



**Mission Lazarus, Inc.**  
*Enriching Mind, Body, & Soul*

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**COOPER, TRAVIS & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**MISSION LAZARUS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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## Independent Auditors' Report

**Board of Directors  
Mission Lazarus, Inc.  
Nashville, Tennessee**

We have audited the accompanying financial statements of Mission Lazarus, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows 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.

### Auditor's Responsibility

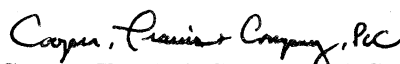
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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. (a non-profit organization) as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Cooper, Travis & Company, PLC  
Certified Public Accountants

Nashville, Tennessee  
August 1, 2014

**MISSION LAZARUS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

**ASSETS**

**Current Assets**

Cash - unrestricted	\$ 385,245
Accounts receivable - Note 1(e)	
Sales	45,524
Employees	1,969
Inventory - Note 1(f)	83,760
Total current assets	<u>516,498</u>

**Property and Equipment - Notes 1(g) and 4**

Buildings and improvements	1,866,977
Land	583,722
Vehicles	476,427
Office furniture and equipment	81,019
Equipment	71,805
Total property and equipment, at cost	3,079,950
Less: Accumulated depreciation	(747,426)
Total property and equipment, net	<u>2,332,524</u>

**Other Assets - Note 2**

Construction in progress - program facilities	337,790
Other assets - animals	60,577
Security deposits	4,200
Total other assets	<u>402,567</u>

Total assets	<u><u>\$ 3,251,589</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Installment note payable, principal due within one year - Note 4	\$ 13,235
Accounts payable	17,117
Accrued expenses	6,517
Total current liabilities	<u>36,869</u>

**Long-Term Liabilities**

Installment note payable, principal due after one year - Note 4	60,130
Total long-term liabilities	<u>60,130</u>
Total liabilities	<u>96,999</u>

**Net Assets - Note 1(b)**

Unrestricted	3,154,590
Total net assets	<u>3,154,590</u>
Total liabilities and net assets	<u><u>\$ 3,251,589</u></u>

See accompanying notes to financial statements.

**MISSION LAZARUS, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Support and Revenue</u></b>				
Contributions	\$ 1,069,559	\$ 1,559,779	\$ -	\$ 2,629,338
Sales	220,035	-	-	220,035
Service revenues	3,335	-	-	3,335
Miscellaneous income	2,303	-	-	2,303
Interest and dividend income	2,171	-	-	2,171
Funds released from restriction	1,559,779	(1,559,779)	-	-
Total support and revenues	<u>2,857,182</u>	<u>-</u>	<u>-</u>	<u>2,857,182</u>
<b><u>Expenses</u></b>				
Program	2,404,837	-	-	2,404,837
Management	244,911	-	-	244,911
Fundraising	29,609	-	-	29,609
Total expenses	<u>2,679,357</u>	<u>-</u>	<u>-</u>	<u>2,679,357</u>
 Change in net assets	 177,825	 -	 -	 177,825
Net assets at January 1, 2013	<u>2,976,765</u>	<u>-</u>	<u>-</u>	<u>2,976,765</u>
Net assets at December 31, 2013	<u>\$ 3,154,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,154,590</u>

See accompanying notes to financial statements.

**MISSION LAZARUS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>Program</u>	<u>Management</u>	<u>Fund Raising</u>	<u>Total</u>
Payroll	\$ 755,895	\$ 177,669	\$ -	\$ 933,564
Mission group travel	338,656	-	-	338,656
Food	172,376	-	-	172,376
Depreciation	171,438	-	-	171,438
Repairs and maintenance	150,647	-	-	150,647
Fuel and oil	110,296	-	-	110,296
Miscellaneous	95,880	-	-	95,880
Materials	92,571	-	-	92,571
Travel	85,021	-	-	85,021
Utilities	73,898	-	-	73,898
Construction supplies	60,008	-	-	60,008
Rent - Note 3	12,917	38,068	-	50,985
Consulting	43,672	-	-	43,672
Giving	39,381	-	-	39,381
Postage and shipping	17,159	-	16,547	33,706
Insurance	27,287	6,268	-	33,555
Medicine	30,426	-	-	30,426
Other fees	27,305	-	-	27,305
Legal	23,366	-	-	23,366
Employee benefits	17,520	-	-	17,520
Security	15,000	-	-	15,000
Medical fees	14,455	-	-	14,455
Accounting	4,290	8,594	-	12,884
Printing and publications	-	-	11,596	11,596
Website development	-	8,268	184	8,452
Tools	7,310	-	-	7,310
Interest	7,235	-	-	7,235
Office supplies	-	5,875	-	5,875
Bank fees	3,766	169	-	3,935
Other supplies	3,202	-	-	3,202
Advertising	1,611	-	869	2,480
Educational supplies	1,735	-	-	1,735
Taxes	514	-	-	514
Video production	-	-	386	386
Fundraising	-	-	27	27
<b>Total expenses</b>	<b>\$ 2,404,837</b>	<b>\$ 244,911</b>	<b>\$ 29,609</b>	<b>\$ 2,679,357</b>
<b>Percentage of total expense</b>	<b>89.8%</b>	<b>9.1%</b>	<b>1.1%</b>	<b>100.0%</b>

See accompanying notes to financial statements.

**MISSION LAZARUS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

<b>Cash flows from operating activities:</b>	
Cash received from contributions	\$ 2,629,338
Cash received from sales	194,738
Cash received from service fees charged	3,335
Interest and dividends received	2,171
Other income received	2,303
Cash paid for program expenses	(2,202,608)
Cash paid for management expenses	(244,911)
Cash paid for fund raising expenses	(29,609)
Interest paid	(7,235)
Net cash provided by operating activities	<u>347,522</u>
<b>Cash flows from investing activities:</b>	
Cash paid for purchase of buildings and equipment	(321,121)
Cash paid, net of completion construction in process	(115,337)
Cash paid for purchase of other assets	(8,322)
Net cash used for investing activities	<u>(444,780)</u>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of installment note payable	81,217
Principal payments on installment note payable	(7,852)
Net cash provided by financing activities	<u>73,365</u>
<b>Net decrease in cash</b>	(23,893)
<b>Cash at January 1, 2013</b>	<u>409,138</u>
<b>Cash at December 31, 2013</b>	<u><u>\$ 385,245</u></u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>	
Change in net assets	<u>\$ 177,825</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	171,438
Effect on cash from changes in operating assets and liabilities:	
Accounts receivable	(25,296)
Other assets	(4,200)
Inventory	4,121
Accounts payable	17,117
Other liabilities	6,517
Total adjustments	<u>169,697</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 347,522</u></u>

**Supplemental schedule of noncash investing and financing activities: None**

See accompanying notes to financial statements.

**MISSION LAZARUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Summary of Significant Accounting Policies**

**a. Nature of Activities**

Mission Lazarus, Inc. (the “Organization”) was organized in 2004 to spread the good news of Jesus Christ in developing nations through development and humanitarian programs that will serve existing and/or new congregations.

This mission has led the Organization to develop many programs within Honduras and Haiti. The following are some of the most significant programs:

The Mission Lazarus Refuge Children’s Homes provide a place of healing for the neglected, orphaned and abandoned children of Honduras and Haiti.

The Mission Lazarus Hacienda is the 1400 acre working ranch on which the Mission Lazarus Refuge in Honduras is located. This ranch provides invaluable education for the children of the Refuge who are learning about agriculture and agriculture production. With the large herd of cattle, horses and sheep, as well as crop production, there are many opportunities for education and character building.

The early childhood development centers and vocational schools are educating some of the poorest children in Honduras and Haiti in some of the roughest communities. The blessing of these schools goes far beyond a secular education, but also provides a place where the children are loved and nourished with two meals a day.

In addition to these valuable programs, Mission Lazarus provides medical assistance to thousands of hurting in marginal, rural, and remote communities in Honduras and Haiti. The Organization has also planted and continues to mentor twenty-seven congregations throughout southern Honduras and has partnered with numerous congregations throughout Haiti, spreading the good news of Jesus Christ across the countries.

**b. Method of Accounting and Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Under accounting standards on Financial Statements of Not-for-profit Organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.



**MISSION LAZARUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Continued**

Unrestricted amounts consist of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Unrestricted net assets also include amounts designated for certain purposes by the Board of Directors.

Temporarily restricted amounts are those which are restricted by donors for specific operating purposes and are not currently available for use in the organization's operations until commitments regarding their use have been fulfilled. At December 31, 2013, there were no temporarily restricted net assets.

Permanently restricted amounts are those which are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by the actions of the Organization. At December 31, 2013, there were no permanently restricted net assets.

**c. 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.

**d. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

**e. 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, 2013, the Organization had no accounts receivable requiring a valuation allowance.

**f. 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.

**MISSION LAZARUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Continued**

**g. Property and Equipment**

Property and equipment is stated at acquisition cost or, if donated, at the approximate fair value at the date of donation less accumulated depreciation. Depreciation is computed using various accelerated methods over the estimated useful lives of the assets. 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

The estimated useful life of depreciable property and equipment is as follows:

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

Depreciation expense for the year ended December 31, 2013 amounted to \$171,438.

**h. Support and Revenue Recognition**

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

All contributions are considered available for the Organization's 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.

**i. 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.

**j. Advertising**

The Organization expenses advertising costs as incurred. Advertising expenses for the year ended December 31, 2013 amounted to \$2,480.

**MISSION LAZARUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1 – Continued**

**k. Income Taxes**

The Organization is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3) as a charitable organization. Since the Organization does not have any unrelated income, it is not required to pay any applicable tax. Therefore, no provision has been made for federal income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**l. Open Tax Years**

The Organization's Forms 990 *Return of Organization Exempt from Income Tax*, for the years ending 2010 through 2013 are subject to examination by the IRS, generally for 3 years after their filing date.

**m. Use of Estimates**

The preparation of financial statements requires the use of management's estimates that affect the reported amounts of assets and liabilities and reported revenues and expenses. These estimates may require revision in future periods.

**n. Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Activities. Accordingly, these costs have been allocated between program, management and fundraising expenses.

**Note 2 – Other Assets**

Construction in progress, program facilities includes construction costs directly related to the Organization's exempt purposes, such as constructing childhood development centers. Other assets include investments in animals and crops for Mission Lazarus Hacienda, the working ranch.

**Note 3 – Lease Commitments**

The Organization leases office space, equipment, and program related facilities on a month-to-month basis as the need arises. Total rent expense for the year ended December 31, 2013 was \$50,985.

During the year ended December 31, 2013, the Company entered into a four year lease for office space under an executed lease agreement commencing December 2014. The lease requires monthly payments of \$4,200 through November 2016, increasing to \$4,350 through November 2018.

**MISSION LAZARUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 3 – Continued**

Future minimum payments required under the lease agreement are as follows:

<u>Year Ending December 31,</u>	
2014	\$ 4,200
2015	50,400
2016	50,550
2017	52,200
2018	<u>47,850</u>
	<u>\$ 205,200</u>

**Note 4 – Installment Note Payable**

The installment note payable at December 31, 2013 is summarized as follows:

<u>Lender</u>	<u>Terms</u>	<u>Principal Balance</u>
Banco Davivienda Honduras	Monthly payments of \$1,890, including interest at 14%; secured by various vehicles	<u>\$ 73,365</u>

Included in the accompanying balance sheet as follows:

Installment note payable, principal due within one year	\$ 13,235
Installment note payable, principal due after one year	<u>60,130</u>
	<u>\$ 73,365</u>

Future minimum principal payments are summarized as follows:

<u>Year Ending December 31,</u>	
2014	\$ 13,235
2015	15,211
2016	17,482
2017	20,093
2018	<u>7,344</u>
	<u>\$ 73,365</u>

**MISSION LAZARUS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 5 - Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations 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 by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Accounts located in Honduras institutions are insured by the Fondo de Seguro de Depósitos (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.

**Note 6 – Subsequent Events**

The Organization has evaluated subsequent events through August 1, 2014, the date which the financial statements were available to be issued, for the year ended December 31, 2013.