

ASU 2016-15 issued by the FASB in August 2016 clarifies cash flow classification of eight specific cash flow issues and was effective for the Company's annual reporting period beginning July 1, 2018. The adoption of this standard did not have any impact on its financial statements.

Not Yet Adopted

The FASB issued ASU No. 2016-02, Leases, in February 2016. This ASU aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and requiring disclosure of key information regarding leasing arrangements to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Specifically, the standard requires operating lease commitments to be recorded on the balance sheet as operating lease liabilities and right-of-use assets, and the cost of those operating leases to be amortized on a straight-line basis. ASU No. 2016-02 will be effective for JHA's annual reporting period beginning July 1, 2019. The Company established a cross-functional team to implement this standard and evaluated arrangements that would be subject to the standard, implemented software to meet the reporting and disclosure requirements of the standard, and assessed the impact of the standard on its processes and internal controls. The Company will adopt the new standard using the optional transition method in ASU 2018-11. Under this method, the Company will not adjust its comparative period financial statements for the effects of the new standard or make the new, expanded required disclosures for periods prior to the effective date. The Company will recognize a cumulative-effect adjustment, as necessary, to the opening balance of retained earnings for fiscal 2020 in connection with the adoption of the standard.

The Company will take advantage of the transition package of practical expedients permitted within the new standard, which among other things, allows it to carryforward the historical lease classification. In addition, the Company will make an accounting policy election that will keep leases with an initial term of twelve months or less off of the balance sheet. The Company also elected the practical expedient not to separate the non-lease components of a contract from the lease component to which they relate.

Upon adoption of the standard, the Company will record right-of-use assets of approximately \$70,000 to \$73,000 and lease obligations of approximately \$73,000 to \$75,000 on the Company's balance sheet as of July 1, 2019. Adoption of the standard is not expected to significantly impact the Company's net income and is not expected to have a material impact on the Company's compliance with the financial covenants under its credit facility.

In August of 2018, the FASB issued ASU No. 2018-15, Intangibles, Goodwill and Other - Internal-Use Software (Subtopic 350-40), which broadens the scope of Subtopic 350-40 to include costs incurred to implement a hosting arrangement that is a service contract. The costs are capitalized or expensed depending on the nature of the costs and the project stage during which they are incurred, consistent with costs for internal-use software. The amendments in this update can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The ASU will be effective for the Company on July 1, 2020, with early adoption permitted. The Company is currently evaluating the impact that the guidance will have on its financial statements.

NOTE 2. FAIR VALUE OF FINANCIAL INSTRUMENTS

For cash equivalents, amounts receivable or payable and short-term borrowings, fair values approximate carrying value, based on the short-term nature of the assets and liabilities.

The Company's estimates of the fair value for financial assets and financial liabilities are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The three levels of the hierarchy are as follows:

Level 1: inputs to the valuation are quoted prices in an active market for identical assets

Level 2: inputs to the valuation include quoted prices for similar assets in active markets that are observable either directly or indirectly

Level 3: valuation is based on significant inputs that are unobservable in the market and the Company's own estimates of assumptions that it believes market participants would use in pricing the asset

Fair value of financial assets, included in cash and cash equivalents, and financial liabilities is as follows:

Recurring Fair Value Measurements	Estimated Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
June 30, 2019				
Financial Assets:				
Money market funds	\$ 81,945	\$ —	\$ —	\$ 81,945
June 30, 2018				
Financial Assets:				
Money market funds	\$ 14,918	\$ —	\$ —	\$ 14,918
Non-Recurring Fair Value Measurements				
June 30, 2019				
Long-lived assets held for sale	\$ —	\$ 1,300	\$ —	\$ 1,300
June 30, 2018				
Long-lived assets held for sale ^(a)	\$ —	\$ 1,300	\$ —	\$ 1,300

^(a) In accordance with ASC Subtopic 360-10, long-lived assets held for sale with a carrying value of \$4,575 were written down to their fair value of \$1,300, resulting in an impairment totaling \$3,275, which was included in earnings for the fiscal year ended June 30, 2017. The Company has entered into an agreement to sell these assets. That sale is expected to be completed during the second quarter of fiscal 2020.

NOTE 3. PROPERTY AND EQUIPMENT

The classification of property and equipment, together with their estimated useful lives is as follows:

	June 30,		Estimated Useful Life
	2019	2018	
Land ⁽¹⁾	\$ 23,243	\$ 24,845	
Land improvements ⁽¹⁾	25,209	25,383	5 - 20 years
Buildings ⁽¹⁾	147,220	143,918	20 - 30 years
Leasehold improvements	48,478	48,060	5 - 30 years ⁽²⁾
Equipment and furniture	365,101	328,864	3 - 10 years
Aircraft and equipment	39,293	38,761	4 - 10 years
Construction in progress	12,411	39,872	
	660,955	649,703	
Less accumulated depreciation	388,481	364,153	
Property and equipment, net	\$ 272,474	\$ 285,550	

⁽¹⁾ Excludes assets held for sale

⁽²⁾ Lesser of lease term or estimated useful life

The change in property and equipment in accrued liabilities was \$14,315 and \$15,674 for the fiscal years ended June 30, 2019 and 2018, respectively. These amounts were excluded from capital expenditures on the statements of cash flows.

No impairments of property and equipment were recorded in fiscal 2019 or 2018.

During the third quarter of fiscal 2019, the Company received an unsolicited offer to purchase its Houston, TX, facility. At June 30, 2019, the facility included assets with a carrying value of approximately \$5,055. Although management has not committed to the sale, a sale of the facility during fiscal 2020 is likely and the Company expects to record a gain on the sale upon closing, since the offer represents full appraisal value for the facility. Therefore, the assets are considered held for sale at June 30, 2019. Also held for sale at June 30, 2019, was the Company's Elizabethtown, KY facility. During the third quarter of fiscal 2018, the Company reached a definitive agreement to sell the property for \$1,300 pending an expected closing date during the second quarter of fiscal 2020. An impairment loss was recorded on this facility during fiscal 2017 as disclosed in Note 2 to the Company's consolidated financial statements. Total assets held for sale by the Company at June 30, 2019 and 2018 were \$6,355 and \$1,300, respectively, and were included in assets held for sale on the Company's consolidated balance sheet for each year. Those balances are not included on the above table.