



JAARS, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2023 and 2022

JAARS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
JAARS, Inc.
Waxhaw, North Carolina

Opinion

We have audited the financial statements of JAARS, Inc., which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses 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, 2023 and 2022, 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, 2023 and 2022, 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, Inc. 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, Inc.'s 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, Inc.'s 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, Inc.'s 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 15, 2024

JAARS, INC.

Statements of Financial Position

	September 30,	
	2023	2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 437,519	\$ 187,232
Deposits with affiliated organization (Note 2)	1,249,149	433,281
Receivables (Note 2)	571,848	629,870
Inventories—net (Note 4)	116,925	98,633
Prepaid expenses and other assets	117,717	220,043
Investments (Note 2)	1,109,632	2,297,445
	3,602,790	3,866,504
Noncurrent assets:		
Property and equipment—net of accumulated depreciation (Note 5)	8,878,007	6,557,926
Beneficial interest in split-interest agreements (Note 2)	566,016	501,075
Inventories—net (Note 4)	662,576	556,523
	10,106,599	7,615,524
Total Assets	\$ 13,709,389	\$ 11,482,028
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 268,359	\$ 204,113
Accrued and other liabilities	55,958	164,748
	324,317	368,861
Noncurrent liabilities:		
Other liabilities	131,578	51,203
Asset retirement obligation (Note 2)	581,208	581,208
	712,786	632,411
Total liabilities	1,037,103	1,001,272
Net assets:		
Without donor restriction: (Note 6)		
Undesignated	8,445,317	5,918,731
Management designated	2,252,426	2,189,844
	10,697,743	8,108,575
With donor restriction (Note 6)	1,974,543	2,372,181
Total net assets	12,672,286	10,480,756
Total Liabilities and Net Assets	\$ 13,709,389	\$ 11,482,028

See notes to financial statements

JAARS, INC.

Statements of Activities

	Year Ended September 30,					
	2023			2022		
	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	\$ 2,879,751	\$ 1,095,141	\$ 3,974,892	\$ 1,740,579	\$ 1,748,288	\$ 3,488,867
From ministry partners	1,332,702	146,903	1,479,605	893,908	53,395	947,303
Securities	116,211	310,132	426,343	22,858	251,932	274,790
Contributions of non-financial assets: (Note 7)						
Goods	2,308,448	-	2,308,448	269,831	-	269,831
Services	8,104,100	-	8,104,100	8,259,442	-	8,259,442
Total support	14,741,212	1,552,176	16,293,388	11,186,618	2,053,615	13,240,233
Revenue:						
Program activities primarily with ministry partners:						
Program revenue	1,432,279	-	1,432,279	1,536,547	-	1,536,547
Sales revenue, net (Note 2)	145,920	-	145,920	52,819	-	52,819
	1,578,199	-	1,578,199	1,589,366	-	1,589,366
Other revenues:						
Investment income	42,995	-	42,995	23,401	-	23,401
Gain (loss) on sale of fixed assets	19,774	-	19,774	(13,455)	-	(13,455)
Total revenue	1,640,968	-	1,640,968	1,599,312	-	1,599,312
Total Operating Support and Revenue	16,382,180	1,552,176	17,934,356	12,785,930	2,053,615	14,839,545

(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities (continued)

	Year Ended September 30,					
	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of purpose restrictions	2,014,755	(2,014,755)	-	3,283,166	(3,283,166)	-
	2,014,755	(2,014,755)	-	3,283,166	(3,283,166)	-
OPERATING EXPENSES:						
Operations:						
Program expenses	13,190,681	-	13,190,681	13,148,181	-	13,148,181
Supporting activities:						
Management services	1,436,410	-	1,436,410	1,205,637	-	1,205,637
Fundraising	1,180,676	-	1,180,676	1,384,926	-	1,384,926
	2,617,086	-	2,617,086	2,590,563	-	2,590,563
Total Operating Expenses	15,807,767	-	15,807,767	15,738,744	-	15,738,744
Change in Net Assets from Operations	2,589,168	(462,579)	2,126,589	330,352	(1,229,551)	(899,199)
NON-OPERATING ACTIVITIES:						
Change in value of split-interest agreements	-	64,941	64,941	-	(153,111)	(153,111)
Change in Net Assets	2,589,168	(397,638)	2,191,530	330,352	(1,382,662)	(1,052,310)
Net Assets, Beginning of Year	8,108,575	2,372,181	10,480,756	7,778,223	3,754,843	11,533,066
Net Assets, End of Year	\$ 10,697,743	\$ 1,974,543	\$ 12,672,286	\$ 8,108,575	\$ 2,372,181	\$ 10,480,756

See notes to financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,191,530	\$ (1,052,310)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	805,500	704,341
(Gain) loss on sale of fixed assets	(19,774)	13,455
Unrealized/realized (gain) loss on investments	(2,390)	24,645
Noncash property, plant, and equipment donations	(2,268,326)	(222,946)
Donated investments	(310,132)	-
Change in value of split-interest agreements	(64,941)	153,111
Change in deposits with affiliated organization	(815,868)	422,978
Change in operating assets and liabilities:		
Accounts receivable	58,022	(146,371)
Inventories	(124,345)	(125,426)
Prepaid expenses and other assets	102,326	(58,956)
Accounts payable, accrued expenses and other liabilities	35,831	113,681
Net Cash Used by Operating Activities	(412,567)	(173,798)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(241,394)	(348,542)
Proceeds from sale of investments	1,741,729	590,000
Purchases of property and equipment	(904,981)	(581,962)
Proceeds from sale of fixed assets	67,500	487,400
Net Cash Provided by Investing Activities	662,854	146,896
Net Change in Cash and Cash Equivalents	250,287	(26,902)
Cash and Cash Equivalents, Beginning of Year	187,232	214,134
Cash and Cash Equivalents, End of Year	\$ 437,519	\$ 187,232
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions not capitalized	\$ 40,122	\$ 46,885
Noncash contributions capitalized	\$ 2,268,326	\$ 222,946

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2023

	Program Activities				Supporting Activities			Total Expenses	
	Base Operations	International Operations	Technology Solutions	Transportation Solutions	Total Program	Management Services	Fundraising		Total Supporting
Donated services	\$ 2,070,171	\$ 594,519	\$ 926,837	\$ 3,525,734	\$ 7,117,261	\$ 246,996	\$ 739,843	\$ 986,839	\$ 8,104,100
Salaries and wages	1,212,217	4,400	313,110	148,789	1,678,516	654,030	262,625	916,655	2,595,171
Grants and other assistance	-	3,605	467,652	428,716	899,973	6,716	-	6,716	906,689
Depreciation	585,780	-	6,797	174,055	766,632	36,189	2,679	38,868	805,500
Information technology	23,433	3	538,448	16,672	578,556	34,008	1,696	35,704	614,260
Office expenses	348,595	1,500	3,833	68,057	421,985	10,713	28,396	39,109	461,094
Travel	47,083	81,150	1,573	159,080	288,886	64,387	12,465	76,852	365,738
Occupancy	353,125	-	2,600	780	356,505	1,853	1,942	3,795	360,300
Equipment/inventory supplies	54,457	466	909	271,225	327,057	228	1,327	1,555	328,612
Insurance	18,563	-	-	153,012	171,575	133,675	-	133,675	305,250
Professional services	61,085	12,276	69,275	38,524	181,160	80,199	13,700	93,899	275,059
Payroll taxes	94,934	337	24,549	11,164	130,984	51,461	19,178	70,639	201,623
Employee benefits	83,843	-	5,671	7,733	97,247	56,110	17,249	73,359	170,606
Advertising and promotion	49,548	3,470	849	3,455	57,322	821	68,673	69,494	126,816
Conferences	22,087	15	19	67,140	89,261	2,507	10,903	13,410	102,671
Accounting	352	606	25	1,271	2,254	52,907	-	52,907	55,161
Other expenses	25,303	-	-	204	25,507	3,610	-	3,610	29,117
Total	\$ 5,050,576	\$ 702,347	\$ 2,362,147	\$ 5,075,611	\$ 13,190,681	\$ 1,436,410	\$ 1,180,676	\$ 2,617,086	\$ 15,807,767

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2022

	Program Activities				Supporting Activities			Total Expenses	
	Base Operations	International Operations	Technology Solutions	Transportation Solutions	Total Program	Management Services	Fundraising		Total Supporting
Donated services	\$ 1,893,713	\$ 355,121	\$ 930,500	\$ 3,725,520	\$ 6,904,854	\$ 326,006	\$ 1,028,582	\$ 1,354,588	\$ 8,259,442
Salaries and wages	1,156,989	58,636	379,119	126,194	1,720,938	336,962	204,484	541,446	2,262,384
Grants and other assistance	14,183	37,008	444,122	542,017	1,037,330	45,664	-	45,664	1,082,994
Depreciation	584,370	-	2,832	83,148	670,350	32,054	1,937	33,991	704,341
Information technology	17,458	478	544,415	14,583	576,934	6,787	4,590	11,377	588,311
Office expenses	361,540	870	6,306	80,916	449,632	10,722	23,872	34,594	484,226
Professional services	112,656	24,133	81,135	55,539	273,463	151,414	25,561	176,975	450,438
Equipment/inventory supplies	149,599	197	1,427	211,171	362,394	262	678	940	363,334
Occupancy	315,831	-	-	1,477	317,308	1,612	1,881	3,493	320,801
Insurance	5,902	35,698	1,766	121,305	164,671	120,791	-	120,791	285,462
Travel	37,617	68,301	4,822	88,376	199,116	63,426	13,682	77,108	276,224
Payroll taxes	87,502	4,512	29,212	8,821	130,047	26,841	14,405	41,246	171,293
Conferences	24,878	6,361	4,498	130,100	165,837	4,295	343	4,638	170,475
Employee benefits	82,225	-	9,306	6,099	97,630	21,811	10,692	32,503	130,133
Advertising and promotion	22,874	4	-	14,232	37,110	223	54,219	54,442	91,552
Other expenses	37,096	-	-	965	38,061	14,750	-	14,750	52,811
Accounting	493	220	-	1,793	2,506	42,017	-	42,017	44,523
Total	\$ 4,904,926	\$ 591,539	\$ 2,439,460	\$ 5,212,256	\$ 13,148,181	\$ 1,205,637	\$ 1,384,926	\$ 2,590,563	\$ 15,738,744

See notes to financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2023 and 2022

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 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:

TRANSPORTATION SOLUTIONS

We help facilitate our international partners' flight programs by recruiting and training staff, setting standards, acquiring and equipping 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.

We help our international partners assess their travel challenges and determine the optimal vehicles for their situations and then acquire, upfit, and deliver 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.

We help our international partners assess maritime travel challenges and determine the optimal watercraft for their situations, and acquire, upfit, and deliver vessels as necessary. 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, 2023 and 2022

1. NATURE OF ORGANIZATION, continued:

TECHNOLOGY SOLUTIONS

We help our partners assess technology and internet connectivity challenges, develop effective solutions, and support funding and effective implementation of plans, technology, and training. In addition, technology is provided and supported at the JAARS base in North Carolina headquarters.

INTERNATIONAL OPERATIONS

We help our international partners assess needs, develop effective solutions, funding support, and effective implementation and training to help missionaries cross the last mile. In addition, we are exploring high-impact operating “hubs” to help missionaries cross the last mile and reach the unreached.

BASE 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, technical staff, and other missionaries train before heading overseas and to maintain ongoing competency
- Aircraft, boats, and other equipment are prepped for overseas partners
- We provide on-site training solutions for missionaries and global partners, including areas of inter-cultural communications and ministry, aviation, land and maritime training
- 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.

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. These are not reflected in the statements of financial position.

JAARS, INC.

Notes to Financial Statements

September 30, 2023 and 2022

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 \$185,000 and \$97,000 at September 30, 2023 and 2022, respectively. JAARS has not experienced any losses on such accounts.

RECEIVABLES

Receivables consists of amounts due from entities, customers, 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, 2023 and 2022.

DEPOSITS WITH AFFILIATED ORGANIZATION

Deposits in an SIL-operated system facilitates the financial interaction between SIL and Wycliffe Global Alliance member organizations as well as JAARS. As part of the system, SIL holds deposits from these organizations, which are included in cash and investments, JAARS may access the funds, as needed.

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, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments consist of mutual funds, money market funds, and deposits with RIA Charitable Investments, Inc. (RIACII). 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. Money market funds 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.

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 (4% for the year ended September 30, 2023) to participants in proportion to the amount they have on deposit in the pool.

As of September 30, 2023, RIACII reported total assets with a fair value of approximately \$88,000,000 of which JAARS holds \$594,696 (1%). 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,	
	2023	2022
Deposits with RIACII	\$ 594,696	\$ 1,856,071
Money Market funds	514,936	-
Mutual funds	-	441,374
	<u>\$ 1,109,632</u>	<u>\$ 2,297,445</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2023 and 2022

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 2023 and 2022, there were no additions to or sales of any of the items in the collections.

JAARS, INC.

Notes to Financial Statements

September 30, 2023 and 2022

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, 2023 and 2022, the balance was \$581,208. The ARO discount rate is 4% as of September 30, 2023 and 2022.

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, 2023 and 2022

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 \$477,145 and \$509,592, for the years ended September 30, 2023 and 2022, respectively. For the years ended September 30, 2023 and 2022, cost of goods sold were \$331,225 and \$456,773, 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, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (topic 842 of the FASB Accounting Standards Codification). JAARS adopted the provisions of this new standard during the year ended September 30, 2023, on an adoption date approach. The new standard requires organizations that lease assets with terms of more than 12 months to recognize on the statements of financial position the assets and liabilities for the right-of-use and obligations created by the leases. Lessor accounting remained largely unchanged under the new standard. JAARS has elected the transition package relief option for leases commenced before the effective date of the standard, which allows JAARS the option to not reassess existing or expiring contracts, lease classification or initial direct costs. JAARS also elected the practical expedient to not separate lease and non-lease components and the accounting policy election to exclude short-term leases with lease terms of 12 months or less. JAARS has a few immaterial leases, and the effect of the adjustment to the opening balance of net assets was immaterial. The related disclosures were excluded from the financial statements due to immateriality.

JAARS, INC.

Notes to Financial Statements

September 30, 2023 and 2022

3. LIQUIDITY AND FUNDS AVAILABLE:

The following represents JAARS's financial assets as of September 30, 2023 and 2022, 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 437,519	\$ 187,232
Receivables	571,848	629,870
Deposits with affiliated organization	1,249,149	433,281
Investments	1,109,632	2,297,445
Beneficial interest in split interest agreements	566,016	501,075
Financial assets, at year-end	3,934,164	4,048,903
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose and time restrictions	(1,408,527)	(1,871,106)
Beneficial interest in split interest agreements	(566,016)	(501,075)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,959,621</u>	<u>\$ 1,676,722</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2023 and 2022

4. INVENTORIES–NET:

Inventories–net consist of:

	September 30,	
	2023	2022
Aviation parts–current	\$ 102,699	\$ 83,642
Aviation parts–noncurrent	581,960	473,969
Material and supplies–current	14,226	14,991
Material and supplies–noncurrent	80,616	84,951
Specialized aircraft parts–noncurrent	-	47,603
	779,501	705,156
Less obsolescence reserve	-	(50,000)
	\$ 779,501	\$ 655,156

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, 2023 and 2022. Specialized aircraft parts are all considered noncurrent.

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2023	2022
Land and improvements	\$ 2,378,206	\$ 1,920,496
Asset retirement obligation	138,895	138,895
Buildings and improvements	11,536,665	9,361,750
Equipment	4,433,171	4,141,586
Vehicles	399,835	364,867
Aircraft	5,801,712	5,595,606
	24,688,484	21,523,200
Less accumulated depreciation	(15,826,227)	(15,020,727)
	8,862,257	6,502,473
Work in process	15,750	55,453
	\$ 8,878,007	\$ 6,557,926

JAARS, INC.

Notes to Financial Statements

September 30, 2023 and 2022

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2023	2022
Without donor restriction:		
Undesignated	\$ 8,445,317	\$ 5,918,731
Management designated:		
J-MAP*	639,481	640,731
Aircraft engine reserve–Waxhaw	385,220	324,245
Other	1,227,725	1,224,868
	2,252,426	2,189,844
	10,697,743	8,108,575
With donor restriction:		
Program services	1,408,527	1,871,106
Beneficial interest in split-interest agreements	566,016	501,075
	1,974,543	2,372,181
Total net assets	\$ 12,672,286	\$ 10,480,756

**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, 2023. There were no claims against the program as of September 30, 2023.

For the years ended September 30, 2023 and 2022, 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 2023 and none will be collected in fiscal year 2024.

JAARS, INC.

Notes to Financial Statements

September 30, 2023 and 2022

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 \$1,249,149 and \$433,281 for the years ended September 30, 2023 and 2022, respectively.

CONTRIBUTIONS FROM RELATED AND AFFILIATED ORGANIZATIONS

JAARS received \$1,479,605 and \$947,303 in contributions from related and affiliated ministry partners during the years ended September 30, 2023 and 2022, respectively.

GRANTS AND OTHER ASSISTANCE TO RELATED AND AFFILIATED ORGANIZATIONS

JAARS paid \$906,689 and \$1,037,329 in grants to related and affiliated ministry partners during the years ended September 30, 2023 and 2022, respectively.

RENTAL INCOME FROM RELATED AND AFFILIATED ORGANIZATIONS

JAARS received \$190,623 and \$203,781 in rental income from related and affiliated ministry partners during the years ended September 30, 2023 and 2022, 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 \$566,016 and \$501,075 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022

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, 2023		
	Related Party	Others	Total
Goods:			
Land and buildings	\$ 2,265,245	\$ -	\$ 2,265,245
Other	10,326	32,877	43,203
	\$ 2,275,571	\$ 32,877	\$ 2,308,448
Services:			
Program services	\$ 5,675,101	\$ 1,442,160	\$ 7,117,261
Fundraising	466,245	273,598	739,843
Management	208,981	38,015	246,996
	\$ 6,350,327	\$ 1,753,773	\$ 8,104,100
Year Ended September 30, 2022			
	Related Party	Others	Total
Goods and securities			
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

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, 2023 and 2022

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 15, 2024, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.