



JAARS, INC.

Financial Statements
With Independent Auditors' Report

September 30, 2020 and 2019

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, 2020 and 2019, and the related statements of activities, 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, 2020 and 2019, 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.

Capin Crouse LLP

Columbia, South Carolina
February 3, 2021

JAARS, INC.

Statements of Financial Position

	September 30,	
	2020	2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 140,207	\$ 328,266
Deposits with related organization (Note 2)	5,354,548	4,097,332
Accounts receivable (Note 2)	67,867	99,175
Inventories—net (Note 4)	71,695	292,482
Prepaid expenses and other assets	146,128	79,814
	5,780,445	4,897,069
Noncurrent assets:		
Property and equipment—net of accumulated depreciation (Note 5)	5,822,468	5,401,145
Beneficial interest in split-interest agreements (Note 2)	566,323	743,984
Inventories—net (Note 4)	457,876	462,768
	6,846,667	6,608,905
Total Assets	\$ 12,627,112	\$ 11,504,966
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 385,753	\$ 265,510
Accrued and other liabilities	125,444	86,040
	511,197	351,550
Noncurrent liabilities:		
Capital lease obligation (Note 8)	83,187	90,056
Asset retirement obligation (Note 2)	585,343	585,343
	668,530	675,399
Total liabilities	1,179,727	1,026,949
Net assets:		
Without donor restriction: (Note 6)		
Undesignated	6,000,837	5,275,340
Management designated	2,150,002	2,112,289
Board designated	-	250,000
	8,150,839	7,637,629
With donor restriction (Note 6)	3,296,546	2,840,388
	11,447,385	10,478,017
Total Liabilities and Net Assets	\$ 12,627,112	\$ 11,504,966

See notes to financial statements

JAARS, INC.

Statements of Activities

	Year Ended September 30,					
	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
OPERATING SUPPORT AND REVENUE:						
Support:						
Cash contributions:						
From public	\$ 2,618,242	\$ 1,224,322	\$ 3,842,564	\$ 1,105,588	\$ 1,509,922	\$ 2,615,510
From ministry partners	558,038	114,037	672,075	414,424	56,195	470,619
Noncash contributions and donations: (Note 7)						
Goods	283,760	-	283,760	142,391	-	142,391
Securities	6,145	-	6,145	-	-	-
Services	7,607,868	-	7,607,868	7,857,435	-	7,857,435
Total support	11,074,053	1,338,359	12,412,412	9,519,838	1,566,117	11,085,955
Revenue:						
Program activities primarily with ministry partners:						
Program revenue	1,015,180	-	1,015,180	1,455,578	-	1,455,578
Sales revenue, net (Note 2)	337,811	-	337,811	276,491	-	276,491
	1,352,991	-	1,352,991	1,732,069	-	1,732,069
Other revenues:						
Interest income	88,934	-	88,934	69,572	-	69,572
Gain on sale of fixed assets	11,644	-	11,644	366,806	-	366,806
Other income	214,237	-	214,237	105,578	-	105,578
Total revenue	1,667,806	-	1,667,806	2,274,025	-	2,274,025
Total Operating Support and Revenue	12,741,859	1,338,359	14,080,218	11,793,863	1,566,117	13,359,980

(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities (continued)

	Year Ended September 30,					
	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Satisfaction of purpose restrictions	704,540	(704,540)	-	1,340,516	(1,340,516)	-
	704,540	(704,540)	-	1,340,516	(1,340,516)	-
OPERATING EXPENSES:						
Operations:						
Program expenses	10,799,604	-	10,799,604	11,206,746	-	11,206,746
Supporting activities:						
Management services	1,498,095	-	1,498,095	1,356,620	-	1,356,620
Fundraising	635,490	-	635,490	619,189	-	619,189
	2,133,585	-	2,133,585	1,975,809	-	1,975,809
Total Operating Expenses	12,933,189	-	12,933,189	13,182,555	-	13,182,555
Change in Net Assets from Operations	513,210	633,819	1,147,029	(48,176)	225,601	177,425
NON-OPERATING ACTIVITIES:						
Change in value of split-interest agreements	-	(177,661)	(177,661)	-	54,492	54,492
Change in Net Assets	513,210	456,158	969,368	(48,176)	280,093	231,917
Net Assets, Beginning of Year	7,637,629	2,840,388	10,478,017	7,685,805	2,560,295	10,246,100
Net Assets, End of Year	\$ 8,150,839	\$ 3,296,546	\$ 11,447,385	\$ 7,637,629	\$ 2,840,388	\$ 10,478,017

See notes to financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 969,368	\$ 231,917
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	577,528	540,052
Gain on sale of fixed assets	(11,644)	(366,806)
Settlement of asset retirement obligation	-	(8,826)
Noncash property, plant and equipment donations	(223,000)	(134,985)
Change in value of split-interest agreements	177,661	(54,492)
Change in deposits with related organization	(1,257,216)	120,313
Change in operating assets and liabilities:		
Accounts receivable	31,308	69,233
Inventories	117,279	(108,134)
Prepaid expenses and other assets	(66,314)	1,960
Accounts payable, accrued expenses and other liabilities	159,647	(79,693)
Net Cash Provided by Operating Activities	474,617	210,539
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(667,451)	(509,739)
Proceeds from sale of fixed assets	11,644	366,806
Net Cash Used by Investing Activities	(655,807)	(142,933)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	(6,869)	-
Net Cash Used by Financing Activities	(6,869)	-
Net Change in Cash and Cash Equivalents	(188,059)	67,606
Cash and Cash Equivalents, Beginning of Year	328,266	260,660
Cash and Cash Equivalents, End of Year	\$ 140,207	\$ 328,266
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions of goods and aircraft not capitalized	\$ 60,760	\$ 7,406
Noncash contributions of goods and aircraft capitalized	\$ 223,000	\$ 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, 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
Grants and other assistance	332,735	-	-	-	332,735
Salaries and wages	1,105,923	371,263	106,056	477,319	1,583,242
Employee benefits	53,224	11,361	18,740	30,101	83,325
Payroll taxes	81,334	25,748	7,515	33,263	114,597
Legal	7,511	1,026	-	1,026	8,537
Accounting	7,686	31,345	475	31,820	39,506
Professional services	161,928	46,036	32,569	78,605	240,533
Advertising and promotion	38,062	6,857	19,887	26,744	64,806
Office expenses	90,428	110,047	1,646	111,693	202,121
Information technology	487,334	11,216	20,679	31,895	519,229
Occupancy	264,483	3,428	2,798	6,226	270,709
Travel	140,755	30,521	13,262	43,783	184,538
Conferences	79,908	3,411	1,849	5,260	85,168
Depreciation	515,412	30,105	32,011	62,116	577,528
Insurance	104,873	118,433	-	118,433	223,306
Training—aircraft	139,386	-	-	-	139,386
Equipment	507,026	4,959	13,241	18,200	525,226
Other expenses	62,119	68,566	144	68,710	130,829
Total	\$ 10,799,604	\$ 1,498,095	\$ 635,490	\$ 2,133,585	\$ 12,933,189

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services	Supporting Activities			Total All Functions
		Management Services	Fundraising	Total	
Donated services	\$ 6,955,004	\$ 519,048	\$ 383,383	\$ 902,431	\$ 7,857,435
Grants and other assistance	842,364	-	-	-	842,364
Salaries and wages	940,998	386,777	67,838	454,615	1,395,613
Employee benefits	46,973	6,592	21,040	27,632	74,605
Payroll taxes	70,289	27,638	5,090	32,728	103,017
Legal	5,130	-	-	-	5,130
Accounting	-	30,040	-	30,040	30,040
Professional services	129,505	25,283	28,200	53,483	182,988
Advertising and promotion	95,720	7,995	14,832	22,827	118,547
Office expenses	243,162	10,737	-	10,737	253,899
Information technology	359,733	12,020	25,970	37,990	397,723
Occupancy	368,345	62,251	3,636	65,887	434,232
Travel	147,117	66,192	28,823	95,015	242,132
Conferences	147,300	4,843	2,295	7,138	154,438
Depreciation	499,796	5,912	34,344	40,256	540,052
Insurance	34,270	54,056	50	54,106	88,376
Training-aircraft	137,955	-	-	-	137,955
Equipment	168,869	1,824	-	1,824	170,693
All other expenses	14,216	135,412	3,688	139,100	153,316
Total	\$ 11,206,746	\$ 1,356,620	\$ 619,189	\$ 1,975,809	\$ 13,182,555

See notes to financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2020 and 2019

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 research, funding, training, equipment, program management, and/or networking resources to meet our partners' needs. JAARS 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 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. 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 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, 2020 and 2019

1. NATURE OF ORGANIZATION, continued:

Technology Solutions: We help our international partners, through relationships with SIL International and others, to 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
- 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.

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, 2020 and 2019

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 \$-0- and \$89,925 at September 30, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019, was 1.8% and 1.8%, 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, 2020 and 2019

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 2020 and 2019, 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, 2020 and 2019

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 for asbestos removal were 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, 2020 and 2019, the balance was \$585,343. The ARO discount rate is 1% and was fully amortized as of September 30, 2020 and 2019.

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, 2020 and 2019

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, net of cost of sales, in the amount of \$830,461 and \$1,344,490, for the years ended September 30, 2020 and 2019, respectively. For the years ended September 30, 2020 and 2019, cost of goods sold were \$492,650 and \$1,067,999, respectively.

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.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. JAARS adopted the provisions of this new standard during the year ended September 30, 2020 as a resource recipient in the current year and will adopt it as a resource provider in fiscal year 2021. Adoption of this standard did not have a material effect on the financial statements.

JAARS, INC.

Notes to Financial Statements

September 30, 2020 and 2019

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,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 140,207	\$ 328,266
Accounts receivable–net allowance	67,867	99,175
Deposits with related organization	5,354,548	4,097,332
Beneficial interest in split interest agreements	566,323	743,984
Financial assets, at year end	<u>6,128,945</u>	<u>5,268,757</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	(2,730,223)	(2,096,404)
Beneficial interest in split interest agreements	(566,323)	(743,984)
Corporate designations:		
Board designated operating reserve	-	(250,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,832,399</u>	<u>\$ 2,178,369</u>

JAARS has \$2,832,399 of financial assets available within one year of the statement of financial position date consisting largely of cash and short-term investments. As part of its liquidity management, JAARS deposits cash in excess of 30 day 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, 2020 and 2019

4. INVENTORIES–NET:

Inventories–net consist of:

	September 30,	
	2020	2019
Aviation parts–current	\$ 68,428	\$ 72,386
Aviation parts–noncurrent	387,757	410,189
Material and supplies–current	7,515	9,689
Material and supplies–noncurrent	42,583	54,904
Specialized aircraft parts–noncurrent	70,035	40,175
Work in process–current	3,253	217,907
	579,571	805,250
Less obsolescence reserve	(50,000)	(50,000)
	\$ 529,571	\$ 755,250

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, 2020 and 2019. 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,	
	2020	2019
Land and improvements	\$ 1,558,711	\$ 1,478,711
Asset retirement obligation	138,895	138,895
Buildings and improvements	9,227,527	9,111,855
Equipment	3,520,795	3,343,634
Vehicles	314,308	316,952
Aircraft	4,441,207	4,178,088
	19,201,443	18,568,135
Less accumulated depreciation	(13,732,873)	(13,166,990)
	5,468,570	5,401,145
Construction in process	353,898	-
	\$ 5,822,468	\$ 5,401,145

JAARS, INC.

Notes to Financial Statements

September 30, 2020 and 2019

6. NET ASSETS:

Net assets consist of:

	September 30,	
	2020	2019
Without donor restriction:		
Undesignated	\$ 6,000,837	\$ 5,275,340
Management designated:		
J-MAP*	640,731	631,490
Aircraft engine reserve–Waxhaw	304,140	261,561
Other	1,205,131	1,219,238
	2,150,002	2,112,289
Board designated:		
Operating reserve	-	250,000
	8,150,839	7,637,629
With donor restriction:		
Program Services	2,730,223	2,096,404
Beneficial interest in split-interest agreements	566,323	743,984
	3,296,546	2,840,388
Total net assets	\$ 11,447,385	\$ 10,478,017

*J-MAP Program – Only SIL Australia and JAARS currently participate 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, 2020. There were no claims against the program as of September 30, 2020. For the years ended September 30, 2020 and 2019, the program received \$6,936, and \$2,306, respectively, in premiums and incurred no expenses.

JAARS, INC.

Notes to Financial Statements

September 30, 2020 and 2019

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 \$5,354,548 and \$4,097,332 for the years ended September 30, 2020 and 2019,

CONTRIBUTIONS FROM RELATED ORGANIZATIONS

JAARS received \$672,075 and \$470,619 in contributions from related ministry partners during the years ended September 30, 2020 and 2019, respectively.

GRANTS AND OTHER ASSISTANCE TO RELATED ORGANIZATIONS

JAARS paid \$332,735 and \$842,364 in grants to related ministry partners during the years ended September 30, 2020 and 2019, respectively.

RENTAL INCOME FROM RELATED ORGANIZATIONS

JAARS received \$272,695 and \$295,414 in rental income from related ministry partners during the years ended September 30, 2020 and 2019, 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 \$566,323 and \$743,984 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019

7. RELATED PARTY TRANSACTIONS, continued:

NON-CASH CONTRIBUTIONS, continued

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

	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>
	Year Ended September 30, 2019		
	<u>Related Party</u>	<u>Others</u>	<u>Total</u>
Goods and securities	<u>\$ -</u>	<u>\$ 142,391</u>	<u>\$ 142,391</u>
Services:			
Transportation	\$ 6,462,756	\$ 492,248	\$ 6,955,004
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>

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, 2020 and 2019

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, 2020, was as follows:

Equipment	\$ 90,056
Less accumulated amortization	<u>(15,962)</u>
	<u>\$ 74,094</u>

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, 2020 and 2019, was \$23,766 and \$36,174, 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>
2021	\$ 4,413	\$ 18,234
2022	4,413	18,234
2023	4,413	18,234
2024	4,413	18,234
2025	4,413	15,237
Thereafter	<u>-</u>	<u>-</u>
	22,065	88,173
Less amount representing interest	<u>-</u>	<u>(4,986)</u>
	<u>\$ 22,065</u>	<u>\$ 83,187</u>

9. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the 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 3, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.