



Financial Statements & Independent Auditors' Report

For the Year Ended December 31, 2020



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Smith Marion & Co. • Certified Public Accountants

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Board of Directors
Mission Lazarus, Inc.
Primm Springs, TN

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Mission Lazarus, Inc., which comprises the consolidated statement of financial position as of December 31, 2020 and the related consolidated statements of activities, consolidated cash flows, and consolidated functional expenses for the year then ended, and the related notes to the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mission Lazarus, Inc. as of December 31, 2020, 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.

A handwritten signature in blue ink that reads 'Smith Marion & Co.' with a stylized flourish at the end.

September 13, 2021

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Mission Lazarus, Inc.
Consolidated Statement of Financial Position
December 31, 2020

ASSETS

Current Assets

Cash	\$ 1,602,168
Advances to employees	1,221
Undeposited funds	366,879
Inventory	<u>3,182</u>
Total Current Assets	<u>1,973,450</u>

Non-Current Assets

Capital assets (net)	2,764,322
Other assets	25,799
Amount due from Lazarus Group	5,489
Investment in Lazarus Group	<u>713,461</u>
Total Non-Current Assets	<u>3,509,071</u>

TOTAL ASSETS	<u><u>\$ 5,482,521</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 23,658
Accrued expenses	3,078
Current portion of debt	<u>-</u>
Total Current Liabilities	<u>26,736</u>

Long Term Liabilities

Debt non-current portion	<u>-</u>
Total Long Term Liabilities	<u>-</u>

Net Assets

Without donor restrictions	4,952,361
With donor restrictions	<u>503,424</u>
Total Net Assets	<u>5,455,785</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,482,521</u></u>

Mission Lazarus, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 2,344,975	\$ 1,169,594	\$ 3,514,569
Sales	26,346	-	26,346
Service revenues	8,817	-	8,817
Rental income	4,435	-	4,435
Miscellaneous income	223,154	-	223,154
Investment income	(12,512)	-	(12,512)
Net Assets Released from Restrictions	<u>1,020,760</u>	<u>(1,020,760)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,615,975</u>	<u>148,834</u>	<u>3,764,809</u>
 EXPENSES			
Program services	1,608,200	-	1,608,200
Management and general	372,760	-	372,760
Fundraising	<u>86,343</u>	<u>-</u>	<u>86,343</u>
TOTAL EXPENSE	<u>2,067,303</u>	<u>-</u>	<u>2,067,303</u>
Change in Net Assets	1,548,672	148,834	1,697,506
 Beginning net assets	<u>3,403,689</u>	<u>354,590</u>	<u>3,758,279</u>
Ending Net Assets	<u><u>\$ 4,952,361</u></u>	<u><u>\$ 503,424</u></u>	<u><u>\$ 5,455,785</u></u>

Mission Lazarus, Inc.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$ 1,697,506

Adjustments to Reconcile Change in Net Assets to Net Cash

Used by Operating Activities:

Non-Cash Items:

Depreciation 193,881

(Increase) decrease in accounts receivable and undeposited funds (327,555)

(Increase) decrease in inventory and other assets 79,456

Increase (decrease) in accounts payable (44,454)

Increase (decrease) in accrued expenses (5,771)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 1,593,063

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment in Lazarus Group (25,042)

Acquisition of additional capital assets (323,391)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES (348,433)

CASH FLOWS FROM FINANCING ACTIVITIES

Current and long term debt payments (295,000)

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (295,000)

Net increase (decrease) in cash 949,630

Beginning cash 652,538

Ending Cash and Cash Equivalents \$ 1,602,168

Interest expense for the year amounted to: \$ 9,556

Mission Lazarus, Inc.

 Consolidated Statement of Functional Expenses
 For the Year Ended December 31, 2020

Expenses	Program	Mgmt and General	Fund Raising	Total
Payroll	\$ 737,841	\$ 288,638	\$ -	\$ 1,026,479
Benefits	30,729	-	-	30,729
Payroll tax	750	27,931	-	28,681
Total Payroll	769,320	316,569	-	1,085,889
Materials	8,984	-	-	8,984
Food	86,792	-	-	86,792
Maintenance and repairs	29,923	-	-	29,923
Mission group travel	13,366	-	-	13,366
Fuel and oil	34,444	-	-	34,444
Construction supplies	8,817	-	-	8,817
Medical fees	16,254	-	-	16,254
Giving	13,966	-	-	13,966
Utilities	38,508	-	-	38,508
Rent	10,000	966	-	10,966
Consulting	60,879	-	57,938	118,817
Travel	45,355	-	-	45,355
Other supplies	31,133	-	-	31,133
Accounting	20,442	-	-	20,442
Insurance	43,114	-	-	43,114
Other fees	73,309	-	3,100	76,409
Postage and shipping	14,785	-	7,478	22,263
Education supplies	44,626	-	-	44,626
Legal	23,869	-	703	24,572
Miscellaneous	3,641	24,046	798	28,485
Office supplies	-	6,791	-	6,791
Interest	-	9,556	-	9,556
Advertising	-	-	3,525	3,525
Medicine	22,124	-	-	22,124
Website development	-	12,742	-	12,742
Bank fees	-	2,090	-	2,090
Tools	622	-	-	622
Printing and publications	46	-	12,801	12,847
Total Expenses Before Depreciation	1,414,319	372,760	86,343	1,873,422
Depreciation	193,881	-	-	193,881
Total Expenses	\$ 1,608,200	\$ 372,760	\$ 86,343	\$ 2,067,303

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. Housed in 8 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.

Consolidated 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, 2020, 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 materially 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, or fair market value, greater than \$2,000.

Public Support and Revenue Recognition

Support and revenue are recognized when earned, which is 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 restricted support and increase the respective class of net assets.

Donated Services

No amounts have been reflected in the financial statements for donated services because they do not meet the criteria for recognition. 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, 2020 amounted to \$3,525.

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.

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

Mission Lazarus, Inc. has evaluated subsequent events through September 13, 2021, the date on which the financial statements were available to be issued.

There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

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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	\$ 1,602,168
Less funds subject to purpose restrictions:	
Board-designated endowments	(100,000)
Donor-restricted endowments for education	(201,844)
Construction of school	<u>(187,605)</u>
	<u>\$ 1,112,719</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor restricted endowment funds are not available for general expenditure. The donor restricted endowments are intended to be used for educational purposes only and the board restricted endowment funds are not designated for a specific purpose.

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. DEBT

Mission Lazarus, Inc. has a line of credit with a maximum loan amount of \$500,000 with Pinnacle Bank due September 6, 2021. The interest rate on this line of credit is subject to change from time to time based on changes in the index which is the Pinnacle base rate. The current interest rate on day of signing is 5.250%. The loan balance for the year ended December 31, 2020 was \$-.

6. NET ASSETS WITH DONOR RESTRICTION

Mission Lazarus, Inc. received a donation for the construction of a new school. The funds had not been completely spent at the end of the fiscal year December 31, 2020. The remaining funds of \$187,605 are expected to be spent on completing the school in the upcoming year.

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7. 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 \$713,461, 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 unaudited balance sheet of Lazarus Group, Inc. on December 31, 2020 is summarized below:

Current assets	\$ 429,936	
Fixed assets, net of depreciation	<u>39,889</u>	
Total assets		<u>\$ 469,825</u>
Current liabilities	<u>\$ 9,348</u>	
Total liabilities		<u>\$ 9,348</u>
Equity		<u>\$ 460,477</u>

Revenues and net loss for the year ended December 31, 2020 totaled \$328,255 and \$(1,497), respectively.

8. CAPITAL ASSETS

A summary of the cost of capital assets and related accumulated depreciation for the year ended December 31, 2020:

	<u>12/31/20</u>
Land	\$ 461,979
Construction in progress	448,208
Building and improvements	2,747,598
Vehicles	396,023
Office furniture and equip.	233,223
Equipment	<u>68,906</u>
Total capital assets	<u>4,355,937</u>
Accumulated depreciation	<u>(1,591,615)</u>
Net Capital Assets	<u>\$ 2,764,322</u>

Depreciation expense for the year ended December 31, 2020 totaled \$193,881.

9. CONTINGENCIES

COVID 19: On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. Management is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the Authority, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

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