



JAARS, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2018 and 2017

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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, the changes in its net assets and cash flows and the allocation of its functional expenses 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, 2018 and 2017, are issued separately.

Emphasis of Matter

As described in Note 2 to the financial statements, JAARS has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the September 30, 2018 and 2017 financial statements.

Capin Crouse LLP

Columbia, South Carolina
February 4, 2019

JAARS, INC.

Statements of Financial Position

	September 30,	
	2018	2017
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 260,660	\$ 337,406
Investments (Note 4)	4,220,134	3,528,504
Accounts receivable (Note 2)	168,408	340,205
Inventories—net (Note 5)	83,561	72,110
Work in process and assets held for sale	298,621	71,276
Prepaid expenses	79,285	42,010
	5,110,669	4,391,511
Noncurrent assets:		
Property and equipment—net of accumulated depreciation (Note 6)	4,931,829	5,304,569
Beneficial interest in split-interest agreements (Note 2)	689,492	529,119
Inventories—net (Note 5)	473,509	408,626
Specialized aircraft parts—net (Note 5)	66,013	75,444
	5,160,843	6,337,758
Total Assets	\$ 11,271,512	\$ 10,709,269
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 358,480	\$ 118,718
Accrued and other liabilities	72,763	52,364
	431,243	171,082
Asset retirement obligation (Note 2)	594,169	594,169
	1,025,412	765,251
Net assets:		
Without donor restriction: (Note 7)		
Undesignated	596,323	633,456
Corporate designated	2,751,822	2,424,381
Equity in property and equipment	4,337,660	4,710,400
	7,685,805	7,768,237
With donor restriction (Note 7)	2,560,295	2,175,781
	10,246,100	9,944,018
Total Liabilities and Net Assets	\$ 11,271,512	\$ 10,709,269

See notes to financial statements

JAARS, INC.

Statements of Activities

	Year Ended September 30,					
	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
OPERATING SUPPORT AND REVENUE:						
Support:						
Cash contributions:						
From public	\$ 1,493,828	\$ 1,097,679	\$ 2,591,507	\$ 912,005	\$ 1,598,447	\$ 2,510,452
From affiliates	410,889	172,086	582,975	385,606	138,542	524,148
Noncash contributions and donations: (Note 8)						
Goods	58,027	-	58,027	278,708	-	278,708
Securities	2,453	101,407	103,860	92,307	109,991	202,298
Services	7,935,700	-	7,935,700	7,454,270	-	7,454,270
Total support	9,900,897	1,371,172	11,272,069	9,122,896	1,846,980	10,969,876
Revenue:						
Program activities primarily with affiliates:						
Transportation	312,312	-	312,312	281,273	-	281,273
Media	268,486	-	268,486	277,136	-	277,136
Ministry operations	824,376	-	824,376	853,285	-	853,285
Sales revenue, net (Note 2)	320,138	-	320,138	381,958	-	381,958
	1,725,312	-	1,725,312	1,793,652	-	1,793,652
Other revenues:						
Investment income (Note 4)	62,614	-	62,614	49,948	-	49,948
Other income	22,743	-	22,743	55,240	-	55,240
Total revenue	1,810,669	-	1,810,669	1,898,840	-	1,898,840
Total Operating Support and Revenue	11,711,566	1,371,172	13,082,738	11,021,736	1,846,980	12,868,716

(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities

(continued)

	Year Ended September 30,					
	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,096,485	(1,096,485)	-	1,890,762	(1,890,762)	-
	1,096,485	(1,096,485)	-	1,890,762	(1,890,762)	-
OPERATING EXPENSES:						
Operations:						
Program services primarily with affiliates:						
Transportation	5,063,027	-	5,063,027	4,454,796	-	4,454,796
Information technology	341,520	-	341,520	296,021	-	296,021
Media	348,922	-	348,922	333,359	-	333,359
Ministry operations	4,981,675	-	4,981,675	5,014,086	-	5,014,086
	10,735,144	-	10,735,144	10,098,262	-	10,098,262
Supporting activities:						
Management services	1,386,873	-	1,386,873	1,056,198	-	1,056,198
Fund-raising	768,466	-	768,466	853,226	-	853,226
	2,155,339	-	2,155,339	1,909,424	-	1,909,424
Total Operating Expenses	12,890,483	-	12,890,483	12,007,686	-	12,007,686
Change in Net Assets from Operations	(82,432)	274,687	192,255	904,812	(43,782)	861,030
NON-OPERATING ACTIVITIES:						
Change in value of split-interest agreements	-	109,827	109,827	-	17,287	17,287
Change in Net Assets	(82,432)	384,514	302,082	904,812	(26,495)	878,317
Net Assets, Beginning of Year	7,768,237	2,175,781	9,944,018	6,863,425	2,202,276	9,065,701
Net Assets, End of Year	\$ 7,685,805	\$ 2,560,295	\$ 10,246,100	\$ 7,768,237	\$ 2,175,781	\$ 9,944,018

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2018

	Program Services					Supporting Activities			Total All Functions
	Transportation	Technology	Media	Ministry		Management		Total	
				Operations	Total	Services	Fund-raising		
Donated services	\$ 3,807,421	\$ 76,131	\$ 20,728	\$ 2,964,688	\$ 6,868,968	\$ 673,353	\$ 393,379	\$ 1,066,732	\$ 7,935,700
Grants and other assistance	282,409	257,957	196,460	89,853	826,679	-	-	-	826,679
Salaries and wages	23,062	-	-	616,636	639,698	290,582	66,175	356,757	996,455
Employee benefits	9,341	-	-	28,431	37,772	6,844	9,831	16,675	54,447
Payroll taxes	3,985	-	-	46,481	50,466	20,941	4,938	25,879	76,345
Legal	-	-	-	-	-	275	-	275	275
Accounting	-	-	-	-	-	25,461	-	25,461	25,461
Professional services	3,814	3,500	175	89,068	96,557	17,386	20,564	37,950	134,507
Advertising and promotion	19,099	-	-	76,298	95,397	5,036	38,388	43,424	138,821
Office expenses	13,184	-	13	171,980	185,177	15,866	130,867	146,733	331,910
Information technology	119,917	3,932	-	203,652	327,501	14,018	31,084	45,102	372,603
Occupancy	27,203	-	69,884	188,385	285,472	52,550	3,855	56,405	341,877
Travel	132,932	-	-	43,101	176,033	76,288	25,189	101,477	277,510
Conferences	160,199	-	-	42,013	202,212	3,047	11,800	14,847	217,059
Depreciation	287,837	-	60,630	98,395	446,862	23,767	25,574	49,341	496,203
Insurance	80,927	-	-	26,383	107,310	109,183	-	109,183	216,493
Training-aircraft	34,351	-	-	-	34,351	-	-	-	34,351
Equipment	43,154	-	1,032	117,701	161,887	261	2,027	2,288	164,175
Project costs	3,191	-	-	144,733	147,924	-	525	525	148,449
All other expenses	11,001	-	-	33,877	44,878	52,015	4,270	56,285	101,163
Total	\$ 5,063,027	\$ 341,520	\$ 348,922	\$ 4,981,675	\$10,735,144	\$ 1,386,873	\$ 768,466	\$ 2,155,339	\$ 12,890,483

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2017

	Program Services					Supporting Activities			Total All Functions
	Ministry					Management			
	Transportation	Technology	Media	Operations	Total	Services	Fund-raising	Total	
Donated services	\$ 3,492,492	\$ 75,562	\$ 26,419	\$ 2,955,327	\$ 6,549,800	\$ 612,478	\$ 291,992	\$ 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
Legal	-	-	-	-	-	1,219	-	1,219	1,219
Accounting	-	-	-	-	-	26,623	-	26,623	26,623
Professional services	15,501	-	2,635	35,046	53,182	16,815	79,357	96,172	149,354
Advertising and promotion	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	54,663	3,602	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
Total	\$ 4,454,796	\$ 296,021	\$ 333,359	\$ 5,014,086	\$ 10,098,262	\$ 1,043,790	\$ 865,634	\$ 1,909,424	\$ 12,007,686

See notes to the financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 302,082	\$ 878,317
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	496,203	393,473
Realized/unrealized loss on investments	3,089	6,092
Settlement of asset retirement obligation	-	(14,109)
Contribution portion of new split-interest agreements	(50,546)	-
Change in value of split-interest agreements	(109,827)	(17,286)
Change in operating assets and liabilities:		
Accounts receivable	171,797	(228,930)
Inventories and specialized aircraft parts	(66,903)	10,305
Prepaid expenses	(37,275)	(10,117)
Work in process and assets held for sale	(227,345)	(56,790)
Payables—accounts and accrued	260,161	(54,401)
Net Cash Provided by Operating Activities	741,436	906,554
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(123,463)	(1,736,180)
Proceeds from sale of investments	4,452	(8,463)
Change in deposits with related organization	(699,171)	918,694
Net Cash Used by Investing Activities	(818,182)	(825,949)
Net Change in Cash and Cash Equivalents	(76,746)	80,605
Cash and Cash Equivalents, Beginning of Year	337,406	256,801
Cash and Cash Equivalents, End of Year	\$ 260,660	\$ 337,406
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions of goods and aircraft not capitalized	\$ 58,027	\$ 278,708

See notes to financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

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, 2018 and 2017

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, technology and training. 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, video and internet-based 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 and to maintain ongoing competency
- planes, boats, and other equipment are prepped for overseas partners
- core mission staff review and assess overseas logistical needs and provide solutions research and development, ongoing program management, financial and HR support services, clinical and counseling healthcare services, hospitality services to residential trainees and short-term missions staff, communications, fundraising and more
- groups from churches, schools, and the general public come to serve via short-term mission trips and/or to tour museums and mission operations
- missionaries and their families rest and retool before returning to overseas assignments

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. JAARS catalogues, preserves, and cares 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 2018 and 2017, there were no additions to or sales of any of the items in the collections.

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

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.

CASH AND CASH EQUIVALENTS

JAARS maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured limits. Deposits in excess of federally insured limits were \$63,959 and \$92,874 at September 30, 2018 and 2017, respectively. JAARS has not experienced any losses on 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, 2018 and 2017.

INVESTMENTS

Investments in equity securities with readily determinable values are reported at fair value with gains and losses included in the statements of activities. Interest and dividend income and the realized or unrealized gain or loss on investments are reported as investment income without donor restriction unless the donor or law 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, 2018 and 2017, was 1.7% and 1.4%, respectively.

INVENTORIES

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

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost 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.

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 beneficial interest is 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 net assets without donor restriction in the year in which the items are acquired or as net assets with donor restriction 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, 2018 and 2017, the balance was \$594,149 and \$594,149. The ARO discount rate is 1% and was fully amortized as of September 30, 2018 and 2017.

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The financial statements report amounts by classification of net assets:

Net assets without donor restriction are currently available for operations under the direction of the board. Net assets without donor restriction include undesignated funds, resources invested in property and equipment, and funds held as corporate-designated reserves. Equity in property and equipment is reported net of the asset retirement obligation.

Net assets with donor restriction 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Gifts of property and equipment are reported as without donor restriction 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).

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

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 8 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 \$1,606,376 and \$1,836,119, for the years ended September 30, 2018 and 2017, 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. The statement of functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office utilities, which are allocated on a square-footage basis, as well as salaries and benefits for key management, which are allocated on the basis of estimates of time and activity.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. JAARS adopted the provisions of this new standard during the year ended September 30, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 3), a statement of expenses by functional and natural classification was added and disclosures related to functional allocation of expenses were expanded (Note 2).

The Financial Accounting Standards Board (FASB) recently issued an accounting standards update (ASU) to the Inventory topic of the Accounting Standards Codification (ASC). ASC 2015-11 requires inventory measured using first in, first out (FIFO) or average cost to be measured at the lower of cost or net realizable value rather than lower of cost or fair market value. It is effective for fiscal year 2018. JAARS has adopted this standard in the current year which had no material impact on the financial statements.

RECLASSIFICATION

Certain financial statement information from the prior year financial statements has been reclassified to conform to current year presentation format. \$17,287 of without donor restriction cash contributions from affiliates was reclassified to with donor restriction change in value of beneficial interests.

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the JAARS financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for reserves designated by the board that could be drawn upon if the governing board approves that action.

Financial assets:

Cash and cash equivalents	\$ 260,660
Accounts receivable–net allowance	168,408
Investments	4,220,134
Beneficial interest in split interest agreements	689,492
Financial assets, at year end	<u>\$ 5,338,694</u>

Less those unavailable for general expenditures within one year due to:

Contractual or donor-imposed restrictions:	
Restricted by donor with purpose and time restrictions	(1,870,803)
Beneficial interest in split interest agreements	(689,492)
Corporate designations:	
Board designated operating reserve	<u>(250,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,528,399</u>

JAARS has \$2,528,399 of financial assets available within one year of the statement of financial position date consisting of mostly cash and short-term investments and these assets are subject to donor or other contractual restrictions.

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

4. INVESTMENTS:

Investments consist of:

	September 30,	
	2018	2017
Investments at fair value:		
Money market fund	\$ 2,489	\$ 30
Investments at cost or cost plus accrued interest:		
Certificate of deposit	-	10,000
Deposit with SIL (see Note 2)	4,217,645	3,518,474
	<u>4,217,645</u>	<u>3,528,474</u>
	<u>\$ 4,220,134</u>	<u>\$ 3,528,504</u>

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

	Year Ended September 30,	
	2018	2017
Interest and dividends	\$ 3	\$ 339
Interest on deposits with related organization	65,703	56,040
Realized/unrealized losses	<u>(3,092)</u>	<u>(6,431)</u>
	<u>\$ 62,614</u>	<u>\$ 49,948</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

5. INVENTORIES—NET:

Inventories—net consist of:

	September 30,	
	2018	2017
Aviation parts—current	\$ 80,470	\$ 70,070
Aviation parts—noncurrent	455,994	397,064
Material and supplies—current	10,591	9,540
Material and supplies—noncurrent	60,015	54,062
	<u>607,070</u>	<u>530,736</u>
Less obsolescence reserve	<u>(50,000)</u>	<u>(50,000)</u>
	<u>\$ 557,070</u>	<u>\$ 480,736</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, 2018 and 2017. In addition to these inventories disclosed above, 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 \$66,013 and \$75,444 for September 30, 2018 and 2017, respectively.

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2018	2017
Land and improvements	\$ 1,376,196	\$ 1,376,196
Asset retirement obligation	138,895	138,895
Buildings and improvements	9,020,167	9,020,167
Equipment	2,942,023	2,849,963
Vehicles	296,318	273,968
Aircraft	4,028,504	4,028,504
	<u>17,802,103</u>	<u>17,687,693</u>
Less accumulated depreciation	(13,212,768)	(12,716,565)
	4,589,335	4,971,128
Construction in process	342,494	333,441
Net book value of property and equipment	<u>4,931,829</u>	<u>5,304,569</u>
Less related asset retirement obligation	(594,169)	(594,169)
	<u>\$ 4,337,660</u>	<u>\$ 4,710,400</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

7. NET ASSETS:
Net assets consist of:

	September 30,	
	2018	2017
Without donor restriction:		
Undesignated	\$ 596,323	\$ 633,456
Corporate designated:		
J-MAP*	619,848	622,610
Aircraft engine reserve–Waxhaw	406,539	394,705
Board designated operating reserve	250,000	250,000
Other	1,475,435	1,157,066
	2,751,822	2,424,381
Equity in property and equipment	4,337,660	4,710,400
	7,685,805	7,768,237
With donor restriction:		
Transportation	891,654	881,759
Ministry operations	808,390	588,135
Information technology	55,938	63,929
Media	113,621	111,639
Other	1,200	1,200
Beneficial interest in split-interest agreements	689,492	529,119
	2,560,295	2,175,781
Total net assets	\$ 10,246,100	\$ 9,944,018

**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. A total of 10 and 11 aircraft with a covered value of \$2,650,000 and \$2,950,000 were included in this program as of September 30, 2018 and 2017, respectively. The estimated cost of work orders pending under the program as of September 30, 2018 and 2017, was \$0 and \$40,000. During the years ended September 30, 2018 and 2017, respectively, \$12,673 and \$26,258 in income was earned, and \$0 in expense was incurred, against the fund.

JAARS, INC.

Notes to Financial Statements

September 30, 2018 and 2017

8. 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, 2018		
	Related Entity	Others	Total
Goods and securities	\$ -	\$ 161,887	\$ 161,887
Services:			
Transportation	\$ 3,546,745	\$ 260,676	\$ 3,807,421
Ministry operations	2,733,239	231,449	2,964,688
Media	20,728	-	20,728
Technology	76,131	-	76,131
Fund-raising	393,379	-	393,379
Management	553,733	119,620	673,353
	\$ 7,323,955	\$ 611,745	\$ 7,935,700
	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

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, 2018 and 2017

9. OPERATING LEASES:

JAARS has entered into several leases for equipment. Most of the leases expire in 2019; however, two leases automatically renew on an annual basis after the expiration date unless either party terminates the lease. Total operating lease rental expense for the years ended September 30, 2018 and 2017, was \$58,990 and \$41,790, respectively. Minimum lease payments during the next five years are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2019	\$ 16,354
2020	3,509
2021	3,509
2022	3,509
2023	1,549
	<u>\$ 28,430</u>

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>2018</u>	<u>2017</u>
Revenue:		
Water system fee income	<u>\$ 41,995</u>	<u>\$ 41,980</u>
Expenses:		
Operating expenses	38,176	44,504
Depreciation	<u>3,038</u>	<u>3,038</u>
	<u>41,214</u>	<u>47,542</u>
Total gain/(loss) from water system operations	<u>\$ 781</u>	<u>\$ (5,562)</u>

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 4, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.