

**LAZARUS HOUSE, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**MARCH 31, 2019 AND 2018**

**LAZARUS HOUSE, INC.  
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MARCH 31, 2019 AND 2018**

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# NAFFAH & COMPANY<sub>PC</sub>

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To the Board of Directors  
Lazarus House, Inc.  
Lawrence, Massachusetts 01842

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of Lazarus House, Inc. (a non-profit organization), which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 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 Lazarus House, Inc., as of March 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter with Respect to Adoption of Accounting Principle**

As discussed in Note 2 to the financial statements, the Organization adopted a change in accounting principle for financial reporting, primarily related to the presentation of net assets and required disclosures related to liquidity. Our opinion is not modified with respect to that matter.

*Raffahr + Company, P.C.*

North Andover, Massachusetts  
September 10, 2019

**LAZARUS HOUSE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (Note 3)	\$ 1,927,577	\$ 2,504,014
Accounts receivable, net (Note 4)	40,638	41,879
Grants receivable	-	13,000
Prepaid expenses	<u>40,802</u>	<u>62,448</u>
Total Current Assets	<u>2,009,017</u>	<u>2,621,341</u>
<b>PROPERTY AND EQUIPMENT</b>		
Net of accumulated depreciation of \$2,519,499 and \$2,378,824 in 2019 and 2018, respectively (Note 7)	<u>2,365,447</u>	<u>1,732,774</u>
<b>OTHER ASSETS</b>		
Investment in Capernaum Place, net (Note 5)	<u>768,941</u>	<u>768,941</u>
Total Other Assets	<u>768,941</u>	<u>768,941</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,143,405</u></b>	<b><u>\$ 5,123,056</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ -	\$ 2,764
Accrued expenses and other current liabilities	80,139	65,436
Unearned revenue (Note 13)	<u>44,505</u>	<u>126,162</u>
Total Liabilities	<u>124,644</u>	<u>194,362</u>
<b>NET ASSETS</b>		
Without donor restrictions (Note 9)	4,505,373	4,621,946
With donor restrictions (Note 8)	<u>513,388</u>	<u>306,748</u>
Total Net Assets	<u>5,018,761</u>	<u>4,928,694</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,143,405</u></b>	<b><u>\$ 5,123,056</u></b>

The accompanying notes are an integral part of these financial statements.

**LAZARUS HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2019**  
**(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED MARCH 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
<b>SUPPORT AND REVENUES</b>				
Donations and grants	\$ 2,583,195	\$ 583,155	\$ 3,166,350	\$ 2,556,633
Special events (Note 19)	879,615	-	879,615	814,200
Thrift shop sales	384,456	-	384,456	435,102
Work preparation training (Note 12)	280,027	-	280,027	264,458
Other program revenue	41,265	-	41,265	8,180
In-kind contributions (Note 10)	4,610,589	-	4,610,589	4,630,276
Interest and dividend income	5,861	-	5,861	10,204
Gain (loss) on sale of securities	(3,382)	-	(3,382)	6
Write-offs of uncollectible pledges receivable	-	-	-	(2,910)
Net assets released from restrictions (Note 8)	376,515	(376,515)	-	-
<b>Total Support and Revenues</b>	<u>9,158,141</u>	<u>206,640</u>	<u>9,364,781</u>	<u>8,716,149</u>
<b>EXPENSES</b>				
Program services	7,724,956	-	7,724,956	7,646,213
Management and general	565,877	-	565,877	543,452
Fundraising	983,881	-	983,881	1,039,999
<b>Total Expenses</b>	<u>9,274,714</u>	<u>-</u>	<u>9,274,714</u>	<u>9,229,664</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(116,573)	206,640	90,067	(513,515)
<b>NET ASSETS - BEGINNING</b>	<u>4,621,946</u>	<u>306,748</u>	<u>4,928,694</u>	<u>5,442,209</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 4,505,373</u>	<u>\$ 513,388</u>	<u>\$ 5,018,761</u>	<u>\$ 4,928,694</u>

The accompanying notes are an integral part of these financial statements.

**LAZARUS HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total 2018
<b>SUPPORT AND REVENUES</b>			
Donations and grants	\$ 2,100,589	\$ 456,044	\$ 2,556,633
Special events (Note 19)	814,200	-	814,200
Thrift shop sales	435,102	-	435,102
Work preparation training (Note 12)	264,458	-	264,458
Other program revenue	8,180	-	8,180
In-kind contributions (Note 10)	4,630,276	-	4,630,276
Interest and dividend income	10,204	-	10,204
Gain (loss) on sale of securities	6	-	6
Write-offs of uncollectible pledges receivable	(2,910)	-	(2,910)
Net assets released from restrictions (Note 8)	406,044	(406,044)	-
<b>Total Support and Revenues</b>	<u>8,666,149</u>	<u>50,000</u>	<u>8,716,149</u>
<b>EXPENSES</b>			
Program services	7,646,213	-	7,646,213
Management and general	543,452	-	543,452
Fundraising	1,039,999	-	1,039,999
<b>Total Expenses</b>	<u>9,229,664</u>	<u>-</u>	<u>9,229,664</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(563,515)	50,000	(513,515)
<b>NET ASSETS - BEGINNING</b>	<u>5,185,461</u>	<u>256,748</u>	<u>5,442,209</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 4,621,946</u>	<u>\$ 306,748</u>	<u>\$ 4,928,694</u>

The accompanying notes are an integral part of these financial statements.

**LAZARUS HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,940,398	\$ 303,075	\$ 391,585	\$ 2,635,058
Insurance	254,176	42,390	65,261	361,827
Payroll taxes	181,321	30,513	27,257	239,091
Special events	-	-	238,569	238,569
Professional fees	-	102,457	123,363	225,820
Rent expense	157,386	-	-	157,386
Program expenses	142,785	978	601	144,364
Depreciation	140,675	-	-	140,675
Utilities	107,931	8,447	14,103	130,481
Postage and printing	-	505	80,123	80,628
Repairs and maintenance	70,468	1,506	1,347	73,321
IT and website support	-	31,853	18,536	50,389
Other expenses	7,343	25,640	16,910	49,893
Food	42,026	-	-	42,026
Temporary labor service	35,393	-	-	35,393
Vehicle expense	28,109	-	215	28,324
Office supplies	3,674	16,287	3,481	23,442
Grants	21,000	-	-	21,000
Telephone	9,330	2,226	2,530	14,086
In-kind expenses	<u>4,582,941</u>	<u>-</u>	<u>-</u>	<u>4,582,941</u>
Total	<u>\$ 7,724,956</u>	<u>\$ 565,877</u>	<u>\$ 983,881</u>	<u>\$ 9,274,714</u>

The accompanying notes are an integral part of these financial statements.



**LAZARUS HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,883,852	\$ 322,393	\$ 480,549	\$ 2,686,794
Insurance	226,211	32,880	71,943	331,034
Payroll taxes	159,902	37,561	41,771	239,234
Special events	-	-	202,191	202,191
Professional fees	440	68,635	123,235	192,310
Depreciation	152,754	-	-	152,754
Rent expense	149,817	-	-	149,817
Program expenses	126,789	135	481	127,405
Utilities	98,396	8,434	12,370	119,200
Repairs and maintenance	70,300	5,602	2,052	77,954
Food	66,112	-	-	66,112
Postage and printing	-	1,339	55,251	56,590
IT and website support	-	32,263	20,751	53,014
Other expenses	11,217	13,949	24,219	49,385
Grants	37,800	-	-	37,800
Office supplies	2,432	20,202	3,029	25,663
Vehicle expense	24,934	59	179	25,172
Temporary labor service	21,391	-	-	21,391
Telephone	9,308	-	1,978	11,286
In-kind expenses	<u>4,604,558</u>	<u>-</u>	<u>-</u>	<u>4,604,558</u>
<b>Total</b>	<b><u>\$ 7,646,213</u></b>	<b><u>\$ 543,452</u></b>	<b><u>\$ 1,039,999</u></b>	<b><u>\$ 9,229,664</u></b>

The accompanying notes are an integral part of these financial statements.

**LAZARUS HOUSE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ <u>90,067</u>	\$ <u>(513,515)</u>
Adjustments required to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	140,675	152,754
Write-offs of uncollectible pledges receivable	-	2,910
(Increase) decrease in accounts receivable	1,241	(11,101)
(Increase) decrease in pledges receivable	-	12,260
(Increase) decrease in grants receivable	13,000	(13,000)
(Increase) decrease in prepaid expenses	21,646	(7,152)
Increase (decrease) in accounts payable and accrued expenses	11,939	12,290
Increase (decrease) in unearned revenue	<u>(81,657)</u>	<u>17,650</u>
Total Adjustments	<u>106,844</u>	<u>166,611</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>196,911</u>	<u>(346,904)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures for property and equipment	<u>(773,348)</u>	<u>(41,811)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(773,348)</u>	<u>(41,811)</u>
<b>DECREASE IN CASH AND EQUIVALENTS</b>	(576,437)	(388,715)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>2,504,014</u>	<u>2,892,729</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ <u>1,927,577</u></u>	<u>\$ <u>2,504,014</u></u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ <u>-</u>	\$ <u>-</u>
Cash paid during the year for taxes	\$ <u>-</u>	\$ <u>-</u>

The accompanying notes are an integral part of these financial statements.

## LAZARUS HOUSE, INC.

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2019 AND 2018

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#### 1. NATURE OF THE ORGANIZATION

Lazarus House, Inc. (“the Organization”), based in Lawrence, Massachusetts, was incorporated on May 12, 1982, as a private, charitable, not-for-profit organization. The Organization’s mission statement, “Opening Doors out of Poverty”, is accomplished by offering a continuum of care to individuals and families struggling with poverty and homelessness. Our services include temporary and permanent shelters, transitional housing, food pantry, soup kitchen, thrift stores, advocacy, education and work preparation programs.

Funds are solicited from the general public, businesses, foundations, philanthropies and religious organizations.

#### 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Issued and Adopted Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This pronouncement addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted the ASU effective April 1, 2018, on a retrospective basis to all periods presented. See Note 19 for required disclosure on availability of financial assets and liquidity.

##### **Method of Accounting**

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Revenues are recognized when earned and expenses are recognized when incurred.

##### **Basis of Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

*Net Assets Without Donor Restriction*— These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program- related services, raising contributions, and performing administrative functions.

*Net Assets With Donor Restriction*—These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

##### **Cash**

For purpose of the statement of cash flows, the Organization considers all highly liquid investments to be cash. Cash includes checking and savings accounts, money market accounts, and certificates of deposit.

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2019 AND 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Marketable Securities**

From time to time, the Organization receives donations of stock securities, which are transferred directly into an investment account, in the Organization's name, maintained by a brokerage firm. The Board of Directors has determined that the Organization's cash flow and cash position would be better served if donated securities are immediately sold by the brokerage firm, and the money held in a money market savings account by the brokerage. This account is included in cash on the statement of financial position. Accordingly, there were no marketable securities at March 31, 2019 and 2018.

**Accounts Receivable**

Customers of *Spark\*L.E. Cleaning Services*, a work preparation program established by the Organization, are billed monthly, and due upon presentation. Substantially all amounts are expected to be collected within one year. An allowance for bad debts has not been established because any uncollected amounts are not considered material. (See also note 12)

**Pledges Receivable**

When a donor has unconditionally promised to contribute funds in future periods, the organization recognizes a contribution measured at the fair value of the pledge receivable. Pledges expected to be collected in future years are reported at realizable value if due within one year and at the present value of the expected future cash flows if due in more than one year.

**Property and Equipment**

Property and equipment are carried at cost, and are being depreciated using the straight-line method over the estimated useful lives of the assets, which vary from 3 years to 40 years. Any property or equipment donated to the Organization is carried at the fair-market value of property at the date the donation is received, and depreciated using the same methods and lives as purchased property and equipment.

**Income Tax Status**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). This IRC section enables the Organization to accept donations which qualify as charitable contributions to the donor. Therefore, no provision is made for federal income taxes in the accompanying financial statements. The Commonwealth of Massachusetts follows Internal Revenue guidance for exemption from income taxes. Accordingly, no provision is made for State income taxes in the accompanying financial statements.

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2019 AND 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Uncertain Tax Positions**

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for three years for tax examination.

**Functional Expense Allocation**

The expenses associated with providing various programs, management and general, and fundraising, have been summarized in the statement of functional expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Reclassification**

Certain items in the March 31, 2018 financial statements have been reclassified to conform to the 2019 presentation.

**Contributions**

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

**Fair Value Measurements**

FASB guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash, accounts receivable, and accounts payable and accrued liabilities, approximate fair value due to the short maturity of these instruments.

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2019 AND 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fair Value of Financial Instruments**

Accounting principles generally accepted in the United States establishes a fair value measurement hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 – Fair value input consists of unadjusted quoted prices in active markets for identical assets, which have the highest priority.

Level 2 – Fair value input consists of observable inputs other than quoted prices for identical assets.

Level 3 – Fair value input consists of unobservable inputs and have the lowest priority.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

3. CASH

Cash includes amounts on deposit in checking accounts, and savings and certificates of deposit, as follows:

	<u>2019</u>	<u>2018</u>
Cash and checking	\$ 154,628	\$ 106,517
Savings and certificates of deposit	<u>1,772,949</u>	<u>2,397,497</u>
Total	<u>\$ 1,927,577</u>	<u>\$ 2,504,014</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable include amounts due from *Spark\*L.E Cleaning Services* customers (note 12). Also included in accounts receivable are non-interest bearing loans to employees. Total due from employees was \$10,300 and \$2,050, at March 31, 2019 and 2018, respectively.

5. INVESTMENT IN CAPERNAUM PLACE

Investment in Capernaum Place consists of amounts disbursed to Lazarus Hope, LLC in 2006 and 2007, in the form of two notes receivable. The funds were used for the construction of a transitional housing project, Capernaum Place, in Lawrence, Massachusetts. The notes receivable have a due date of November 10, 2036.

**LAZARUS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2019 AND 2018**

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**5. INVESTMENT IN CAPERNAUM PLACE (CONTINUED)**

One note, in the amount of \$187,000, requires annual interest at a rate of 5.15%, the applicable federal rate in effect during the time of the loan disbursements. Interest is to be calculated on the unpaid balance, including any accrued interest. The funds were originally provided by the U.S. Department of Housing and Urban Development (HUD) with the intention that the Organization lend these funds to Lazarus Hope, LLC, for the construction.

The second note, in the amount of \$539,666, consists of amounts disbursed by the Organization during 2006 and 2007 for certain construction expenses. The note requires annual interest at a rate of 5.00%, to be paid on the unpaid balance, including accrued interest. This note is collateralized by property located at 30 Myrtle Street, in Lawrence, Massachusetts.

Management has reviewed the notes receivable and accrued interest thereon of \$530,548 and \$470,231 at March 31, 2019 and 2018, respectively, and determined that an allowance for provision for loan losses be established. While Management does not doubt that the principal will be repaid on both notes, they are uncertain that all of the interest will be collected. Accordingly, the investment is shown net of the provision. The provision for loan losses was \$488,273 and \$427,956 at March 31, 2019 and 2018, respectively.

**6. REVOLVING CREDIT LOAN**

The Organization has a line-of-credit allowing a maximum borrowing up to \$50,000. The agreement requires monthly payments of interest at the bank's prime rate plus one percent (1%). The rate at March 31, 2019 was 6.50%. The line-of-credit is secured by substantially all of the Organization's assets. There was no outstanding balance on this line-of-credit at March 31, 2019 and 2018.

**7. PROPERTY AND EQUIPMENT**

Property and equipment at March 31, 2019 consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and buildings	\$ 3,035,658	\$ 1,157,750	\$ 1,877,908
Building improvements	845,590	508,688	336,902
Equipment	672,248	539,352	132,896
Furniture and fixtures	218,942	217,024	1,918
Motor vehicles	<u>112,508</u>	<u>96,685</u>	<u>15,823</u>
Total	<u>\$ 4,884,946</u>	<u>\$ 2,519,499</u>	<u>\$ 2,365,447</u>

**LAZARUS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**MARCH 31, 2019 AND 2018**

**7. PROPERTY AND EQUIPMENT (CONTINUED)**

Property and equipment at March 31, 2018 consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and buildings	\$ 2,285,360	\$ 1,103,899	\$ 1,181,461
Building improvements	822,540	478,760	343,780
Equipment	672,248	498,810	173,438
Furniture and fixtures	218,942	214,285	4,657
Motor vehicles	<u>112,508</u>	<u>83,070</u>	<u>29,438</u>
Total	<u>\$ 4,111,598</u>	<u>\$ 2,378,824</u>	<u>\$ 1,732,774</u>

Depreciation expense was \$140,675 and \$152,754 in fiscal years 2019 and 2018, respectively.

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at March 31 consists of the following:

	<u>2019</u>	<u>2018</u>
Restricted for management expenses, project upkeep and certain other expenses of Capernaum Place	\$ 140,327	\$ 140,000
Restricted by contributors for operations of the dental clinic	-	78,789
Restricted by private grants for the Life Skills and other Education Programs	<u>373,061</u>	<u>87,959</u>
Total Net Assets With Donor Restrictions	<u>\$ 513,388</u>	<u>\$ 306,748</u>

During the years ended March 31, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for program services and supplies, and for purchase of certain fixed assets additions. The total amount released from restrictions during 2019 and 2018 was \$376,515 and \$406,044, respectively.

**9. NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED**

Board designated net assets consist of cash balances set aside as directed by the Board of Directors, for certain current and future activities, including expenses related to work preparation or other internal education programs, outside programs to provide clients with higher education opportunities, food and other supplies needed for operation of Lazarus House programs, and maintenance of the Organization's facilities. Funds collected through the Campaign for Dignity have been designated by the board to be included in this category. As of March 31, 2019, and 2018, board designated net assets were \$1,239,846 and \$2,058,777, respectively.



**LAZARUS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2019 AND 2018**

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**10. IN-KIND CONTRIBUTIONS**

The Organization receives contributions of an in-kind nature, which represent the estimated fair market value of donated supplies and services. The value of these contributions, which is included in the statements of activities, is as follows for the years ended March 31:

	<u>2019</u>	<u>2018</u>
Food	\$ 3,415,816	\$ 3,465,240
Professional services	544,265	496,895
Clothes and household items	622,860	642,423
Other goods and services	<u>27,648</u>	<u>25,718</u>
Total	<u>\$ 4,610,589</u>	<u>\$ 4,630,276</u>

**11. DONATED SERVICES**

Professional services included in In-Kind Contributions (note 10) consist of volunteer hours provided by skilled craftsmen and professionals, who would otherwise be paid for their services.

In addition, the Organization received services of a non-professional nature, totaling greater than 25,000, and 48,000 hours in fiscal years 2019 and 2018, respectively, which have not been reflected in these financial statements. The volunteers provided household services, assistance in the food pantry, and thrift stores, and fundraising and other special events services. If a value were assigned to these volunteer hours and services, In-Kind Contributions would be increased by approximately \$381,000 and \$630,000 for fiscal years 2019 and 2018, respectively.

**12. EDUCATION AND WORK PREPARATION PROGRAMS**

Lazarus House's education and work preparation programs aim to assist individuals to become self-sufficient in their effort to secure a better future through education, hands-on job training, and help with job placement.

The programs include *English for Speakers of Other Languages* (ESOL) classes, life-skills and pre-employment workshops, sewing classes, high-quality training in industrial cleaning through the organization's social enterprise, Spark\*L.E. Cleaning Services and Culinary Arts training including National ServSafe Food Manager certification. Training participants also learn through a temporary internship experience.

**13. UNEARNED REVENUE**

At March 31, 2019 and 2018 unearned revenue includes donations and fees, received in advance of events held in each subsequent year, of \$44,505 and \$47,373, respectively. Unearned revenue at March 31, 2018 also included grant funds remaining from the operation of a dental clinic which closed in April, 2012. In May 2018, the Organization returned \$78,789 to the successor to the dental clinic's benefactor.

**LAZARUS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**MARCH 31, 2019 AND 2018**

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**14. CASH FLOWS**

Occasionally, the Organization receives donations of marketable securities, which are sent to a brokerage account in the name of the Organization and immediately placed for sale. When the securities are sold, the funds are transferred to a Money Market savings account on deposit with the brokerage. Donations of marketable securities received during fiscal years 2019 and 2018, were valued at \$174,965 and \$14,966, respectively, and are included in support and revenue on the statements of activities.

The Organization received donations of services for building and vehicle repairs and maintenance of \$27,648 and \$25,718 in fiscal years 2019 and 2018, respectively, which is included in in-kind revenues. (See note 10)

**15. RELATED PARTIES**

Lazarus House, Inc. is an owner of seventy-nine percent (79%) of the assets of Lazarus Hope Housing, Inc., (“the Corporation”). The Corporation is a member and General Partner of Lazarus Hope, LLC (“the LLC”), owning one-hundredth of one percent (0.01%) of the LLC. The LLC is the owner of a low-income transitional housing project (“the Project”), named Capernaum Place, which is located at 30 Myrtle Street, in Lawrence, Massachusetts. Lazarus House, Inc. was the Sponsor/Developer of the Project, and is the Sponsor of several notes payable related to the Project. (See also note 5)

The Organization incurred expenses for services and supplies provided by two board members or their families. Additionally, the Organization employs one person who is the daughter of a member of management. The total amount paid for the expenses associated with these services and supplies approximated \$70,332 and \$69,732 for fiscal years 2019 and 2018, respectively. There were no amounts due to or from these related parties at March 31, 2019 and 2018.

One board member is the owner of an insurance company, which provides insurance coverage and related services to Lazarus House, including commercial liability, property, automobile, and workers compensation insurances. Premiums of approximately \$112,000 and \$104,000 were made directly to the insurance carriers, in fiscal years 2019 and 2018, respectively.

One board member is a principle at a law firm which provided legal services to the Organization. The services amounted to \$35,172 and \$29,755 in fiscal years 2019 and 2018, respectively.

**16. CONCENTRATION OF CREDIT RISK**

The Organization places its cash deposits in banks, credit unions, and other accounts at credit-worthy financial institutions. The Organization has not experienced any losses on its cash. At times, bank deposit account balances may exceed the Federal Deposit Insurance Corporation (FDIC) limits. However, some of the Organization’s deposits are further insured by Depositors Insurance Fund (DIF) or Securities Investor Protection Corporation (SIPC). Management considers any balance in excess of insured limits to be a normal business risk. Uninsured cash balances totaled \$648,411 at March 31, 2019.

**LAZARUS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2019 AND 2018**

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**16. CONCENTRATION OF CREDIT RISK (CONTINUED)**

Lazarus House is the guarantor of four notes, given by Lazarus Hope, LLC (“the LLC”) to various lenders, on November 10, 2006. The notes vary in amounts from \$550,000 to \$750,000 and total \$2,610,000. This guaranty would require the Organization to make any required loan payments in the event the LLC is unable to do so. While one note bears an interest rate of four and 90/100 percent (4.9%), three of the notes bear no interest.

One of the notes requires annual payments based on a cash-flow formula outlined in the covenants to the note. This formula is a function of the net profit of Lazarus Hope, LLC. Since the LLC has not generated a profit since its inception, no principal payments have been made on this note. This note bears no interest.

The remaining three notes have no set repayment requirement as to principal or interest, and may be carried until maturity. Two of these notes bear no interest, while one of the notes is interest bearing as noted above.

The notes are secured by the transitional housing property, located in Lawrence, Massachusetts. All notes mature on November 10, 2036. As of March 31, 2019, and 2018, the guaranteed loan balance was \$2,610,000. (See also notes 5 and 15)

**17. COMMITMENTS AND CONTINGENCIES**

The Organization is party to a lease agreement with Lazarus Hope, LLC, for utilization of common areas at Capernaum Place, and for utilization of a conference room and certain office space. The term of the lease is nineteen years, expiring on December 31, 2026, and includes “Base Rent”, “Additional Rent”, and “Supplemental Rent”. Included in the Additional Rent is the requirement that Lazarus House, Inc. pay a proportionate share of insurance, utilities, and repairs. Additionally, the Organization is responsible for all real estate taxes of Capernaum Place. For purpose of these financial statements, portions of the additional rent are included in their specified expenses. Total rent paid in 2019 and 2018 was \$157,386 and \$149,817, respectively.

Minimum base rent expense for the next five years is:

2020	\$ 226,882
2021	\$ 235,471
2022	\$ 244,406
2023	\$ 253,703
2024	\$ 263,378

**18. HEALTH INSURANCE**

In October 2018, the Organization entered into a partially self-funded health insurance plan. All full-time employees of the Organization have an option to participate in the health insurance plan. The cost of medical insurance is paid out of employee and employer contributions. The Organization has contracted with a third party to administer the plan. Under the current health plan, expiring in September 2019, the Organization estimates its full exposure, over the course of the plan year, to be approximately \$60,000. During the fiscal year ended March 31, 2019, the Organization had accrued approximately \$34,000 of unpaid medical insurance benefits.

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2019 AND 2018

19. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following reflects the Organization's financial assets on the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions.

	<u>2019</u>	<u>2018</u>
Cash	\$1,927,577	\$2,504,014
Accounts receivable, net, collected in less than one year	40,638	41,879
Grants receivable, collected in less than one year	<u>-</u>	<u>13,000</u>
Total financial assets, excluding noncurrent receivables and non-liquid investments	1,968,215	2,558,893
Contractual or donor-imposed restrictions:		
Restricted for management expenses, project upkeep and certain other expenses for Capernaum Place	(140,327)	(140,000)
Donor imposed restrictions – private grants reserved for Life Skills, Educational and other programs	<u>(373,061)</u>	<u>(166,748)</u>
Financial assets available to meet cash need for expenditures within one year	<u>\$1,454,827</u>	<u>\$2,252,145</u>

As disclosed in Note 9 to the financial statements, the Organization's governing board has placed internal restrictions on certain amounts collected through previous fundraising campaigns. The designated amounts of \$1,239,846 and \$2,058,777, at March 31, 2019 and 2018, respectively, are included above in the financial assets available to meet cash needs within one year as these reserves could be drawn upon if the board approved that action. Further, as disclosed in Note 6, the Organization has available a \$50,000 revolving credit loan.

In addition to financial assets available to meet expenditures within the year, the Organization anticipates covering its general expenditures by collecting donations and grants in its normal revenue cycle and from planned fundraising campaigns and events.

**LAZARUS HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2019 AND 2018**

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**20. SPECIAL EVENTS**

Revenue reported on the statement of activities, and expenses reported on the statement of functional expenses, as special events, consist of major annual fundraising events, including the Hike for Hope, Lazarus House Golf Tournament, Annual Dinner, and other events held during the year.

Net revenue generated from special events during fiscal years ended March 31, 2019 and 2018 was \$641,046 and \$612,009, respectively.

**21. SUBSTANTIAL CONTRIBUTIONS**

In fiscal year 2019, the Organization received a \$250,000 contribution from one donor. In fiscal year 2018, the Organization received a \$125,000 contribution from one donor. For purposes of these financial statements, substantial contributions are considered to be donations received by one donor of \$100,000 or greater, whether in a lump sum or in the aggregate.

**22. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 10, 2019, the date which the financial statements were available for issue, and has determined that there are no additional adjustments and/or disclosures required.

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