



JAARS, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, are issued separately.

Capin Crouse LLP

Columbia, South Carolina
February 3, 2017

JAARS, INC.

Statements of Financial Position

	September 30,	
	2016	2015
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 256,801	\$ 273,543
Accounts receivable (Note 2)	111,275	157,301
Investments (Note 3)	4,444,827	3,795,040
Inventories–net (Note 4)	487,939	521,142
Work in process and assets held for sale	14,486	130,611
Prepaid expenses	31,893	33,615
	5,347,221	4,911,252
Noncurrent assets:		
Property and equipment–net of accumulated depreciation (Note 5)	3,961,862	4,582,450
Beneficial interest in split-interest agreements (Note 2)	511,833	484,462
Specialized aircraft parts (Note 4)	78,546	83,090
	3,961,862	4,582,450
Total Assets	\$ 9,899,462	\$ 10,061,254
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 181,037	\$ 265,820
Accrued and other liabilities	44,446	27,487
	225,483	293,307
Asset retirement obligation (Note 2)	608,278	618,108
	833,761	911,415
Net assets:		
Unrestricted: (Note 6)		
Undesignated	631,265	680,210
Corporate designated	2,878,576	2,542,155
Equity in property and equipment	3,353,584	3,964,342
	6,863,425	7,186,707
Temporarily restricted (Note 6)	2,202,276	1,963,132
	9,065,701	9,149,839
Total Liabilities and Net Assets	\$ 9,899,462	\$ 10,061,254

See notes to financial statements

JAARS, INC.

Statements of Activities

	Year Ended September 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE:						
Support:						
Cash contributions:						
From public	\$ 1,008,545	\$ 1,123,953	\$ 2,132,498	\$ 688,615	\$ 983,010	\$ 1,671,625
From affiliates	426,709	37,462	464,171	331,746	46,506	378,252
Noncash contributions and donations: (Note 7)						
Goods	84,904	-	84,904	224,170	-	224,170
Securities	41,401	44,133	85,534	91,936	147,485	239,421
Services	6,994,068	-	6,994,068	6,634,816	-	6,634,816
Total support	8,555,627	1,205,548	9,761,175	7,971,283	1,177,001	9,148,284
Revenue:						
Program activities primarily with affiliates:						
Transportation	273,274	-	273,274	345,678	-	345,678
Media (language development)	278,500	-	278,500	267,340	-	267,340
Ministry operations	950,895	-	950,895	962,565	-	962,565
Sales revenue, net (Note 2)	370,191	-	370,191	359,240	-	359,240
	1,872,860	-	1,872,860	1,934,823	-	1,934,823
Other revenues:						
Investment income (Note 3)	61,927	-	61,927	50,712	-	50,712
Other income	43,144	-	43,144	43,594	-	43,594
Total revenue	1,977,931	-	1,977,931	2,029,129	-	2,029,129
Total Operating Support and Revenue	10,533,558	1,205,548	11,739,106	10,000,412	1,177,001	11,177,413
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of purpose restrictions (Note 6)						
	966,404	(966,404)	-	882,649	(882,649)	-
	966,404	(966,404)	-	882,649	(882,649)	-

(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities

(continued)

	Year Ended September 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING EXPENSES:						
Operations:						
Program services primarily with affiliates:						
Transportation	3,574,311	-	3,574,311	3,388,061	-	3,388,061
Information technology	297,315	-	297,315	215,972	-	215,972
Media (language development)	310,960	-	310,960	335,283	-	335,283
Ministry operations	5,347,524	-	5,347,524	5,040,474	-	5,040,474
Total program services	9,530,110	-	9,530,110	8,979,790	-	8,979,790
Supporting activities:						
Management services	1,103,159	-	1,103,159	1,481,784	-	1,481,784
Fund-raising	950,547	-	950,547	940,671	-	940,671
Total supporting activities	2,053,706	-	2,053,706	2,422,455	-	2,422,455
Total Operating Expenses	11,583,816	-	11,583,816	11,402,245	-	11,402,245
Change in Net Assets from Operations	(83,854)	239,144	155,290	(519,184)	294,352	(224,832)
NON-OPERATING ACTIVITIES:						
Gain on preferred debt (Note 2)	-	-	-	1,326,349	-	1,326,349
(Loss) gain on disposal of property and equipment	(239,428)	-	(239,428)	113,873	-	113,873
Change in Net Assets from Non-Operating Activities	(239,428)	-	(239,428)	1,440,222	-	1,440,222
Change in Net Assets	(323,282)	239,144	(84,138)	921,038	294,352	1,215,390
Net Assets, Beginning of Year	7,186,707	1,963,132	9,149,839	6,265,669	1,668,780	7,934,449
Net Assets, End of Year	\$6,863,425	\$2,202,276	\$9,065,701	\$7,186,707	\$1,963,132	\$9,149,839

See notes to financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (84,138)	\$ 1,215,390
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	604,515	706,472
Loss (gain) on disposal of property and equipment	239,431	(113,873)
Realized/unrealized loss on investments	731	292
Gain on preferred debt agreement	-	(1,326,349)
Settlement of asset retirement obligation	(9,830)	-
Change in operating assets and liabilities:		
Accounts receivable	46,026	9,184
Inventories and specialized aircraft parts	37,747	152,162
Prepaid expenses	1,722	33,617
Beneficial interest in split-interest agreements	(27,371)	(62,561)
Work in process and assets held for sale	116,125	(58,048)
Payables–accounts and accrued	(67,824)	17,435
Net Cash Provided by Operating Activities	857,134	573,721
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(294,856)	(260,947)
Proceeds from sale of property and equipment	71,498	113,873
Proceeds from preferred debt agreement	-	1,681,349
Aircraft purchase	-	(494,866)
Proceeds from sale of investments	10,960	4,599
Change in deposits with related organization	(661,478)	(1,584,324)
Net Cash Used by Investing Activities	(873,876)	(540,316)
Net Change in Cash and Cash Equivalents	(16,742)	33,405
Cash and Cash Equivalents, Beginning of Year	273,543	240,138
Cash and Cash Equivalents, End of Year	\$ 256,801	\$ 273,543
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions of goods and aircraft not capitalized	\$ 84,904	\$ 224,170

See notes to financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

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 80 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 private foundation, under Section 509(a)(1) of the Code. JAARS was originally incorporated in 1963, and restated articles of incorporation were filed in 2007. The primary source of revenue for JAARS is contributions from the public and donated services provided by a related entity.

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, 2016 and 2015

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 2016 and 2015, 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.

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, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 consists of amounts due from related parties or entities, missionary staff and others. All past receivables have been collected. In that regard, there is no provision for doubtful accounts at September 30, 2016 and 2015.

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, 2016 and 2015, was 1.5% and 1.75%, respectively.

INVENTORIES

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

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. Expenditures for property and equipment in excess of \$5,000 are capitalized at cost. 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.

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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. 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.

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

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.

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, 2016 and 2015, the balance was \$608,278 and \$618,108. The ARO discount rate is 1% and was fully amortized as of September 30, 2016.

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.

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.

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

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 \$2,250,276 and \$2,172,651, for the years ended September 30, 2016 and 2015, 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.

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, 2016, 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 2013.

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

3. INVESTMENTS:

Investments consist of:

	September 30,	
	2016	2015
Investments at fair value:		
Money market fund	\$ 1,212	\$ 571
Investments at cost or estimated market value:		
Deposit with SIL (see Note 2)	4,437,168	3,775,690
Real estate investment trust	6,447	18,779
	<u>4,443,615</u>	<u>3,794,469</u>
	<u>\$ 4,444,827</u>	<u>\$ 3,795,040</u>

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

	Year Ended September 30,	
	2016	2015
Interest and dividends	\$ 701	\$ 807
Interest on deposits with related organization	61,957	50,197
Realized/unrealized losses	(731)	(292)
	<u>\$ 61,927</u>	<u>\$ 50,712</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

4. INVENTORIES–NET:

Inventories–net consist of:

	September 30,	
	2016	2015
Aviation parts	\$ 482,170	\$ 451,498
Communications, computer, and other	-	59,348
Material and supplies	55,769	60,296
	537,939	571,142
Less obsolescence reserve	(50,000)	(50,000)
	\$ 487,939	\$ 521,142

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 \$78,546 and \$83,090 for September 30, 2016 and 2015, respectively.

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2016	2015
Land and improvements	\$ 1,376,196	\$ 1,344,006
Asset retirement obligation	138,895	138,895
Buildings and improvements	8,533,971	8,522,732
Equipment	2,753,982	3,121,462
Vehicles	273,968	256,971
Aircraft	2,884,726	2,861,505
	15,961,738	16,245,571
Less accumulated depreciation	(12,323,095)	(11,831,406)
	3,638,643	4,414,165
Construction in process	323,219	168,285
Net book value of property and equipment	3,961,862	4,582,450
Less related asset retirement obligation	(608,278)	(618,108)
	\$ 3,353,584	\$ 3,964,342

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

6. NET ASSETS:
Net assets consist of:

	September 30,	
	2016	2015
Unrestricted:		
Undesignated	\$ 631,265	\$ 680,210
Corporate designated:		
J-MAP*	596,352	572,864
Aircraft engine reserve–Waxhaw	310,497	245,014
Other	1,971,727	1,724,277
	2,878,576	2,542,155
Equity in property and equipment	3,353,584	3,964,342
Total unrestricted net assets	6,863,425	7,186,707
Temporarily restricted:		
Transportation	1,142,591	1,117,309
Ministry operations	358,466	230,568
Information technology	151,282	125,420
Language development	19,640	3,247
Other	18,464	2,126
Beneficial interest in split-interest agreements	511,833	484,462
Total temporarily restricted net assets	2,202,276	1,963,132
Total net assets	\$ 9,065,701	\$ 9,149,839

**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, 2016 and 2015, a total of 11 and 12 aircraft, respectively, with a covered value of \$2,950,000 and \$2,400,000, respectively, were included in this program. The estimated cost of work orders pending under the program as of September 30, 2016 and 2015, was \$0. During the years ended September 30, 2016 and 2015, respectively, \$23,487 and \$17,688 in income was earned, and \$0 and \$0 in expense was incurred, against the fund.

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

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, 2016		
	<u>Related Entity</u>	<u>Others</u>	<u>Total</u>
Goods	<u>\$ -</u>	<u>\$ 170,438</u>	<u>\$ 170,438</u>
Services:			
Transportation	\$ 2,272,671	\$ 217,520	\$ 2,490,191
Ministry operations	3,246,673	229,681	3,476,354
Fund-raising	454,534	2,142	456,676
Management	519,468	51,379	570,847
	<u>\$ 6,493,346</u>	<u>\$ 500,722</u>	<u>\$ 6,994,068</u>
	Year Ended September 30, 2015		
	<u>Related Entity</u>	<u>Others</u>	<u>Total</u>
Goods	<u>\$ -</u>	<u>\$ 463,591</u>	<u>\$ 463,591</u>
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>

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.

JAARS, INC.

Notes to Financial Statements

September 30, 2016 and 2015

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, 2016 and 2015, was \$35,265 and \$30,369, respectively. Minimum lease payments during the next five years are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2017	\$ 19,495
2018	16,388
2019	13,016
2020	324
2021	324
	<u>\$ 49,547</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, 2016, relating to the operation of the public utility.

10. PUBLIC WATER SYSTEM:

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

	<u>Year Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenue:		
Water system fee income	\$ 41,870	\$ 41,270
Expenses:		
Operating expenses	56,402	52,920
Depreciation	3,038	3,038
	<u>59,440</u>	<u>55,958</u>
Total loss from water system operations	<u>\$ (17,570)</u>	<u>\$ (14,688)</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, 2016 and 2015, and our report thereon dated February 3, 2017, 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 3, 2017

JAARS, INC.

Schedule of Functional Expenses

Year Ended September 30, 2016

	Program Services					Supporting Activities			Total All Functions
	Transportation	Information Technology	Media (Language Development)	Ministry Operations	Total	Management Services	Fund-raising	Total	
Donated services	\$ 2,490,191	\$ -	\$ -	\$ 3,476,354	\$ 5,966,545	\$ 570,847	\$ 456,676	\$ 1,027,523	\$ 6,994,068
Grants and other assistance	325,085	280,601	151,412	21,201	778,299	-	-	-	778,299
Salaries and wages	178	-	-	442,912	443,090	93,073	227,736	320,809	763,899
Employee benefits	4,905	-	-	26,954	31,859	5,040	4,871	9,911	41,770
Payroll taxes	14	-	-	35,151	35,165	7,288	16,634	23,922	59,087
Fees for services—Legal	-	-	-	-	-	3,338	-	3,338	3,338
Fees for services—Accounting	-	-	-	-	-	28,360	-	28,360	28,360
Fees for services—Other	6,480	-	272	32,005	38,757	10,399	47,285	57,684	96,441
Public relations	13,181	-	-	7,967	21,148	1,999	7,285	9,284	30,432
Office expenses	53,552	416	353	171,260	225,581	19,733	113,015	132,748	358,329
Information technology	85,722	90	-	94,672	180,484	95,179	42,558	137,737	318,221
Occupancy	30,336	-	65,414	284,641	380,391	50,193	-	50,193	430,584
Travel	71,944	809	-	32,609	105,362	33,294	18,531	51,825	157,187
Conferences	90,062	499	-	27,606	118,167	4,165	4,657	8,822	126,989
Depreciation	266,303	-	93,002	175,551	534,856	64,882	4,777	69,659	604,515
Insurance	41,700	-	-	116,539	158,239	27,771	-	27,771	186,010
Training—Aircraft	-	-	-	-	-	-	-	-	-
Equipment	81,635	-	507	109,143	191,285	1,058	-	1,058	192,343
Project costs	2,817	14,873	-	253,323	271,013	-	3,079	3,079	274,092
All other expenses	10,206	27	-	39,636	49,869	86,540	3,443	89,983	139,852
Total	\$ 3,574,311	\$ 297,315	\$ 310,960	\$ 5,347,524	\$ 9,530,110	\$ 1,103,159	\$ 950,547	\$ 2,053,706	\$ 11,583,816
CY	31%	3%	3%	46%	82%	10%	8%	18%	100%
PY	30%	2%	3%	45%	80%	12%	8%	20%	100%

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
Public relations	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	217,817	574,600	74,553	57,319	131,872	706,472
Insurance	60,054	-	-	115,907	175,961	28,008	-	28,008	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	\$ 5,209,892	\$ 9,149,208	\$ 1,312,366	\$ 940,671	\$ 2,253,037	\$ 11,402,245
CY	30%	2%	3%	45%	80%	12%	8%	20%	100%
PY	31%	2%	2%	50%	85%	10%	5%	15%	100%