



JAARS, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2022 and 2021

JAARS, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Statement of Functional Expenses–2022	7
Statement of Functional Expenses–2021	8
Notes to Financial Statements	9

INDEPENDENT AUDITORS' REPORT

Board of Directors
JAARS, Inc.
Waxhaw, North Carolina

Opinion

We have audited the financial statements of JAARS, Inc. (JAARS), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JAARS as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Affiliate Relationship

The accompanying financial statements are those of JAARS, Inc., under common control with SIL International, and are not those of the primary reporting entity. Consolidated financial statements of SIL International for the years ended September 30, 2022 and 2021, are issued separately with the independent auditors' report.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of JAARS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JAARS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
JAARS, Inc.
Waxhaw, North Carolina

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 JAARS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JAARS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Columbia, South Carolina
February 3, 2023

JAARS, INC.

Statements of Financial Position

	September 30,	
	2022	2021
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 187,232	\$ 214,134
Deposits with affiliated organization (Note 2)	433,281	856,259
Receivables (Note 2)	629,870	483,499
Inventories—net (Note 4)	98,633	70,511
Prepaid expenses and other assets	220,043	182,579
Investments (Note 2)	2,297,445	2,563,548
	3,866,504	4,370,530
Noncurrent assets:		
Property and equipment—net of accumulated depreciation (Note 5)	6,557,926	6,949,405
Beneficial interest in split-interest agreements (Note 2)	501,075	654,186
Inventories—net (Note 4)	556,523	459,219
	7,615,524	8,062,810
Total Assets	\$ 11,482,028	\$ 12,433,340
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 204,113	\$ 119,940
Accrued and other liabilities	164,748	131,105
	368,861	251,045
Noncurrent liabilities:		
Capital lease obligation (Note 8)	51,203	63,886
Asset retirement obligation (Note 2)	581,208	585,343
	632,411	649,229
Total liabilities	1,001,272	900,274
Net assets:		
Without donor restriction: (Note 6)		
Undesignated	5,918,731	5,676,146
Management designated	2,189,844	2,102,077
	8,108,575	7,778,223
With donor restriction (Note 6)	2,372,181	3,754,843
Total net assets	10,480,756	11,533,066
Total Liabilities and Net Assets	\$ 11,482,028	\$ 12,433,340

See notes to financial statements

JAARS, INC.

Statements of Activities

	Year Ended September 30,					
	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
OPERATING SUPPORT AND REVENUE:						
Support:						
Contributions of financial assets:						
From public	\$ 1,740,579	\$ 1,748,288	\$ 3,488,867	\$ 1,711,319	\$ 1,887,025	\$ 3,598,344
From ministry partners	893,908	53,395	947,303	1,184,806	177,042	1,361,848
Securities	22,858	251,932	274,790	18,698	-	18,698
Contributions of non-financial assets: (Note 7)						
Goods	269,831	-	269,831	17,241	-	17,241
Services	8,259,442	-	8,259,442	8,028,716	-	8,028,716
Total support	11,186,618	2,053,615	13,240,233	10,960,780	2,064,067	13,024,847
Revenue:						
Program activities primarily with ministry partners:						
Program revenue	1,536,547	-	1,536,547	1,457,670	-	1,457,670
Sales revenue, net (Note 2)	52,819	-	52,819	(23,057)	-	(23,057)
	1,589,366	-	1,589,366	1,434,613	-	1,434,613
Other revenues:						
Investment income	23,401	-	23,401	65,310	-	65,310
Loss on sale of fixed assets	(13,455)	-	(13,455)	(45,571)	-	(45,571)
Total revenue	1,599,312	-	1,599,312	1,454,352	-	1,454,352
Total Operating Support and Revenue	12,785,930	2,053,615	14,839,545	12,415,132	2,064,067	14,479,199

(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities (continued)

	Year Ended September 30,					
	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of purpose restrictions	3,283,166	(3,283,166)	-	1,693,633	(1,693,633)	-
	3,283,166	(3,283,166)	-	1,693,633	(1,693,633)	-
OPERATING EXPENSES:						
Operations:						
Program expenses	13,148,181	-	13,148,181	12,168,557	-	12,168,557
Supporting activities:						
Management services	1,205,637	-	1,205,637	1,013,697	-	1,013,697
Fundraising	1,384,926	-	1,384,926	1,299,127	-	1,299,127
	2,590,563	-	2,590,563	2,312,824	-	2,312,824
Total Operating Expenses	15,738,744	-	15,738,744	14,481,381	-	14,481,381
Change in Net Assets from Operations	330,352	(1,229,551)	(899,199)	(372,616)	370,434	(2,182)
NON-OPERATING ACTIVITIES:						
Change in value of split-interest agreements	-	(153,111)	(153,111)	-	87,863	87,863
Change in Net Assets	330,352	(1,382,662)	(1,052,310)	(372,616)	458,297	85,681
Net Assets, Beginning of Year	7,778,223	3,754,843	11,533,066	8,150,839	3,296,546	11,447,385
Net Assets, End of Year	\$ 8,108,575	\$ 2,372,181	\$ 10,480,756	\$ 7,778,223	\$ 3,754,843	\$ 11,533,066

See notes to financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,052,310)	\$ 85,681
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	704,341	663,284
Loss on sale of fixed assets	13,455	45,571
Unrealized/realized loss on investments	24,645	5,304
Noncash property, plant, and equipment donations	(222,946)	-
Change in value of split-interest agreements	153,111	(87,863)
Change in deposits with affiliated organization	422,978	4,498,289
Change in operating assets and liabilities:		
Accounts receivable	(146,371)	(415,632)
Inventories	(125,426)	(159)
Prepaid expenses and other assets	(37,464)	(36,451)
Accounts payable, accrued expenses and other liabilities	113,681	(260,152)
Net Cash Provided (Used) by Operating Activities	(152,306)	4,497,872
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(348,542)	(3,818,852)
Proceeds from sale of investments	590,000	1,250,000
Purchases of property and equipment	(581,962)	(1,869,921)
Proceeds from sale of fixed assets	487,400	34,129
Net Cash Provided (Used) by Investing Activities	146,896	(4,404,644)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	(21,492)	(19,301)
Net Cash Used by Financing Activities	(21,492)	(19,301)
Net Change in Cash and Cash Equivalents	(26,902)	73,927
Cash and Cash Equivalents, Beginning of Year	214,134	140,207
Cash and Cash Equivalents, End of Year	\$ 187,232	\$ 214,134
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions not capitalized	\$ 46,885	\$ 17,241
Noncash contributions capitalized	\$ 222,946	\$ -
Property and equipment acquired through capital lease	\$ 8,809	\$ -
See notes to financial statements		

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2022

	Program Services	Supporting Activities			Total All Functions
		Management Services	Fundraising	Total	
Donated services	\$ 6,904,854	\$ 326,006	\$ 1,028,582	\$ 1,354,588	\$ 8,259,442
Salaries and wages	1,720,938	336,962	204,484	541,446	2,262,384
Grants and other assistance	1,037,329	45,664	-	45,664	1,082,993
Depreciation	670,350	32,054	1,937	33,991	704,341
Information technology	576,935	6,787	4,590	11,377	588,312
Office expenses	449,632	10,722	23,872	34,594	484,226
Professional services	273,463	151,414	25,561	176,975	450,438
Equipment/inventory supplies	362,394	262	678	940	363,334
Occupancy	317,308	1,612	1,881	3,493	320,801
Insurance	164,670	120,791	-	120,791	285,461
Travel	199,116	63,426	13,682	77,108	276,224
Payroll taxes	130,047	26,841	14,405	41,246	171,293
Conferences	165,838	4,295	343	4,638	170,476
Employee benefits	97,630	21,811	10,692	32,503	130,133
Advertising and promotion	37,110	223	54,219	54,442	91,552
Other expenses	33,410	14,750	-	14,750	48,160
Accounting	2,506	42,017	-	42,017	44,523
Legal	4,651	-	-	-	4,651
Total	\$ 13,148,181	\$ 1,205,637	\$ 1,384,926	\$ 2,590,563	\$ 15,738,744

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services	Supporting Activities			Total All Functions
		Management Services	Fundraising	Total	
Donated services	\$ 6,764,593	\$ 358,107	\$ 906,016	\$ 1,264,123	\$ 8,028,716
Salaries and wages	1,361,076	275,874	198,224	474,098	1,835,174
Depreciation	966,622	-	-	-	966,622
Equipment/inventory supplies	615,585	36,189	11,510	47,699	663,284
Information technology	581,262	4,231	4,234	8,465	589,727
Grants and other assistance	440,738	218	156	374	441,112
Occupancy	359,877	2,093	2,010	4,103	363,980
Professional services	272,964	7,773	31,575	39,348	312,312
Insurance	138,055	87,458	72,501	159,959	298,014
Office expenses	124,866	110,396	-	110,396	235,262
Travel	169,588	16,854	7,256	24,110	193,698
Training—aircraft	142,250	3,489	850	4,339	146,589
All other expenses	101,076	20,213	13,854	34,067	135,143
Payroll taxes	62,484	15,016	7,727	22,743	85,227
Conferences	45,270	36,596	-	36,596	81,866
Employee benefits	14,464	1,472	43,214	44,686	59,150
Advertising and promotion	3,090	37,718	-	37,718	40,808
Accounting	3,945	-	-	-	3,945
Legal	752	-	-	-	752
Total	\$ 12,168,557	\$ 1,013,697	\$ 1,299,127	\$ 2,312,824	\$ 14,481,381

See notes to financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

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. JAARS believes that people's lives and communities are transformed when they experience God's Word, the Bible, in their own languages. JAARS partners with SIL International Inc. (SIL) 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. JAARS role in these solutions ranges from turnkey ownership of operational programs to situations where JAARS provides consultation, research, funding, training, equipment, program management, and/or networking resources to meet our partners' needs. JAARS routinely shares these needs with the Christian public and invites 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 Type 1 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 ministry partner.

The JAARS board of directors is composed of members of 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 activities:

Aviation Solutions: We help facilitate our international partners' flight programs by recruiting and training staff, setting standards, acquiring, equipping, and deploying aircraft, providing technical field support and R&D, and more. Currently, we partner with programs in Brazil, Cameroon, Gabon, Indonesia, Kenya, Papua New Guinea, and Peru.

Land Transportation Solutions : We help our international partners assess their travel challenges and determine the optimal vehicles for their situations and then acquire, upfit, and deploy vehicles as necessary. JAARS' solutions provide on-the-ground benefits in numerous countries of Africa, Asia, South America, and the Pacific, while Waxhaw-based training and internet-based solutions have global impact.

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

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

1. NATURE OF ORGANIZATION, continued:

Technology Solutions: We help our off-the-grid international partners assess technology and internet/communications 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 technology staff at our North Carolina headquarters.

Training Solutions: We provide on-site and global training solutions for missionaries and global partners, including areas of inter-cultural communications and ministry, aviation, land, and maritime training, and technology.

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

- Over 500 people work and volunteer to support Bible translation, including teams from our main partner, SIL International
- Pilots, aviation mechanics, technical staff, and other missionaries train before heading overseas (and then later to maintain ongoing competency)
- Aircraft, boats, and other equipment are repaired, restored, and/or 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 the Waxhaw, NC headquarters 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 Waxhaw, NC headquarters.

JAARS maintains collections of historical artifacts and art objects in the Museum of the Alphabet and the adjacent Cardenas Building for educational/informational purposes. JAARS catalogs, preserves, and cares for the items, assessing their condition regularly. These are not reflected in the statements of financial position.

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

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 approximately \$97,000 and \$4,000 at September 30, 2022 and 2021, respectively. JAARS has not experienced any losses on such accounts.

RECEIVABLES

Receivables consists of amounts due from entities, missionary staff and others related to inventory and sales and contributions receivable from related parties. All receivables greater than 90 days have been collected and historically receivables have been collected. In that regard, there is no provision for doubtful accounts at September 30, 2022 and 2021.

DEPOSITS WITH AFFILIATED ORGANIZATION

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 are not covered by federally insured limits and earn interest at the current rate of 2.5% and 2% for the years ended September 30, 2022 and 2021, respectively.

INVENTORIES

Inventories consist of aviation and other parts, including inventory that is in work in process and long term specialized aircraft part inventory unique to JAARS aircraft. Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Work in process consists of aircraft engine and other parts repair or work orders on aircraft to bring them into service that have not been completed as of the statement of financial position date. Once the work has been completed, aircraft owned by JAARS are placed back into service. Aircraft that are not owned by JAARS require the purchase of inventory while the job is in work in process status then invoiced to the customer.

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments consist of mutual funds and other investments. Mutual funds with readily determinable fair values are measured at fair value based on quoted market prices or dealer quotes for identical assets in active markets, which is considered to be a level 1 measurement in the fair value hierarchy established under the *Fair Value Measurement and Disclosure* topic of the FASB Accounting Standards Codification. Other investments are carried at value of the actual deposits made plus accrued interest on the statements of financial position. Realized and unrealized gains and losses and interest income are included in investment income in the statements of activities.

RIA Charitable Investments, Inc. (RIACII) operates as an investment pool available to SIL and certain Alliance organizations. Funds deposited with RIACII are invested in a variety of fixed income securities including U.S. Treasury issues, corporate bonds and mortgage backed bonds, which borrow and pay in U.S. dollars. JAARS is invested in RIACII's short-term portfolio which pays interest at a stated rate as determined from time to time by their board of directors (2.5% for the year ended September 30, 2022) to participants in proportion to the amount they have on deposit in the pool.

As of September 30, 2022, RIACII reported total assets with a fair value of approximately \$92,804,000, of which JAARS holds \$1,856,071 (2%). Credit risk is the failure of another party to perform in accordance with the contract terms. JAARS is exposed to credit risk for the amount invested in the pool, which management believes is mitigated because the RIACII investment pool is only available to a small, closed group of related entities with common missional purposes and RIACII has a limited scope of business as a supporting organization to the small, closed group of related organizations.

JAARS' investments consist of the following:

	September 30,	
	2022	2021
Deposits with RIACII	\$ 1,856,071	\$ 1,816,324
Mutual funds	441,374	747,224
	<u>\$ 2,297,445</u>	<u>\$ 2,563,548</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

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

This amount represents the beneficial interest JAARS has in charitable gift annuities held with Wycliffe Foundation. The beneficial interest is reported at fair value based on observable inputs other than quoted prices for identical assets, which is Level 3 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. The collections are subject to a policy requiring proceeds from the sales be used to acquire new additions. In 2022 and 2021, there were no additions to or sales of any of the items in the collections.

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

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 other activities.

ASSET RETIREMENT OBLIGATION

Asset Retirement Obligations (ARO) are legal obligations associated with the retirement of long-lived assets. The liability was originally recorded at fair value and the related asset retirement costs for asbestos removal were capitalized. Subsequent to the initial recognition, as needed, JAARS recorded period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. JAARS derecognizes ARO liabilities when the related obligations are settled. As of September 30, 2022 and 2021, the balance was \$581,208 and \$585,343 which was fully amortized. The ARO discount rate is 4% as of September 30, 2022 and 2021.

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 and funds held as management reserves.

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 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.

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

JAARS records revenue from the sale of inventory, net of related expenses. The sales revenue is presented in the statements of activities in the amount of \$509,592 and \$413,670, for the years ended September 30, 2022 and 2021, respectively. For the years ended September 30, 2022 and 2021, cost of goods sold were \$456,773 and \$436,727, respectively, and is netted against the sales.

PROGRAM REVENUE

Program revenue is recognized when earned and represents services, such as housing, facility rental, training, maintenance, health care, and local flight rides that JAARS provides to ministry partners, ministry partner members, and others.

CONTRIBUTIONS OF NON-FINANCIAL ASSETS

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). Contributed services represent the value of staff provided by ministry partners of JAARS. A significant portion of these services are for specialized skills in the aviation industry, which include, but not limited to pilots, mechanics, instructors, and engineers. These services are valued using the most recent Bureau of Labor Statistics' wage information to determine fair value.

JAARS uses county tax assessment appraisals to determine the fair value measurement for donated land on the date of donation.

JAARS's policy related to contributions of nonfinancial assets is to utilize the assets given in carrying out the mission of the organization. If an asset is contributed that does not allow JAARS to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or by a specialist depending on the type of asset. Contributions of nonfinancial assets are reported in the statements of activities as without donor restrictions unless otherwise noted.

See Note 7 for contributed services and goods recorded.

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 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.

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In fiscal year 2022, JAARS adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, except for enhanced disclosures.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following represents JAARS's financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Amounts not available include amounts set aside for long-term purposes that could be drawn upon if the governing board approves that action. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, management and general expenses, and fundraising to be included.

	September 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 187,232	\$ 214,134
Receivables	629,870	483,499
Deposits with affiliated organization	433,281	856,259
Investments	2,297,445	2,563,548
Beneficial interest in split interest agreements	501,075	654,186
Financial assets, at year-end	4,048,903	4,771,626
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose and time restrictions	(1,871,106)	(2,024,755)
Beneficial interest in split interest agreements	(501,075)	(654,186)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,676,722</u>	<u>\$ 2,092,685</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

4. INVENTORIES–NET:

Inventories–net consist of:

	September 30,	
	2022	2021
Aviation parts–current	\$ 83,642	\$ 70,496
Aviation parts–noncurrent	473,969	399,477
Material and supplies–current	14,991	7,515
Material and supplies–noncurrent	84,951	42,583
Specialized aircraft parts–noncurrent	47,603	59,659
	<u>705,156</u>	<u>579,730</u>
Less obsolescence reserve	<u>(50,000)</u>	<u>(50,000)</u>
	<u>\$ 655,156</u>	<u>\$ 529,730</u>

JAARS standard aviation parts and materials are slow moving inventories therefore, based on historical turnover trends, JAARS classifies approximately 85% of the assets as noncurrent and 15% as current for the years ended September 30, 2022 and 2021. Specialized aircraft parts are all considered noncurrent.

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2022	2021
Land and improvements	\$ 1,920,496	\$ 1,642,756
Asset retirement obligation	138,895	138,895
Buildings and improvements	9,361,750	9,281,544
Equipment	4,141,586	3,981,600
Vehicles	364,867	320,808
Aircraft	5,595,606	4,794,226
	<u>21,523,200</u>	<u>20,159,829</u>
Less accumulated depreciation	<u>(15,020,727)</u>	<u>(14,396,159)</u>
	6,502,473	5,763,670
Work in process	55,453	1,185,735
	<u>\$ 6,557,926</u>	<u>\$ 6,949,405</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2022	2021
Without donor restriction:		
Undesignated	\$ 5,918,731	\$ 5,676,146
Management designated:		
J-MAP*	640,731	640,731
Aircraft engine reserve–Waxhaw	324,245	265,443
Other	1,224,868	1,195,903
	2,189,844	2,102,077
	8,108,575	7,778,223
With donor restriction:		
Program services	1,871,106	3,100,657
Beneficial interest in split-interest agreements	501,075	654,186
	2,372,181	3,754,843
Total net assets	\$ 10,480,756	\$ 11,533,066

**J-MAP Program*—Only JAARS currently participates in the JMAP program which is designated to assure restoration of air service to a field after an occurrence or total loss of an aircraft. The fund is maintained through payments of fees by participating entities based upon the actual flight hours with a minimum of 100 hours per year. 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 JMAP reserve. A total of 5 aircrafts and 1 turbine run stand with a covered value of \$1,250,000 were included in this program as of September 30, 2022. There were no claims against the program as of September 30, 2022.

For the years ended September 30, 2022 and 2021, the program received \$0 in premiums and incurred no expenses. Per the JMAP By-Laws Section C, statement 4, “Whenever the balance of the fund shall exceed two times the maximum limit of a claim (\$300), collection of hourly and minimum premiums shall cease beginning at the first day of the next fiscal year for that entire fiscal year.” No premiums were collected in fiscal year 2022 and none will be collected in fiscal year 2023.

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

7. RELATED PARTY TRANSACTIONS:

DEPOSITS WITH AFFILIATED ORGANIZATION

JAARS holds funds with SIL that are invested in money market funds and a variety of fixed income securities. JAARS may transfer funds to the SIL ready investment account or access the funds, as needed. The deposits held with SIL totaled \$433,281 and \$856,259 for the years ended September 30, 2022 and 2021, respectively.

CONTRIBUTIONS FROM RELATED AND AFFILIATED ORGANIZATIONS

JAARS received \$947,303 and \$1,361,848 in contributions from related and affiliated ministry partners during the years ended September 30, 2022 and 2021, respectively.

GRANTS AND OTHER ASSISTANCE TO RELATED AND AFFILIATED ORGANIZATIONS

JAARS paid \$1,037,329 and \$966,622 in grants to related and affiliated ministry partners during the years ended September 30, 2022 and 2021, respectively.

RENTAL INCOME FROM RELATED AND AFFILIATED ORGANIZATIONS

JAARS received \$203,781 and \$236,336 in rental income from related and affiliated ministry partners during the years ended September 30, 2022 and 2021, respectively.

BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENTS

JAARS has a beneficial interest in charitable gift annuities held with a related party, Wycliffe Foundation, in the amount of \$501,075 and \$654,186 for the years ended September 30, 2022 and 2021, respectively.

CONTRIBUTIONS OF NON-FINANCIAL ASSETS

Contributed services from related parties represent services received by JAARS from individuals paid by Wycliffe USA recognized at estimated fair market value. Contributed services and goods from others represent non related party volunteer time and goods that are recognized at estimated fair value.

JAARS, INC.

Notes to Financial Statements

September 30, 2022 and 2021

7. RELATED PARTY TRANSACTIONS, continued:

CONTRIBUTIONS OF NON-FINANCIAL ASSETS, continued

The value of contributed services and goods are recorded as follows:

	Year Ended September 30, 2022		
	Related Party	Others	Total
Goods:			
Land	\$ 169,800	\$ -	\$ 169,800
Other	47,726	52,305	100,031
	\$ 217,526	\$ 52,305	\$ 269,831
Services:			
Program services	\$ 5,574,132	\$ 1,330,722	\$ 6,904,854
Fundraising	739,610	288,972	1,028,582
Management	294,150	31,856	326,006
	\$ 6,607,892	\$ 1,651,550	\$ 8,259,442
	Year Ended September 30, 2021		
	Related Party	Others	Total
Goods and securities	\$ -	\$ 17,241	\$ 17,241
Services:			
Program services	\$ 5,633,429	\$ 1,131,164	\$ 6,764,593
Fundraising	658,022	247,994	906,016
Management	341,728	16,379	358,107
	\$ 6,633,179	\$ 1,395,537	\$ 8,028,716

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, 2022 and 2021

8. CAPITAL LEASES:

JAARS leases office equipment under capital leases, which expire between 2025 and 2027. The gross amount of equipment and related accumulated amortization recorded under the capital leases was as follows:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Equipment	\$ 98,866	\$ 90,056
Less accumulated amortization	<u>(51,444)</u>	<u>(33,116)</u>
	<u>\$ 47,422</u>	<u>\$ 56,940</u>

Future minimum capital lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2023	\$ 20,046
2024	20,046
2025	8,679
2026	1,762
2027	<u>1,762</u>
	52,295
Less amount representing interest	<u>(1,092)</u>
	<u>\$ 51,203</u>

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 3, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.