



JAARS, INC.

Financial Statements  
With Independent Auditors' Report

September 30, 2017 and 2016

# 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, are issued separately.

*Capin Crouse LLP*

Columbia, South Carolina  
January 29, 2018

# JAARS, INC.

## Statements of Financial Position

	September 30,	
	2017	2016
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 337,406	\$ 256,801
Accounts receivable (Note 2)	340,205	111,275
Investments (Note 3)	3,528,504	4,444,827
Inventories—net (Note 4)	72,110	73,191
Work in process and assets held for sale	71,276	14,486
Prepaid expenses	42,010	31,893
	4,391,511	4,932,473
Noncurrent assets:		
Property and equipment—net of accumulated depreciation (Note 5)	5,304,569	3,961,862
Beneficial interest in split-interest agreements (Note 2)	529,119	511,833
Inventories—net (Note 4)	408,626	414,748
Specialized aircraft parts—net (Note 4)	75,444	78,546
	5,317,758	4,967,029
<b>Total Assets</b>	<b>\$ 10,709,269</b>	<b>\$ 9,899,462</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 118,718	\$ 181,037
Accrued and other liabilities	52,364	44,446
	171,082	225,483
Asset retirement obligation (Note 2)	594,169	608,278
	765,251	833,761
Net assets:		
Unrestricted: (Note 6)		
Undesignated	633,456	631,265
Corporate designated	2,424,381	2,878,576
Equity in property and equipment	4,710,400	3,353,584
	7,768,237	6,863,425
Temporarily restricted (Note 6)	2,175,781	2,202,276
	9,944,018	9,065,701
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,709,269</b>	<b>\$ 9,899,462</b>

See notes to financial statements

# JAARS, INC.

## Statements of Activities

	Year Ended September 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING SUPPORT AND REVENUE:</b>						
Support:						
Cash contributions:						
From public	\$ 912,005	\$ 1,598,447	\$ 2,510,452	\$ 1,008,545	\$ 1,123,953	\$ 2,132,498
From affiliates	402,893	138,542	541,435	426,709	37,462	464,171
Noncash contributions and donations: (Note 7)						
Goods	278,708	-	278,708	84,904	-	84,904
Securities	92,307	109,991	202,298	41,401	44,133	85,534
Services	7,454,270	-	7,454,270	6,994,068	-	6,994,068
Total support	9,140,183	1,846,980	10,987,163	8,555,627	1,205,548	9,761,175
Revenue:						
Program activities primarily with affiliates:						
Transportation	281,273	-	281,273	273,274	-	273,274
Media	277,136	-	277,136	278,500	-	278,500
Ministry operations	853,285	-	853,285	950,895	-	950,895
Sales revenue, net (Note 2)	381,958	-	381,958	370,191	-	370,191
	1,793,652	-	1,793,652	1,872,860	-	1,872,860
Other revenues:						
Investment income (Note 3)	49,948	-	49,948	61,927	-	61,927
Other income	55,240	-	55,240	43,144	-	43,144
Total revenue	1,898,840	-	1,898,840	1,977,931	-	1,977,931
Total Operating Support and Revenue	11,039,023	1,846,980	12,886,003	10,533,558	1,205,548	11,739,106
<b>RECLASSIFICATIONS:</b>						
Net assets released from restrictions:						
Satisfaction of purpose restrictions (Note 6)						
	1,873,475	(1,873,475)	-	966,404	(966,404)	-
	1,873,475	(1,873,475)	-	966,404	(966,404)	-

(continued)

See notes to financial statements

# JAARS, INC.

## Statements of Activities

(continued)

	Year Ended September 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING EXPENSES:</b>						
Operations:						
Program services primarily with affiliates:						
Transportation	4,454,796	-	4,454,796	3,574,311	-	3,574,311
Information technology	296,021	-	296,021	297,315	-	297,315
Media	333,359	-	333,359	310,960	-	310,960
Ministry operations	5,014,086	-	5,014,086	5,347,524	-	5,347,524
	10,098,262	-	10,098,262	9,530,110	-	9,530,110
Supporting activities:						
Management services	1,056,198	-	1,056,198	1,103,159	-	1,103,159
Fund-raising	853,226	-	853,226	950,547	-	950,547
	1,909,424	-	1,909,424	2,053,706	-	2,053,706
 Total Operating Expenses	12,007,686	-	12,007,686	11,583,816	-	11,583,816
 Change in Net Assets from Operations	904,812	(26,495)	878,317	(83,854)	239,144	155,290
<b>NON-OPERATING ACTIVITIES:</b>						
Loss on disposal of property and equipment	-	-	-	(239,428)	-	(239,428)
 Change in Net Assets	904,812	(26,495)	878,317	(323,282)	239,144	(84,138)
 Net Assets, Beginning of Year	6,863,425	2,202,276	9,065,701	7,186,707	1,963,132	9,149,839
 Net Assets, End of Year	\$7,768,237	\$2,175,781	\$9,944,018	\$6,863,425	\$2,202,276	\$9,065,701

See notes to financial statements

# JAARS, INC.

## Statements of Cash Flows

	Year Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 878,317	\$ (84,138)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	393,473	604,515
Donated stock	(202,298)	(85,534)
Loss on disposal of property and equipment	-	239,431
Realized/unrealized loss on investments	6,431	731
Settlement of asset retirement obligation	(14,109)	(9,830)
Change in operating assets and liabilities:		
Accounts receivable	(228,930)	46,026
Inventories and specialized aircraft parts	10,305	37,747
Prepaid expenses	(10,117)	1,722
Beneficial interest in split-interest agreements	(17,286)	(27,371)
Work in process and assets held for sale	(56,790)	116,125
Payables–accounts and accrued	(54,401)	(67,824)
Net Cash Provided by Operating Activities	704,595	771,600
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(1,736,180)	(294,856)
Proceeds from sale of property and equipment	-	71,498
Proceeds from sale of investments	193,496	96,494
Change in deposits with related organization	918,694	(661,478)
Net Cash Used by Investing Activities	(623,990)	(788,342)
Net Change in Cash and Cash Equivalents	80,605	(16,742)
Cash and Cash Equivalents, Beginning of Year	256,801	273,543
Cash and Cash Equivalents, End of Year	\$ 337,406	\$ 256,801
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Noncash contributions of goods and aircraft not capitalized	\$ 278,708	\$ 84,904

See notes to financial statements

# JAARS, INC.

## Notes to Financial Statements

September 30, 2017 and 2016

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, 2017 and 2016

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 IT staff at our North Carolina headquarters.

*Media:* 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 2017 and 2016, 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, 2017 and 2016

### 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, 2017 and 2016.

#### INVESTMENTS

Investments in equity securities with readily determinable values are reported at fair value with gains and losses included in the statements of activities. These investments are reported as level 1 investments. 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, 2017 and 2016, was 1.4% and 1.5%, 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, 2017 and 2016

### 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.

#### 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 disposals 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, 2017 and 2016, the balance was \$594,169 and \$608,278. The ARO discount rate is 1% and was fully amortized as of September 30, 2017.

#### 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 obligation.

*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, 2017 and 2016

### 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 \$1,836,119 and \$2,250,276, for the years ended September 30, 2017 and 2016, 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.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2017 and 2016

3. INVESTMENTS:

Investments consist of:

	September 30,	
	2017	2016
Investments at fair value:		
Money market fund	\$ 30	\$ 1,212
Investments at cost or estimated market value:		
Certificate of deposit	10,000	-
Deposit with SIL (see Note 2)	3,518,474	4,437,168
Real estate investment trust	-	6,447
	3,528,474	4,443,615
	\$ 3,528,504	\$ 4,444,827

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

	Year Ended September 30,	
	2017	2016
Interest and dividends	\$ 339	\$ 701
Interest on deposits with related organization	56,040	61,957
Realized/unrealized losses	(6,431)	(731)
	\$ 49,948	\$ 61,927

# JAARS, INC.

## Notes to Financial Statements

September 30, 2017 and 2016

4. INVENTORIES—NET:

Inventories—net consist of:

	September 30,	
	2017	2016
Aviation parts-current	\$ 70,070	\$ 72,326
Aviation parts-noncurrent	397,064	409,844
Material and supplies-current	9,540	8,365
Material and supplies-noncurrent	54,062	47,404
	<u>530,736</u>	<u>537,939</u>
Less obsolescence reserve	<u>(50,000)</u>	<u>(50,000)</u>
	<u>\$ 480,736</u>	<u>\$ 487,939</u>

JAARS standard aviation parts and materials are slow moving inventories, therefore JAARS classifies 85% of the assets as noncurrent and 15% as current for the years ended September 30, 2017 and 2016. In addition to these inventories disclosed above, JAARS classifies a specific 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 \$75,444 and \$78,546 for September 30, 2017 and 2016, respectively.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2017 and 2016

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	September 30,	
	2017	2016
Land and improvements	\$ 1,376,196	\$ 1,376,196
Asset retirement obligation	138,895	138,895
Buildings and improvements	9,020,167	8,533,971
Equipment	2,849,963	2,753,982
Vehicles	273,968	273,968
Aircraft	4,028,504	2,884,726
	<u>17,687,693</u>	<u>15,961,738</u>
Less accumulated depreciation	(12,716,565)	(12,323,095)
	4,971,128	3,638,643
Construction in process	333,441	323,219
Net book value of property and equipment	<u>5,304,569</u>	<u>3,961,862</u>
Less related asset retirement obligation	(594,169)	(608,278)
	<u>\$ 4,710,400</u>	<u>\$ 3,353,584</u>

# JAARS, INC.

## Notes to Financial Statements

September 30, 2017 and 2016

6. NET ASSETS:  
Net assets consist of:

	September 30,	
	2017	2016
Unrestricted:		
Undesignated	\$ 633,456	\$ 631,265
Corporate designated:		
J-MAP*	622,610	596,352
Aircraft engine reserve–Waxhaw	394,705	310,497
Other	1,407,066	1,971,727
	2,424,381	2,878,576
Equity in property and equipment	4,710,400	3,353,584
	7,768,237	6,863,425
Temporarily restricted:		
Transportation	881,759	1,142,591
Ministry operations	588,135	358,466
Information technology	63,929	151,282
Media	111,639	19,640
Other	1,200	18,464
Beneficial interest in split-interest agreements	529,119	511,833
	2,175,781	2,202,276
Total net assets	\$ 9,944,018	\$ 9,065,701

\**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, 2017 and 2016, a total of 11 aircraft with a covered value of \$2,950,000 were included in this program. The estimated cost of work orders pending under the program as of September 30, 2017 and 2016, was \$40,000 and \$0. During the years ended September 30, 2017 and 2016, respectively, \$26,258 and \$23,487 in income was earned, and \$0 in expense was incurred, against the fund.

# JAARS, INC.

## Notes to Financial Statements

September 30, 2017 and 2016

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, 2017		
	Related Entity	Others	Total
Goods and securities	\$ -	\$ 481,006	\$ 481,006
Services:			
Transportation	\$ 3,246,548	\$ 245,944	\$ 3,492,492
Ministry operations	2,736,496	218,831	2,955,327
Media	26,419	-	26,419
Technology	75,562	-	75,562
Fund-raising	270,382	12,804	283,186
Management	535,833	85,451	621,284
	\$ 6,891,240	\$ 563,030	\$ 7,454,270
	Year Ended September 30, 2016		
	Related Entity	Others	Total
Goods and securities	\$ -	\$ 170,438	\$ 170,438
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
	\$ 6,493,346	\$ 500,722	\$ 6,994,068

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, 2017 and 2016

8. OPERATING LEASES:

JAARS has entered into several leases for equipment. Most of the leases expire in 2019; however, one lease automatically renews on an annual basis after the expiration date unless either party terminates the lease. Total rent expense for the years ended September 30, 2017 and 2016, was \$44,549 and \$35,265, respectively. Minimum lease payments during the next five years are as follows:

Years Ending September 30,	Amounts
2018	\$ 16,388
2019	13,019
2020	324
2021	324
2022	324
Thereafter	324
	\$ 30,703

9. PUBLIC WATER SYSTEM:

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

	Year Ended September 30,	
	2017	2016
Revenue:		
Water system fee income	\$ 41,980	\$ 41,870
Expenses:		
Operating expenses	44,504	56,402
Depreciation	3,038	3,038
	47,542	59,440
Total loss from water system operations	\$ (5,562)	\$ (17,570)

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 29, 2018, 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, 2017 and 2016, and our report thereon dated January 29, 2018, 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  
January 29, 2018

# JAARS, INC.

## Schedule of Functional Expenses

Year Ended September 30, 2017

	Program Services					Supporting Activities			Total All Functions
	Transportation	Information Technology	Media	Ministry Operations	Total	Management Services	Fund-raising	Total	
Donated services	\$ 3,492,492	\$ 75,562	\$ 26,419	\$ 2,955,327	\$ 6,549,800	\$ 621,284	\$ 283,186	\$ 904,470	\$ 7,454,270
Grants and other assistance	201,203	220,173	168,922	62,076	652,374	-	-	-	652,374
Salaries and wages	3,669	-	-	520,847	524,516	94,764	211,366	306,130	830,646
Employee benefits	4,387	-	-	33,015	37,402	5,137	6,406	11,543	48,945
Payroll taxes	276	-	-	39,561	39,837	7,172	15,217	22,389	62,226
Fees for services—Legal	-	-	-	-	-	1,219	-	1,219	1,219
Fees for services—Accounting	-	-	-	-	-	26,623	-	26,623	26,623
Fees for services—Other	15,501	-	2,635	35,046	53,182	16,815	79,357	96,172	149,354
Public relations	13,847	-	-	9,112	22,959	3,025	28,593	31,618	54,577
Office expenses	53,563	-	132	143,598	197,293	20,072	131,258	151,330	348,623
Information technology	91,001	-	-	174,382	265,383	61,210	29,952	91,162	356,545
Occupancy	27,276	-	55,735	260,906	343,917	58,265	-	58,265	402,182
Travel	70,852	-	-	26,996	97,848	48,982	16,539	65,521	163,369
Conferences	62,379	-	-	30,303	92,682	4,741	37,213	41,954	134,636
Depreciation	187,527	-	78,553	103,121	369,201	23,766	506	24,272	393,473
Insurance	42,571	-	-	115,268	157,839	28,184	100	28,284	186,123
Training—Aircraft	107,934	-	-	-	107,934	-	-	-	107,934
Equipment	16,553	-	963	106,654	124,170	1,919	62	1,981	126,151
Project costs	58,367	286	-	279,500	338,153	-	-	-	338,153
All other expenses	5,398	-	-	118,374	123,772	33,020	13,471	46,491	170,263
<b>Total</b>	<b>\$ 4,454,796</b>	<b>\$ 296,021</b>	<b>\$ 333,359</b>	<b>\$ 5,014,086</b>	<b>\$ 10,098,262</b>	<b>\$ 1,056,198</b>	<b>\$ 853,226</b>	<b>\$ 1,909,424</b>	<b>\$ 12,007,686</b>
CY	37%	2%	3%	42%	84%	9%	7%	16%	100%
PY	31%	3%	3%	45%	82%	10%	8%	18%	100%

# JAARS, INC.

## Schedule of Functional Expenses

Year Ended September 30, 2016

	Program Services					Supporting Activities			Total All Functions
	Transportation	Information Technology	Media	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
<b>Total</b>	<b>\$ 3,574,311</b>	<b>\$ 297,315</b>	<b>\$ 310,960</b>	<b>\$ 5,347,524</b>	<b>\$ 9,530,110</b>	<b>\$ 1,103,159</b>	<b>\$ 950,547</b>	<b>\$ 2,053,706</b>	<b>\$ 11,583,816</b>
CY	31%	3%	3%	45%	82%	10%	8%	18%	100%
PY	30%	2%	3%	45%	80%	12%	8%	20%	100%