



FINANCIAL STATEMENTS  
With Independent Auditors' Report

September 30, 2008 and 2007

# JAARS, INC.

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-17
Supplementary Data	
Independent Auditors' Report on Supplementary Data	18
Schedule of Functional Expenses–2008	19
Schedule of Functional Expenses–2007	20

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
JAARS, Inc.  
Waxhaw, North Carolina

We have audited the accompanying statements of financial position of JAARS, Inc. as of September 30, 2008, and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JAARS, Inc. as of September 30, 2008, and 2007 and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements are those of JAARS, Inc., under common control with Summer Institute of Linguistics, Inc., and are not those of the primary reporting entity. Combined financial statements of Summer Institute of Linguistics, Inc. and Subsidiaries for the years ended September 30, 2008, and 2007 have been issued separately.



Atlanta, Georgia  
January 19, 2009

# JAARS, INC.

## Statements of Financial Position

	September 30,	
	2008	2007
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 724,836	\$ 734,710
Deposits with related organization	2,097,022	1,440,558
Accounts receivable	199,567	221,112
Aircraft lease receivable—current portion	122,100	122,100
Investments	339,287	193,572
Inventories	701,354	572,325
Work in process and assets held for sale	59,678	43,192
Prepaid expenses	72,858	46,219
	4,316,702	3,373,788
Property and equipment—net	4,908,094	5,836,750
Other assets:		
Beneficial interest in split-interest agreements	461,631	429,608
Quest aircraft advances	6,761,001	6,261,001
Aircraft lease receivable—net of current portion	732,710	854,810
Specialized aircraft parts	95,565	95,561
	\$ 17,275,703	\$ 16,851,518
<b>Total Assets</b>	<b>\$ 17,275,703</b>	<b>\$ 16,851,518</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 310,039	\$ 379,883
Accrued and other liabilities	325,905	44,399
	635,944	424,282
Asset retirement obligation	599,930	576,856
Total liabilities	1,235,874	1,001,138
Net assets:		
Unrestricted:		
Undesignated	1,213,000	725,910
Corporate designated	1,001,444	1,031,056
Aircraft under lease receivable	854,810	976,910
Equity in property and equipment	4,308,164	5,259,894
	7,377,418	7,993,770
Temporarily restricted	8,662,411	7,856,610
Total net assets	16,039,829	15,850,380
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,275,703</b>	<b>\$ 16,851,518</b>

See notes to financial statements

# JAARS, INC.

## Statements of Activities

	Year Ended September 30,					
	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Support:						
Cash contributions:						
From public	\$ 625,963	\$ 1,475,544	\$ 2,101,507	\$ 601,694	\$ 1,358,531	\$ 1,960,225
From affiliates	619,098	540,705	1,159,803	877,720	2,483,684	3,361,404
Noncash contributions:						
Goods	188,807	1,218,389	1,407,196	173,153	209,541	382,694
Services	10,685,924	-	10,685,924	9,897,144	-	9,897,144
<b>Total support</b>	<b>12,119,792</b>	<b>3,234,638</b>	<b>15,354,430</b>	<b>11,549,711</b>	<b>4,051,756</b>	<b>15,601,467</b>
Revenue:						
Program activities primarily with affiliates:						
Transportation	1,210,276	-	1,210,276	1,623,707	-	1,623,707
Information and communications technology	661,380	-	661,380	605,994	-	605,994
Language development	85,259	-	85,259	85,545	-	85,545
Ministry operations	2,539,043	-	2,539,043	2,486,377	-	2,486,377
<b>Total program revenues</b>	<b>4,495,958</b>	<b>-</b>	<b>4,495,958</b>	<b>4,801,623</b>	<b>-</b>	<b>4,801,623</b>
Other revenues:						
Investment income	91,870	-	91,870	124,667	-	124,667
Other income	3,289	-	3,289	52,412	-	52,412
<b>Total revenue</b>	<b>4,591,117</b>	<b>-</b>	<b>4,591,117</b>	<b>4,978,702</b>	<b>-</b>	<b>4,978,702</b>
<b>Total Support and Revenue</b>	<b>16,710,909</b>	<b>3,234,638</b>	<b>19,945,547</b>	<b>16,528,413</b>	<b>4,051,756</b>	<b>20,580,169</b>
<b>RECLASSIFICATIONS:</b>						
Net assets released from restrictions:						
Administrative assessments	242,787	(242,787)	-	206,127	(206,127)	-
Satisfaction of capital asset acquisition restrictions	2,186,050	(2,186,050)	-	3,919,713	(3,919,713)	-
	<b>2,428,837</b>	<b>(2,428,837)</b>	<b>-</b>	<b>4,125,840</b>	<b>(4,125,840)</b>	<b>-</b>

(continued)

See notes to financial statements

# JAARS, INC.

## Statements of Activities (continued)

	Year Ended September 30,					
	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
EXPENSES:						
Operations:						
Program services primarily with affiliates:						
Transportation	6,775,517	-	6,775,517	8,496,301	-	8,496,301
Information and communications technology	3,986,153	-	3,986,153	3,858,541	-	3,858,541
Language development	1,480,017	-	1,480,017	1,352,255	-	1,352,255
Ministry operations	5,253,585	-	5,253,585	5,249,791	-	5,249,791
Total program services	17,495,272	-	17,495,272	18,956,888	-	18,956,888
Supporting activities:						
Management Services	1,760,178	-	1,760,178	1,925,697	-	1,925,697
Fund-raising	664,111	-	664,111	602,579	-	602,579
Total supporting activities	2,424,289	-	2,424,289	2,528,276	-	2,528,276
Total Operating Expenses	19,919,561	-	19,919,561	21,485,164	-	21,485,164
Change in Net Assets from Operations	(779,815)	805,801	25,986	(830,911)	(74,084)	(904,995)
Other Revenue:						
Gain on disposal of assets	163,463	-	163,463	54,073	-	54,073
Change in Net Assets	(616,352)	805,801	189,449	(776,838)	(74,084)	(850,922)
Net Assets, Beginning of Year	7,993,770	7,856,610	15,850,380	8,770,608	7,930,694	16,701,302
Net Assets, End of Year	\$7,377,418	\$8,662,411	\$16,039,829	\$7,993,770	\$7,856,610	\$15,850,380

See notes to financial statements

# JAARS, INC.

## Statements of Cash Flows

	Year Ended September 30,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 189,449	\$ (850,922)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	715,473	719,734
Gain on disposal of property and equipment	(163,463)	(54,073)
Realized (gain) loss on sale of investments	954	(742)
Unrealized (gain) loss on investments	11,372	(3,389)
Noncash contributions of securities	(233,759)	(197,540)
Change in operating assets and liabilities:		
Contributions restricted for long-term activities	(1,565,407)	(3,254,150)
Accounts receivable	143,645	216,593
Pledges receivable	-	325,000
Inventories and specialized aircraft parts	(129,033)	(47,026)
Deposits on aircraft purchase	-	200,000
Prepaid expenses	(26,639)	40,618
Beneficial interest in split-interest agreements	(32,023)	(124,357)
Work in process and assets held for sale	(16,486)	28,210
Payables—accounts, deposits, and accrued	211,662	(112,781)
Long-term liabilities	23,074	22,187
	<u>(871,181)</u>	<u>(3,092,638)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(70,781)	(533,788)
Proceeds from disposal of property and equipment	447,427	93,267
Quest aircraft advances	(500,000)	(1,250,000)
Purchases of investments	(8,320)	(89,994)
Proceeds from sale of investments	84,038	137,642
Change in deposits with related organization	(656,464)	1,760,801
	<u>(704,100)</u>	<u>117,928</u>

(continued)

See notes to financial statements

# JAARS, INC.

## Statements of Cash Flows (continued)

	Year Ended September 30,	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term activities	<u>1,565,407</u>	<u>3,254,150</u>
Net Cash Provided by Financing Activities	<u>1,565,407</u>	<u>3,254,150</u>
Net Change in Cash and Cash Equivalents	(9,874)	279,440
Cash and Cash Equivalents, Beginning of Year	<u>734,710</u>	<u>455,270</u>
Cash and Cash Equivalents, End of Year	<u>\$ 724,836</u>	<u>\$ 734,710</u>
Supplemental Disclosure:		
Noncash donations of securities and capital assets	<u>\$ 1,407,196</u>	<u>\$ 382,694</u>

See notes to financial statements

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 1. NATURE OF ORGANIZATION:

JAARS, Inc. was incorporated under the laws of the State of North Carolina in 1963 and operates as a nonprofit corporation. JAARS is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (code) and comparable state law, and contributions to it are tax-deductible within the limitations prescribed by the code. JAARS is classified as a publicly supported organization, which is not a foundation under Section 509(a)(1) of the code.

The JAARS board of directors is composed of members of the SIL International, Inc. (SIL) and the public constituency. The SIL board of directors has voting authority over the JAARS board.

Recognizing God's power and grace, the mission of JAARS, through partnerships worldwide, is to provide quality technical support services and resources to speed Bible translation for all people. The JAARS vision is that the worldwide Bible translation movement will benefit from strategic technical and logistic support that is dependable and accessible. JAARS shares the vision of the Wycliffe Bible Translators (WBT) and SIL family of organizations, focusing on technical and logistical support needs. JAARS accomplishes its exempt purpose through the following programs:

*Language Development*—JAARS has facilities and staff to assist SIL in language identification, acquisition, and translation. It provides training and equipment for audio-visual media productions in vernacular languages for use by various SIL entities worldwide. It offers film and tape dubbing services and training in the use of media equipment. JAARS also cooperates with partnering organizations to further language development work in a variety of non-print media.

*Transportation*—JAARS provides technical support and maintenance for specially equipped aircraft in use by the overseas entities of SIL and its affiliates. It also assists in pilot and mechanic selection and their orientation for overseas service, and addresses safety and operational issues. JAARS provides consultation, equipment, and trained personnel to facilitate safe land travel for field programs. JAARS maritime services assist sea captains with satellite alerts and emergency rescue systems. JAARS provides oversight for water safety training and assistance in procuring equipment for maritime activities used in the transportation of missionaries involved in the Bible translation effort. JAARS also provides funding for acquisition, field preparation, repairs, and overhaul of equipment used in air, land, and sea transportation.

*Information and Communications Technology*—JAARS provides specialized computer support for overseas language workers with SIL. This includes hardware and software evaluation and purchasing, specialized language software development, research into new computing technology, and training users on such equipment and software. JAARS also provides worldwide e-mail service(s) to SIL and WBT entities. It prepares personnel working in radio, computer, and communications for service in the fields where SIL works. It provides assistance with equipment selection and funding, and development and utilization of new technologies, including wireless and satellite communications.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

1. NATURE OF ORGANIZATION, continued:

*Ministry Operations*—At the JAARS Center in Waxhaw, North Carolina, services are provided to members of WBT, SIL, furloughing missionaries serving with other ministries, and all missionaries assigned to JAARS for training. Such services include conference facilities, meals, health services, child care, and distribution of donated goods. JAARS has its own building and vehicle maintenance facilities. It provides purchasing and shipping services for overseas entities of SIL and its affiliates. JAARS maintains a warehouse and operates a fleet of tractor-trailers for domestic moving services and shipment of goods for exportation to foreign destinations.

*Collections*—JAARS maintains collections in the Mexico-Cárdenas Museum and the Museum of the Alphabet, composed of artifacts of historical significance, scientific specimens, and art objects that are held for educational, research, scientific, and curatorial purposes. The items are cataloged, preserved, and cared for and their condition is assessed regularly. The collections are subject to a policy requiring proceeds from their sales be used to acquire new additions. During 2008 and 2007, there were no additions to or sales of any of the items in the collections.

*Public utility*—In the mid-1960s when JAARS staff occupied the current center in North Carolina, the site and a water system were developed. In 1980, the system began to serve a local subdivision of houses. In 1987, the system was designated as a Community Water Supply by the State of North Carolina Division of Health Services and was directed to bring its water system into compliance with specifications submitted by that agency. The current, interconnected water system consists of three wells and provides service to: 100 single family residences, 20 spaces in an RV park, 87 JAARS apartment units, and JAARS support facilities, including auditorium/cafeteria and other office facilities. The current demand is approximately 29,400 gallons per day.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of JAARS are presented on the accrual basis. The significant accounting policies are described below.

### ESTIMATES

The preparation of the 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 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 equivalents are defined as short-term, highly liquid debt securities that are both readily convertible to cash and have an original maturity of three months or less. While these accounts may, at times, exceed federally insured limits, JAARS has not experienced any losses in such accounts.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### DEPOSITS WITH RELATED ORGANIZATION

The deposits with a related organization consist of funds transferred to SIL carried at cost plus accrued interest. JAARS may access the funds, as needed, through a checking account. The deposits earn interest at the current rate which for the year 2008 was 4.5% and for the year 2007 was 4.0%. The rate is established on October 1 and is effective for a one-year period, unless changed during the year. The rate as of October 1, 2008, was 4.5%. As of September 30, 2008, and 2007, respectively, total pooled assets net of reserves were \$83,129,230 and \$78,410,242, resulting in JAARS deposits representing approximately 2.5% and 1.8%, respectively.

#### ACCOUNTS RECEIVABLE

Accounts receivable are almost exclusively related to amounts due from related parties or entities and missionary staff. The collection experience in the past has been that essentially 100% of all receivables have been collected. In that regard, there is no provision for doubtful accounts.

#### AIRCRAFT LEASE RECEIVABLE

JAARS purchased a Pilatus PC-6 aircraft in 2004 for use with a related ministry on the field. Subsequently, JAARS decided to enter into a lease/sale agreement with the related ministry. The total lease/purchase is for \$1,221,110 for a period of ten years with no interest being charged to the related ministry. This agreement was finalized in 2005. The remaining balance on the lease at September 30, 2008, and 2007, was \$854,810 and \$976,910, respectively.

#### INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value with gains and losses included in the statements of activities. Other investments are reported at the lower of cost or fair value. Interest and dividend income and the realized or unrealized gain or loss on investments are reported as unrestricted investment income unless donor or law temporarily or permanently restrict its use.

#### INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market.

#### QUEST AIRCRAFT ADVANCES

The amounts shown as Quest Aircraft Advances on the statements of financial position consist of deposits for aircraft in production 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. Collectibility in the case of nonperformance on the agreement by Quest is not readily determinable.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### MUSEUMS AND COLLECTIONS

JAARS established the Mexico Museum and the Museum of the Alphabet (Museums) on its campus. The collections of the Museums at JAARS, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the statements of financial position and, thus, are not reflected on the financial statements. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Proceeds for deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

#### BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS

Wycliffe Foundation holds certain charitable gift annuities for JAARS. This amount represents the beneficial interest JAARS has in those charitable gift annuities.

#### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or estimated historical cost through appraisal or, in the case of gifts from nonaffiliated entities, at the market values on the dates the gifts were donated. The capitalization threshold is for all items that have a useful life of three years or greater and cost of \$5,000. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

Land improvements	10-45 years
Buildings and improvements	3-30 years
Equipment and vehicles	3-15 years
Aircraft	5-15 years

Betterments, renewals, and extraordinary repairs that extend the life of the assets are capitalized; other repairs and maintenance are expensed.

#### ACCOUNTS PAYABLE

In addition to normal trade payables, JAARS also records payables to related entities for goods, services, and activities related to inter-ministry transactions. All payables are current and do not reflect any short-term loans.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NET ASSETS

The financial statements report amounts by classification of net assets:

*Unrestricted net assets* are currently available for operations under the direction of the board, resources invested in property and equipment, or held as designated reserves. Equity in property and equipment is reported net of the asset retirement obligations.

*Temporarily restricted net assets* are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

#### SUPPORT, REVENUE, AND EXPENSES

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 JAARS.

JAARS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contribution income is subject to an assessment, which is used for general and administrative expenses. This assessment is reclassified from temporarily restricted to unrestricted net assets at the time the contribution is received.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, JAARS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated goods (including securities, property, and equipment) are recorded at fair value at the date of the gift.

Contributed services are recognized for those that improve or enhance property and equipment (as contributions and increases to the basis of property and equipment) or for those that require specialized skills (as contributions and expenses)(see Note 7 for contributed services recorded).

JAARS is the beneficiary of an annuity policy that was established by a donor to be paid to JAARS upon her death. The amount is to be paid monthly and is fixed at \$69.39 per month for the period of May 28, 2002, to May 28, 2010. In that regard, the amount of the current receivable is presented.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ALLOCATION OF EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of JAARS have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and activities benefited.

#### RECLASSIFICATION

Certain financial statement and footnote information from the prior year financial statements has been reclassified to conform to current year presentation format.

### 3. INVESTMENTS:

Investments, at fair value, consist of:

	September 30,	
	2008	2007
Cash reserves	\$ 309,787	\$ 157,975
Mutual funds	29,500	35,597
	<u>\$ 339,287</u>	<u>\$ 193,572</u>

Investment income, which is earned both on investments and on deposits with a related organization, consisted of the following:

	Year Ended September 30,	
	2008	2007
Interest and dividends	\$ 8,385	\$ 22,720
Interest on deposits with related organization	95,811	97,816
Realized gain (loss)	(954)	742
Unrealized gain (loss)	(11,372)	3,389
	<u>\$ 91,870</u>	<u>\$ 124,667</u>

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

4. INVENTORIES:

Inventories consist of:

	September 30,	
	2008	2007
Communications, computer, and other	\$ 18,852	\$ 35,501
Aviation parts and logistics	517,033	442,164
Material and supplies	165,469	94,660
	\$ 701,354	\$ 572,325

In addition to the inventories reported as current assets, JAARS classifies a major portion of the 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. The amounts represented by this inventory are \$95,564 and \$95,561 for September 30, 2008, and 2007, respectively.

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	September 30,	
	2008	2007
Land and improvements	\$ 1,304,571	\$ 1,304,571
Asset retirement obligation	138,895	138,895
Buildings and improvements	8,581,085	8,573,082
Equipment	2,312,058	2,270,012
Vehicles	806,379	850,585
Aircraft	1,099,080	1,813,003
	14,242,068	14,950,148
Less accumulated depreciation	(9,333,974)	(9,113,398)
Net book value of property and equipment	4,908,094	5,836,750
Less related asset retirement obligation	(599,930)	(576,856)
Equity in property and equipment	\$ 4,308,164	\$ 5,259,894

Depreciation in the amounts of \$715,473 and \$719,734 has been allocated to various costs and expenses in the statements of activities for the years ended September 30, 2008, and 2007, respectively.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2008	2007
Unrestricted:		
Undesignated	\$ 1,213,000	\$ 725,910
Corporate designated:		
J-Map*	791,194	775,019
Aircraft engine reserve–Waxhaw	208,460	254,247
Other	1,790	1,790
	1,001,444	1,031,056
Aircraft under lease receivable	854,810	976,910
Equity in property and equipment	4,308,164	5,259,894
Total unrestricted net assets	7,377,418	7,993,770
Temporarily restricted:		
Transportation	1,204,358	1,023,857
Technology	60,796	18,322
Language	101,290	26,669
Ministry operations	51,853	56,986
Fund raising	22,800	40,167
Beneficial interest in charitable gift annuities	460,313	429,608
Aircraft prepaid deposits–purpose restricted	6,761,001	6,261,001
Total temporarily restricted net assets	8,662,411	7,856,610
Total net assets	\$ 16,039,829	\$ 15,850,380

\**J-MAP Program* –Branches of SIL make payments for aircraft hull damage reserves to JAARS based upon the actual flight hours. If an aircraft should be damaged or destroyed, JAARS may repair or replace the aircraft within limits set by the governing board.

As of September 30, 2008, and 2007, a total of 16 aircraft, with a covered value of \$1,930,000 and 19 aircraft, with covered value of \$2,330,000, respectively, were included in this program. The estimated cost of work orders pending under the program as of September 30, 2008, and 2007 was \$8,410 for both years. During the years ended September 30, 2008, and 2007, \$25,455 and \$31,591 income was earned, respectively, and \$9,281 and \$10,397 in expense against the fund was incurred.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

7. NONCASH CONTRIBUTIONS:

The value of donated services received by JAARS from individuals paid by WBT (a related party) is reflected in these financial statements. Amounts for their compensation for services performed for JAARS are recorded as support and revenue. The amount of compensation related to nonasset building services is included in expenses. Also, JAARS receives contributed services from other individuals. The value of these services is recorded in the same way as service received from the related party.

The value of donated services is recorded as follows:

Year Ended September 30, 2008			
	From Related Entity	From Others	Total
Goods	\$ -	\$ 1,407,196	\$ 1,407,196
Services:			
Technology	\$ 2,300,965	\$ 335,363	\$ 2,636,328
Transportation	2,601,659	324,871	2,926,530
Language	1,230,446	58,237	1,288,683
Ministry operations	2,210,732	288,993	2,499,725
Fund Raising	274,367	8,694	283,061
Management	938,324	113,273	1,051,597
	\$ 9,556,493	\$ 1,129,431	\$ 10,685,924
Year Ended September 30, 2007			
	From Related Entity	From Others	Total
Goods	\$ -	\$ 382,694	\$ 382,694
Services:			
Technology	\$ 2,112,786	\$ 388,650	\$ 2,501,436
Transportation	2,403,383	269,903	2,673,286
Language	1,136,672	56,418	1,193,090
Ministry operations	2,042,248	257,293	2,299,541
Fund Raising	253,455	11,279	264,734
Management	866,812	98,245	965,057
	\$ 8,815,356	\$ 1,081,788	\$ 9,897,144

Volunteers also provided other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. JAARS believes these volunteers provide valuable services to the ministry and estimates the value of these services at \$1,697,442 and \$1,909,562 for the years ended September 30, 2008, and 2007, respectively.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 8. OPERATING LEASES:

JAARS has entered into several leases for equipment. These leases expire in 2011. Total rent expense for the years ended September 30, 2008, and 2007 was \$107,375 and \$177,621, respectively.

Minimum lease payments during the next 5 years:

<u>Year Ending September 30,</u>	<u>Amount</u>
2009	\$ 58,008
2010	60,432
2011	60,432
2012	11,807
2013	9,932
	<u>\$ 200,611</u>

### 9. COMMITMENTS AND CONTINGENCIES:

#### GUARANTEE TO RELATED PARTY

In November of 1998, the JAARS board of directors approved a guarantee for a loan to the East Africa Group of SIL for the construction of the West Nairobi School. This loan is from the ready investment pool of funds (RIA) that SIL controls. It is not a loan from an outside institution. The RIA system has advanced a portion of the \$2 million authorized. As of September 30, 2008, and 2007, the JAARS portion of the loan guarantee was \$28,275 and \$31,201, respectively.

#### 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 operation 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 ADVANCES

As of September 30, 2007, JAARS had committed to purchase ten Kodiak aircrafts from Quest. Of those aircrafts, seven are to be purchased at a special mission discount, and three are to be purchased at full commercial price of approximately \$1.4 million each. The delivery date on the aircrafts is scheduled to begin in 2009 and run through 2018 with two of the commercially purchased aircrafts to be the first delivered. The total commitment is approximately \$12.6 million, including planned upgrades. Deposits to date total \$6,761,001.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 9. COMMITMENTS AND CONTINGENCIES, continued:

#### 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.

### 10. PUBLIC UTILITY:

The income and expenses related to the public utility operation are as follows:

	Year Ended September 30,	
	2008	2007
Revenue:		
Utility fee income	\$ 12,504	\$ 12,084
Expenses:		
Operating expenses	12,414	14,403
Depreciation	1,908	1,908
Total expenses	14,322	16,311
Total loss from utility operations	\$ (1,818)	\$ (4,227)

### 11. 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 \$5,714.

## **SUPPLEMENTARY DATA**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY DATA**

Board of Directors  
JAARS, Inc.  
Waxhaw, North Carolina

Our report on our audits of the basic financial statements of JAARS, Inc. as of and for the years ended September 30, 2008, and 2007 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data on the following pages is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Capin Crouse LLP*

Atlanta, Georgia  
January 19, 2009

# JAARS, INC.

## Schedule of Functional Expenses

Year Ended September 30, 2008

	Program Services					Supporting Activities			Total All Funds
	Information and Communications Transportation	Technology	Language Development	Ministry Operations	Total	Management Services	Fund-raising Services	Total	
Cost of sales	\$ 559,674	\$ 507,990	\$ 33,989	\$ 688,851	\$ 1,790,504	\$ (6,671)	\$ (211)	\$ (6,882)	\$ 1,783,622
Donated services	2,926,530	2,636,328	1,288,683	2,499,725	9,351,266	1,051,596	283,061	1,334,657	10,685,923
Labor Costs	94,026	66,079	24,329	297,223	481,657	129,434	71,354	200,788	682,445
Equipment	42,819	173,618	3,339	116,378	336,154	63,496	2,486	65,982	402,136
Postage and shipping	10,760	993	1,357	323,391	336,501	3,749	57,539	61,288	397,789
Maintenance Expense	67,232	7,828	676	126,606	202,342	8,975	863	9,838	212,180
Fuel	122,487	-	-	152,613	275,100	251	1,371	1,622	276,722
Insurance	71,269	25	537	80,539	152,370	96,742	3,312	100,054	252,424
Supplies	36,328	14,936	7,110	98,975	157,349	31,013	2,640	33,653	191,002
Utilities	18,834	44,956	3,712	218,783	286,285	37,397	-	37,397	323,682
Aircraft Transportation Costs	54,794	-	-	-	54,794	-	-	-	54,794
Depreciation	140,998	163,565	4,282	219,972	528,817	209,557	174	209,731	738,548
Travel	89,296	23,150	23,266	64,577	200,289	73,692	65,537	139,229	339,518
Computer & Data Processing	1,895	99,374	3,940	2,254	107,463	23,503	1,587	25,090	132,553
Professional Services	5,829	9,283	823	88,962	104,897	128,664	8,388	137,052	241,949
Public Relations	10,581	2,907	4,175	112,730	130,393	25,023	16,578	41,601	171,994
Printing	5,422	95	5	10,208	15,730	6,113	82,833	88,946	104,676
Training	156,647	22,239	1,602	22,254	202,742	13,558	2,405	15,963	218,705
Project expense	2,241,585	199,176	74,739	102,544	2,618,044	-	54,401	54,401	2,672,445
Transfer between Proj. & CC	(316,063)	(3,150)	(809)	(54,902)	(374,924)	(195,798)	(1,081)	(196,879)	(571,803)
Contributions to Projects	406,649	-	-	1,500	408,149	5,838	-	5,838	413,987
General Expenses	27,925	16,761	4,262	80,402	129,350	54,046	10,874	64,920	194,270
<b>Total</b>	<b>\$ 6,775,517</b>	<b>\$ 3,986,153</b>	<b>\$ 1,480,017</b>	<b>\$ 5,253,585</b>	<b>\$ 17,495,272</b>	<b>\$ 1,760,178</b>	<b>\$ 664,111</b>	<b>\$ 2,424,289</b>	<b>\$ 19,919,561</b>
CY	34%	20%	7%	26%	88%	9%	3%	12%	100%
PY	40%	18%	6%	24%	88%	9%	3%	12%	100%

# JAARS, INC

## Schedule of Functional Expenses

Year Ended September 30, 2007

	Program Services					Supporting Activities			Total all Funds
	Information and Communications Transportation	Technology	Language Development	Ministry Operations	Total	Management Services	Fund-raising Services	Total	
Cost of sales	\$ 965,349	\$ 502,933	\$ 51,984	\$ 665,217	\$ 2,185,483	\$ (3,848)	\$ -	\$ (3,848)	\$ 2,181,635
Donated Services	2,673,287	2,501,436	1,193,090	2,299,541	8,667,354	965,055	264,734	1,229,789	9,897,143
Labor Costs	127,146	56,429	2,141	293,041	478,757	94,427	59,768	154,195	632,952
Equipment	47,459	218,771	8,235	135,745	410,210	121,104	4,740	125,844	536,054
Postage & Shipping	16,400	840	1,232	361,805	380,277	4,852	51,877	56,729	437,006
Maintenance Expense	140,193	18,238	641	83,556	242,628	12,501	383	12,884	255,512
Fuel	129,238	8	-	116,934	246,180	160	1,235	1,395	247,575
Insurance	78,523	153	490	101,063	180,229	155,127	3,816	158,943	339,172
Supplies	33,211	18,031	7,815	108,989	168,046	38,255	5,188	43,443	211,489
Utilities	18,676	49,404	3,734	220,179	291,993	41,158	-	41,158	333,151
Aircraft Transportation Costs	118,016	-	-	-	118,016	-	-	-	118,016
Depreciation	128,333	141,115	4,282	252,192	525,922	213,221	2,778	215,999	741,921
Travel	94,918	30,220	20,082	59,355	204,575	74,479	46,370	120,849	325,424
Computer & Data Processing	171	104,363	6,635	1,385	112,554	22,679	374	23,053	135,607
Professional Services	10,371	10,376	483	91,133	112,363	72,689	38,674	111,363	223,726
Public Relations	12,684	3,269	2,215	85,811	103,979	22,461	9,398	31,859	135,838
Printing	3,000	296	122	13,533	16,951	17,465	83,799	101,264	118,215
Training	124,367	12,329	4,255	20,882	161,833	18,593	4,863	23,456	185,289
Project Expense	727,883	116,916	39,787	346,861	1,231,447	181	20,607	20,788	1,252,235
Transfer between Proj. & CC	(362,629)	48	(2,558)	(90,723)	(455,862)	(157,041)	(3,495)	(160,536)	(616,398)
Contributions to Projects	3,381,519	53,000	-	3,069	3,437,588	140,106	-	140,106	3,577,694
General Expense	28,186	20,366	7,590	80,223	136,365	72,073	7,470	79,543	215,908
<b>Total</b>	<b>\$ 8,496,301</b>	<b>\$ 3,858,541</b>	<b>\$ 1,352,255</b>	<b>\$ 5,249,791</b>	<b>\$ 18,956,888</b>	<b>\$ 1,925,697</b>	<b>\$ 602,579</b>	<b>\$ 2,528,276</b>	<b>\$ 21,485,164</b>
	40%	18%	6%	24%	88%	9%	3%	12%	100%