1,556,700)	53,050,613
 Change in Net Assets	 (5,538,695)	 874,675	 -	 (4,664,020)
 Net Assets, Beginning of Year	 32,757,872	 219,781	 -	 32,977,653
 Net Assets, End of Year	 \$ 27,219,177	 \$ 1,094,456	 \$ -	 \$ 28,313,633

See notes to consolidated financial statements

THE WYCLIFFE SEED COMPANY, INC.

Consolidated Statement of Financial Position

	September 30, 2018			
	Wycliffe Seed Company, Inc.	Avodah Labs, Inc.	Eliminations	Total
ASSETS:				
Cash and cash equivalents (Note 2)	\$ 8,573,519	\$ 56,703	\$ -	\$ 8,630,222
Prepaid expenses and other assets	1,915,629	-	-	1,915,629
Investments (Note 5)	18,894,714	-	-	18,894,714
Beneficial interest in split-interest agreements (Note 13)	621,810	-	-	621,810
Intangible assets under development (Note 2)	-	280,215	-	280,215
Property and equipment—net of accumulated depreciation (Note 6)	5,195,562	-	-	5,195,562
	<u>\$ 35,201,234</u>	<u>\$ 336,918</u>	<u>\$ -</u>	<u>\$ 35,538,152</u>
Total Assets	\$ 35,201,234	\$ 336,918	\$ -	\$ 35,538,152
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses (Note 2)	\$ 1,478,465	\$ 117,137	\$ -	\$ 1,595,602
Amounts due to related entities (Note 13)	450,699	-	-	450,699
Deferred lease incentive (Note 7)	514,198	-	-	514,198
	<u>2,443,362</u>	<u>117,137</u>	<u>-</u>	<u>2,560,499</u>
Net assets:				
Without donor restrictions (Note 8)	12,674,167	219,781	-	12,893,948
With donor restrictions (Note 9)	20,083,705	-	-	20,083,705
	<u>32,757,872</u>	<u>219,781</u>	<u>-</u>	<u>32,977,653</u>
Total Liabilities and Net Assets	\$ 35,201,234	\$ 336,918	\$ -	\$ 35,538,152

See notes to consolidated financial statements

THE WYCLIFFE SEED COMPANY, INC.

Consolidated Statement of Activities

Year Ended September 30, 2018

	<u>Wycliffe Seed Company, Inc.</u>	<u>Avodah Labs, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 41,862,223	\$ 1,116,425	\$ (1,178,700)	\$ 41,799,948
Support from affiliates (Note 13):				
Wycliffe contributions	2,178,151	-	-	2,178,151
Member support	5,097,880	-	-	5,097,880
Service income	276,567	-	-	276,567
Investment income (Note 5)	848,666	-	-	848,666
Other income	64,133	-	-	64,133
Total Support and Revenue	<u>50,327,620</u>	<u>1,116,425</u>	<u>(1,178,700)</u>	<u>50,265,345</u>
OPERATING EXPENSES:				
Program services—Bible translation	38,502,411	825,235	(1,178,700)	38,148,946
General and administration services	3,807,707	71,409	-	3,879,116
Fund-raising services	7,643,752	-	-	7,643,752
Total Expenses	<u>49,953,870</u>	<u>896,644</u>	<u>(1,178,700)</u>	<u>49,671,814</u>
Change in Net Assets	373,750	219,781	-	593,531
Net Assets, Beginning of Year	<u>32,384,122</u>	<u>-</u>	<u>-</u>	<u>32,384,122</u>
Net Assets, End of Year	<u>\$ 32,757,872</u>	<u>\$ 219,781</u>	<u>\$ -</u>	<u>\$ 32,977,653</u>

See notes to consolidated financial statements