



JAARS, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2015 and 2014

JAARS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
JAARS, Inc.
Waxhaw, North Carolina

We have audited the accompanying financial statements of JAARS, Inc., which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
JAARS, Inc.
Waxhaw, North Carolina

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, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Related Party Relationship

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. Consolidated financial statements of Summer Institute of Linguistics, Inc. for the years ended September 30, 2015 and 2014, have been issued separately.

Capin Crouse LLP

Columbia, South Carolina
February 5, 2016

JAARS, INC.

Statements of Financial Position

	September 30,	
	2015	2014
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 273,543	\$ 240,138
Accounts receivable (Note 2)	157,301	166,485
Aircraft lease receivable (Note 2)	-	122,100
Investments (Note 3)	3,795,040	2,215,607
Inventories–net (Note 4)	521,142	547,162
Work in process and assets held for sale	130,611	72,563
Prepaid expenses	33,615	67,232
	4,911,252	3,431,287
Noncurrent assets:		
Property and equipment–net of accumulated depreciation (Note 5)	4,582,450	4,533,109
Beneficial interest in split-interest agreements (Note 2)	484,462	421,901
Preferred debt agreement–net of allowance (Note 2)	-	355,000
Specialized aircraft parts (Note 4)	83,090	87,132
	4,582,450	4,533,109
Total Assets	\$ 10,061,254	\$ 8,828,429
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 265,820	\$ 247,538
Accrued and other liabilities	27,487	28,334
	293,307	275,872
Asset retirement obligation (Note 2)	618,108	618,108
	911,415	893,980
Net assets:		
Unrestricted: (Note 6)		
Undesignated	680,210	1,028,044
Corporate designated	2,542,155	1,200,524
Aircraft under lease receivable	-	122,100
Equity in property and equipment	3,964,342	3,915,001
	7,186,707	6,265,669
Temporarily restricted (Note 6)	1,963,132	1,668,780
	9,149,839	7,934,449
Total Liabilities and Net Assets	\$ 10,061,254	\$ 8,828,429

See notes to financial statements

JAARS, INC.

Statements of Activities

	Year Ended September 30,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE:						
Support:						
Cash contributions:						
From public	\$ 688,615	\$ 983,010	\$1,671,625	\$ 735,216	\$ 907,718	\$1,642,934
From affiliates	331,746	46,506	378,252	264,103	118,626	382,729
Noncash contributions and donations: (Note 7)						
Goods	224,170	-	224,170	50,727	-	50,727
Securities	91,936	147,485	239,421	7,625	6,820	14,445
Services	6,634,816	-	6,634,816	6,638,964	-	6,638,964
Total support	7,971,283	1,177,001	9,148,284	7,696,635	1,033,164	8,729,799
Revenue:						
Program activities primarily with affiliates:						
Transportation	345,678	-	345,678	181,569	-	181,569
Media (language development)	267,340	-	267,340	252,275	-	252,275
Ministry operations	962,565	-	962,565	948,785	-	948,785
Sales revenue, net (Note 2)	359,240	-	359,240	279,457	-	279,457
	1,934,823	-	1,934,823	1,662,086	-	1,662,086
Other revenues:						
Investment income (Note 3)	50,712	-	50,712	42,373	-	42,373
Other income	43,594	-	43,594	30,106	-	30,106
Total revenue	2,029,129	-	2,029,129	1,734,565	-	1,734,565
Total Operating Support and Revenue	10,000,412	1,177,001	11,177,413	9,431,200	1,033,164	10,464,364
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of purpose restrictions (Note 6)						
	882,649	(882,649)	-	5,621,250	(5,621,250)	-
	882,649	(882,649)	-	5,621,250	(5,621,250)	-

(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities

(continued)

	Year Ended September 30,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING EXPENSES:						
Operations:						
Program services primarily with affiliates:						
Transportation	3,388,061	-	3,388,061	3,397,067	-	3,397,067
Information technology	215,972	-	215,972	228,775	-	228,775
Media (language development)	335,283	-	335,283	271,583	-	271,583
Ministry operations	5,040,474	-	5,040,474	5,546,014	-	5,546,014
Total program services	8,979,790	-	8,979,790	9,443,439	-	9,443,439
Supporting activities:						
Management services	1,481,784	-	1,481,784	1,110,735	-	1,110,735
Fund-raising	940,671	-	940,671	524,953	-	524,953
Total supporting activities	2,422,455	-	2,422,455	1,635,688	-	1,635,688
Total Operating Expenses	11,402,245	-	11,402,245	11,079,127	-	11,079,127
Change in Net Assets from Operations	(519,184)	294,352	(224,832)	3,973,323	(4,588,086)	(614,763)
NON-OPERATING ACTIVITIES:						
Gain (loss) on preferred debt (Note 2)	1,326,349	-	1,326,349	(4,379,735)	-	(4,379,735)
Gain on disposal of property and equipment	113,873	-	113,873	105,192	-	105,192
Change in Net Assets from Non-Operating Activities	1,440,222	-	1,440,222	(4,274,543)	-	(4,274,543)
Change in Net Assets	921,038	294,352	1,215,390	(301,220)	(4,588,086)	(4,889,306)
Net Assets, Beginning of Year	6,265,669	1,668,780	7,934,449	6,566,889	6,256,866	12,823,755
Net Assets, End of Year	\$7,186,707	\$1,963,132	\$9,149,839	\$6,265,669	\$1,668,780	\$7,934,449

See notes to financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,215,390	\$ (4,889,306)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	706,472	647,539
Gain on disposal of property and equipment	(113,873)	(105,192)
Realized/unrealized loss on investments	292	42
(Gain) loss on preferred debt agreement	(1,326,349)	4,497,163
Accrued interest income	-	(117,428)
Change in operating assets and liabilities:		
Accounts receivable	9,184	201,520
Inventories and specialized aircraft parts	152,162	93,436
Prepaid expenses	33,617	(9,206)
Beneficial interest in split-interest agreements	(62,561)	(5,443)
Work in process and assets held for sale	(58,048)	99,465
Payables–accounts and accrued	17,435	8,952
Net Cash Provided by Operating Activities	573,721	421,542
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(260,947)	(588,850)
Proceeds from sale of property and equipment	113,873	239,506
Proceeds from preferred debt agreement	1,681,349	-
Aircraft purchase	(494,866)	-
Proceeds from sale of investments	4,599	6,524
Change in deposits with related organization	(1,584,324)	36,638
Net Cash Used by Investing Activities	(540,316)	(306,182)
Net Change in Cash and Cash Equivalents	33,405	115,360
Cash and Cash Equivalents, Beginning of Year	240,138	124,778
Cash and Cash Equivalents, End of Year	\$ 273,543	\$ 240,138
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions of goods and aircraft not capitalized	\$ 224,170	\$ 50,727

See notes to financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

1. NATURE OF ORGANIZATION:

JAARS, Inc. (JAARS), exists to make Bible translation and language development possible, especially in the most remote and difficult places on earth, by enabling locally-appropriate and sustainable solutions in transportation, technology, media, and training. We believe that people's lives and communities are transformed when they experience God's Word, the Bible, in their own language. We work closely with our parent organization, SIL International, and with more than 70 organizations around the world, including partners in the Wycliffe Global Alliance, to understand and assess their challenges and then to plan, develop, and implement solutions. Our role in these solutions ranges from turnkey ownership of operational programs to situations where we provide research, funding, program management, and/or networking resources to meet our partners' needs. We routinely share these needs with the Christian public and invite people to participate by praying, donating, advocating, advising, or serving with us and/or our partners.

JAARS, Inc., operates as a nonprofit corporation under the laws of the state of North Carolina. JAARS is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and comparable state law, and contributions are tax-deductible within the limitations prescribed by the IRC. JAARS is classified as a supporting organization under Section 509(a)(3) of the IRC and is not a foundation. JAARS was originally incorporated in 1963, and restated articles of incorporation were filed in 2007.

The JAARS board of directors is composed of members of SIL International, Inc. (SIL), a Texas nonprofit corporation, and independent directors. The SIL board of directors has voting authority over the JAARS board.

JAARS accomplishes its exempt purpose through the following areas:

Aviation: We help our international partners start and operate flight programs by recruiting and training staff, setting standards, acquiring and equipping aircraft, conducting on-site flight program R&D, and more. Currently we help programs in Brazil, Cameroon, Indonesia, Papua New Guinea, Peru, Tanzania, and Australia.

Land Transportation: We help our international partners assess their travel challenges and determine the optimal vehicles for their situations and acquire and/or upfit vehicles. We also develop and conduct training, both overseas and at our headquarters in North Carolina, for partners who need to operate and maintain motorcycles and four wheel drive vehicles in rugged conditions.

Water Transportation: We help our international partners assess maritime travel challenges and determine the optimal watercraft for their situations, and acquire and/or upfit vessels. If a large vessel is needed, we support the planning, launch and ongoing operations of the program. We also develop and conduct water safety training for partner staff.

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

1. NATURE OF ORGANIZATION, continued:

Information Technology: We help our international partners – through relationships with SIL International and others – to assess IT and Internet connectivity challenges, develop effective solutions, and support funding and effective implementation of plans and technology. We also provide office space and support services to SIL media staff at our North Carolina headquarters.

Language Development: We help our international partners – through relationships with SIL International and others – to assess needs for non-print media and then support the planning, production, and delivery of the Bible in audio and video formats suited to targeted language groups. We also provide office space and support services to about 40 SIL media staff at our North Carolina headquarters.

Ministry Operations: At the headquarters in North Carolina, JAARS has facilities where:

- over 600 people work to support Bible translation, including IT and media teams from our main partner, SIL International
- pilots, technical staff, and other missionaries train before heading overseas
- planes, boats, and other equipment are prepped for overseas partners
- missionaries and their families rest and retool before returning to overseas assignments
- groups from churches, schools, and the general public come to serve via short-term mission trips and/or to tour museums and mission operations

Public Water System: As a part of center operations, JAARS operates a designated community water system regulated by the North Carolina Department of Environment and Natural Resources. This water system provides water for JAARS buildings' own use, as well as for some private homes near the JAARS Center.

Collections: JAARS maintains collections of historical artifacts and art objects in the Mexico-Cárdenas Museum and the Museum of the Alphabet for educational purposes. We catalogue, preserve, and care for the items, assessing their condition regularly. The collections are subject to a policy requiring proceeds from their sales be used to acquire new additions. In 2015 and 2014, there were no additions to or sales of any of the items in the collections.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of JAARS are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below.

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

CASH AND CASH EQUIVALENTS

Cash equivalents are defined as short-term, highly liquid 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.

ACCOUNTS RECEIVABLE

Accounts receivable are almost exclusively related to amounts due from related parties or entities and missionary staff. All past receivables have been collected. In that regard, there is no provision for doubtful accounts at September 30, 2015 and 2014.

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/sale 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, 2015 and 2014, was \$0 and \$122,100, respectively.

INVESTMENTS

Investments in equity securities with readily determinable values are reported at fair value with gains and losses included in the statements of activities. Real estate investment trust securities are reported at estimated fair value on date of gift. 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.

Deposits with SIL consist of funds transferred to SIL and are carried at cost plus accrued interest. Most of these funds are invested in money market funds and a variety of fixed income securities. JAARS may access the funds, as needed. The deposits earn interest at the current rate, which for the years ended September 30, 2015 and 2014, was 1.75% and 2%, respectively.

INVENTORIES

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

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

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

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

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. The annuity assets held at Wycliffe Foundation are reported at fair value based on observable inputs other than quoted prices for identical assets, which is Level 2 of the fair value hierarchy established under the *Fair Value Measurement and Disclosure* topic of the FASB Accounting Standards Codification. The fair value for the beneficial interest in split-interest agreements is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and an appropriate discount rate.

PREFERRED DEBT AGREEMENT

From 2004 to 2010, JAARS (and other unrelated mission aviation organizations) provided deposits to Quest Aircraft Company for the purpose of developing a unique, purpose-built aircraft to meet emerging mission aviation needs. In exchange, Quest Aircraft Company agreed to deliver one Kodiak 100 at cost after the production of every 10 aircraft. In 2011, Quest Aircraft Company entered into a recapitalization and restructuring that established New Quest Aviation Holding Company, LLC (New Quest) as the manufacturer of the Kodiak 100 aircraft and converted previously recorded notes receivable and aircraft advances into preferred debt with Quest Aircraft Company, which then became Old Quest. Old Quest became a capital investor in New Quest. Since 2011, the preferred debt in Old Quest has been valued at cost plus accrued interest at an annual interest rate of 2.33% and redeemable through discounts on aircraft purchases. JAARS received and SIL-Papua New Guinea placed a fleet of four Kodiak 100s in service from 2008 to 2013, realizing total purchase discounts of approximately \$1,214,000. During the years ended September 30, 2015 and 2014, JAARS recorded an allowance for the accrued interest earned on its portion of the preferred debt; the allowance balance was \$0 and \$417,593, respectively.

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PREFERRED DEBT AGREEMENT, continued

On October 1, 2014, New Quest, manufacturer of the Kodiak 100, was restructured again with Old Quest moving from a capital investor into an equity position with New Quest. Going forward, preferred debt payoff to JAARS would no longer be in the form of aircraft purchase discounts but in the form of payments directly from Old Quest funded by dividend payments to Old Quest from New Quest. The structure of New Quest and the equity position of Old Quest made a full payoff of the preferred debt unlikely. The value of the preferred debt was reduced to \$355,000 as of September 30, 2014, resulting in a loss on preferred debt of \$4,379,735 during the year ended September 30, 2014. Consequently, in fiscal year 2015, New Quest was sold. The sales agreement permitted JAARS to receive a portion of its entire preferred debt balance as payment in full. In April 2015, JAARS received \$1,681,349 resulting in a gain on preferred debt of \$1,326,349 during the year ended September 30, 2015. Combining the activity of fiscal years 2014 and 2015 results in a final net loss of \$3,053,386 on JAARS' preferred debt position at Quest.

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.

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.

ASSET RETIREMENT OBLIGATION

The Asset Retirement Obligation (ARO) is recorded on the basis of the *Asset Retirement Obligation* topic of the FASB Accounting Standards Codification. As of September 30, 2015 and 2014, the balance was \$618,108. The ARO discount rate is 1% and was fully amortized as of September 30, 2015.

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. Unrestricted net assets include undesignated funds, resources invested in property and equipment, and funds held as management-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.

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Support revenue is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to JAARS. Revenue is recognized when earned.

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.

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.

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

Contributed services are recorded at estimated fair value and represent those services that require specialized skills (recognized as contributions and expenses allocated to the function served) or those that create or enhance nonfinancial assets such as property and equipment (recognized as contributions and additions to the basis of property and equipment).

Donated services represent the value of the staff provided by Wycliffe Organizations (affiliates). These services are recorded at the compensation expense amount incurred by the affiliate organization. See Note 7 for contributed and donated services recorded.

JAARS records revenue from the sale of inventory and use of services provided by JAARS, net of related expenses. The sales revenue is presented in the statements of activities, net of cost of sales, in the amount of \$2,172,651 and \$2,251,466, for the years ended September 30, 2015 and 2014, respectively.

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.

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATION

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

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of September 30, 2015, JAARS had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

JAARS files information tax returns in the U.S. JAARS is generally no longer subject to U.S. federal tax examinations by tax authorities for years before 2011.

3. INVESTMENTS:

Investments consist of:

	September 30,	
	2015	2014
Investments at fair value:		
Money market fund	\$ 571	\$ 4,655
Investments at cost or estimated market value:		
Deposit with SIL (see Note 2)	3,775,690	2,191,366
Real estate investment trust	18,779	19,586
	<u>3,794,469</u>	<u>2,210,952</u>
	<u>\$ 3,795,040</u>	<u>\$ 2,215,607</u>

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

	Year Ended September 30,	
	2015	2014
Interest and dividends	\$ 807	\$ 969
Interest on deposits with related organization	50,197	41,446
Realized/unrealized losses	(292)	(42)
	<u>\$ 50,712</u>	<u>\$ 42,373</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

4. INVENTORIES—NET:

Inventories consist of:

	September 30,	
	2015	2014
Aviation parts	\$ 451,498	\$ 482,432
Communications, computer, and other	59,348	39,409
Material and supplies	60,296	75,321
	571,142	597,162
Less obsolescence reserve	(50,000)	(50,000)
	\$ 521,142	\$ 547,162

In addition to the inventories reported as current assets, JAARS classifies a portion of the aviation parts and materials with noncurrent assets. These items are maintained for future use as replacement parts because there are limited supply sources for such parts. The amounts represented by these specialized aircraft parts are \$83,090 and \$87,132 for September 30, 2015 and 2014, respectively.

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment consists of:

	September 30,	
	2015	2014
Land and improvements	\$ 1,344,006	\$ 1,344,006
Asset retirement obligation	138,895	138,895
Buildings and improvements	8,522,732	8,522,732
Equipment	3,121,462	3,121,462
Vehicles	256,971	268,685
Aircraft	2,861,505	2,483,820
	16,245,571	15,879,600
Less accumulated depreciation	(11,831,406)	(11,413,069)
	4,414,165	4,466,531
Construction in process	168,285	66,578
Net book value of property and equipment	4,582,450	4,533,109
Less related asset retirement obligation	(618,108)	(618,108)
Equity in property and equipment	\$ 3,964,342	\$ 3,915,001

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2015	2014
Unrestricted:		
Undesignated	\$ 680,210	\$ 1,028,044
Corporate designated:		
J-MAP*	572,864	805,176
Aircraft engine reserve–Waxhaw	245,014	187,884
Other	1,724,277	207,464
	2,542,155	1,200,524
Aircraft under lease receivable	-	122,100
Equity in property and equipment	3,964,342	3,915,001
Total unrestricted net assets	7,186,707	6,265,669
Temporarily restricted:		
Transportation	1,117,309	991,758
Ministry operations	230,568	152,157
Information technology	125,420	72,723
Language development	3,247	30,241
Other	2,126	-
Beneficial interest in split-interest agreements	484,462	421,901
Total temporarily restricted net assets	1,963,132	1,668,780
Total net assets	\$ 9,149,839	\$ 7,934,449

**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 using funds from the corporate designated J-MAP net asset. As of September 30, 2015 and 2014, a total of 12 and 11 aircraft, respectively, with a covered value of \$2,400,000 and \$1,920,000, respectively, were included in this program. The estimated cost of work orders pending under the program as of September 30, 2015 and 2014, was \$0. During the years ended September 30, 2015 and 2014, respectively, \$17,688 and \$17,411 in income was earned, and \$0 and \$4,018 in expense was incurred, against the fund.

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

7. NONCASH CONTRIBUTIONS AND DONATIONS:

Contributed services from others represent services provided by individuals that require specialized skills or that create or enhance nonfinancial assets such as property and equipment, recognized at estimated fair value.

Donated services from Related Entity represent services received by JAARS from individuals paid by Wycliffe USA (a related party) recognized at the cost of the compensation paid by Wycliffe USA.

The value of contributed and donated services is recorded as follows:

	Year Ended September 30, 2015		
	Related Entity	Others	Total
Goods	\$ -	\$ 463,591	\$ 463,591
Services:			
Transportation	\$ 1,865,370	\$ 309,988	\$ 2,175,358
Ministry operations	3,129,008	258,980	3,387,988
Fund-raising	421,213	-	421,213
Management	601,732	48,525	650,257
	<u>\$ 6,017,323</u>	<u>\$ 617,493</u>	<u>\$ 6,634,816</u>
	Year Ended September 30, 2014		
	Related Entity	Others	Total
Goods	\$ -	\$ 65,172	\$ 65,172
Services:			
Transportation	\$ 1,874,357	\$ 279,775	\$ 2,154,132
Ministry operations	3,748,714	241,964	3,990,678
Fund-raising	60,464	18,478	78,942
Management	362,779	52,433	415,212
	<u>\$ 6,046,314</u>	<u>\$ 592,650</u>	<u>\$ 6,638,964</u>

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 \$1,666,915 and \$1,589,008 for the years ended September 30, 2015 and 2014, respectively.

JAARS, INC.

Notes to Financial Statements

September 30, 2015 and 2014

8. OPERATING LEASES:

JAARS has entered into several leases for equipment. These leases expire in 2019 and several leases automatically renew on an annual basis after the expiration date. Total rent expense for the years ended September 30, 2015 and 2014, was \$30,369 and \$31,279, respectively. Minimum lease payments during the next five years are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2016	\$ 25,354
2017	24,333
2018	22,292
2019	18,577
2020	-
	<u>\$ 90,556</u>

9. COMMITMENTS AND CONTINGENCIES:

JAARS has entered into one irrevocable letter of credit issued by BB&T. The letter of credit is in favor of the North Carolina Utilities Commission in the amount of \$10,000, as of September 30, 2015, relating to the operation of the public utility.

10. PUBLIC UTILITY:

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

	<u>Year Ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Revenue:		
Utility fee income	<u>\$ 41,270</u>	<u>\$ 41,740</u>
Expenses:		
Operating expenses	52,920	42,086
Depreciation	<u>3,038</u>	<u>3,038</u>
	<u>55,958</u>	<u>45,124</u>
Total loss from utility operations	<u>\$ (14,688)</u>	<u>\$ (3,384)</u>

11. 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.

SUPPLEMENTARY DATA

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY DATA**

Board of Directors
JAARS, Inc.
Waxhaw, North Carolina

We have audited the financial statements of JAARS, Inc. as of and for the years ended September 30, 2015 and 2014, and our report thereon dated February 5, 2016, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Capin Crouse LLP

Columbia, South Carolina
February 5, 2016

JAARS, INC.

Schedule of Functional Expenses

Year Ended September 30, 2015

	Program Services					Supporting Activities			Total All Functions
	Transportation	Information Technology	Media (Language Development)	Ministry Operations	Total	Management Services	Fund-raising	Total	
Donated services	\$ 2,175,358	\$ -	\$ -	\$ 3,387,988	\$ 5,563,346	\$ 650,257	\$ 421,213	\$ 1,071,470	\$ 6,634,816
Grants and other assistance	294,560	212,927	184,250	13,350	705,087	-	-	-	705,087
Salaries and wages	3,100	-	-	431,386	434,486	93,978	200,717	294,695	729,181
Employee benefits	2,741	-	-	42,539	45,280	16,505	338	16,843	62,123
Payroll taxes	29	-	-	34,758	34,787	7,223	15,152	22,375	57,162
Fees for services–Legal	-	-	-	-	-	1,940	-	1,940	1,940
Fees for services–Accounting	-	-	-	-	-	29,090	-	29,090	29,090
Fees for services–Other	11,186	-	1,162	40,540	52,888	11,114	37,414	48,528	101,416
Advertising and promotion	7,680	-	-	120,656	128,336	937	3,251	4,188	132,524
Office expenses	74,347	660	1,259	178,228	254,494	20,199	129,915	150,114	404,608
Information technology	98,110	1,046	-	82,117	181,273	127,557	48,968	176,525	357,798
Occupancy	32,864	-	52,647	241,522	327,033	70,827	-	70,827	397,860
Travel	71,578	801	-	22,886	95,265	44,923	20,595	65,518	160,783
Conferences	86,135	400	-	30,418	116,953	2,604	2,641	5,245	122,198
Depreciation	263,139	-	93,644	132,423	489,206	159,947	57,319	217,266	706,472
Insurance	60,054	-	-	31,883	91,937	112,032	-	112,032	203,969
Training–Aircraft	13,454	-	-	-	13,454	-	-	-	13,454
Equipment	85,798	-	2,321	114,881	203,000	2,495	101	2,596	205,596
Project costs	48,157	-	-	89,189	137,346	-	-	-	137,346
All other expenses	59,771	138	-	45,710	105,619	130,156	3,047	133,203	238,822
Total	\$ 3,388,061	\$ 215,972	\$ 335,283	\$ 5,040,474	\$ 8,979,790	\$ 1,481,784	\$ 940,671	\$ 2,422,455	\$ 11,402,245
CY	30%	2%	3%	44%	79%	13%	8%	21%	100%
PY	31%	2%	2%	50%	85%	10%	5%	15%	100%

JAARS, INC.

Schedule of Functional Expenses

Year Ended September 30, 2014

	Program Services					Supporting Activities			Total All Functions
	Transportation	Information Technology	Media (Language Development)	Ministry Operations	Total	Management Services	Fund-raising	Total	
Donated services	\$ 2,154,132	\$ -	\$ -	\$ 3,990,678	\$ 6,144,810	\$ 415,212	\$ 78,942	\$ 494,154	\$ 6,638,964
Grants and other assistance	321,853	226,129	132,082	14,883	694,947	-	-	-	694,947
Salaries and wages	581	-	-	442,715	443,296	84,437	177,107	261,544	704,840
Employee benefits	2,730	-	-	40,009	42,739	14,277	475	14,752	57,491
Payroll taxes	49	-	-	36,295	36,344	6,594	12,476	19,070	55,414
Fees for services—Legal	-	-	-	26	26	20,800	-	20,800	20,826
Fees for services—Accounting	-	-	-	-	-	34,547	-	34,547	34,547
Fees for services—Other	7,488	-	955	62,824	71,267	8,819	31,061	39,880	111,147
Advertising and promotion	6,537	-	-	60,320	66,857	680	1,449	2,129	68,986
Office expenses	45,799	576	523	134,637	181,535	14,324	92,854	107,178	288,713
Information technology	98,803	855	-	111,291	210,949	99,277	49,044	148,321	359,270
Occupancy	17,428	-	42,222	222,219	281,869	50,127	-	50,127	331,996
Travel	55,903	1,165	-	30,278	87,346	49,902	18,241	68,143	155,489
Conferences	74,018	-	-	27,878	101,896	1,510	2,631	4,141	106,037
Depreciation	213,236	-	93,920	118,202	425,358	164,862	57,319	222,181	647,539
Insurance	41,402	-	-	39,360	80,762	128,724	-	128,724	209,486
Training—Aircraft	88,079	-	-	622	88,701	-	-	-	88,701
Equipment	118,956	-	1,881	79,039	199,876	5,275	-	5,275	205,151
Project costs	143,267	-	-	97,588	240,855	1,000	-	1,000	241,855
All other expenses	6,806	50	-	37,150	44,006	10,368	3,354	13,722	57,728
Total	\$ 3,397,067	\$ 228,775	\$ 271,583	\$ 5,546,014	\$ 9,443,439	\$ 1,110,735	\$ 524,953	\$ 1,635,688	\$ 11,079,127
CY	31%	2%	2%	50%	85%	10%	5%	15%	100%
PY	38%	2%	2%	37%	79%	14%	7%	21%	100%