

**Audited Consolidated Financial Statements**

**Summer Institute of Linguistics, Inc.**

**September 30, 2008**

## **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, 2008, 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 2007 consolidated financial statements and, in our report dated March 27, 2008, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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, 2008, and the changes in their net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



**Wheaton, Illinois**  
April 3, 2009

**Summer Institute of Linguistics, Inc.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**September 30, 2008**  
**(in thousands)**

With Comparative Totals for September 30, 2007

	2008	2007
<b>ASSETS</b>		
Cash	\$ 6,423	\$ 5,180
Investments – Note B	85,408	80,609
Accrued interest receivable	664	577
Accounts receivable	1,031	995
Notes receivable – Note C	552	579
Amounts due from staff and affiliated entities	1,923	1,759
Inventory	2,266	1,971
Property and equipment, net – Note E	39,899	39,287
Other assets	10,539	9,706
	<b>\$ 148,705</b>	<b>\$ 140,663</b>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,204	\$ 2,859
Amounts due to staff and affiliated entities	66,937	60,401
Notes payable	127	185
Long-term liabilities	963	922
	<b>71,231</b>	<b>64,367</b>
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
<b>Unrestricted:</b>		
Equity in property and equipment	38,730	38,308
Board designated	7,629	8,628
Undesignated	14,489	13,395
Total unrestricted	<b>60,848</b>	<b>60,331</b>
Temporarily restricted	16,330	15,670
Permanently restricted	296	295
	<b>77,474</b>	<b>76,296</b>
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>		
	<b>\$ 148,705</b>	<b>\$ 140,663</b>

See notes to consolidated financial statements.

**Summer Institute of Linguistics, Inc.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2008**  
**(in thousands)**

With Comparative Totals for the Year Ended September 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
<b>SUPPORT AND REVENUE</b>					
Support from affiliates – Note F	\$ 98,201	\$ 20,031	\$ -	\$ 118,232	\$ 110,811
Contributions	1,256	3,136	1	4,393	3,381
Donated goods and services	2,807	1,229	-	4,036	2,081
Service income	19,070	-	-	19,070	17,694
Investment income – Note B	3,944	12	-	3,956	3,750
Net unrealized gain (loss) on investments					
investments	(1,518)	-	-	(1,518)	785
Gain on sale of fixed assets	2,151	-	-	2,151	51
Exchange gain (loss) and other	(158)	-	-	(158)	184
Net assets released from restrictions:					
Satisfaction of purpose restrictions	23,748	(23,748)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>149,501</b>	<b>660</b>	<b>1</b>	<b>150,162</b>	<b>138,737</b>
<b>EXPENSES</b>					
<b>Program services:</b>					
Language development & training	117,199	-	-	117,199	110,416
<b>Total program services</b>	<b>117,199</b>	<b>-</b>	<b>-</b>	<b>117,199</b>	<b>110,416</b>
<b>Supporting services:</b>					
General and administrative	31,163	-	-	31,163	26,491
Fund-raising	622	-	-	622	763
<b>Total supporting services</b>	<b>31,785</b>	<b>-</b>	<b>-</b>	<b>31,785</b>	<b>27,254</b>
<b>TOTAL EXPENSES</b>	<b>148,984</b>	<b>-</b>	<b>-</b>	<b>148,984</b>	<b>137,670</b>
<b>CHANGE IN NET ASSETS</b>	<b>517</b>	<b>660</b>	<b>1</b>	<b>1,178</b>	<b>1,067</b>
Net assets at beginning of year:	60,331	15,670	295	76,296	75,229
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 60,848</b>	<b>\$ 16,330</b>	<b>\$ 296</b>	<b>\$ 77,474</b>	<b>\$ 76,296</b>

See notes to consolidated financial statements.

**Summer Institute of Linguistics, Inc.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2008**  
**(in thousands)**

With Comparative Totals for the Year Ended September 30, 2007

	<b>2008</b>	<b>2007</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,178	\$ 1,067
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,520	3,294
Gain on disposal of fixed assets	(2,151)	(51)
Net realized (gain) loss on sale of investments	(27)	15
Net unrealized (gain) loss on investments	1,518	(785)
Noncash contributions of stock, property and equipment	(1,395)	(362)
Contributions restricted for capital expenditures	(2,686)	(4,312)
Changes in assets and liabilities:		
Accrued interest receivable	(87)	(15)
Accounts receivables	(36)	396
Amounts due from staff and affiliated entities	(164)	1,103
Inventory	(295)	102
Other assets	(833)	(824)
Accounts payable and accrued expenses	345	566
Amounts due to staff and affiliated entities	6,536	1,408
Long-term liabilities	41	(119)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,464</b>	<b>1,483</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(41,678)	(21,250)
Proceeds from sale of investments	35,740	18,136
Purchase of property and equipment	(4,010)	(2,843)
Proceeds from sale of property and equipment	3,072	392
Issuance of notes receivable	-	(51)
Payments on notes receivable	27	233
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,849)</b>	<b>(5,383)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	100
Payments on notes payable	(58)	(122)
Contributions restricted for capital expenditures	2,686	4,312
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>2,628</b>	<b>4,290</b>
<b>NET INCREASE IN CASH</b>	1,243	390
Cash at beginning of year	5,180	4,790
<b>CASH AT END OF YEAR</b>	<b>\$ 6,423</b>	<b>\$ 5,180</b>

See notes to consolidated financial statements.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

**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 6,000 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. Wycliffe 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.

**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.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

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

These consolidated financial statements include the activities and balances of SIL field offices located overseas. As of September 30, 2008, assets held overseas, including cash, accounts receivable, inventory and other assets, totaled \$12,085,000 and property and equipment, net of accumulated depreciation, amounted to \$25,640,000.

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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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, 2008, were approximately \$6 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with SIL consolidated financial statements for the year ended September 30, 2007, from which the summarized information was derived. Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to the 2008 presentation.

**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.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

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

**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. 54% 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, 2008, 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.

**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, 2008, was \$855,000.

*Beneficial interest in split-interest agreements:* At September 30, 2008, the Wycliffe Foundation holds charitable gift annuities in the amount of \$462,000 for JAARS. The amount represents the beneficial interest JAARS has in those charitable gift annuities.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

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

**Other Assets, continued:**

*Quest aircraft advances:* These advances (\$6,761,000 at September 30, 2008) 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. JAARS is raising funds specifically for this project. All donors who have contributed to this project are aware of the risks involved. Collectibility in the case of nonperformance on the agreement by Quest is not readily determinable. However, management believes the likelihood of nonperformance is remote.

The remaining \$2,461,000 balance is prepaid expenses and aviation parts and materials (see Inventory note above).

**Other Liabilities:** Other liabilities consists primarily of Asset Retirement Obligations (ARO) for SIL and JAARS, recorded on the basis of the provisions of FIN 47. As of September 30, 2008, the balances were \$340,000 and \$600,000 respectively, for SIL and JAARS. The remaining balance is other long-term deposits.

**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.

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

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

**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, 2008, exchange losses of \$161,000 are included in other revenue.

**New Accounting Pronouncements:** In September 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in U.S. Generally Accepted Accounting Principles and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. In most instances, application is prospective and will therefore not require restatement of previously issued financial statements. Management is evaluating the impact, if any, of adopting SFAS No. 157 on SIL's financial statements.

**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, 2008, are as follows (in thousands):

	<b>Cost</b>	<b>Market</b>
Investment pool:		
Cash	\$ 7,212	\$ 7,212
Certificates of deposit	300	300
Bonds	76,487	74,429
Total investment pool	<u>83,999</u>	<u>81,941</u>
Other investments:		
Cash	320	320
Investment in captive insurance company	330	2,002
Certificates of deposit	30	30
Bonds - outside US	962	962
Mutual funds	40	28
Other	125	125
	<u>\$ 85,806</u>	<u>\$ 85,408</u>

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

**NOTE B – INVESTMENTS, continued**

	<b>Cost</b>	<b>Market</b>
Investments to be held to perpetuity	\$ 296	\$ 296
Investments available for unrestricted and temporarily restricted purposes	85,510	85,112
	<b>\$ 85,806</b>	<b>\$ 85,408</b>

Investment income for the year ended September 30, 2008, consists of \$3,929,000 in interest and dividends and \$27,000 in net realized gains. Included in investment income is \$126,000 of interest income earned from sources other than the investments listed above.

SIL invests along with several unrelated nonprofit organizations, in Stewardship Holdings, Ltd (SHL), a captive insurance holding company. As of September 30, 2008, SIL's investment in SHL is \$2,002,000 and represents 11% of SHL. SIL accounts for this investment using the equity method because it closely approximates fair value. SHL 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.

**NOTE C – NOTES RECEIVABLE**

Notes receivable at September 30, 2008, consist of the following (in thousands):

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.	\$ 484
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.	54
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.	14
	<b>\$ 552</b>

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

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

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.

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

	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash	\$ 6,423	\$ 6,423
Investments	85,408	85,408
Accrued interest receivable	664	664
Accounts receivable	1,031	1,031
Notes receivable	552	552
Notes payable	127	127

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2008 (in thousands):

	<b>Domestic</b>	<b>International</b>	<b>Total</b>
Land and land improvements	\$ 2,139	\$ 2,602	\$ 4,741
Buildings	21,260	26,576	47,836
Furniture and equipment	5,371	4,963	10,334
Vehicles	816	2,677	3,493
Aircraft	1,099	5,666	6,765
Utilities	326	565	891
Exhibits and collections	229	-	229
	<u>31,240</u>	<u>43,049</u>	<u>74,289</u>
Less accumulated depreciation	18,049	19,082	37,131
	<u>13,191</u>	<u>23,967</u>	<u>37,158</u>
Construction in progress	1,068	1,673	2,741
	<u>\$ 14,259</u>	<u>\$ 25,640</u>	<u>\$ 39,899</u>

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

**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, 2008. 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 11% 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):

2009	\$	339
2010		252
2011		239
2012		85
2013		63
Thereafter		172
		\$ 1,150

Total rental expense for the year ended September 30, 2008, was \$1,690,000.

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

As of September 30, 2008, SIL had amounts due to and from staff and affiliated entities as follows (in thousands):

	Due from	Due to
Staff	\$ 1,295	\$ 5,996
WBTI affiliated entities	628	568
WBTI entity deposits in investment pool	-	60,373
	\$ 1,923	\$ 66,937

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

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

During the year ended September 30, 2008, SIL received support from, and provided support and revenue to various related entities as follows (in thousands):

	Received from	Provided to
WBTI affiliated entities	\$ 118,232	\$ 1,269

Of the total amounts received from WBTI affiliates during the year ended September 30, 2008, \$91,658,000 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 \$2,417,000 in interest on affiliate deposits in the SIL investment pool during the year ended of September 30, 2008.

**NOTE G – NOTES PAYABLE**

Notes payable at September 30, 2008, consist of the following (in thousands):

SIL U.S. capital lease payable in monthly principal and interest installments of \$4,000 for 60 months; matures June 1, 2009.	\$ 47
---	-------

Unsecured note payable by SIL's Cameroon branch to an outside entity; annual installments of \$20,000; matures May 2012. This note was given interest free. No imputed interest is recorded as it is not material to the consolidated financial statements.

80
<u>\$ 127</u>

Notes payable mature as follows:

2009	\$ 67
2010	20
2011	20
2012	20
	<u>\$ 127</u>

**NOTE H – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at September 30, 2008, consist of the following (in thousands):

Aviation and aircraft support projects	\$ 7,965
Language and literacy support projects	7,756
Beneficial interest in charitable gift annuities	460
Logistical support projects	74
Strategic support initiative projects	75
	<u>\$ 16,330</u>

**SUMMER INSTITUTE OF LINGUISTICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

***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, 2008, 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, 2008, relating to the possible environmental impact of underground storage tanks on the JAARS property.

**Quest Aircraft Purchase Commitment:** As of September 30, 2008, JAARS had committed to purchase 10 Kodiak aircraft from Quest Aircraft Company. Of those aircraft, 7 are to be purchased at a special discount and 3 are to be purchased at full commercial price of approximately \$1.4 million. The delivery date of the aircraft is scheduled to begin in 2009 and continue through 2018 with 2 of the commercially purchased aircraft to be the first delivered. The total commitment is approximately \$12.6 million, including planned upgrades. Deposits to date total \$6,761,000.

**FAA Inquiry:** JAARS is the subject of an inquiry by the FAA relating to the production and sale of aircraft parts. JAARS has engaged an aviation law firm to represent them. It is too early in the proceedings to determine a probable outcome.

**Severance Liability:** As of September 30, 2008, SIL had accrued \$1.1 million in severance liabilities. This amount is included in accounts payable and accrued expenses on the consolidated statement of financial position.

***NOTE J – RELATED PARTY TRANSACTIONS***

As of September 30, 2008, JAARS received security services from a company with which a member of the board of directors is affiliated. Security expense related to this company was approximately \$6,000.