

**Audited Consolidated Financial Statements**

**SUMMER INSTITUTE OF LINGUISTICS, INC.**

September 30, 2009

## **INDEPENDENT AUDITORS' REPORT**

**Board of Directors  
Summer Institute of Linguistics, Inc.  
Dallas, Texas**

We have audited the accompanying consolidated statement of financial position of Summer Institute of Linguistics, Inc. and subsidiaries as of September 30, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2008 consolidated financial statements and, in our report dated April 3, 2009, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Summer Institute of Linguistics, Inc. and subsidiaries as of September 30, 2009, and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes A, D and J, SIL has adopted the new provisions of the following Topics of the FASB Accounting Standards Codification: Fair Value Measurements and Disclosure, Endowment Funds and Subsequent Events. The adoption of these standards had no impact on previously reported net assets.



**Wheaton, Illinois**  
August 25, 2010

**Summer Institute of Linguistics, Inc.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**September 30, 2009**  
**(in thousands)**

With Comparative Totals for September 30, 2008

	2009	2008
<b>ASSETS</b>		
Cash	\$ 4,908	\$ 6,423
Investments – Note B	101,370	85,408
Accrued interest receivable	767	664
Accounts receivable	1,008	1,031
Notes receivable – Note C	2,289	552
Amounts due from staff and affiliated entities	1,673	1,923
Inventory	2,000	2,266
Property and equipment, net – Note E	41,124	39,899
Other assets	9,499	10,539
	<b>\$ 164,638</b>	<b>\$ 148,705</b>
<b>TOTAL ASSETS</b>	<b>\$ 164,638</b>	<b>\$ 148,705</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,043	\$ 3,204
Amounts due to staff and affiliated entities	77,539	66,937
Notes payable	88	127
Long-term liabilities	1,290	963
	<b>81,960</b>	<b>71,231</b>
<b>TOTAL LIABILITIES</b>	<b>81,960</b>	<b>71,231</b>
<b>NET ASSETS</b>		
<b>Unrestricted:</b>		
Equity in property and equipment	40,025	38,730
Board designated	11,625	7,629
Undesignated	13,841	14,489
Total unrestricted	<b>65,491</b>	<b>60,848</b>
Temporarily restricted	16,890	16,330
Permanently restricted	297	296
	<b>82,678</b>	<b>77,474</b>
<b>TOTAL NET ASSETS</b>	<b>82,678</b>	<b>77,474</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 164,638</b>	<b>\$ 148,705</b>

See notes to consolidated financial statements.

**Summer Institute of Linguistics, Inc.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2009**  
**(in thousands)**

With Comparative Totals for the Year Ended September 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
<b>SUPPORT AND REVENUE</b>					
Support from affiliates – Note F	\$ 87,474	\$ 22,682	\$ -	\$ 110,156	\$ 118,232
Contributions	1,651	2,696	1	4,348	4,393
Donated goods and services	2,412	437	-	2,849	4,036
Service income	16,774	-	-	16,774	19,070
Investment income – Note B	3,979	11	-	3,990	3,956
Net unrealized gain (loss) on investments	4,249	-	-	4,249	(1,518)
Gain on sale of fixed assets	77	-	-	77	2,151
Other	(34)	-	-	(34)	(158)
Net assets released from restrictions:					
Satisfaction of purpose restrictions	25,266	(25,266)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>141,848</b>	<b>560</b>	<b>1</b>	<b>142,409</b>	<b>150,162</b>
<b>EXPENSES</b>					
<b>Program services:</b>					
Language development & training	110,915	-	-	110,915	117,199
<b>Total program services</b>	<b>110,915</b>	<b>-</b>	<b>-</b>	<b>110,915</b>	<b>117,199</b>
<b>Supporting services:</b>					
General and administrative	25,446	-	-	25,446	31,163
Fund-raising	844	-	-	844	622
<b>Total supporting services</b>	<b>26,290</b>	<b>-</b>	<b>-</b>	<b>26,290</b>	<b>31,785</b>
<b>TOTAL EXPENSES</b>	<b>137,205</b>	<b>-</b>	<b>-</b>	<b>137,205</b>	<b>148,984</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,643</b>	<b>560</b>	<b>1</b>	<b>5,204</b>	<b>1,178</b>
Net assets at beginning of year	60,848	16,330	296	77,474	76,296
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 65,491</b>	<b>\$ 16,890</b>	<b>\$ 297</b>	<b>\$ 82,678</b>	<b>\$ 77,474</b>

See notes to consolidated financial statements.

**Summer Institute of Linguistics, Inc.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2009**  
**(in thousands)**

With Comparative Totals for the Year Ended September 30, 2008

	2009	2008
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,204	\$ 1,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,412	3,520
Gain on sale of fixed assets	(77)	(2,151)
Net realized gain on sale of investments	(96)	(27)
Net unrealized (gain) loss on investments	(4,249)	1,518
Noncash contributions of stock, property and equipment	(542)	(1,395)
Contributions restricted for capital expenditures	(1,580)	(1,121)
Changes in assets and liabilities:		
Accrued interest receivable	(103)	(87)
Accounts receivables	23	(36)
Amounts due from staff and affiliated entities	250	(164)
Inventory	266	(295)
Other assets	1,040	(833)
Accounts payable and accrued expenses	(161)	345
Amounts due to staff and affiliated entities	10,602	6,536
Long-term liabilities	327	41
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>14,316</b>	<b>7,029</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(45,922)	(41,678)
Proceeds from sale of investments	34,391	35,740
Purchase of property and equipment	(4,893)	(4,010)
Proceeds from sale of property and equipment	789	3,072
Issuance of notes receivable	(1,824)	-
Payments on notes receivable	87	27
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(17,372)</b>	<b>(6,849)</b>
<b>FINANCING ACTIVITIES</b>		
Payments on notes payable	(39)	(58)
Contributions restricted for capital expenditures	1,580	1,121
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,541</b>	<b>1,063</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,515)	1,243
Cash at beginning of year	6,423	5,180
<b>CASH AT END OF YEAR</b>	<b>\$ 4,908</b>	<b>\$ 6,423</b>

See notes to consolidated financial statements

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General: The Summer Institute of Linguistics, Inc. (SIL) is a Texas non-profit educational corporation. SIL seeks to carry out, and to encourage and train others to carry out, the following activities with the assistance and cooperation of governmental and private agencies engaged in similar activities:

- ❖ To train linguists.
- ❖ To sponsor such linguists in their study of languages, especially less known and unwritten languages.
- ❖ To make available the data gathered by linguists through publication or other means.
- ❖ To publish resource materials for persons engaged in linguistic research.
- ❖ To prepare literature, both by original composition and by translation into the languages studied.
- ❖ To promote literacy among the people who speak the languages studied.
- ❖ To train people to promote literacy, and prepare literature in their own languages.

SIL is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable state law. It is classified as a publicly supported organization, which is not a private foundation under Section 509(a)(1) of the Code.

SIL's work is carried out primarily by over 5,500 individuals, many of whom are recruited and supported by organizations which are members of Wycliffe Bible Translators International, Inc. (WBTI). WBTI collectively facilitates compassionate service among the world's minority peoples encouraging sustainable, locally-owned initiatives and programs that will help communities thrive. WBTI member organizations also serve in advocacy with minority language communities to see God's Word translated, accessible and in use in every language community that still needs it. This support is SIL's primary source of revenue. WBTI and its member organizations are not included in these consolidated financial statements because they are financially and administratively independent of SIL.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Principles of Consolidation: The consolidated financial statements include SIL and its field offices, JAARS, Inc. (JAARS) and the International Museum of Cultures (IMC), because they are under the control of SIL.

- ❖ JAARS' purpose is to serve SIL, WBTI and affiliated organizations by providing technical, logistical and personnel support.
- ❖ The IMC operates a museum in Dallas, Texas that disseminates knowledge concerning the rich cultural diversity and creativity existing in today's world, with special reference to minority linguistic groups.

These consolidated financial statements include the activities and balances of SIL field offices located overseas. As of September 30, 2009, assets held overseas, including cash, accounts receivable, inventory and other assets, totaled \$10,198,000 and property and equipment, net of accumulated depreciation, amounted to \$24,747,000.

Significant transactions and balances between the organizations and offices have been eliminated for consolidated financial statement purposes.

**Basis of Presentation:** The consolidated financial statements of SIL have been prepared on the accrual basis of accounting in accordance with the Evangelical Joint Accounting Committee's "Accounting and Financial Reporting Guide for Christian Ministries" and the AICPA's "Audit and Accounting Guide For Not-for-Profit Organizations". 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:** Cash consists primarily of checking accounts deposited with financial institutions. Certain accounts that meet the definition of cash, but are part of a larger pool of investments are included in investments. Deposits in excess of FDIC insurance limits (including cash held outside the U.S.) at September 30, 2009, were approximately \$3 million. SIL performs ongoing evaluations of the financial institutions to limit its concentration of credit risk exposure.

**Prior Year Summarized Information:** The consolidated financial statements include certain prior-year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SIL consolidated financial statements for the year ended September 30, 2008, from which the summarized information was derived. Certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 presentation.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Investments:** All investments are reported at fair value on the consolidated statement of financial position. Financial instruments that potentially subject SIL to credit risk consist principally of interest bearing bonds. Unrealized and realized gains and losses are included in support and revenue in the consolidated statement of activities. Investment income consists primarily of interest. Premiums are amortized as a reduction in interest income over the remaining term to maturity or to the earliest call date if the security is callable. Discounts are accreted to interest income over the remaining term to maturity.

**Accounts Receivable:** Accounts receivable are primarily related to amounts due from mission organizations and other local organizations and individuals. Past collection experience has been that essentially 100% of receivables have been collected. Therefore, no allowance for doubtful accounts has been established.

**Inventory:** Inventory consists primarily of books, publications, construction materials, aviation and other parts, supplies and consumer goods that are held for sale. Inventory is stated at the lower of cost or market. Cost is determined using the weighted-average method, the retail method, or the first-in, first-out method, depending on the type of inventory. 58% of inventories are held at overseas locations.

In addition to inventory, the organization classifies certain aviation parts and materials with other assets. These items are maintained for future use as replacement parts because there are limited supply sources for such parts.

**Museums and Collections:** The IMC and JAARS operate museums on their campuses. The exhibits and collections at all three museums are acquired through purchases and contributions. The IMC capitalizes its exhibit and collection costs and as of September 30, 2009, had capitalized \$229,000 of exhibit and collection items.

The museums at JAARS do not capitalize their exhibit and collection costs. They record purchases of collection items as decreases in unrestricted net assets in the year they are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. The JAARS museums record proceeds from the disposal of collection items as increases in the appropriate net asset classes.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Property and Equipment:** Property and equipment expenditures in excess of \$1,000 to \$5,000 are capitalized at cost. SIL allows its smaller offices to set a capitalization limit lower than \$5,000 based on office size and expected impact of larger purchases on the local financial statements. Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets as follows:

Building	10 to 40 years
Equipment	3 to 10 years
Furniture and fixtures	7 to 10 years

**Other Assets:** Other assets consist primarily of the following assets held by JAARS:

*Aircraft lease receivable:* In 2005, JAARS entered into a lease/purchase agreement with a related ministry for a Pilatus PC-6 aircraft. The total lease/purchase is for \$1,221,000 for a period of 10 years with no interest being charged to the related ministry. The remaining balance on the lease at September 30, 2009, was \$733,000. No imputed interest is recorded as it is not material to the consolidated financial statements.

*Beneficial interest in split-interest agreements:* At September 30, 2009, the Wycliffe Foundation holds charitable gift annuities in the amount of \$515,000 for JAARS. The amount represents the beneficial interest JAARS has in those charitable gift annuities.

*Quest aircraft advances:* These advances (\$5,516,000 at September 30, 2009) are deposits for aircraft being developed and constructed by Quest Aircraft Company, LLC and Quest Design, LLC, referred to jointly as Quest. It is the intent of Quest and JAARS that the advances will be repaid by the delivery of aircraft currently under development. Collectability in the case of nonperformance on the agreement by Quest is not readily determinable.

The remaining \$2,735,000 balance is prepaid expenses and aviation parts and materials (see Inventory note above).

**Long-term Liabilities:** Long-term liabilities consists primarily of Asset Retirement Obligations (ARO) for SIL and JAARS. As of September 30, 2009, the balances were \$353,000 and \$606,000, respectively, for SIL and JAARS. The remaining balance is other long-term deposits.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Net Asset Categories:** The net assets of SIL are classified into net asset categories according to externally (donor) imposed restrictions as follows:

*Unrestricted net assets* are those available for the general operations of SIL, funds designated for specific uses by the Board of Directors, including the executive committees of overseas offices and equity in property and equipment. Equity in property and equipment is reported net of related notes payable and asset retirement obligations.

*Temporarily restricted net assets* include gifts for projects for which donor-imposed restrictions have not been met, but for which the ultimate purpose of the proceeds is not permanently restricted.

*Permanently restricted net assets* have been contributed by donors with stipulations that they be invested in perpetuity with the income generally restricted for specific programs.

**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 donated assets is transferred to the organization. Service income represents amounts received from staff and affiliated entities for housing and other related services.

**Donated Goods and Services:** Donated goods and services are recorded at fair market value at the time of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by SIL.

**Allocation of Expenses:** The costs of providing program and supporting services are allocated and summarized on a functional basis in the consolidated statement of activities. All expenses are recorded when incurred in accordance with the accrual basis of accounting.

**Foreign Currency Translation:** SIL has offices in over 40 countries. The U.S. Dollar is the functional currency throughout the organization. Transactions made in other currencies are translated into U.S. Dollars at an average exchange rate during the month of the transaction. For the period ending September 30, 2009, exchange losses of \$41,000 are included in other revenue.

**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.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE B – INVESTMENTS**

Included in investments is an investment pool owned and operated by SIL, which holds cash and investments of other affiliated entities for investment purposes (Note F). Interest is paid to these affiliated entities in proportion to the amount they have on deposit in the pool. The investment pool holds significant investments in the form of fixed-income securities. Credit risk is the failure of another party to perform in accordance with the contract terms. SIL is exposed to credit risk for the amount of the investments. SIL has never sustained a loss on any investment due to nonperformance and does not anticipate any nonperformance, by the issuers of the securities.

The cost and market value of investments at September 30, 2009, are as follows (in thousands):

	<b>Cost</b>	<b>Market</b>
Investment pool:		
Cash	\$ 18,342	\$ 18,342
Bonds	78,574	80,863
Total investment pool	<u>96,916</u>	<u>99,205</u>
Other investments:		
Cash	55	55
Investment in captive insurance company	330	1,904
Certificates of deposit	114	114
Mutual funds	83	83
Other	9	9
	<u>\$ 97,507</u>	<u>\$ 101,370</u>
Investments to be held in perpetuity	\$ 297	\$ 297
Investments available for unrestricted and temporarily restricted purposes	97,210	101,073
	<u>\$ 97,507</u>	<u>\$ 101,370</u>

Investment income for the year ended September 30, 2009, consists of \$3,894,000 in interest and dividends plus \$96,000 in net realized gains. Included in investment income is \$184,000 of interest income earned from cash deposits in banks and other financial institutions.

SIL invests along with several unrelated nonprofit organizations, in Stewardship Insurance, Ltd. (the company), a captive insurance company. As of September 30, 2009, SIL's investment in the company is \$1,904,000 and represents 10% of the company. SIL accounts for this investment using the equity method because it closely approximates fair value. The company insures claims relating to worker's compensation, general liability, auto liability, property and emergency medical evacuation. Claim experience is identified to each participating entity, and subsequent premiums are modified based on an entity's experience.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE C – NOTES RECEIVABLE**

Notes receivable at September 30, 2009, consist of the following (in thousands):

<p>Unsecured note receivable from Elias Investments PTY LTD in Australia; principal payment of \$502,000 due June 1, 2013. This note is interest free. No imputed interest is recorded as it is not material to the consolidated financial statements.</p>	<p>\$ 498</p>
<p>Secured note receivable from SIL Educational Trust Registered Trustees of Nairobi, Kenya for land, building and equipment; principal and interest payments of \$5,968 per month at a interest rate of 6% through October 2011, beginning October 31, 2011, interest adjusts to Treasury interest rate plus 1.5% with the loan maturing March 1, 2016.</p>	<p>382</p>
<p>Secured note receivable for land and buildings sold in Mexico from Ibesh, AC; principal and interest payments of \$1,200 per month at a starting interest rate of 8% that increases to 9% in June 2011; loan matures May 2013.</p>	<p>333</p>
<p>Unsecured note receivable for a building sold in Hong Kong; principal and interest payments of \$1,000 per month at an interest rate of 10%; matures November 2013.</p>	<p>45</p>
<p>Unsecured note receivable from Nairobi Evangelical Graduate School of Theology in Nairobi, Kenya; principal and interest payments of \$500 per month at an interest rate of 5.233%; matures July 2010.</p>	<p>6</p>
<p>Two-year financing arrangement with Quest Aircraft Company, LLC (manufacturer of the Kodiak airplane). Two \$500,000 notes were executed with maturity dates of December 1, 2010 and March 1, 2011. Interest accrues at the rate of 2% and will become payable at maturity date. At the maturity date, the principal and unpaid accrued interest shall be, at the option of JAARS, either applied to the purchase and delivery of a Kodiak 100 aircraft or amortized into sixty (60) equal monthly payments.</p>	<p>1,025</p>
	<p><u>\$ 2,289</u></p>

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS and FAIR VALUE MEASUREMENTS**

The following disclosures of estimated fair value of financial instruments as of September 30, 2009, is made in accordance with the requirements of the Disclosures about Fair Value of Financial Instruments Topic of the FASB Accounting Standards Codification. The estimated fair value amounts have been determined by SIL using available market information and appropriate valuation methodologies.

SIL has a number of financial instruments, consisting of cash, accrued interest receivable, accounts receivable, notes receivable, notes payable and various marketable securities. 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.

**Cash, accrued interest receivable, accounts receivable, notes receivable and notes payable:**

The carrying amounts approximate fair value due to the short-term maturity of these instruments.

**Investments:** For investments in mutual funds, certificates of deposit, marketable equity securities and bonds, fair value is based on quoted market prices. For other securities held as investments, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities or using other observable inputs under the fair value framework.

The estimated fair value of SIL's financial instruments are as follows (in thousands):

	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash	\$ 4,908	\$ 4,908
Investments	101,370	101,370
Accrued interest receivable	767	767
Accounts receivable	1,008	1,008
Notes receivable	2,289	2,289
Notes payable	88	88

Effective October 1, 2008, SIL adopted the provisions of the Fair Value Measurements and Disclosure Topic of the FASB ASC. These provisions, which have been applied prospectively as of the beginning of the year, define fair value, establish a framework for measuring fair value and enhance disclosures about fair value measurements. Fair value is defined under the standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market between market participants on the measurement date.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS, continued**

The fair values of assets and liabilities are based on the framework established in the standards which establishes a three-level hierarchy for determining fair value. The valuations for each of these levels are determined as follows:

*Level 1* - Quoted prices for identical instruments traded in active markets.

*Level 2* - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

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

	Total	Level 1	Level 2
Certificate of deposit	\$ 114	\$ 114	\$ -
Bonds	80,863	37,840	43,023
Investment in captive insurance company	1,904	-	1,904
Mutual funds	83	83	-
Other	9	9	-
Beneficial interest in split-interest agreements	515	515	-

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2009, (in thousands):

	Domestic	International	Total
Land and land improvements	\$ 2,138	\$ 2,119	\$ 4,257
Buildings	22,850	26,570	49,420
Furniture and equipment	5,904	4,215	10,119
Vehicles	281	2,773	3,054
Aircraft	2,409	6,495	8,904
Utilities	326	468	794
Exhibits and collections	229	-	229
	<u>34,137</u>	<u>42,640</u>	<u>76,777</u>
Less accumulated depreciation	18,595	19,571	38,166
	<u>15,542</u>	<u>23,069</u>	<u>38,611</u>
Construction in progress	835	1,678	2,513
	<u>\$ 16,377</u>	<u>\$ 24,747</u>	<u>\$ 41,124</u>

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE E – PROPERTY AND EQUIPMENT, continued**

The political situation in many countries is subject to rapid change. SIL believes the above assets are properly stated as of September 30, 2009. However, subsequent changes could occur that would adversely affect the realizable value of the assets. In addition, the carrying value of assets may not be representative of the amount that would be realized should the assets be sold. 29% of the international property and equipment is in Papua New Guinea, 11% in Australia and 14% is in Cameroon. No other office has more than 10% of the international property and equipment.

Operating Leases – Many SIL offices lease property or have been granted the use of property by the local government. For most of those offices, the leases are on a month-to-month basis and the amounts are immaterial. Others have terms of one year or longer. In addition, JAARS has entered into several leases for office and warehouse space and equipment.

Future minimum rental payments that are required under the annual or long-term leases are presented below (in thousands):

2010	\$	360
2011		268
2012		198
2013		62
2014		21
Thereafter		119
		\$ 1,028

Total rental expense for the year ended September 30, 2009, was \$1,785,000.

**NOTE F – AMOUNTS DUE TO/FROM STAFF AND AFFILIATED ENTITIES**

As of September 30, 2009, SIL had amounts due to and from staff and affiliated entities as follows (in thousands):

	Due from	Due to
Staff	\$ 917	\$ 4,799
WBTI affiliated entities	756	478
WBTI entity deposits in investment pool	-	72,262
	\$ 1,673	\$ 77,539

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

**NOTE F – AMOUNTS DUE TO/FROM STAFF AND AFFILIATED ENTITIES, continued**

During the year ended September 30, 2009, SIL received support from, and provided support and revenue to various related entities as follows (in thousands):

	<b>Received from</b>	<b>Provided to</b>
WBTI affiliated entities	\$ 110,156	\$ 1,820

Of the total amounts received from WBTI affiliates during the year ended September 30, 2009, \$81,293,000 are non-cash contributions consisting of the value of labor by staff assigned to SIL. In addition to the support and revenue provided to affiliates, SIL also paid out \$2,524,000 in interest on affiliate deposits in the SIL investment pool during the year ended of September 30, 2009.

**NOTE G – NOTES PAYABLE**

Notes payable at September 30, 2009, consist of the following (in thousands):

SIL U.S. capital lease payable in monthly principal and interest installments of \$2,357 for 53 months; matures February 1, 2013.	\$	88
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Notes payable mature as follows:

2010		\$	26
2011			26
2012			27
2013			9
		<u>\$</u>	<u>88</u>

**NOTE H – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30, 2009, consist of the following (in thousands):

Aviation and aircraft support projects	\$	7,284
Language and literacy support projects		8,229
Beneficial interest in charitable gift annuities		515
Logistical support projects		450
Strategic support initiative projects		412
	<u>\$</u>	<u>16,890</u>

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009**

***NOTE I – COMMITMENTS AND CONTINGENCIES***

**Letters of Credit:** JAARS has entered into two irrevocable letters of credit issued by the BB&T Bank. The first is in favor of the North Carolina Utilities Commission in the amount of \$10,000 as of September 30, 2009, relating to the operations of the public utility. The second is in favor of the North Carolina Department of Environment, Health and Natural Resources in the amount of \$125,000, as of September 30, 2009, relating to the possible environmental impact of underground storage tanks on the JAARS property.

**Quest Aircraft Purchase Commitment:** As of September 30, 2007, JAARS had committed to purchase 10 Kodiak aircraft from Quest Aircraft Company. Of those aircraft, 7 are to be purchased at a special mission discount and 3 are to be purchased at full commercial price of approximately \$1.4 million. JAARS received its first Kodiak in 2009. The delivery date of the aircraft is scheduled to continue through 2018 with 2 of the commercially purchased aircraft to be the first delivered. The total commitment at September 30, 2009, is approximately \$11.4 million, including planned upgrades. Deposits at Quest as of September 30, 2009, total \$5,516,000 and are included in other assets.

***NOTE J – ENDOWMENT FUNDS***

SIL's endowment assets consist of three individual permanently restricted funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The disclosures required by the Reporting Endowment Funds topic of the FASB ASC have not been included in these financial statements due to immateriality.

***NOTE K - NEW ACCOUNTING PRONOUNCEMENTS***

The Income Tax Topic of the Financial Accounting Standards Board Accounting Standards Codification (ASC) permits certain nonpublic enterprises to defer the effective date of the Topic's provisions related to uncertain tax positions to annual financial statements for fiscal years beginning after December 15, 2008. SIL has elected to defer the application of these provisions for the year ending September 30, 2009. SIL evaluates its uncertain tax positions using the provisions of the Contingencies Topic of the ASC. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Effective October 1, 2008, SIL adopted the new provisions of the Fair Value Measurements and Disclosure Topic of the ASC. The new provisions have been applied prospectively as of the beginning of the year. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.