



JAARS, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Related Party Relationship

The accompanying financial statements are those of JAARS, Inc., under common control with SIL International, and are not those of the primary reporting entity. Consolidated financial statements of SIL International for the years ended September 30, 2021 and 2020, are issued separately with the independent auditors' report.

Capin Crouse LLP

Columbia, South Carolina
February 9, 2022

JAARS, INC.

Statements of Financial Position

	September 30,	
	2021	2020
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 214,134	\$ 140,207
Deposits with related organization (Note 2)	856,259	5,354,548
Receivables (Note 2)	483,499	67,867
Inventories—net (Note 4)	70,511	71,695
Prepaid expenses and other assets	182,579	146,128
Investments (Note 2)	2,563,548	-
	4,370,530	5,780,445
Noncurrent assets:		
Property and equipment—net of accumulated depreciation (Note 5)	6,949,405	5,822,468
Beneficial interest in split-interest agreements (Note 2)	654,186	566,323
Inventories—net (Note 4)	459,219	457,876
	8,062,810	6,846,667
Total Assets	\$ 12,433,340	\$ 12,627,112
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 119,940	\$ 385,753
Accrued and other liabilities	131,105	125,444
	251,045	511,197
Noncurrent liabilities:		
Capital lease obligation (Note 8)	63,886	83,187
Asset retirement obligation (Note 2)	585,343	585,343
	649,229	668,530
Total liabilities	900,274	1,179,727
Net assets:		
Without donor restriction: (Note 6)		
Undesignated	5,676,146	6,000,837
Management designated	2,102,077	2,150,002
	7,778,223	8,150,839
With donor restriction (Note 6)	3,754,843	3,296,546
Total net assets	11,533,066	11,447,385
Total Liabilities and Net Assets	\$ 12,433,340	\$ 12,627,112

See notes to financial statements

JAARS, INC.

Statements of Activities

	Year Ended September 30,					
	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
OPERATING SUPPORT AND REVENUE:						
Support:						
Cash contributions:						
From public	\$ 1,711,319	\$ 1,887,025	\$ 3,598,344	\$ 2,618,242	\$ 1,224,322	\$ 3,842,564
From ministry partners	1,184,806	177,042	1,361,848	558,038	114,037	672,075
Noncash contributions and donations: (Note 7)						
Goods	17,241	-	17,241	283,760	-	283,760
Securities	18,698	-	18,698	6,145	-	6,145
Services	8,028,716	-	8,028,716	7,607,868	-	7,607,868
Total support	10,960,780	2,064,067	13,024,847	11,074,053	1,338,359	12,412,412
Revenue:						
Program activities primarily with ministry partners:						
Program revenue	1,457,670	-	1,457,670	1,538,335	-	1,538,335
Sales revenue, net (Note 2)	(23,057)	-	(23,057)	69,263	-	69,263
	1,434,613	-	1,434,613	1,607,598	-	1,607,598
Other revenues:						
Investment income	65,310	-	65,310	88,934	-	88,934
(Loss) gain on sale of fixed assets	(45,571)	-	(45,571)	11,644	-	11,644
Total revenue	1,454,352	-	1,454,352	1,708,176	-	1,708,176
Total Operating Support and Revenue	12,415,132	2,064,067	14,479,199	12,782,229	1,338,359	14,120,588

(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities (continued)

	Year Ended September 30,					
	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,693,633	(1,693,633)	-	704,540	(704,540)	-
	1,693,633	(1,693,633)	-	704,540	(704,540)	-
OPERATING EXPENSES:						
Operations:						
Program expenses	12,168,557	-	12,168,557	10,839,974	-	10,839,974
Supporting activities:						
Management services	1,013,697	-	1,013,697	1,498,095	-	1,498,095
Fundraising	1,299,127	-	1,299,127	635,490	-	635,490
	2,312,824	-	2,312,824	2,133,585	-	2,133,585
Total Operating Expenses	14,481,381	-	14,481,381	12,973,559	-	12,973,559
Change in Net Assets from Operations	(372,616)	370,434	(2,182)	513,210	633,819	1,147,029
NON-OPERATING ACTIVITIES:						
Change in value of split-interest agreements	-	87,863	87,863	-	(177,661)	(177,661)
Change in Net Assets	(372,616)	458,297	85,681	513,210	456,158	969,368
Net Assets, Beginning of Year	8,150,839	3,296,546	11,447,385	7,637,629	2,840,388	10,478,017
Net Assets, End of Year	\$ 7,778,223	\$ 3,754,843	\$ 11,533,066	\$ 8,150,839	\$ 3,296,546	\$ 11,447,385

See notes to financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 85,681	\$ 969,368
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	663,284	577,528
Loss (gain) on sale of fixed assets	45,571	(11,644)
Unrealized/realized loss on investments	5,304	-
Noncash property, plant and equipment donations	-	(223,000)
Change in value of split-interest agreements	(87,863)	177,661
Change in deposits with related organization	4,498,289	(1,257,216)
Change in operating assets and liabilities:		
Accounts receivable	(415,632)	31,308
Inventories	(159)	117,279
Prepaid expenses and other assets	(36,451)	(66,314)
Accounts payable, accrued expenses and other liabilities	(260,152)	159,647
Net Cash Provided by Operating Activities	4,497,872	474,617
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,818,852)	-
Proceeds from sale of investments	1,250,000	-
Purchases of property and equipment	(1,869,921)	(667,451)
Proceeds from sale of fixed assets	34,129	11,644
Net Cash Used by Investing Activities	(4,404,644)	(655,807)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	(19,301)	(6,869)
Net Cash Used by Financing Activities	(19,301)	(6,869)
Net Change in Cash and Cash Equivalents	73,927	(188,059)
Cash and Cash Equivalents, Beginning of Year	140,207	328,266
Cash and Cash Equivalents, End of Year	\$ 214,134	\$ 140,207
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions of goods and aircraft not capitalized	\$ 17,241	\$ 60,760
Noncash contributions of goods and aircraft capitalized	\$ -	\$ 223,000

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
Grants and other assistance	966,622	-	-	-	966,622
Depreciation	615,585	36,189	11,510	47,699	663,284
Information technology	581,262	4,231	4,234	8,465	589,727
Equipment/inventory supplies	440,738	218	156	374	441,112
Occupancy	359,877	2,093	2,010	4,103	363,980
Office expenses	272,964	7,773	31,575	39,348	312,312
Professional services	138,055	87,458	72,501	159,959	298,014
Insurance	124,866	110,396	-	110,396	235,262
Travel	169,588	16,854	7,256	24,110	193,698
Conferences	142,250	3,489	850	4,339	146,589
Payroll taxes	101,076	20,213	13,854	34,067	135,143
Employee benefits	62,484	15,016	7,727	22,743	85,227
Other expenses	45,270	36,596	-	36,596	81,866
Advertising and promotion	14,464	1,472	43,214	44,686	59,150
Accounting	3,090	37,718	-	37,718	40,808
Legal	3,945	-	-	-	3,945
Training—aircraft	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.

Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services	Supporting Activities			Total All Functions
		Management Services	Fundraising	Total	
Donated services	\$ 6,619,477	\$ 623,773	\$ 364,618	\$ 988,391	\$ 7,607,868
Salaries and wages	1,105,923	371,263	106,056	477,319	1,583,242
Depreciation	515,412	30,105	32,011	62,116	577,528
Equipment/inventory supplies	547,394	4,959	13,241	18,200	565,594
Information technology	487,334	11,216	20,679	31,895	519,229
Grants and other assistance	332,735	-	-	-	332,735
Occupancy	264,483	3,428	2,798	6,226	270,709
Professional services	161,928	46,036	32,569	78,605	240,533
Insurance	104,873	118,433	-	118,433	223,306
Office expenses	90,428	110,047	1,646	111,693	202,121
Travel	140,755	30,521	13,262	43,783	184,538
Training-aircraft	139,386	-	-	-	139,386
All other expenses	62,121	68,566	144	68,710	130,831
Payroll taxes	81,334	25,748	7,515	33,263	114,597
Conferences	79,908	3,411	1,849	5,260	85,168
Employee benefits	53,224	11,361	18,740	30,101	83,325
Advertising and promotion	38,062	6,857	19,887	26,744	64,806
Accounting	7,686	31,345	475	31,820	39,506
Legal	7,511	1,026	-	1,026	8,537
Total	\$ 10,839,974	\$ 1,498,095	\$ 635,490	\$ 2,133,585	\$ 12,973,559

See notes to financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2021 and 2020

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 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.

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 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.

Water Transportation Solutions: 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, 2021 and 2020

1. NATURE OF ORGANIZATION, continued:

Technology Solutions: We help our international partners assess technology 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 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.

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
- 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, 2021 and 2020

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 \$4,000 and \$0- at September 30, 2021 and 2020, 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, 2021 and 2020.

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 are not covered by federally insured limits and earn interest at the current rate, which for the years ended September 30, 2021 and 2020, was 2.0% and 1.8% 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, 2021 and 2020

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 statement 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% for the year ended September 30, 2021) to participants in proportion to the amount they have on deposit in the pool.

As of September 30, 2021, RIACII reported total assets with a fair value of approximately \$97,178,000, of which JAARS holds \$1,816,324 (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,	
	2021	2020
Deposits with RIACII	\$ 1,816,324	\$ -
Mutual funds	747,224	-
	<u>\$ 2,563,548</u>	<u>\$ -</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2021 and 2020

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 2021 and 2020, there were no additions to or sales of any of the items in the collections.

JAARS, INC.

Notes to Financial Statements

September 30, 2021 and 2020

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, 2021 and 2020, the balance was \$585,343 which was fully amortized. The ARO discount rate is 1% as of September 30, 2021 and 2020.

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, 2021 and 2020

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 staff provided by ministry partners of JAARS. See Note 7 for contributed and donated services recorded.

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 \$413,670 and \$521,558, for the years ended September 30, 2021 and 2020, respectively. For the years ended September 30, 2021 and 2020, cost of goods sold were \$436,727 and \$452,295, 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.

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.

JAARS, INC.

Notes to Financial Statements

September 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. JAARS adopted the provisions of this new standard during the year ended September 30, 2021. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard did not have a material effect on the financial statements.

In 2018, FASB issued ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. JAARS adopted the provisions of this new standard during the year ended September 30, 2021. The new standard is designed to simplify the disclosures related to fair value measurements. Adoption of this standard had no effect on change in net assets or net assets in total.

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.

	September 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 214,134	\$ 140,207
Receivables	483,499	67,867
Deposits with related organization	856,259	5,354,548
Investments	2,563,548	-
Beneficial interest in split interest agreements	654,186	566,323
Financial assets, at year end	<u>4,771,626</u>	<u>6,128,945</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	(2,024,755)	(2,730,223)
Beneficial interest in split interest agreements	(654,186)	(566,323)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,092,685</u>	<u>\$ 2,832,399</u>

JAARS, INC.

Notes to Financial Statements

September 30, 2021 and 2020

4. INVENTORIES–NET:

Inventories–net consist of:

	September 30,	
	2021	2020
Aviation parts–current	\$ 70,496	\$ 68,428
Aviation parts–noncurrent	399,477	387,757
Material and supplies–current	7,515	7,515
Material and supplies–noncurrent	42,583	42,583
Specialized aircraft parts–noncurrent	59,659	70,035
Work in process–current	-	3,253
	579,730	579,571
Less obsolescence reserve	(50,000)	(50,000)
	\$ 529,730	\$ 529,571

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, 2021 and 2020. 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,	
	2021	2020
Land and improvements	\$ 1,642,756	\$ 1,187,453
Asset retirement obligation	138,895	138,895
Buildings and improvements	9,281,544	9,227,527
Equipment	3,981,600	3,892,053
Vehicles	320,808	314,308
Aircraft	4,794,226	4,441,207
	20,159,829	19,201,443
Less accumulated depreciation	(14,396,159)	(13,732,873)
	5,763,670	5,468,570
Work in process	1,185,735	353,898
	\$ 6,949,405	\$ 5,822,468

JAARS, INC.

Notes to Financial Statements

September 30, 2021 and 2020

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2021	2020
Without donor restriction:		
Undesignated	\$ 5,676,146	\$ 6,000,837
Management designated:		
J-MAP*	640,731	640,731
Aircraft engine reserve–Waxhaw	265,443	304,140
Other	1,195,903	1,205,131
	2,102,077	2,150,002
	7,778,223	8,150,839
With donor restriction:		
Program services	3,100,657	2,730,223
Beneficial interest in split-interest agreements	654,186	566,323
	3,754,843	3,296,546
Total net assets	\$ 11,533,066	\$ 11,447,385

*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 6 aircrafts and 1 turbine run stand with a covered value of \$1,700,000 were included in this program as of September 30, 2021. There were no claims against the program as of September 30, 2021. For the years ended September 30, 2021 and 2020, the program received \$0 and \$6,936, respectively, in premiums and incurred no expenses.

JAARS, INC.

Notes to Financial Statements

September 30, 2021 and 2020

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 \$0 and \$5,354,548 for the years ended September 30, 2021 and 2020, respectively.

CONTRIBUTIONS FROM RELATED ORGANIZATIONS

JAARS received \$1,361,848 and \$672,075 in contributions from related ministry partners during the years ended September 30, 2021 and 2020, respectively.

GRANTS AND OTHER ASSISTANCE TO RELATED ORGANIZATIONS

JAARS paid \$966,622 and \$332,735 in grants to related ministry partners during the years ended September 30, 2021 and 2020, respectively.

RENTAL INCOME FROM RELATED ORGANIZATIONS

JAARS received \$236,336 and \$272,695 in rental income from related ministry partners during the years ended September 30, 2021 and 2020, 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 \$654,186 and \$566,323 for the years ended September 30, 2021 and 2020, respectively.

NON-CASH CONTRIBUTIONS

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.

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, 2021 and 2020

7. RELATED PARTY TRANSACTIONS, continued:

NON-CASH CONTRIBUTIONS, continued

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

	Year Ended September 30, 2021		
	<u>Related Party</u>	<u>Others</u>	<u>Total</u>
Goods and securities	<u>\$ -</u>	<u>\$ 35,939</u>	<u>\$ 35,939</u>
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
	<u>\$ 6,633,179</u>	<u>\$ 1,395,537</u>	<u>\$ 8,028,716</u>
	Year Ended September 30, 2020		
	<u>Related Party</u>	<u>Others</u>	<u>Total</u>
Goods and securities	<u>\$ 177,000</u>	<u>\$ 112,905</u>	<u>\$ 289,905</u>
Services:			
Program services	\$ 6,162,031	\$ 457,446	\$ 6,619,477
Fundraising	364,618	-	364,618
Management	567,681	56,092	623,773
	<u>\$ 7,094,330</u>	<u>\$ 513,538</u>	<u>\$ 7,607,868</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.

JAARS, INC.

Notes to Financial Statements

September 30, 2021 and 2020

8. CAPITAL LEASES:

During 2020, 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 was as follows:

	September 30,	
	2021	2020
Equipment	\$ 90,056	\$ 90,056
Less accumulated amortization	(19,300)	(15,962)
	\$ 70,756	\$ 74,094

Future minimum capital lease payments are as follows:

Years Ending September 30,	Amount
2022	\$ 18,284
2023	18,284
2024	18,284
2025	11,322
Thereafter	-
	66,174
Less amount representing interest	(2,288)
	\$ 63,886

9. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the world. COVID-19 has caused severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. In the midst of this crisis, contributions and total revenue for JAARS have grown year over year. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of JAARS for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 9, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.