



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2017

MISSION LAZARUS, INC.

FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements	6-9



Smith Marion & Company, LLP · Certified Public Accountants
Brentwood Office · 5141 Virginia Way, Suite 400 · Brentwood, TN 37027 · (615) 309-8959

Board of Directors
Mission Lazarus, Inc.
Franklin, TN

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Mission Lazarus, Inc., which comprises the statement of financial position as of December 31, 2017 and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Lazarus, Inc. as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Smith Marion & Co
July 13, 2018

FINANCIAL INFORMATION

MISSION LAZARUS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets

Cash	200,420
Advances to employees	1,311
Undeposited funds	79,949
Inventory	182,896
Total Current Assets	464,576

Non-current Assets

Capital assets (net)	2,526,454
Other assets	25,647
Total Non-current Assets	2,552,101

TOTAL ASSETS

\$ 3,016,677

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	30,120
Accrued expenses	11,365
Current portion of debt	5,975
Total Current Liabilities	47,460

Long Term Liabilities

Debt noncurrent portion	-
Total Long Term Liabilities	-

Net Assets

Unrestricted	2,969,217
Temporarily restricted	-
Total Net Assets	2,969,217

TOTAL LIABILITIES AND NET ASSETS

\$ 3,016,677

MISSION LAZARUS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 737,040	\$ 1,662,763	\$ 2,399,803
Sales	506,054	-	506,054
Service revenues	14,371	-	14,371
Rental income	-	-	-
Miscellaneous income	73,975	-	73,975
Investment income	30,336	-	30,336
Net assets released from restrictions	<u>1,662,763</u>	<u>(1,662,763)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,024,539</u>	<u>-</u>	<u>3,024,539</u>
EXPENSES			
Program services	2,555,091	-	2,555,091
Management and general	149,756	-	149,756
Fundraising	134,007	-	134,007
TOTAL EXPENSE	<u>2,838,854</u>	<u>-</u>	<u>2,838,854</u>
Change in net assets	185,685	-	185,685
Beginning net assets	<u>2,783,532</u>	<u>-</u>	<u>2,783,532</u>
Ending net assets	<u>\$ 2,969,217</u>	<u>\$ -</u>	<u>\$ 2,969,217</u>

MISSION LAZARUS, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 185,685
Adjustments to reconcile change in net assets to net Cash Used by operating activities:	
Non-cash items:	
Depreciation	176,059
(Increase) Decrease in accounts receivable and undeposited funds	(27,103)
(Increase) Decrease in inventory and other assets	(37,667)
Increase (Decrease) in accounts payable	(32,361)
Increase (Decrease) in accrued expenses	7,075
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>271,688</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of additional capital assets	<u>(300,075)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(300,075)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Current and long term debt payments	<u>(17,291)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(17,291)</u>

Net increase (decrease) in cash	(45,678)
Beginning cash	<u>246,098</u>
Ending cash and cash equivalents	<u>\$ 200,420</u>

Interest expense for the year amounted to:	<u>\$ 6,083</u>
--	-----------------

MISSION LAZARUS, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Program	Mgt and General	Fund Raising	Total
Payroll	\$ 976,365	\$ 100,668	\$ -	\$ 1,077,033
Benefits	37,077	-	-	37,077
Payroll tax	26,278	7,801	-	34,079
Total Payroll	1,039,720	108,469	-	1,148,189
Materials	137,248	-	-	137,248
Food	76,492	-	-	76,492
Maintenance and repairs	102,823	-	-	102,823
Mission group travel	172,859	-	-	172,859
Fuel and oil	55,214	133	-	55,347
Construction supplies	33,515	-	-	33,515
Medical fees	40,424	-	-	40,424
Giving	5,203	-	-	5,203
Utilities	56,033	-	-	56,033
Rent	10,000	3,246	-	13,246
Consulting	121,596	-	-	121,596
Travel	111,705	-	-	111,705
Other supplies	66,140	-	-	66,140
Accounting	50,204	-	-	50,204
Insurance	35,653	-	-	35,653
Other fees	51,521	-	69,370	120,891
Postage and shipping	948	-	21,214	22,162
Education supplies	45,584	-	-	45,584
Legal	62,559	-	548	63,107
Miscellaneous	82,294	8,601	189	91,084
Office supplies	-	5,112	-	5,112
Interest	-	6,083	-	6,083
Advertising	-	-	25,889	25,889
Medicine	14,744	-	-	14,744
Website development	-	13,944	-	13,944
Bank fees	5,113	4,168	-	9,281
Tools	1,440	-	-	1,440
Printing and publications	-	-	16,797	16,797
Total before depreciation	2,379,032	149,756	134,007	2,662,795
Depreciation	176,059	-	-	176,059
Total functional expenses	\$ 2,555,091	\$ 149,756	\$ 134,007	\$ 2,838,854

MISSION LAZARUS, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mission Lazarus, Inc. (the "Organization") was founded in 2004 to enable a greater degree of financial transparency for missionary couple Jarrod and Allison Brown, who were managing numerous development and humanitarian programs in multiple communities in southern Honduras, as demonstrable acts of God's love and concern for the well-being of humanity. Over the years, the organization has refined its practices and programs to such a degree as to set new standards of excellence in a hybridized style of ministry, development, and business.

Now active in both Honduras and Haiti, its strategy of holistic development employs differing tactics dependent on cultural norms, inherent strengths in the community, and felt needs. All mission programs and initiatives work through church and community leaders to target individuals, families, entire communities, or local economies, to achieve outcomes that are credited to the local church, rather than a foreign power or organization.

One of its largest programs in Honduras is the Refuge, a campus of children's homes that provide a safe residence in a family-like environment to promote healing for neglected, orphaned and abandoned children. Now with nearly 50 children on site, housed in 7 different homes, the Refuge is a legacy for the future of Honduras and its families.

The Hacienda is a 1400 acre working ranch where the Refuge, the mission's main offices, and the warehouse are located. Additionally, a restaurant, guest lodge, vocational school, coffee farm, and clinic are located on these premises. It is the future construction site of its private school, currently located in a town about fifteen miles away. With a large herd of cattle, horses, and crop production, there are many opportunities for education and character building among students and employees who live and work onsite daily in the mission.

In Haiti, the primary development focus is the family. Disintegration of the family is a common occurrence due to extreme poverty perpetuated by an absence of employment opportunities. The key to improvement in Haiti is to keep families together. The organization achieves this through adult vocational training and job creation, child enrollment in L'Academie Lazare, the mission school which demands parent-teacher participation for its success, and community health interventions that improve overall well-being for families. All of these interventions increase family resilience and decrease the likelihood of family separation resulting in stronger communities and a better future for Haiti.

As a result of these, and other development programs, the Organization has planted, and continues to mentor, twenty-seven congregations throughout southern Honduras and has partnered with numerous congregations throughout Haiti, to spread the good news of Jesus Christ.

Accounting Basis

Mission Lazarus, Inc. is a voluntary health and welfare organization and maintains its accounting records on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the liability is incurred in accordance with generally accepted accounting principles.

Combined Financial Statements

The financial statements include the accounts of the Organization and its branches in Honduras and Haiti. All significant inter-branch transactions and accounts are eliminated. Foreign currency may be held in foreign banks in Haiti and Honduras. All foreign bank accounts are converted to the United States dollar. All accounting records are maintained in United States currency.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

MISSION LAZARUS, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2017, the Organization had no accounts receivable requiring a valuation allowance.

Inventory

Inventory consists primarily of merchandise sold in the Organization's memorabilia stores and is valued at the lower of cost or market determined by the first-in, first-out method.

Capital Assets

Capital assets are stated at acquisition cost or, if donated, at the approximate fair value at the date of donation less accumulated depreciation. Expenditures for maintenance and repairs are not capitalized, whereas expenditures for renewals and betterments that material prolong the useful lives of assets are generally capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis over estimated useful lives:

Buildings and improvements	15-39 years	Vehicles	5 years
Office equipment	3-7 years	Equipment	3-5 years

It is the Organization's policy to capitalize assets with a cost greater than \$2,000.

Public Support and Revenue Recognition

Support and revenue is recognized when earned, which may be when cash is received, unconditional promises made, in-kind donations are received or when products are sold.

All contributions are considered available for the Organizations' general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization receives a variety of services from volunteers supporting the Organization's mission. The Organization receives more than 22,200 volunteer hours per year.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2017 amounted to \$25,889.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Income Taxes

Mission Lazarus, Inc. is exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

In accordance with accounting standards, which provide accounting and disclosure guidance about uncertain tax positions taken by an Organization, management believes that all of the positions taken by the Organization in its federal and state income tax returns are more likely than not to be sustained upon examination.

The Organization files returns in the U.S. Federal jurisdiction. The returns for tax years 2014 and beyond remain subject to examination by the Internal Revenue Services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Net Assets

All financial transactions have been reported by net assets classification according to the presence or absence of donor-imposed stipulations. The financial statements report amounts by classification of net assets as follows:

- **Unrestricted** amounts are those currently available at the discretion of the board for use in Organization's operations and those resources invested in capital assets.
- **Temporarily restricted** amounts are those which are stipulated by donors for specific operating purposes, future use, or for the acquisition of capital assets.
- **Permanently restricted** amounts are those for which the principal is stipulated by donors to be invested in perpetuity. The income on the funds is used as specified by the donor.

Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these expenses when actually paid.

Subsequent Events

Accounting standards require that Mission Lazarus, Inc. assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. The Organization evaluated all potential subsequent events as of **July 13, 2018** when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after the balance sheet date or as of **July 13, 2018** that require disclosure in the financial statements

2. CONCENTRATION OF CREDIT RISK - CASH DEPOSITS

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash on deposit. The Organization maintains cash balances at several financial institutions located in Tennessee, Honduras, and Haiti. Accounts located in Tennessee institutions are insured the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Accounts located in Honduras institutions are insured by the Fondo de Seguro de Depositos (FOSEDE) which guarantees repayment of a certain percentage of deposits. Accounts located in Haiti financial institutions are not insured, therefore the Organization maintains low account balances to minimize their risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**3. OTHER ASSETS**

Other assets include investments in animals and crops for Mission Lazarus Hacienda, the working ranch.

4. NOTES PAYABLE

The Organization's obligation under notes payable at December 31, 2017 consisted of the following:

The installment note payable consists of a loan with original principle amount of \$81,218 due to Banco Davivienda Honduras. The note requires monthly payments of \$1,890 and accrues interest at 14%. The note is secured by various vehicles owned by the Company

\$ 5,975

Total

\$ 5,975

Aggregate maturities of long-term debt are summarized as follows:

Year Ending December 31,		
2017	\$	5,975
2018		-
2019		-
2020		-
2021		-
Thereafter		-
	\$	5,975

5. CAPITAL ASSETS

A summary of the cost of capital assets and related accumulated depreciation for the year ended December 31, 2017:

	12/31/16	12/31/17
Land	\$ 495,165	\$ 474,785
Construction in progress	103,875	194,606
Building and improvements	2,379,727	2,451,787
Vehicles	408,820	405,257
Office furniture and equip.	141,941	224,950
Equipment	52,994	68,818
Total Capital Assets	3,582,522	3,820,203
Accumulated depreciation	(1,180,084)	(1,293,749)
Net Capital Assets	\$ 2,402,438	\$ 2,526,454

Depreciation expense for the year ended December 31, 2017 totaled \$176,059.

* * * * *