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Wenlin Institute, Inc. SPC

Management Discussion and Analysis

for the fiscal year July 1, 2014 - June 30, 2015

Preface

This MD&A (management discussion and analysis) is an official document, prepared by Wenlin Institute, Inc. SPC for the general public as required for Social Purpose Corporations in the state of California. Wenlin Institute's report is due by October 28 each year, 120 days after the end of our fiscal year, which ends on June 30. This document is organized in accordance with California Corporations Code Section 3500(b).

1. Objectives

Wenlin Institute's immediate objective for fiscal year 2014-2015 was to transform our organization to allow for growth and accomplish our educational mission more effectively. We sought to restate our mission and redefine our organizational structure to keep the loyalty of our present and future contributors, expert volunteers, paid staff, students, teachers, and grantors, to list a few.

At the same time, our objectives continued to focus on supporting current users of our software and dictionaries, and further developing these resources, especially for web-based and handheld platforms.

2. Actions Completed

September 2014, we published the *ABC Dictionary of Chinese Proverbs (Hàn-Yīng Yànyǔ Cídiǎn 汉英谚语词典)* by John Rohsenow. It is the first time that this dictionary is available in electronic form. We have since granted a license to Pleco Software to make this dictionary available to their customers as well.

February 2015, we transformed our organization by turning it into a Social Purpose Corporation (SPC), with a mission statement set forth in our new articles of incorporation. See <<http://wenlin.com/about>>.

April 2015, we published version 4.2 of our main product, *Wenlin Software for Learning Chinese*. We released both a free edition (*Wénlín Miǎnfèibǎn 文林·免费版*), and a deluxe edition (*Wénlín Wánzhěngbǎn 文林·完整版*) featuring the latest update of the *ABC Comprehensive Dictionary*.

Simultaneously with publishing version 4.2, we launched a thoroughly updated wenlin.com website, in both English and Chinese, including Pinyin as well as both simple and full form Chinese characters. We invested in a new dedicated server for the updated website, to improve

access for our customers and enable web-based software development.

June 2015, we formed a board of directors that includes outstanding scholars in the Chinese-language-teaching community.

In addition, throughout this past year we continued to work hard on porting our software and dictionaries to web-based and handheld platforms.

We continued to work at porting *Wenlin Software for Learning Chinese* to Android, and although the Android version isn't ready for publication yet, we have prototypes working to a considerable degree.

For version 4.2, we rebuilt the Mac OS version of Wenlin as a Cocoa application, which will provide the basis for porting to iPhone and iPad.

3. Actions Planned

The global importance of the Chinese language, combined with the continuing growth of the web, makes it clear that widespread web-based collaboration on Chinese lexicography will produce the most comprehensive and authoritative dictionaries and Chinese-learning materials. The web will be the primary medium for both creation and usage of these resources. We aim to achieve global recognition for excellence in this field and to make our educational resources widely available for the benefit of everyone, including: beginning, intermediate and advanced learners; researchers; scholars; translators; and government agencies. Everyone will be able to use *Wenlin Software for Learning Chinese* more effectively owing to compatibility between the web-based, desktop and handheld versions.

Wenlin Institute's immediate goals and strategies are to:

- make the dictionaries available online for both the public and editors;
- enable ongoing collaborative improvement and expansion of the dictionaries;
- reach millions rather than only thousands of users;
- attract, support and cultivate a large team of skilled contributors comprised of both paid staff and volunteers;
- raise funds through increased sales, grants and fundraising to support the sustainable growth of the Wenlin ABC project and its contributors;
- complete and publish a number of collaborative dictionary and textbook projects in progress;
- partner with other educational ventures to integrate Wenlin and ABC with a variety of multilingual tools for education and research.

Consequently, we're spending the majority of our development time making the dictionaries, and the tools for accessing them, web-based. The goal is to continue this focus into 2016 with the expectation that Q1 2016 will bring Wenlin's web-based dictionaries and software to a few select editors in beta versions.

We plan to make the dictionary entries accessible on a membership/subscription basis with various tiers of membership.

The first membership tier will be free and extremely easy to obtain. It will allow very useful access to an abridged version of the dictionary with some limitations.

The second membership tier will be competitively priced and easy to purchase on a subscription basis, and will provide high-quality access to the unabridged dictionary with additional features not available in the free version.

A select qualified group of editors will be able to approve changes to the dictionary master files that will go into print editions or otherwise be treated as authoritative. A larger set of members will be enabled to submit proposed changes, subject to checking and confirmation by fully qualified editors. We'll have detailed policies and procedures for ensuring quality control and giving proper credit. Further, we plan to maintain a complete history of all revisions, showing who changed what and when, while allowing authorized editors to undo (revert) mistaken changes.

We foresee that membership in the most privileged categories (e.g., chief editors) will depend on merit rather than payment. Ideally, the project should pay the experts rather than vice versa.

We'll offer group subscriptions or site licenses to schools, businesses and governmental organizations in conjunction with individual licenses while ensuring seamless interaction between the web-based, desktop and handheld versions of *Wenlin Software for Learning Chinese*.

In addition, we'll continue to leverage the substantial revenue we're seeing from Wenlin-enhanced texts (such as Rohsenow's *ABC Dictionary of Chinese Proverbs*) and future partnerships with other authors and developers.

4. Decision Making and Evaluation

Our decision-making process thus far has been guided to a large extent by our love for our work, dictionaries, linguistics and education. We're motivated by the knowledge that thousands of students, teachers, and scholars appreciate what Wenlin has accomplished so far. With the changing environment in technology, we recognize the need to serve our loyal current and future customers even better while meeting the demands of running a business.

Our main decisions in the last fiscal year were based on a comprehensive plan of revitalization (CPR) jointly constructed by the president and the three vice-presidents. We identified some of our key problems, such as: low funding; overworked staff; too much time between version releases; need for a more up-to-date and user-friendly website; changing platforms (the industry trend to handheld and web-based applications); changing distribution models; increased competition, especially from free web-based educational resources; and the number of people who use our products without paying for them due to oversharing and piracy.

The key decisions were how to reorganize, and which tasks to prioritize. The decision to become an SPC, with leaders from the academic community on the board of directors, was based on the need to bring in more skilled people, and inspire them. The decision to focus on web development was based on our perception that the web will be the primary medium for both creation and usage of dictionaries. Fiscally, there were few decisions to be made. One key fiscal decision was to pay for a dedicated web server.

Our process for evaluating performance is mostly informal. We receive a steady flow of helpful comments and requests from users of our software and dictionaries. Since our income currently comes entirely from paying customers, we evaluate our performance by our ability to meet their needs as well as our ability to attract new customers. At the same time, much of our development work in both technology and lexicography takes years before fruition, and while the work is in progress we evaluate it on the basis of our own standards of accuracy, correctness, scholarship, reliability, fairness, utility, and quality.

5. Expenditures

Total expenditures for the fiscal year were \$148,143, categorized as follows:

\$ 78,778	Services, Salaries, Commissions
\$ 23,876	Royalties (paid to University of Hawaii)
\$ 21,732	Taxes
\$ 5,578	Postage, Shipping, Handling
\$ 4,470	Office expenses, Hardware, Software
\$ 4,165	Rent (office)
\$ 3,624	Internet services
\$ 1,573	Accounting services
\$ 1,383	Transportation, Travel
\$ 860	Telephone
\$ 797	Bank charges
\$ 1,307	Other

These expenditures were incurred in furtherance of achieving our special purpose objectives. We estimate that our expenditures over the next three fiscal years will be larger. We anticipate revenue growth and will re-invest most of it on improving our products and services to fulfill our educational mission. We hope to allocate additional funds, generated through sales, grants and fundraising, to hiring additional workers.

Conclusion

There are tremendous opportunities ahead for Wenlin Institute. Our new board of directors will focus energy on getting more people involved through their vast pool of contacts to help build a diverse team of motivated, hard-working experts for continued successful and sustainable growth.

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