



**JAARS, INC.**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

September 30, 2009 and 2008

# JAARS, INC.

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## 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, 2009 and 2008, 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. 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, 2009 and 2008, 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.

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, 2009 and 2008, have been issued separately.

As discussed in Notes 12 and 13, JAARS has adopted the new provisions of the following Topics of the FASB Accounting Standards Codification: Fair Value Measurements and Disclosure, Financial Assets and Financial Liabilities, and Subsequent Events. The adoption of these standards had no impact on previously reported net assets.

*Capin Crouse LLP*

Atlanta, Georgia  
January 25, 2010

# JAARS, INC.

## Statements of Financial Position

	September 30,	
	2009	2008
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 408,332	\$ 724,836
Deposits with related organization	2,188,388	2,097,022
Accounts receivable	82,101	200,885
Aircraft lease receivable—current portion	122,100	122,100
Investments	85,178	339,287
Inventories	586,612	701,354
Work in process and assets held for sale	91,579	59,678
Prepaid expenses	58,681	72,858
	3,622,971	4,318,020
Property and equipment—net	6,289,733	4,908,094
Other assets:		
Beneficial interest in split-interest agreements	515,133	460,313
Note Receivable	1,024,916	-
Quest aircraft advances	5,516,394	6,761,001
Aircraft lease receivable—net of current portion	610,610	732,710
Specialized aircraft parts	92,556	95,565
	92,556	95,565
Total Assets	\$ 17,672,313	\$ 17,275,703
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 266,836	\$ 310,034
Accrued and other liabilities	5,160	325,905
	271,996	635,939
Asset retirement obligation	605,929	599,930
Total liabilities	877,925	1,235,869
Net assets:		
Unrestricted:		
Undesignated	899,585	1,213,000
Corporate designated	1,112,150	1,001,444
Aircraft under lease receivable	732,710	854,810
Equity in property and equipment	5,683,804	4,308,164
	8,428,249	7,377,418
Temporarily restricted	8,366,139	8,662,416
Total net assets	16,794,388	16,039,834
Total Liabilities and Net Assets	\$ 17,672,313	\$ 17,275,703

See notes to financial statements

# JAARS, INC.

## Statements of Activities

	Year Ended September 30,					
	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Support:						
Cash contributions:						
From public	\$ 866,689	\$ 1,311,538	\$ 2,178,227	\$ 625,963	\$ 1,475,544	\$ 2,101,507
From affiliates	525,410	724,673	1,250,083	619,098	540,705	1,159,803
Noncash contributions:						
Goods	67,656	-	67,656	169,057	-	169,057
Aircraft	45,000	-	45,000	-	1,004,380	1,004,380
Securities	-	86,347	86,347	19,750	214,009	233,759
Services	10,444,043	-	10,444,043	10,685,924	-	10,685,924
Total support	11,948,798	2,122,558	14,071,356	12,119,792	3,234,638	15,354,430
Revenue:						
Program activities primarily with affiliates:						
Transportation	1,071,567	-	1,071,567	1,210,276	-	1,210,276
Information and communications technology	443,005	-	443,005	661,380	-	661,380
Language development	100,206	-	100,206	85,259	-	85,259
Ministry operations	2,274,777	-	2,274,777	2,539,043	-	2,539,043
Total program revenues	3,889,555	-	3,889,555	4,495,958	-	4,495,958
Other revenues:						
Investment income	104,715	-	104,715	91,870	-	91,870
Other income	6,821	-	6,821	3,289	-	3,289
Total revenue	4,001,091	-	4,001,091	4,591,117	-	4,591,117
Total Support and Revenue	15,949,889	2,122,558	18,072,447	16,710,909	3,234,638	19,945,547
<b>RECLASSIFICATIONS:</b>						
Net assets released from restrictions:						
Administrative assessments	150,979	(150,979)	-	242,787	(242,787)	-
Satisfaction of capital asset acquisition restrictions	2,267,856	(2,267,856)	-	2,186,050	(2,186,050)	-
	2,418,835	(2,418,835)	-	2,428,837	(2,428,837)	-

(continued)

See notes to financial statements

# JAARS, INC.

## Statements of Activities (continued)

	Year Ended September 30,					
	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
EXPENSES:						
Operations:						
Program services primarily with affiliates:						
Transportation	4,443,424	-	4,443,424	5,771,137	-	5,771,137
Transportation—aircraft grant	-	-	-	1,004,380	-	1,004,380
Information and communications technology	3,723,550	-	3,723,550	3,986,153	-	3,986,153
Language development	1,428,658	-	1,428,658	1,480,017	-	1,480,017
Ministry operations	4,998,601	-	4,998,601	5,253,585	-	5,253,585
Total program services	14,594,233	-	14,594,233	17,495,272	-	17,495,272
Supporting activities:						
Management Services	2,004,075	-	2,004,075	1,760,178	-	1,760,178
Fund-raising	817,104	-	817,104	664,111	-	664,111
Total supporting activities	2,821,179	-	2,821,179	2,424,289	-	2,424,289
Total Operating Expenses	17,415,412	-	17,415,412	19,919,561	-	19,919,561
Change in Net Assets from Operations	953,312	(296,277)	657,035	(779,815)	805,801	25,986
Other Revenue:						
Gain on disposal of assets	97,519	-	97,519	163,463	-	163,463
Change in Net Assets	1,050,831	(296,277)	754,554	(616,352)	805,801	189,449
Net Assets, Beginning of Year	7,377,418	8,662,416	16,039,834	7,993,770	7,856,615	15,850,385
Net Assets, End of Year	\$8,428,249	\$8,366,139	\$16,794,388	\$7,377,418	\$8,662,416	\$16,039,834

See notes to financial statements

# JAARS, INC.

## Statements of Cash Flows

	Year Ended September 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 754,554	\$ 189,449
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	646,750	715,473
Gain on disposal of property and equipment	(97,519)	(163,463)
Realized (gain) loss on sale of investments	(1,506)	954
Unrealized loss on investments	210	11,372
Noncash contributions of securities	(101,070)	(233,759)
Change in operating assets and liabilities:		
Accounts receivable—decrease	118,784	143,645
Inventories and specialized aircraft parts—decrease/(increase)	239,851	(129,033)
Prepaid expenses—decrease/(increase)	14,177	(26,639)
Beneficial interest in split-interest agreements—(increase)	(54,820)	(32,023)
Work in process and assets held for sale—(increase)	(31,901)	(16,486)
Payables—accounts and accrued—(decrease)/increase	(363,943)	211,662
Long-term liabilities—increase	5,999	23,074
Net Cash Provided by Operating Activities	1,129,566	694,226
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(774,181)	(70,781)
Proceeds from disposal of property and equipment	102,641	447,427
Purchase of Quest aircraft	(1,244,607)	-
Quest aircraft advances	1,244,607	(500,000)
Purchases of investments	(3,248)	(8,320)
Proceeds from sale of investments	345,000	84,038
Change in deposits with related organization	(91,366)	(656,464)
Notes receivable	(1,024,916)	-
Net Cash Used by Investing Activities	(1,446,070)	(704,100)
Net Change in Cash and Cash Equivalents	(316,504)	(9,874)
Cash and Cash Equivalents, Beginning of Year	724,836	734,710
Cash and Cash Equivalents, End of Year	\$ 408,332	\$ 724,836
<b>Supplemental Disclosure:</b>		
Noncash donations of securities and capital assets	\$ 67,656	\$ 169,057

See notes to financial statements

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

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 the 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, 2009 and 2008

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.

*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 2009 an item of undetermined value was added to the collection, there were no sales. In 2008, 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.

*Word Access*—Word Access, Inc., a wholly-owned for-profit subsidiary of JAARS, is registered in the state of North Carolina. JAARS formed this subsidiary to handle certain aspects of its business as mission strategy that were more appropriate to be accomplished within a for-profit subsidiary. Word Access is managed by a board appointed by the JAARS president and currently consists of two senior vice-presidents of JAARS and two businessmen. JAARS made grants totaling \$10,400 to Word Access as of September 30, 2009.

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 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.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

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

#### 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.

#### 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 2009 was 4% and for the year 2008 was 4.5%. 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, 2009, was 4%. As of September 30, 2009 and 2008, respectively, total pooled assets net of reserves were \$96,809,456 and \$83,129,230, resulting in JAARS deposits representing approximately 2.3% and 2.5%, 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, 2009 and 2008, was \$732,710 and \$854,810, 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.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

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

#### 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

#### 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.

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

#### NOTES RECEIVABLE

JAARS entered into a two-year financing arrangement with Quest Aircraft Company, LLC (the 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 the 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.

#### 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.

#### 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.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

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

#### 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.

#### 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 management services 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.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

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.

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 note 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,	
	2009	2008
Money market mutual fund	\$ 55,021	\$ 309,787
Mutual funds	30,157	29,500
	<u>\$ 85,178</u>	<u>\$ 339,287</u>

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

3. INVESTMENTS, continued:

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

	Year Ended September 30,	
	2009	2008
Interest and dividends	\$ 8,318	\$ 8,385
Interest on deposits with related organization	80,500	95,811
Accrued interest on Notes Receivable	14,601	-
Realized gain (loss)	1,506	(954)
Unrealized loss	(210)	(11,372)
	<u>\$ 104,715</u>	<u>\$ 91,870</u>

4. INVENTORIES:

Inventories consist of:

	September 30,	
	2009	2008
Communications, computer, and other	\$ 14,870	\$ 18,852
Aviation parts	488,176	517,033
Material and supplies	83,566	165,469
	<u>\$ 586,612</u>	<u>\$ 701,354</u>

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 \$92,556 and \$95,564 for September 30, 2009 and 2008, respectively.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	September 30,	
	2009	2008
Land and improvements	\$ 1,304,571	\$ 1,304,571
Asset retirement obligation	138,895	138,895
Buildings and improvements	8,561,259	8,581,085
Equipment	2,123,289	2,312,058
Vehicles	280,876	806,379
Aircraft	2,408,874	1,099,080
	<u>14,817,764</u>	<u>14,242,068</u>
Less accumulated depreciation	<u>(9,092,245)</u>	<u>(9,333,974)</u>
	5,725,519	4,908,094
Construction in Process	564,214	-
Net book value of property and equipment	<u>6,289,733</u>	<u>4,908,094</u>
Less related asset retirement obligation	<u>(605,929)</u>	<u>(599,930)</u>
Equity in property and equipment	<u>\$ 5,683,804</u>	<u>\$ 4,308,164</u>

Depreciation in the amounts of \$646,750 and \$715,473 has been allocated to various costs and expenses in the statements of activities for the years ended September 30, 2009 and 2008, respectively.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2009	2008
Unrestricted:		
Undesignated	\$ 899,585	\$ 1,213,000
Corporate designated:		
J-Map*	804,871	791,194
Aircraft engine reserve–Waxhaw	212,473	208,460
Other	94,806	1,790
	1,112,150	1,001,444
Aircraft under lease receivable	732,710	854,810
Equity in property and equipment	5,683,804	4,308,164
Total unrestricted net assets	8,428,249	7,377,418
Temporarily restricted:		
Transportation	767,829	1,204,363
Technology	91,373	60,796
Language	63,130	101,290
Ministry operations	393,915	51,853
Fund-raising	18,364	22,800
Beneficial interest in split-interest agreements	515,134	460,313
Note receivable–purpose restricted	1,000,000	-
Aircraft prepaid deposits–purpose restricted	5,516,394	6,761,001
Total temporarily restricted net assets	8,366,139	8,662,416
Total net assets	\$ 16,794,388	\$ 16,039,834

\**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, 2009 and 2008, a total of 15 aircraft, with a covered value of \$2,200,000 and 16 aircraft, with covered value of \$1,930,000, respectively, were included in this program. The estimated cost of work orders pending under the program as of September 30, 2009 and 2008, was \$8,410 for both years. During the years ended September 30, 2009 and 2008, \$17,984 and \$25,455 income was earned, respectively, and \$4,307 and \$9,281 in expense against the fund was incurred, respectively.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

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, 2009		
	Related Entity	Others	Total
Goods	\$ -	\$ 199,003	\$ 199,003
Services:			
Technology	\$ 2,254,879	\$ 354,957	\$ 2,609,836
Transportation	2,549,530	241,179	2,790,709
Language	1,205,773	50,823	1,256,596
Ministry operations	2,166,436	347,740	2,514,176
Fund-raising	268,869	7,757	276,626
Management	919,522	76,578	996,100
	\$ 9,365,009	\$ 1,079,034	\$ 10,444,043
	Year Ended September 30, 2008		
	Related Entity	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

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 \$1,833,769 and \$1,697,442 for the years ended September 30, 2009 and 2008, respectively.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

### 8. OPERATING LEASES:

JAARS has entered into several leases for equipment. These leases expire in 2014. Total rent expense for the years ended September 30, 2009 and 2008, was \$81,302 and \$107,375, respectively.

Minimum lease payments during the next five years:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2010	\$ 28,340
2011	13,148
2012	12,523
2013	10,648
2014	10,648
	<u>\$ 75,307</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, 2009 and 2008, the JAARS portion of the loan guarantee was \$25,168 and \$28,275, respectively.

#### LETTERS OF CREDIT

JAARS has entered into two irrevocable letters of credit issued by BB&T. 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 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, 2009, 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 aircraft from Quest. Of those aircraft, 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. JAARS received its first Kodiak in 2009. The delivery date on the aircraft is scheduled to run through 2018 with two 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 \$5,516,394.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

### 10. PUBLIC UTILITY:

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

	Year Ended September 30,	
	2009	2008
Revenue:		
Utility fee income	\$ 21,272	\$ 12,504
Expenses:		
Operating expenses	20,273	12,414
Depreciation	1,270	1,908
	<u>21,543</u>	<u>14,322</u>
Total loss from utility operations	<u>\$ (271)</u>	<u>\$ (1,818)</u>

### 11. RELATED PARTY TRANSACTIONS:

JAARS received security services from a company with which a member of the board of directors is affiliated. Security expense related to this company as of September 30, 2009 and 2008, was approximately \$4,948 and \$5,714, respectively.

Word Access is a wholly owned for profit subsidiary of JAARS with a board appointed by JAARS. Assets, liabilities, revenue and expenses of Word Access are included in the JAARS financials statements. Below is a summary of the activity.

	Year Ended September 30,	
	2009	2008
Total assets	<u>\$ 11,336</u>	<u>\$ -</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Total retained earnings and capital	<u>\$ 11,336</u>	<u>\$ -</u>
Total revenue	<u>\$ 1,198</u>	<u>\$ -</u>
Total expense	<u>\$ 262</u>	<u>\$ -</u>

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

12. FAIR VALUE MEASUREMENTS:

Effective September 1, 2008, JAARS adopted the new provisions of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. 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. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. JAARS uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements 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:

	September 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Mutual funds	\$ 85,178	\$ 85,178	\$ -	\$ -

Methods and assumptions used by JAARS in estimating fair values are as follows:

Mutual funds—The fair values of these financial instruments are based on quoted market prices or dealer quotes.

13. 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.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2009 and 2008

14. 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. JAARS has elected to defer the application of these provisions for the year ending September 30, 2009. JAARS 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 September 1, 2008, JAARS 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. Management has not identified any assets or liabilities measured at fair value.

During the year ended September 30, 2009, JAARS also adopted the provisions of The Fair Value Option for Financial Assets and Financial Liabilities Topic of the ASC. The new provision permits entities to choose to measure financial instruments and certain other items at fair value as of a specified reporting date. As of September 30, 2009, JAARS has not identified any items for adjustment.

Recently issued provisions of the Mergers and Acquisitions Topic of the ASC, provides guidance on accounting for acquisitions by not-for-profit entities and for mergers of not-for-profit entities. The new provision is effective for mergers on or after December 15, 2009. It is effective for acquisitions on or after the beginning of annual periods beginning on or after December 15, 2009. Application of the provisions to mergers or acquisitions before those dates is prohibited.

## **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, 2009 and 2008, appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 25, 2010

# JAARS, INC.

## Schedule of Functional Expenses

Year Ended September 30, 2009

	Program Services					Supporting Activities			Total All Funds
	Information and Communications Transportation	Technology	Language Development	Ministry Operations	Total	Management Services	Fund-raising	Total	
Cost of sales	\$ 636,614	\$ 344,363	\$ (46,933)	\$ 723,161	\$ 1,657,205	\$ 951	\$ 536	\$ 1,487	\$ 1,658,692
Donated services	2,790,709	2,609,836	1,256,596	2,514,175	9,171,316	996,100	276,626	1,272,726	10,444,042
Labor costs	51,960	68,271	92	306,981	427,304	200,324	-	200,324	627,628
Equipment	33,294	177,229	3,860	89,210	303,593	66,416	24,101	90,517	394,110
Postage and shipping	7,996	403	974	329,636	339,009	8,613	59,351	67,964	406,973
Maintenance expense	70,647	24,474	343	103,997	199,461	15,063	4,095	19,158	218,619
Fuel	72,688	-	-	51,896	124,584	188	748	936	125,520
Insurance	59,865	-	423	63,022	123,310	108,279	8,631	116,910	240,220
Supplies	34,684	10,401	4,854	89,483	139,422	32,123	13,377	45,500	184,922
Utilities	18,131	45,238	3,855	219,354	286,578	39,726	-	39,726	326,304
Aircraft transportation costs	2,628	-	-	-	2,628	-	-	-	2,628
Depreciation	198,445	122,089	6,455	183,654	510,643	142,107	-	142,107	652,750
Travel	76,338	12,853	21,895	57,413	168,499	73,431	77,775	151,206	319,705
Computer and data processing	223	108,017	5,653	2,806	116,699	36,327	294	36,621	153,320
Professional services	3,871	4,203	105,082	127,540	240,696	169,053	129,128	298,181	538,877
Public relations	11,907	3,754	415	76,125	92,201	17,758	60,255	78,013	170,214
Printing	3,574	321	902	9,982	14,779	8,743	88,348	97,091	111,870
Training	106,866	14,811	2,028	27,769	151,474	8,227	6,809	15,036	166,510
Project expense	304,650	123,374	58,477	64,288	550,789	1,650	57,443	59,093	609,882
Project expense—aircraft grant	-	-	-	-	-	-	-	-	-
Transfer between Proj. & CC	(202,345)	(2,555)	(1,159)	(133,347)	(339,406)	(16,111)	(3,001)	(19,112)	(358,518)
Contributions to projects	122,839	-	-	1,500	124,339	850	-	850	125,189
General expenses	37,840	56,468	4,846	89,956	189,110	94,257	12,588	106,845	295,955
<b>Total</b>	<b>\$ 4,443,424</b>	<b>\$ 3,723,550</b>	<b>\$ 1,428,658</b>	<b>\$ 4,998,601</b>	<b>\$14,594,233</b>	<b>\$ 2,004,075</b>	<b>\$ 817,104</b>	<b>\$ 2,821,179</b>	<b>\$ 17,415,412</b>
CY	26%	21%	8%	29%	84%	11%	5%	16%	100%
PY	34%	20%	7%	26%	88%	9%	3%	12%	100%

# 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	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 and 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	1,237,205	199,176	74,739	102,544	1,613,664	-	54,401	54,401	1,668,065
Project expense–aircraft grant	1,004,380	-	-	-	1,004,380	-	-	-	1,004,380
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%