



JAARS, INC.

Financial Statements
With Independent Auditor's Report

September 30, 2025 and 2024

JAARS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
JAARS, Inc.
Waxhaw, North Carolina

Opinion

We have audited the financial statements of JAARS, Inc., which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JAARS, Inc. as of September 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Affiliate Relationship

The accompanying financial statements are those of JAARS, Inc., under common control with SIL Global, and are not those of the primary reporting entity. Consolidated financial statements of SIL Global for the years ended September 30, 2025 and 2024, are issued separately with the independent auditor's report.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors
JAARS, Inc.
Waxhaw, North Carolina

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JAARS, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JAARS, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Capin Crouse LLC

Columbia, South Carolina
January 29, 2026

JAARS, INC.

Statements of Financial Position

	September 30,	
	2025	2024
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 700,188	\$ 681,461
Deposits with affiliated organization (Note 2)	-	227,868
Accounts receivables—net (Note 2)	248,525	147,731
Contributions receivables—net (Note 4)	550,547	981,636
Inventories (Note 5)	142,753	130,950
Prepaid expenses and other assets	189,633	150,656
Investments (Note 2)	529,395	986,077
	<u>2,361,041</u>	<u>3,306,379</u>
Noncurrent assets:		
Inventories—net (Note 5)	808,933	742,049
Property and equipment—net of accumulated depreciation (Note 6)	12,798,909	12,815,647
Beneficial interest in split-interest agreements (Note 2)	954,982	747,382
	<u>14,562,824</u>	<u>14,305,078</u>
Total Assets	<u>\$ 16,923,865</u>	<u>\$ 17,611,457</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 338,724	\$ 328,788
Accrued and other liabilities	316,549	193,298
Line of credit (Note 7)	100,000	-
	<u>755,273</u>	<u>522,086</u>
Noncurrent liabilities:		
Other liabilities	159,018	229,574
Asset retirement obligation (Note 2)	614,915	614,915
	<u>773,933</u>	<u>844,489</u>
Total liabilities	<u>1,529,206</u>	<u>1,366,575</u>
Net assets:		
Without donor restriction: (Note 8)		
Undesignated	10,496,091	11,080,757
Management designated	2,627,884	2,352,537
	<u>13,123,975</u>	<u>13,433,294</u>
With donor restriction (Note 8)	2,270,684	2,811,588
Total net assets	<u>15,394,659</u>	<u>16,244,882</u>
Total Liabilities and Net Assets	<u>\$ 16,923,865</u>	<u>\$ 17,611,457</u>

See notes to financial statements

JAARS, INC.

Statements of Activities

OPERATING SUPPORT AND REVENUE:

Support:

	2025			Year Ended September 30,			2024		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Contributions of financial assets	\$ 5,298,058	\$ 3,288,124	\$ 8,586,182	\$ 2,979,375	\$ 5,244,966	\$ 8,224,341			
Contributions of non-financial assets: (Note 9)									
Goods	12,664	-	12,664	1,877,402	-	1,877,402			
Services	8,682,165	-	8,682,165	8,823,327	-	8,823,327			
Total support	<u>13,992,887</u>	<u>3,288,124</u>	<u>17,281,011</u>	<u>13,680,104</u>	<u>5,244,966</u>	<u>18,925,070</u>			

Revenue:

Program activities primarily with ministry partners:

Program revenue	1,668,027	-	1,668,027	1,667,262	-	1,667,262
Sales revenue, net (Note 2)	<u>50,571</u>	<u>-</u>	<u>50,571</u>	<u>104,750</u>	<u>-</u>	<u>104,750</u>
	<u>1,718,598</u>	<u>-</u>	<u>1,718,598</u>	<u>1,772,012</u>	<u>-</u>	<u>1,772,012</u>

Other revenues:

Investment income	46,582	-	46,582	69,553	-	69,553
Gain (loss) on sale of fixed assets	<u>5,291</u>	<u>-</u>	<u>5,291</u>	<u>(12,627)</u>	<u>-</u>	<u>(12,627)</u>
Total revenue	<u>1,770,471</u>	<u>-</u>	<u>1,770,471</u>	<u>1,828,938</u>	<u>-</u>	<u>1,828,938</u>

Total Operating Support and Revenue

	<u>15,763,358</u>	<u>3,288,124</u>	<u>19,051,482</u>	<u>15,509,042</u>	<u>5,244,966</u>	<u>20,754,008</u>
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(continued)

See notes to financial statements

JAARS, INC.

Statements of Activities (continued)

RECLASSIFICATIONS:

Net assets released from restrictions:

	Year Ended September 30,		
	2025		2024
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction
Administrative assessments	544,117	(544,117)	-
Satisfaction of purpose restrictions	3,492,511	(3,492,511)	4,305,876
	<u>4,036,628</u>	<u>(4,036,628)</u>	<u>4,589,287</u>

OPERATING EXPENSES:

Operations:

Program expenses	17,657,746	-	17,657,746	14,895,974	-	14,895,974
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Supporting activities:

Management services	1,570,613	-	1,570,613	1,654,169	-	1,654,169
Fundraising	880,946	-	880,946	812,635	-	812,635
	<u>2,451,559</u>	<u>-</u>	<u>2,451,559</u>	<u>2,466,804</u>	<u>-</u>	<u>2,466,804</u>

Total Operating Expenses

20,109,305	-	20,109,305	17,362,778	-	17,362,778
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Change in Net Assets from Operations

(309,319)	(748,504)	(1,057,823)	2,735,551	655,679	3,391,230
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NON-OPERATING ACTIVITIES:

Change in value of split-interest agreements

-	207,600	207,600	-	181,366	181,366
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Change in Net Assets

(309,319)	(540,904)	(850,223)	2,735,551	837,045	3,572,596
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Net Assets, Beginning of Year

13,433,294	2,811,588	16,244,882	10,697,743	1,974,543	12,672,286
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Net Assets, End of Year

<u>\$ 13,123,975</u>	<u>\$ 2,270,684</u>	<u>\$ 15,394,659</u>	<u>\$ 13,433,294</u>	<u>\$ 2,811,588</u>	<u>\$ 16,244,882</u>
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See notes to financial statements

JAARS, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (850,223)	\$ 3,572,596
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,540,484	1,059,990
Loss (gain) on sale of fixed assets	(5,291)	12,627
Contributions restricted for long-term purposes	-	(2,607,865)
Unrealized/realized loss on investments	4,059	2,672
Noncash property, plant, and equipment donations	-	(1,857,000)
Donated investments	(366,902)	(744,619)
Change in value of split-interest agreements	(207,600)	(181,366)
Change in operating assets and liabilities:		
Change in deposits with affiliated organization	227,868	1,021,281
Contributions receivables—net	431,089	(631,636)
Accounts receivable—net	(100,794)	74,117
Inventories—net	(78,687)	(93,498)
Prepaid expenses and other assets	(38,977)	(32,939)
Accounts payable, accrued expenses and other liabilities	62,631	329,472
Net Cash Provided (Used) by Operating Activities	<u>617,657</u>	<u>(76,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,150,445)	(4,072,225)
Proceeds from sale of investments	1,969,970	4,937,727
Purchases of property and equipment	<u>(1,518,455)</u>	<u>(3,153,257)</u>
Net Cash Used by Investing Activities	<u>(698,930)</u>	<u>(2,287,755)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	-	2,607,865
Borrowings on line of credit	200,000	-
Payments on line of credit	(100,000)	-
Net Cash Provided by Financing Activities	<u>100,000</u>	<u>2,607,865</u>
Net Change in Cash and Cash Equivalents	18,727	243,942
Cash and Cash Equivalents, Beginning of Year	<u>681,461</u>	<u>437,519</u>
Cash and Cash Equivalents, End of Year	<u>\$ 700,188</u>	<u>\$ 681,461</u>
SUPPLEMENTAL DISCLOSURE:		
Noncash contributions capitalized	<u>\$ -</u>	<u>\$ 1,857,000</u>

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2025

	Program Activities					Supporting Activities				Total Expenses
	Base Operations	International Operations	Technology Solutions	Transportation Solutions	Total Program	Management Services	Fundraising	Total Supporting		
Donated services	\$ 2,159,443	\$ 861,069	\$ 1,302,708	\$ 3,965,728	\$ 8,288,948	\$ 52,148	\$ 341,069	\$ 393,217	\$ 8,682,165	
Salaries and wages	1,590,223	318,085	382,268	780,934	3,071,510	841,136	393,553	1,234,689	4,306,199	
Depreciation	477,891	42,287	51,161	949,607	1,520,946	15,662	3,876	19,538	1,540,484	
Grants and other assistance	42,826	701,299	47,789	68,387	860,301	78,547	-	78,547	938,848	
Information technology	25,354	2,077	546,201	29,780	603,412	13,216	115	13,331	616,743	
Professional services	99,017	141,070	97,606	107,545	445,238	97,288	17,621	114,909	560,147	
Equipment/inventory supplies	201,969	9,199	-	321,450	532,618	3,338	9,330	12,668	545,286	
Occupancy	501,656	982	-	1,424	504,062	2,156	3,265	5,421	509,483	
Travel	116,413	104,837	3,607	197,870	422,727	45,418	36,754	82,172	504,899	
Office expenses	295,092	12,057	5,275	121,422	433,846	12,376	18,745	31,121	464,967	
Insurance	32,828	-	2,720	181,418	216,966	164,830	-	164,830	381,796	
Payroll taxes	140,546	23,344	15,609	82,236	261,735	81,308	990	82,298	344,033	
Employee benefits	82,789	20,770	-	116,044	219,603	62,224	35,206	97,430	317,033	
Conferences	17,834	18,052	-	148,613	184,499	1,575	119	1,694	186,193	
Accounting	6,618	1,397	170	1,218	9,403	90,892	-	90,892	100,295	
Advertising and promotion	54,140	2,724	-	2,798	59,662	5,908	20,303	26,211	85,873	
Other expenses	21,411	62	-	797	22,270	2,591	-	2,591	24,861	
Total	\$ 5,866,050	\$ 2,259,311	\$ 2,455,114	\$ 7,077,271	\$ 17,657,746	\$ 1,570,613	\$ 880,946	\$ 2,451,559	\$ 20,109,305	

See notes to financial statements

JAARS, INC.

Statement of Functional Expenses

Year Ended September 30, 2024

	Program Activities					Supporting Activities				Total Expenses
	Base Operations	International Operations	Technology Solutions	Transportation Solutions	Total Program	Management Services	Fundraising	Total Supporting		
Donated services	\$ 2,534,464	\$ 748,681	\$ 1,027,429	\$ 3,933,799	\$ 8,244,373	\$ 201,115	\$ 377,839	\$ 578,954	\$ 8,823,327	
Salaries and wages	1,327,551	-	310,211	337,361	1,975,123	798,672	268,761	1,067,433	3,042,556	
Depreciation	480,032	-	13,130	535,912	1,029,074	25,887	5,029	30,916	1,059,990	
Information technology	24,250	3,380	462,947	21,627	512,204	37,033	1,884	38,917	551,121	
Grants and other assistance	76,134	25,478	149,670	245,327	496,609	50,800	-	50,800	547,409	
Travel	56,822	103,079	716	261,338	421,955	28,293	74,196	102,489	524,444	
Occupancy	450,312	80	-	4,477	454,869	35,827	2,474	38,301	493,170	
Equipment/inventory supplies	205,958	1,261	10,708	249,488	467,415	988	7,878	8,866	476,281	
Office expenses	283,532	7,783	7,429	102,060	400,804	10,414	13,514	23,928	424,732	
Insurance	23,355	-	215	172,998	196,568	184,816	-	184,816	381,384	
Professional services	79,900	65,472	58,909	39,168	243,449	96,814	8,189	105,003	348,452	
Payroll taxes	105,308	-	22,747	26,287	154,342	55,033	19,371	74,404	228,746	
Employee benefits	90,049	-	9,965	12,006	112,020	85,042	7,160	92,202	204,222	
Conferences	14,554	1,485	-	121,799	137,838	2,918	-	2,918	140,756	
Advertising and promotion	31,466	484	-	1,789	33,739	222	26,209	26,431	60,170	
Accounting	165	1,467	99	945	2,676	39,538	131	39,669	42,345	
Other expenses	12,383	-	-	533	12,916	757	-	757	13,673	
Total	\$ 5,796,235	\$ 958,650	\$ 2,074,175	\$ 6,066,914	\$ 14,895,974	\$ 1,654,169	\$ 812,635	\$ 2,466,804	\$ 17,362,778	

See notes to financial statements

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

1. NATURE OF ORGANIZATION:

JAARS, Inc. (JAARS), covers the last mile of missions, using special-purpose aircraft, boats, and off-road vehicles so that unreached people can experience God's Word and His love. 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 Global (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, or serving with us and/or our partners.

JAARS operates as a nonprofit corporation under the laws of the state of North Carolina. JAARS is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and comparable state law, and contributions are tax-deductible within the limitations prescribed by the IRC. JAARS is classified as a Type 1 Supporting Organization of SIL 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. Legal accountability is assured with the SIL board granting final approval to the directors selected by the JAARS board and by a provision that grants the SIL board final approval of any bylaw changes that directly impact the 509(a)(3) relationship.

JAARS accomplishes its exempt purpose through the following activities:

TRANSPORTATION SOLUTIONS

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

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

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

1. NATURE OF ORGANIZATION, continued:

TRANSPORTATION SOLUTIONS, continued

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.

TECHNOLOGY SOLUTIONS

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

INTERNATIONAL OPERATIONS

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

BASE OPERATIONS

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

- Over 500 people work and volunteer to support Bible translation, including teams from our main partner, SIL Global
- Pilots, technical staff, and other missionaries train before heading overseas and to maintain ongoing competency
- Aircraft, boats, and other equipment are prepped for overseas partners
- We provide on-site training solutions for missionaries and global partners, including areas of inter-cultural communications and ministry, aviation, land and maritime training
- Core mission staff review and assess overseas logistical needs and provide solutions research and development, ongoing program management, financial and HR support services, clinical and counseling healthcare services, hospitality services to residential trainees and short-term missions staff, communications, fundraising, and more
- Groups from churches, schools, and the general public come to serve via short-term mission trips and/or to tour museums and mission operations
- Missionaries and their families rest and retool before returning to overseas assignments

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, INC.

Notes to Financial Statements

September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASE OPERATIONS, continued

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.

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

Cash and cash equivalents includes checking, savings, and petty cash accounts. JAARS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Certain accounts that meet the definition of cash but are part of a larger pool of investments are included in investments, which JAARS includes within investments as part of its overall investment portfolio strategy and cash equivalents pending reinvestment in accordance with its investment strategy. 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 \$370,000 and \$340,000 at September 30, 2025 and 2024, respectively.

DEPOSITS WITH AFFILIATED ORGANIZATION

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

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLES–NET

Accounts receivables consists of amounts due from entities, customers, and others related to inventory and sales, and are reported net of any anticipated losses due to uncollectible accounts. The allowance for credit losses is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. All receivables greater than 90 days have been collected and historically receivables have been collected. In that regard, there is no provision for credit losses at September 30, 2025 and 2024. Accounts receivables totaled \$248,525, \$147,731, and \$221,848 as of September 30, 2025, 2024, and 2023, respectively.

CONTRIBUTION RECEIVABLES–NET

Unconditional promises to give are recognized as support in the period in which they are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, using an appropriate discount rate commensurate with the risks involved. A discount rate of 4% was used for the year ended September 30, 2025. Amortization of the discount is recorded as contribution revenue in accordance with donor restrictions on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution, and fundraising activity.

INVENTORIES

Inventories consist of aviation and other parts, including 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. 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. Management has determined that no inventory reserve is necessary because aircraft parts, and material and supplies maintain functionality over long periods and remain supported by ongoing demand within the aviation industry.

INVESTMENTS

Investments consist of cash, money market funds, and equities with Truist bank and Merrill Lynch. Cash and money market funds are carried at value of the actual deposits made plus accrued interest on the statements of financial position. Investments in equities are stated at fair value. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Realized and unrealized gains and losses and interest income are included in investment income in the statements of activities.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The Fair Value Measurements and Disclosure topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. JAARS uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, JAARS measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All investments recorded at fair value are considered Level 1.

JAARS' investments consist of the following:

	September 30,	
	2025	2024
Equities	\$ 26,356	\$ -
Money market funds	497,336	898,674
Cash	5,703	87,403
	<u>\$ 529,395</u>	<u>\$ 986,077</u>

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 \$10,000 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.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

The JAARS campus houses The Alphabet Museum and the Cardenas Building (which tells the JAARS story). 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 2025 and 2024, 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.

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, 2025 and 2024, the balance was \$614,915 and \$614,915, respectively. The ARO discount rate is 4% as of September 30, 2025 and 2024.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. Restricted contributions are subject to assessments of 15%, which are used by JAARS to support ministry activities.

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 records revenue from the sale of inventory, net of related expenses. Sales revenues are recognized when the performance obligation is satisfied, which is generally when a product is shipped to a customer. Should amounts not be collected when the performance obligation is satisfied, accounts receivable is recorded for the outstanding amount. The sales revenue is presented in the statements of activities in the amount of \$332,139 and \$508,890, for the years ended September 30, 2025 and 2024, respectively. For the years ended September 30, 2025 and 2024, cost of goods sold were \$281,568 and \$404,140, respectively, and is netted against the sales.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROGRAM REVENUE

JAARS recognizes revenue from 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, at the point in time when it provides the service.

CONTRIBUTIONS OF NON-FINANCIAL ASSETS

Contributed services are recorded at estimated fair value and represent those services that require specialized skills (recognized as contributions and expenses allocated to the function served) or those that create or enhance nonfinancial assets such as property and equipment (recognized as contributions and additions to the basis of property and equipment). Contributed services represent the value of staff provided by ministry partners of JAARS. A significant portion of these services are for specialized skills in the aviation industry, which include, but not limited to pilots, mechanics, instructors, and engineers. These services are valued using the most recent Bureau of Labor Statistics' wage information to determine fair value.

JAARS uses county tax assessment appraisals, specialists, and market rates for similar assets to determine the fair value measurement for donated land and aircraft on the date of donation.

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

See Note 9 for contributed services and goods recorded.

ALLOCATION OF EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of JAARS have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and activities benefited. The expenses that are allocated include office utilities, which are allocated on a square-footage basis, as well as salaries and benefits for key management, which are allocated on the basis of estimates of time and activity.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

3. LIQUIDITY AND FUNDS AVAILABLE:

The following represents JAARS's financial assets as of September 30, 2025 and 2024, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Amounts not available include amounts set aside for long-term purposes that could be drawn upon if the governing board approves that action. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, management and general expenses, and fundraising to be included.

	September 30,	
	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 700,188	\$ 681,461
Deposits with affiliated organization	-	227,868
Accounts receivable–net	248,525	147,731
Contributions receivable–net	550,547	981,636
Investments	529,395	986,077
Beneficial interest in split interest agreements	<u>954,982</u>	<u>747,382</u>
Financial assets, at year-end	2,983,637	3,772,155
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions:		
Contributions receivable less those collectible within one year	(23,797)	(74,781)
Beneficial interest in split interest agreements	<u>(954,982)</u>	<u>(747,382)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,004,858</u>	<u>\$ 2,949,992</u>

In the event of an unanticipated liquidity need, JAARS could also draw upon its \$400,000 line of credit, which has \$300,000 available as of September 30, 2025.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

4. CONTRIBUTIONS RECEIVABLE—NET:

Contributions receivable—net of allowance includes the following unconditional promises:

	September 30,	
	2025	2024
Contributions receivable within one year	\$ 526,750	\$ 906,855
Contributions receivable within two to five years	26,750	78,400
	<u>553,500</u>	<u>985,255</u>
Less unamortized discount	(2,953)	(3,619)
	<u><u>\$ 550,547</u></u>	<u><u>\$ 981,636</u></u>

5. INVENTORIES:

Inventories consist of:

	September 30,	
	2025	2024
Aviation parts—current	\$ 107,435	\$ 105,585
Material and supplies—current	35,318	25,365
	<u>142,753</u>	<u>130,950</u>
Aviation parts—noncurrent	606,798	598,317
Material and supplies—noncurrent	202,135	143,732
	<u>808,933</u>	<u>742,049</u>
	<u><u>\$ 951,686</u></u>	<u><u>\$ 872,999</u></u>

JAARS standard aviation parts and materials are slow moving inventories, therefore, based on historical turnover trends, JAARS classifies approximately 85% of the assets as noncurrent and 15% as current for the years ended September 30, 2025 and 2024.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2025	2024
Land and improvements	\$ 2,466,666	\$ 2,378,206
Asset retirement cost	138,895	138,895
Buildings and improvements	11,762,431	11,641,811
Equipment	2,957,147	4,453,755
Vehicles	380,770	406,835
Aircraft	<u>10,864,641</u>	<u>10,259,577</u>
	28,570,550	29,279,079
Less accumulated depreciation	<u>(16,277,743)</u>	<u>(16,646,356)</u>
	12,292,807	12,632,723
Work in process	<u>506,102</u>	<u>182,924</u>
	<u><u>\$ 12,798,909</u></u>	<u><u>\$ 12,815,647</u></u>
Net book value of property and equipment		

7. LINE OF CREDIT:

JAARS has a \$400,000 secured operating line of credit with a financial institution. The line of credit bears interest at 8.5% and matures on June 27, 2026. The line of credit is collateralized by business assets excluding real estate. The outstanding principal balance was \$100,000 and \$-0- at September 30, 2025 and 2024, respectively. Interest expense totaled \$7,295 and \$-0- for the years ended September 30, 2025 and 2024, respectively.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

8. NET ASSETS:

Net assets consist of:

	September 30,	
	2025	2024
Without donor restriction:		
Undesignated	<u>\$ 10,496,091</u>	<u>\$ 11,080,757</u>
Management designated:		
J-MAP*	863,026	639,481
JAARS supported staff	163,788	-
Aircraft engine reserve—Waxhaw	646,114	489,795
Other	<u>954,956</u>	<u>1,223,261</u>
	<u>2,627,884</u>	<u>2,352,537</u>
	<u>13,123,975</u>	<u>13,433,294</u>
With donor restriction by time or purpose:		
Program services	1,265,155	1,969,825
Contributions receivable restricted by time	50,547	94,381
Beneficial interest in split-interest agreements	<u>954,982</u>	<u>747,382</u>
	<u>2,270,684</u>	<u>2,811,588</u>
Total net assets	<u><u>\$ 15,394,659</u></u>	<u><u>\$ 16,244,882</u></u>

**J-MAP Program*—Only JAARS currently participates and makes payments for aircraft hull damage reserves to JAARS, based upon the actual flight hours with a minimum of 100 hours per year. If aircraft should be damaged or destroyed, JAARS may repair or replace the aircraft within the limits set by the governing board using funds from the JMAP reserve. A total of 5 aircraft and 1 turbine runstand with a covered value of \$1,250,000 were included in this program as of September 30, 2025.

Per the JMAP By-Laws Section C, statement 4, “Whenever the balance of the fund shall exceed two times the maximum limit of a claim (\$300,000), collection of hourly and minimum premiums shall cease beginning at the first day of the next fiscal year for that entire fiscal year.” No premiums were collected in fiscal year 2025 or 2024 and none will be collected in fiscal year 2026.

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

9. RELATED PARTY TRANSACTIONS:

DEPOSITS WITH AFFILIATED ORGANIZATION

JAARS holds funds with SIL and may access the funds as needed. JAARS may transfer funds to the SIL ready investment account or access the funds, as needed. The deposits held with SIL totaled \$0 and \$227,868 as of September 30, 2025 and 2024, respectively. These deposits are not covered by federal insurance.

CONTRIBUTIONS FROM RELATED AND AFFILIATED ORGANIZATIONS

JAARS received \$885,870 and \$884,870 in contributions from related and affiliated ministry partners during the years ended September 30, 2025 and 2024, respectively.

GRANTS AND OTHER ASSISTANCE TO RELATED AND AFFILIATED ORGANIZATIONS

JAARS paid \$938,848 and \$547,409 in grants to related and affiliated ministry partners during the years ended September 30, 2025 and 2024, respectively.

RENTAL INCOME FROM RELATED AND AFFILIATED ORGANIZATIONS

JAARS received \$103,617 and \$164,968 in rental income from related and affiliated ministry partners during the years ended September 30, 2025 and 2024, 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 \$954,982 and \$747,382 as of September 30, 2025 and 2024, respectively.

CONTRIBUTIONS OF NON-FINANCIAL ASSETS

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

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

	Year Ended September 30, 2025		
	Related Party	Others	Total
Goods:			
Aircraft	\$ -	\$ -	\$ -
Other	-	12,664	12,664
	<hr/>	<hr/>	<hr/>
	\$ -	\$ 12,664	\$ 12,664

JAARS, INC.

Notes to Financial Statements

September 30, 2025 and 2024

9. RELATED PARTY TRANSACTIONS, continued:

CONTRIBUTIONS OF NON-FINANCIAL ASSETS, continued

	Year Ended September 30, 2025		
	Related Party	Others	Total
Services:			
Program services	\$ 6,599,630	\$ 1,689,318	\$ 8,288,948
Fundraising	179,422	161,647	341,069
Management	<u>33,824</u>	<u>18,324</u>	<u>52,148</u>
	<u><u>\$ 6,812,876</u></u>	<u><u>\$ 1,869,289</u></u>	<u><u>\$ 8,682,165</u></u>
	Year Ended September 30, 2024		
	Related Party	Others	Total
Goods:			
Land and buildings	\$ -	\$ 1,857,000	\$ 1,857,000
Other	<u>-</u>	<u>20,402</u>	<u>20,402</u>
	<u><u>\$ -</u></u>	<u><u>\$ 1,877,402</u></u>	<u><u>\$ 1,877,402</u></u>
Services:			
Program services	\$ 6,704,479	\$ 1,539,893	\$ 8,244,372
Fundraising	210,616	167,224	377,840
Management	<u>169,536</u>	<u>31,579</u>	<u>201,115</u>
	<u><u>\$ 7,084,631</u></u>	<u><u>\$ 1,738,696</u></u>	<u><u>\$ 8,823,327</u></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.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 29, 2026, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.