



Financial Statements  
And  
Independent Auditors' Report

For the Year Ended December 31, 2018



	<u>Page</u>
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Audited Financial Statements:</b>	
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



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**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, 2018 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.

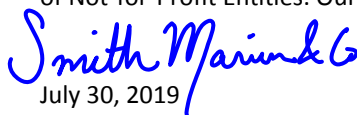
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018, Creative Compassion Inc. adopted new accounting guidance Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 658) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

  
July 30, 2019

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**Mission Lazarus, Inc.**  
Statement of Financial Position  
December 31, 2018

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**ASSETS**

**Current Assets**

Cash	534,068
Advances to employees	459
Undeposited funds	18,055
Inventory	6,971
<b>Total Current Assets</b>	<u>559,553</u>

**Non-current Assets**

Capital assets (net)	2,487,814
Other assets	31,747
Investment in Lazarus Group	306,255
<b>Total Non-current Assets</b>	<u>2,825,816</u>

**TOTAL ASSETS**

\$ 3,385,369

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	112,448
Accrued expenses	5,360
Current portion of debt	-
<b>Total Current Liabilities</b>	<u>117,808</u>

**Long Term Liabilities**

Debt noncurrent portion	-
<b>Total Long Term Liabilities</b>	<u>-</u>

**Net Assets**

Without Donor Restrictions	3,267,561
With Donor Restrictions	-
<b>Total Net Assets</b>	<u>3,267,561</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 3,385,369

**Mission Lazarus, Inc.**  
Statement of Activities  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions	\$ 1,134,647	\$ 1,336,922	\$ 2,471,569
Sales	153,280	-	153,280
Service revenues	13,725	-	13,725
Rental income	-	-	-
Miscellaneous income	151,798	-	151,798
Investment income	(2,715)	-	(2,715)
<b>Net assets released from restrictions</b>	<u>1,336,922</u>	<u>(1,336,922)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,787,657</u>	<u>-</u>	<u>2,787,657</u>
 <b>EXPENSES</b>			
Program services	2,138,736	-	2,138,736
Management and general	307,310	-	307,310
Fundraising	43,267	-	43,267
<b>TOTAL EXPENSE</b>	<u>2,489,313</u>	<u>-</u>	<u>2,489,313</u>
<b>Change in net assets</b>	298,344	-	298,344
 Beginning net assets	<u>2,969,217</u>	<u>-</u>	<u>2,969,217</u>
<b>Ending net assets</b>	<u><u>\$ 3,267,561</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,267,561</u></u>

**Mission Lazarus, Inc.**  
Statement of Cash Flow  
For the Year Ended December 31, 2018

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 298,344
<b>Adjustments to reconcile change in net assets to net Cash</b>	
<b>Used by operating activities:</b>	
<b>Non-cash items:</b>	
Depreciation	171,611
(Increase) Decrease in accounts receivable and undeposited funds	62,746
(Increase) Decrease in inventory and other assets	(136,430)
Increase (Decrease) in accounts payable	82,328
Increase (Decrease) in accrued expenses	(6,005)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>472,594</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of additional capital assets	<u>(132,971)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(132,971)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Current and long term debt payments	<u>(5,975)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(5,975)</u>

Net increase (decrease) in cash	333,648
Beginning cash	<u>200,420</u>
<b>Ending cash and cash equivalents</b>	<u><u>\$ 534,068</u></u>

Interest expense for the year amounted to:	<u><u>\$ 9,002</u></u>
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**Mission Lazarus, Inc.**

Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program	Mgt and General	Fund Raising	Total
Payroll	\$ 762,963	\$ 239,714	\$ -	\$ 1,002,677
Benefits	29,083	-	-	29,083
Payroll tax	10,998	18,285	-	29,283
Total Payroll	803,044	257,999	-	1,061,043
Materials	143,114	-	-	143,114
Food	72,548	-	-	72,548
Maintenance and repairs	73,378	-	-	73,378
Mission group travel	108,637	-	-	108,637
Fuel and oil	63,367	-	-	63,367
Construction supplies	53,975	-	-	53,975
Medical fees	49,432	-	-	49,432
Giving	902	-	-	902
Utilities	53,045	-	-	53,045
Rent	10,000	3,011	-	13,011
Consulting	102,359	-	-	102,359
Travel	131,777	-	-	131,777
Other supplies	62,114	-	-	62,114
Accounting	16,337	-	-	16,337
Insurance	40,473	-	-	40,473
Other fees	53,999	-	9,168	63,167
Postage and shipping	16,391	-	4,019	20,410
Education supplies	50,704	-	-	50,704
Legal	23,889	-	2,446	26,335
Miscellaneous	17,084	3,880	10,993	31,957
Office supplies	-	8,145	-	8,145
Interest	-	9,002	-	9,002
Advertising	-	-	6,669	6,669
Medicine	16,597	-	-	16,597
Website development	-	20,904	-	20,904
Bank fees	2,593	4,369	-	6,962
Tools	1,366	-	-	1,366
Printing and publications	-	-	9,972	9,972
<b>Total before depreciation</b>	<b>1,967,125</b>	<b>307,310</b>	<b>43,267</b>	<b>2,317,702</b>
Depreciation	171,611	-	-	171,611
<b>Total functional expenses</b>	<b>\$ 2,138,736</b>	<b>\$ 307,310</b>	<b>\$ 43,267</b>	<b>\$ 2,489,313</b>

**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 statement of cash flow, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.



**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, 2018, 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, 2018 amounted to \$6,669.

**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.

**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 2015 and beyond remain subject to examination by the Internal Revenue Services.

**Contributions**

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in with donor restriction net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction or purpose restriction is accomplished), donor restricted net assets are reclassified to without restriction net assets and reported in the statement of activities as net assets released from restrictions.

**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**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**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 30, 2019 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 30, 2019 that require disclosure in the financial statements.

**2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 534,068
Less funds subject to purpose restrictions	<u>-</u>
	<u><u>534,068</u></u>

**3. 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.

**4. OTHER ASSETS**

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

**5. INVESTMENT IN LAZARUS GROUP**

In October 2018, the Organization made an investment in a new for-profit entity, Lazarus Group, Inc. ("LG") (a Tennessee Corporation) which is 100% owned by the Organization. The investment, totaling \$306,255, is shown on the accompanying balance sheet as a non-current asset. LG's primary activities include the sale of leather goods designed and created by local artisans. LG also sells coffee, and lumber products which are locally harvested and processed in southern Honduras. In keeping with the mission of the Organization, these activities provide income opportunities for local Honduran artisans and laborers. The Organization's investment in LG provided inventory, labor costs, and various startup expenses to assist LG in beginning its operations. The Organization's management anticipates LG to become profitable within the next few years. Once profitable, LG will pay dividends to the Organization based on their investment and use substantially all of its profits to support the mission of the Organization.

A condensed balance sheet of Lazarus Group, Inc. at December 31, 2018 is summarized below:

Current assets	\$ 209,519
Fixed assets, net of depreciation	<u>4,331</u>
Total assets	<u><u>\$ 213,850</u></u>
Current Liabilities	<u>\$ 30,562</u>
Total Liabilities	<u>\$ 30,562</u>
Equity	<u><u>\$ 183,288</u></u>

Revenues and net loss for the year ended December 31, 2018 totaled \$328,318 and \$(122,968), respectively.

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**6. CAPITAL ASSETS**

A summary of the cost of capital assets and related accumulated depreciation for the year ended December 31, 2018:

	<u>12/31/17</u>	<u>12/31/18</u>
Land	\$ 474,785	\$ 460,366
Construction in progress	194,606	113,039
Building and improvements	2,451,787	2,572,989
Vehicles	405,257	437,108
Office furniture and equip.	224,950	232,993
Equipment	<u>68,818</u>	<u>70,620</u>
Total Capital Assets	<u>3,820,203</u>	<u>3,887,115</u>
Accumulated depreciation	<u>(1,293,749)</u>	<u>(1,399,301)</u>
Net Capital Assets	<u>\$ 2,526,454</u>	<u>\$ 2,487,814</u>

Depreciation expense for the year ended December 31, 2018 totaled \$171,611.

\* \* \* \* \*