



**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**MISSION LAZARUS, INC.**

FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2015

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## **FINANCIAL INFORMATION**



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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, 2015 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

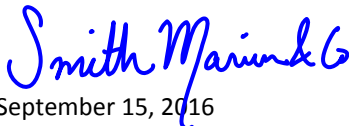
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Creative Compassion Inc. as of December 31, 2015, 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.

  
September 15, 2016

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**MISSION LAZARUS, INC.**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015

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**ASSETS**

**Current Assets**

Cash	\$	297,948
Advances to employees		1,205
Undeposited funds		143,995
Inventory		83,440
<b>Total Current Assets</b>		<b>526,588</b>

**Non-current Assets**

Capital assets (net)		2,429,674
Other assets		33,543
<b>Total Non-current Assets</b>		<b>2,463,217</b>

**TOTAL ASSETS**

**\$ 2,989,805**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$	56,913
Accrued expenses		4,245
Current portion of debt		12,005
<b>Total Current Liabilities</b>		<b>73,163</b>

**Long Term Liabilities**

Debt noncurrent portion		27,437
<b>Total Long Term Liabilities</b>		<b>27,437</b>

**Net Assets**

Unrestricted		2,889,205
Temporarily restricted		-
<b>Total Net Assets</b>		<b>2,889,205</b>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 2,989,805**

**MISSION LAZARUS, INC.**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions	\$ 689,797	\$ 1,148,194	\$ 1,837,991
Sales	378,347	-	378,347
Service revenues	6,660	-	6,660
Rental income	24,360	-	24,360
Miscellaneous income	50,700	-	50,700
Investment income	(330)	-	(330)
<b>Net assets released from restrictions</b>	<u>1,148,194</u>	<u>(1,148,194)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,297,728</u>	<u>-</u>	<u>2,297,728</u>
<b>EXPENSES</b>			
Program services	2,103,209	-	2,103,209
Management and general	257,124	-	257,124
Fund raising	53,798	-	53,798
<b>TOTAL EXPENSE</b>	<u>2,414,131</u>	<u>-</u>	<u>2,414,131</u>
<b>Change in net assets</b>	(116,403)	-	(116,403)
Beginning net assets	2,976,858	-	2,976,858
Prior Period Adjustment	28,750	-	28,750
<b>Ending net assets</b>	<u>\$ 2,889,205</u>	<u>\$ -</u>	<u>\$ 2,889,205</u>

**MISSION LAZARUS, INC.**  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2015

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets \$ (116,403)

**Adjustments to reconcile change in net assets to net Cash**

**Used by operating activities:**

**Non-cash items:**

Depreciation 201,300

(Increase) Decrease in accounts receivable and undeposited funds (12,007)

(Increase) Decrease in inventory and other assets 4,412

Increase (Decrease) in accounts payable 33,245

Increase (Decrease) in accrued expenses 823

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** 111,370

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of additional capital assets (90,624)

**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** (90,624)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Current and long term debt payments (15,693)

**NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES** (15,693)

Net increase (decrease) in cash 5,053

Beginning cash 292,895

**Ending cash and cash equivalents** \$ 297,948

Interest expense for the year amounted to: \$ 7,467

**MISSION LAZARUS, INC.**  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Program	Mgt and General	Fund Raising	Total
Payroll	\$ 785,718	\$ 113,342	\$ -	\$ 899,060
Benefits	14,839	2,141	-	16,980
Payroll tax	12,635	1,823	-	14,458
<b>Total Payroll</b>	<b>813,192</b>	<b>117,306</b>	<b>-</b>	<b>930,498</b>
Materials	61,950	-	-	61,950
Food	126,568	-	-	126,568
Maintenance and repairs	107,534	-	-	107,534
Mission group travel	95,145	-	-	95,145
Fuel and oil	54,776	-	-	54,776
Construction supplies	27,992	-	-	27,992
Medical fees	52,120	-	-	52,120
Giving	11,637	-	-	11,637
Utilities	44,865	13,601	-	58,466
Rent	47,650	14,445	-	62,095
Consulting	90,215	16,915	5,638	112,768
Travel	71,196	-	-	71,196
Other supplies	82,778	-	-	82,778
Accounting	35,038	5,868	1,956	42,862
Insurance	38,481	11,665	-	50,146
Other fees	35,195	-	-	35,195
Postage and shipping	4,443	-	10,787	15,230
Education supplies	50,382	-	-	50,382
Legal	16,337	-	2,357	18,694
Miscellaneous	66,826	-	-	66,826
Office supplies	-	8,153	-	8,153
Interest	-	7,467	-	7,467
Advertising	-	-	32,533	32,533
Medicine	11,674	-	-	11,674
Website development	-	12,335	-	12,335
Bank fees	1,232	2,541	-	3,773
Tools	1,511	-	-	1,511
Printing and publications	-	-	527	527
<b>Total before depreciation</b>	<b>1,948,737</b>	<b>210,296</b>	<b>53,798</b>	<b>2,212,831</b>
Depreciation	154,472	46,828	-	201,300
<b>Total functional expenses</b>	<b>\$ 2,103,209</b>	<b>\$ 257,124</b>	<b>\$ 53,798</b>	<b>\$ 2,414,131</b>



## **MISSION LAZARUS, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

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.

The 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 continues to provide an amazing place of healing for the neglected, orphaned and abandoned children of Honduras. Now with nearly 50 children on site, housed in 7 different homes, the Refuge is shining a bright light in a country of so much pain and suffering.

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 activities daily.

The early childhood development centers and vocational schools are educating some of the poorest children in Honduras 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, for most of these children this is the only time they'll receive this blessing.

The outreach in Haiti has shifted to primary education. A new school project was begun in 2014, expected completion in 2015 and opening date is set for fall 2015. This school, in a rural village named Gras, will provide quality education, healthy meals, and medical care to the students enrolled. The goal is to provide families with some of the basic services that they cannot afford and often times lead to children in Haiti being sent to children's homes.

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.

#### **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, 2015

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### 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, 2015, 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, 2015 amounted to \$32,533.

### 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)

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### **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 2012 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 September 15, 2016 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 September 15, 2016 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)**

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**3. OTHER ASSETS**

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

**4. LEASE COMMITMENTS**

The Organization leases certain 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, 2015 was \$62,095.

The Organization leases certain office space under an executed lease agreement expiring November 2018. The lease requires monthly payments of \$4,200 through November 2016, increasing to \$4,350 through November 2018. Total rent expense associated with this activity was \$50,550 for the year ended December 31, 2015.

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

<u>Year Ending December 31,</u>	
2016	\$ 50,550
2017	52,200
2018	47,850
Thereafter	-
	<u>\$ 150,600</u>

**5. NOTES PAYABLE**

The Organization's obligation under notes payable at December 31, 2015 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

	<u>\$ 39,442</u>
<b>Total</b>	<b><u>\$ 39,442</u></b>

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

<u>Year Ending December 31,</u>	
2016	\$ 12,005
2017	20,093
2018	7,344
2019	-
2020	-
Thereafter	-
	<u>\$ 39,442</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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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, 2015:

	<u>12/31/14</u>	<u>12/31/15</u>
Land	\$ 540,850	\$ 518,181
Construction in progress	101,945	102,995
Building and improvements	2,161,163	2,240,560
Vehicles	448,387	431,998
Office furniture and equip.	107,124	124,636
Equipment	<u>57,570</u>	<u>55,298</u>
Total Capital Assets	<u>3,417,039</u>	<u>3,473,668</u>
Accumulated depreciation	<u>(905,434)</u>	<u>(1,043,994)</u>
Net Capital Assets	<u>\$ 2,511,605</u>	<u>\$ 2,429,674</u>

Depreciation expense for the year ended December 31, 2015 totaled \$201,300.

**7. PRIOR PERIOD ADJUSTMENT: CORRECTION OF ERROR**

During the audit of the financial statements for the year ended December 31, 2015, it was found that some assets were being depreciated on a non-GAAP basis, so accumulated depreciation was decreased and net assets were increased respectively by \$28,750.

\* \* \* \* \*