



JAARS, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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.

Capin Crouse LLP

Columbia, South Carolina
February 6, 2020

JAARS, INC.

Statements of Financial Position

	September 30,	
	2019	2018
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 328,266	\$ 260,660
Deposits with related organization (Note 2)	4,097,332	4,217,645
Accounts receivable (Note 2)	99,175	168,408
Inventories—net (Note 4)	292,482	382,182
Prepaid expenses and other assets	79,814	81,774
	4,897,069	5,110,669
Noncurrent assets:		
Property and equipment—net of accumulated depreciation (Note 5)	5,401,145	4,931,829
Beneficial interest in split-interest agreements (Note 2)	743,984	689,492
Inventories—net (Note 4)	462,768	539,522
	6,607,900	6,160,843
Total Assets	\$ 11,504,966	\$ 11,271,512
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 265,510	\$ 358,480
Accrued and other liabilities	86,040	72,763
	351,550	431,243
Noncurrent liabilities:		
Capital lease obligation (Note 8)	90,056	-
Asset retirement obligation (Note 2)	585,343	594,169
	675,399	594,169
Total liabilities	1,026,949	1,025,412
Net assets:		
Without donor restriction: (Note 6)		
Undesignated	5,275,340	4,933,983
Management designated	2,112,289	2,501,822
Board designated	250,000	250,000
	7,637,629	7,685,805
With donor restriction (Note 6)	2,840,388	2,560,295
	10,478,017	10,246,100
Total Liabilities and Net Assets	\$ 11,504,966	\$ 11,271,512

See notes to financial statements

JAARS, INC.

Statements of Activities

	Year Ended September 30,					
	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
OPERATING SUPPORT AND REVENUE:						
Support:						
Cash contributions:						
From public	\$ 1,105,588	\$ 1,509,922	\$ 2,615,510	\$ 1,493,828	\$ 1,097,679	\$ 2,591,507
From affiliates	414,424	56,195	470,619	410,889	172,086	582,975
Noncash contributions and donations (Note 7)						
Goods	142,391	-	142,391	58,027	-	58,027
Securities	-	-	-	2,453	101,407	103,860
Services	7,857,435	-	7,857,435	7,935,700	-	7,935,700
Total support	9,519,838	1,566,117	11,085,955	9,900,897	1,371,172	11,272,069
Revenue:						
Program activities primarily with affiliates:						
Transportation	300,654	-	300,654	312,312	-	312,312
Media	109,068	-	109,068	268,486	-	268,486
Ministry operations	1,045,856	-	1,045,856	824,376	-	824,376
Sales revenue, net (Note 2)	276,491	-	276,491	320,138	-	320,138
	1,732,069	-	1,732,069	1,725,312	-	1,725,312
Other revenues:						
Interest income	69,572	-	69,572	62,614	-	62,614
Gain on sale of fixed assets	366,806	-	366,806	-	-	-
Other income	105,578	-	105,578	22,743	-	22,743
Total revenue	2,274,025	-	2,274,025	1,810,669	-	1,810,669
Total Operating Support and Revenue	11,793,863	1,566,117	13,359,980	11,711,566	1,371,172	13,082,738

(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities (continued)

	Year Ended September 30,					
	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,340,516	(1,340,516)	-	1,096,485	(1,096,485)	-
	1,340,516	(1,340,516)	-	1,096,485	(1,096,485)	-
OPERATING EXPENSES:						
Operations:						
Program services primarily with affiliates:						
Transportation	4,825,121	-	4,825,121	5,063,027	-	5,063,027
Technology	928,225	-	928,225	341,520	-	341,520
Media and training	354,588	-	354,588	348,922	-	348,922
Ministry operations	5,098,812	-	5,098,812	4,981,675	-	4,981,675
	11,206,746	-	11,206,746	10,735,144	-	10,735,144
Supporting activities:						
Management services	1,356,620	-	1,356,620	1,386,873	-	1,386,873
Fundraising	619,189	-	619,189	768,466	-	768,466
	1,975,809	-	1,975,809	2,155,339	-	2,155,339
Total Operating Expenses	13,182,555	-	13,182,555	12,890,483	-	12,890,483
Change in Net Assets from Operations	(48,176)	225,601	177,425	(82,432)	274,687	192,255
NON-OPERATING ACTIVITIES:						
Change in value of split-interest agreements	-	54,492	54,492	-	109,827	109,827
Change in Net Assets	(48,176)	280,093	231,917	(82,432)	384,514	302,082
Net Assets, Beginning of Year	7,685,805	2,560,295	10,246,100	7,768,237	2,175,781	9,944,018
Net Assets, End of Year	\$ 7,637,629	\$ 2,840,388	\$ 10,478,017	\$ 7,685,805	\$ 2,560,295	\$ 10,246,100

See notes to financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 231,917	\$ 302,082
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	540,052	496,203
Gain on sale of fixed assets	(366,806)	-
Settlement of asset retirement obligation	(8,826)	-
Noncash property, plant and equipment donations	(134,985)	-
Contribution portion of new split-interest agreements	-	(50,546)
Change in value of split-interest agreements	(54,492)	(109,827)
Change in deposits with related organization	120,313	(699,171)
Change in operating assets and liabilities:		
Accounts receivable	69,233	171,797
Inventories	(108,134)	(294,248)
Prepaid expenses and other assets	1,960	(34,186)
Accounts payable, accrued expenses and other liabilities	(79,693)	260,161
Net Cash Provided by Operating Activities	210,539	42,265
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(509,739)	(123,463)
Proceeds from sale of fixed assets	366,806	-
Proceeds from sale of investments	-	4,452
Net Cash Used by Investing Activities	(142,933)	(119,011)
Net Change in Cash and Cash Equivalents	67,606	(76,746)
Cash and Cash Equivalents, Beginning of Year	260,660	337,406
Cash and Cash Equivalents, End of Year	\$ 328,266	\$ 260,660
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions of goods and aircraft not capitalized	\$ 7,406	\$ 58,027
Noncash contributions of goods and aircraft capitalized	\$ 134,985	\$ -
Property and equipment purchase through capital lease	\$ 90,056	\$ -

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services					Supporting Activities			Total All Functions
	Transportation	Technology	Media and Training	Ministry Operations	Total	Management Services	Fundraising	Total	
Donated services	\$ 3,837,803	\$ 140,827	\$ 17,994	\$ 2,958,380	\$ 6,955,004	\$ 519,048	\$ 383,383	\$ 902,431	\$ 7,857,435
Grants and other assistance	258,100	337,544	11,233	235,487	842,364	-	-	-	842,364
Salaries and wages	28,328	161,608	-	751,062	940,998	386,777	67,838	454,615	1,395,613
Employee benefits	4,446	3,831	-	38,696	46,973	6,592	21,040	27,632	74,605
Payroll taxes	2,196	12,147	-	55,946	70,289	27,638	5,090	32,728	103,017
Legal	5,130	-	-	-	5,130	-	-	-	5,130
Accounting	-	-	-	-	-	30,040	-	30,040	30,040
Professional services	11,048	8,453	2,170	107,834	129,505	25,283	28,200	53,483	182,988
Advertising and promotion	10,922	62	1,100	83,636	95,720	7,995	14,832	22,827	118,547
Office expenses	28,378	27,057	9,015	178,712	243,162	10,737	-	10,737	253,899
Information technology	123,343	234,380	-	2,010	359,733	12,020	25,970	37,990	397,723
Occupancy	14,387	-	-	353,958	368,345	62,251	3,636	65,887	434,232
Travel	73,607	2,316	52,890	18,304	147,117	66,192	28,823	95,015	242,132
Conferences	8,364	-	103,158	35,778	147,300	4,843	2,295	7,138	154,438
Depreciation	343,718	-	-	156,078	499,796	5,912	34,344	40,256	540,052
Insurance	33,291	-	168	811	34,270	54,056	50	54,106	88,376
Training—aircraft	-	-	137,955	-	137,955	-	-	-	137,955
Equipment	42,060	-	4,689	122,120	168,869	1,824	-	1,824	170,693
All other expenses	-	-	14,216	-	14,216	135,412	3,688	139,100	153,316
Total	\$ 4,825,121	\$ 928,225	\$ 354,588	\$ 5,098,812	\$ 11,206,746	\$ 1,356,620	\$ 619,189	\$ 1,975,809	\$ 13,182,555

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 and Training	Ministry Operations	Total	Management Services	Fundraising	Total	
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 the financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

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 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. 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), 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, 2019 and 2018

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 500 people work and volunteer 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. These are not reflected in the statements of financial position.

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

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 \$89,925 and \$63,959 at September 30, 2019 and 2018, respectively. JAARS has not experienced any losses on such accounts.

ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from entities, missionary staff and others related to inventory and other sales. 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, 2019 and 2018.

DEPOSITS WITH RELATED 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 earn interest at the current rate, which for the years ended September 30, 2019 and 2018, was 1.8% and 1.7%, respectively.

INVENTORIES

Inventories consist of aviation 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 are placed into inventory and sold to the customer.

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

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 2019 and 2018, there were no additions to or sales of any of the items in the collections.

ACCOUNTS PAYABLE

In addition to normal trade payables, JAARS also records payables to related entities for goods, services, and other activities.

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 was capitalized. Subsequent to the initial recognition, as needed JAARS records 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, 2019 and 2018, the balance was \$585,343 and \$594,149. The ARO discount rate is 1% and was fully amortized as of September 30, 2019 and 2018.

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, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

Contributed goods (including securities, property, and equipment) are recorded at fair market value at the date of the gift.

Donated services are recorded at estimated fair value and represent those services that require specialized skills (recognized as contributions and expenses allocated to the function served) or those that create or enhance nonfinancial assets such as property and equipment (recognized as contributions and additions to the basis of property and equipment).

Donated services represent the value of the staff provided by Wycliffe Organizations, affiliates of JAARS. These services are recorded at the compensation expense amount incurred by the respective affiliate organization. See Note 7 for contributed and donated services recorded.

JAARS records revenue from the sale of inventory and use of services provided by JAARS, net of related expenses. The sales revenue is presented in the statements of activities, net of cost of sales, in the amount of \$1,344,490 and \$1,297,011, for the years ended September 30, 2019 and 2018, respectively. For the years ended September 30, 2019 and 2018, cost of goods sold were \$1,067,917 and \$976,873, 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 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.

RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified in order to conform with the current year presentation. The presentation of deposits with related organization was reclassified from an investing activity to an operating activity on the statement of cash flows in the amount of \$699,171.

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

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.

	<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 328,266	\$ 260,660
Accounts receivable–net allowance	99,175	168,408
Deposits with related organization	4,097,332	4,217,645
Beneficial interest in split interest agreements	743,984	689,492
Financial assets, at year end	<u>5,268,757</u>	<u>5,336,205</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	(2,096,404)	(1,870,803)
Beneficial interest in split interest agreements	(743,984)	(689,492)
Corporate designations:		
Board designated operating reserve	(250,000)	(250,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,178,369</u>	<u>\$ 2,525,910</u>

JAARS has \$2,178,369 of financial assets available within one year of the statement of financial position date consisting largely of cash and short-term investments. In addition, JAARS has a board designated operating reserve of \$250,000 which could be drawn upon in the event of short-term unanticipated liquidity needs of less than 180 days. As part of its liquidity management, JAARS deposits cash in excess of daily requirements with SIL. Most of this cash is invested in money market funds and a variety of fixed income securities. JAARS may access the funds as needed.

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

4. INVENTORIES–NET:

Inventories–net consist of:

	September 30,	
	2019	2018
Aviation parts–current	\$ 72,386	\$ 80,470
Aviation parts–noncurrent	410,189	455,994
Material and supplies–current	9,689	10,591
Material and supplies–noncurrent	54,904	60,015
Specialized aircraft parts–noncurrent	40,175	66,013
Work in process–current	217,907	298,621
	805,250	971,704
Less obsolescence reserve	(50,000)	(50,000)
	\$ 755,250	\$ 921,704

JAARS standard aviation parts and materials are slow moving inventories, therefore, based on historical turnover trends, JAARS classifies 85% of the assets as noncurrent and 15% as current for the years ended September 30, 2019 and 2018. Work in process inventories are considered current and specialized aircraft parts are all considered noncurrent.

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2019	2018
Land and improvements	\$ 1,478,711	\$ 1,376,196
Asset retirement obligation	138,895	138,895
Buildings and improvements	9,111,855	9,020,167
Equipment	3,343,634	2,942,023
Vehicles	316,952	296,318
Aircraft	4,178,088	4,028,504
	18,568,135	17,802,103
Less accumulated depreciation	(13,166,990)	(13,212,768)
	5,401,145	4,589,335
Construction in process	-	342,494
	5,401,145	4,931,829

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2019	2018
Without donor restriction:		
Undesignated	\$ 5,275,340	\$ 4,933,983
Management designated:		
J-MAP*	631,490	619,848
Aircraft engine reserve–Waxhaw	261,561	406,539
Other	1,219,238	1,475,435
	2,112,289	2,501,822
Board designated:		
Operating reserve	250,000	250,000
	7,637,629	7,685,805
With donor restriction:		
Transportation	1,427,647	891,654
Ministry operations	537,853	808,390
Information technology	27,504	55,938
Media	82,015	113,621
Other	21,385	1,200
Beneficial interest in split-interest agreements	743,984	689,492
	2,840,388	2,560,295
Total net assets	\$ 10,478,017	\$ 10,246,100

**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 J-MAP reserve. A total of 7 and 10 units with a covered value of \$2,350,000 and \$2,650,000 were included in this program as of September 30, 2019 and 2018, respectively. The estimated cost of work orders pending under the program as of September 30, 2019 and 2018, was \$0. During the years ended September 30, 2019 and 2018, respectively, \$11,641 and \$12,673 in income was earned, and \$0 in expense was incurred, against the fund.

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

7. RELATED PARTY TRANSACTIONS:

DEPOSITS WITH RELATED 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 \$4,097,332 and \$4,217,645 for the years ended September 30, 2019 and 2018,

NON-CASH 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 parties represent services received by JAARS from individuals paid by Wycliffe USA recognized at the cost of the compensation paid by Wycliffe USA. Donated services and goods from others represent non related party volunteer time and goods that are recognized at estimated fair value.

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

	Year Ended September 30, 2019		
	<u>Related Party</u>	<u>Others</u>	<u>Total</u>
Goods	<u>\$ -</u>	<u>\$ 142,391</u>	<u>\$ 142,391</u>
Services:			
Transportation	\$ 3,570,004	\$ 267,799	\$ 3,837,803
Ministry operations	2,777,152	181,228	2,958,380
Media	-	17,994	17,994
Technology	115,600	25,227	140,827
Fundraising	383,383	-	383,383
Management	463,465	55,583	519,048
	<u>\$ 7,309,604</u>	<u>\$ 547,831</u>	<u>\$ 7,857,435</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

7. RELATED PARTY TRANSACTIONS, continued:
NON-CASH CONTRIBUTIONS AND DONATIONS, continued

	Year Ended September 30, 2018		
	<u>Related Party</u>	<u>Others</u>	<u>Total</u>
Goods and securities	<u>\$ -</u>	<u>\$ 161,887</u>	<u>\$ 161,887</u>
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
Fundraising	393,379	-	393,379
Management	<u>553,733</u>	<u>119,620</u>	<u>673,353</u>
	<u>\$ 7,323,955</u>	<u>\$ 611,745</u>	<u>\$ 7,935,700</u>

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.

8. LEASES:

During 2019, JAARS entered into a capital lease obligation for office equipment that expires in October 2024. The gross amount of equipment and related accumulated amortization recorded under the capital lease as of September 30, 2019, was as follows:

Equipment	\$ 90,056
Less accumulated amortization	-
	<u>\$ 90,056</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2019 and 2018

8. LEASES, continued:

JAARS has entered into two leases for other equipment. Both leases expire in 2024 and automatically renew on an annual basis after the expiration date unless either party terminates the lease. Total rental expense for the years ended September 30, 2019 and 2018, was \$66,174 and \$58,990, respectively. Minimum lease payments under operating lease (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Operating</u>	<u>Capital</u>
2020	\$ 5,178	\$ 19,807
2021	5,178	18,284
2022	5,178	18,284
2023	5,178	18,284
2024	5,178	18,284
Thereafter	-	3,047
	<u>25,890</u>	<u>95,990</u>
Less amount representing interest	-	(5,934)
	<u>\$ 25,890</u>	<u>\$ 90,056</u>

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 6, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.