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LAZARUS HOUSE, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2015 AND 2014

LAZARUS HOUSE, INC.
TABLE OF CONTENTS
MARCH 31, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Naffah + Company, P.C.

July 16, 2015

LAZARUS HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 3,863,944	$ 4,047,419
Accounts receivable, net (Note 3)	44,265	44,230
Pledges receivable, current portion (Note 19)	277,070	652,603
Prepaid expenses	48,201	64,440
Total Current Assets	4,233,480	4,808,692
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation of $1,924,801 and $1,816,408 in 2015 and 2014, respectively (Note 6)	2,018,029	2,149,397
OTHER ASSETS		
Pledges receivable, long term portion (Note 19)	35,490	154,751
Investment in Capernaum Place, net (Note 4)	768,941	768,941
Total Other Assets	804,431	923,692
TOTAL ASSETS	$ 7,055,940	$ 7,881,781
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 6,811	$ 15,014
Accrued expenses	66,237	55,361
Unearned revenue (Note 12)	78,789	78,789
Total Liabilities	151,837	149,164
NET ASSETS		
Unrestricted		
Undesignated	3,573,689	4,312,344
Board designated (Note 8)	3,073,666	3,163,525
Total unrestricted net assets	6,647,355	7,475,869
Temporarily restricted (Note 7)	256,748	256,748
Total Net Assets	6,904,103	7,732,617
TOTAL LIABILITIES AND NET ASSETS	$ 7,055,940	$ 7,881,781

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

LAZARUS HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED MARCH 31, 2014)

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
SUPPORT AND REVENUES				
Donations and grants	$ 1,670,804	$ 383,493	$ 2,054,297	$ 1,832,525
Special events (Note 18)	753,576	-	753,576	701,894
Thrift shop sales	438,921	-	438,921	413,760
Work preparation training (Note 11)	233,217	-	233,217	227,300
Capital campaign (Note 19)	-	-	-	405,809
In kind contributions (Note 9)	4,820,965	-	4,820,965	4,648,054
Interest and dividend income	22,323	-	22,323	20,357
Gain (loss) on sale of fixed assets	(399)	-	(399)	-
Gain (loss) on sale of securities	(176)	-	(176)	1,761
Net assets released from restrictions (Note 7)	383,493	(383,493)	-	-
Total Support and Revenues	8,322,724	-	8,322,724	8,251,460
EXPENSES				
Program services	7,663,162	-	7,663,162	7,157,494
Management and general	710,435	-	710,435	747,860
Fund raising (Note 19)	777,641	-	777,641	778,877
Total Expenses	9,151,238	-	9,151,238	8,684,231
DECREASE IN NET ASSETS	(828,514)	-	(828,514)	(432,771)
NET ASSETS - BEGINNING	7,475,869	256,748	7,732,617	8,165,388
NET ASSETS - ENDING	$ 6,647,355	$ 256,748	$ 6,904,103	$ 7,732,617

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

LAZARUS HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014

	Unrestricted	Temporarily Restricted	Total 2014
SUPPORT AND REVENUES			
Donations and grants	$ 1,512,622	$ 319,903	$ 1,832,525
Special events (Note 18)	701,894	-	701,894
Thrift shop sales	413,760	-	413,760
Work preparation training (Note 11)	227,300	-	227,300
Capital campaign (Note 19)	405,809	-	405,809
In kind contributions (Note 9)	4,648,054	-	4,648,054
Interest and dividend income	20,357	-	20,357
Gain on sale of securities	1,761	-	1,761
Net assets released from restrictions (Note 7)	289,376	(289,376)	-
Total Support and Revenues	8,220,933	30,527	8,251,460
EXPENSES			
Program services	7,157,494	-	7,157,494
Management and general	747,860	-	747,860
Fund raising (Note 19)	778,877	-	778,877
Total Expenses	8,684,231	-	8,684,231
INCREASE (DECREASE) IN NET ASSETS	(463,298)	30,527	(432,771)
NET ASSETS - BEGINNING	7,939,167	226,221	8,165,388
NET ASSETS - ENDING	$ 7,475,869	$ 256,748	$ 7,732,617

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

LAZARUS HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2015

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	$ 1,644,395	$ 450,886	$ 342,902	$ 2,438,183
Payroll taxes	152,664	36,666	23,016	212,346
Food	68,907	-	-	68,907
Insurance	192,402	46,335	47,730	286,467
Office supplies	9,597	19,622	5,556	34,775
Postage and printing	10,420	-	26,083	36,503
Professional development	3,718	-	14,655	18,373
Professional fees	-	72,165	200	72,365
Program supplies	25,048	4,736	1,016	30,800
Rent expense	155,058	-	-	155,058
Repairs and maintenance	96,419	8,955	3,084	108,458
Special events	-	-	238,637	238,637
Telephone	7,253	2,436	1,873	11,562
Temporary labor service	15,371	-	-	15,371
Utilities	117,943	9,049	11,917	138,909
Vehicle expense	30,334	110	745	31,189
Website development	-	-	60,227	60,227
Depreciation	160,351	-	-	160,351
Other expenses	8,074	59,475	-	67,549
Bad debt expense (Note 19)	173,466	-	-	173,466
In-kind expenses	4,791,742	-	-	4,791,742
Total	$ 7,663,162	$ 710,435	$ 777,641	$ 9,151,238

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

LAZARUS HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2014

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	$ 1,528,751	$ 490,464	$ 383,726	$ 2,402,941
Payroll taxes	163,843	36,740	37,880	238,463
Food	64,899	-	-	64,899
Insurance	192,469	39,682	38,521	270,672
Office supplies	6,130	36,749	2,671	45,550
Postage and printing	-	5,186	14,398	19,584
Professional development	5,500	-	11,684	17,184
Professional fees	-	87,381	120	87,501
Program supplies	17,314	2,011	2,623	21,948
Rent expense	153,999	-	-	153,999
Repairs and maintenance	81,654	10,114	754	92,522
Special events	-	-	230,175	230,175
Telephone	7,693	5,247	6,384	19,324
Temporary labor service	22,745	-	-	22,745
Utilities	94,536	11,715	9,244	115,495
Vehicle expense	27,376	157	2,224	29,757
Website development	-	-	32,702	32,702
Depreciation	160,676	-	-	160,676
Capital campaign expenses	-	-	5,771	5,771
Other expenses	6,487	22,414	-	28,901
In-kind expenses	4,623,422	-	-	4,623,422
Total	$ 7,157,494	$ 747,860	$ 778,877	$ 8,684,231

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

LAZARUS HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (828,514)	$ (432,771)
Adjustments required to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	160,351	160,676
(Gain) loss on disposal of fixed assets	399	-
(Increase) decrease in accounts receivable	(35)	(4,117)
(Increase) decrease in pledges receivable	494,794	790,495
(Increase) decrease in prepaid expenses	16,239	(49,125)
Increase (decrease) in accounts payable and accrued expenses	2,673	4,804
Total Adjustments	674,421	902,733
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(154,093)	469,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property and equipment	(29,382)	(157,114)
NET CASH USED IN INVESTING ACTIVITIES	(29,382)	(157,114)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(183,475)	312,848
CASH AND CASH EQUIVALENTS - BEGINNING	4,047,419	3,734,571
CASH AND CASH EQUIVALENTS - ENDING	$ 3,863,944	$ 4,047,419

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2015	2014
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for taxes	$ -	$ -

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 providing disadvantaged individuals and families with temporary and permanent shelter, food, clothing, advocacy, medical care, education, and work preparation programs (Refer to note 11), through Lazarus House shelters, transitional housing, a food pantry, and thrift stores.

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

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. Revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purpose of the statement of cash flows, Lazarus House considers all unrestricted highly liquid investments to be cash equivalents.

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 fund account by the brokerage. Accordingly, there were no marketable securities at March 31, 2015 and 2014.

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.

In fiscal year 2015 an allowance for uncollectible amounts was established. The allowance for uncollectible accounts at March 31, 2015 is $7,800. There was no allowance at March 31, 2014. (See also note 19)

Bad debt expense at March 31, 2015 was $173,466. There was no bad debt expense at March 31, 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

As part of the work preparation program, *Spark*le Cleaning Company* bills its customers monthly. 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.

Cost Allocation

The cost of providing various programs and management and general expenses has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 5 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 method 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. 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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statement Presentation

U.S. generally accepted accounting principles require not-for-profit Organizations to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations. (See also note 8)

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by action of the Organization and/or passage of time. When a restriction does expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Reclassification

Certain items in the March 31, 2014 financial statements have been reclassified to conform to the 2015 presentation.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

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 and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, approximate fair value due to the short maturity of these instruments. While the fair value of pledges receivable are not materially different than carrying value, the Organization has chosen to adjust pledges receivable in greater than one year to net present value.

1. 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.

Release of Restrictions

When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions on contributions of property and equipment (or contributions restricted to the purchase of property and equipment) expire when the asset is placed into service.

2. CASH AND CASH EQUIVALENTS

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

	2015	2014
Cash and checking	$ 410,270	$ 506,544
Savings and certificates of deposit	3,039,352	3,128,977
Money fund account	414,322	411,898
Total	$ 3,863,944	$ 4,047,419

3. ACCOUNTS RECEIVABLE

Accounts receivable include amounts due from *Spark'le Cleaning* customers (note 11). Also included in accounts receivable are non-interest bearing loans to employees. Total due from employees was $17,500 and $20,675, at March 31, 2015 and 2014, respectively.

4. 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.

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 $306,097 and $256,550 at March 31, 2015 and 2014, 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 $263,822 and $214,275 at March 31, 2015 and 2014, respectively.

5. 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, 2015 was 4.25%. 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, 2015 and 2014.

6. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2015 consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land and buildings	$ 2,285,360	$ 942,341	$1,343,019
Building improvements	789,077	390,137	398,940
Equipment	582,916	376,729	206,187
Furniture and fixtures	218,942	177,083	41,859
Motor vehicles	66,535	38,511	28,024
Total	$ 3,942,830	$ 1,924,801	$ 2,018,029

6. PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment at March 31, 2014 consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land and buildings	$ 2,285,360	$ 887,991	$1,397,369
Building improvements	773,098	361,486	411,612
Equipment	613,122	373,605	239,517
Furniture and fixtures	227,690	166,089	61,601
Motor vehicles	66,535	27,237	39,298
Total	$ 3,965,805	$ 1,816,408	$ 2,149,397

Depreciation expense was $160,351 and $160,676 in fiscal years 2015 and 2014, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31 consists of the following:

	2015	2014
Restricted for management expenses, project upkeep and certain other expenses of Capernaum Place	$ 140,000	$ 140,000
Restricted by contributors for operations of the dental clinic	78,789	78,789
Restricted by private grants for the Life Skills and other Education Programs	37,959	37,959
Total Temporarily Restricted Net Assets	$ 256,748	$ 256,748

During the years ended March 31, 2015 and 2014, 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 2015 and 2014 was $383,493 and $289,376, respectively.

8. UNRESTRICTED NET ASSETS – BOARD DESIGNATED

Board designated unrestricted 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.

9. 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:

	2015	2014
Food	$ 3,822,536	$ 3,664,022
Professional services	526,276	481,875
Clothes and household items	442,930	477,525
Other goods and services	29,223	24,632
Total	$ 4,820,965	$ 4,648,054

10. DONATED SERVICES

Professional services included in In-Kind Contributions (note 9) 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 more than 47,474 hours and 44,305 hours, in fiscal years 2015 and 2014, respectively, which have not been reflected in these financial statements. The volunteers provided household services, assistance in the food pantry, soup kitchen and thrift stores, and fund-raising and other special events services. If a value were assigned to these volunteer hours and services, In-Kind Contributions would be increased by approximately $617,162 and $576,000 for fiscal years 2015 and 2014, respectively.

11. EDUCATION AND WORK PREPARATION PROGRAMS

While the Organization's main purpose is to provide needy persons with housing, food, and maintenance, Lazarus House is also concerned with assisting those persons in becoming independent and securing a better future. In an effort to accomplish this task, the Organization has established internal education and other work preparation programs.

As part of the on-going process of helping people from the Spanish-speaking community to secure employment in an English-speaking environment, the Organization has hired part-time teachers to provide classes designed not only to provide proper English speaking skills, but also to work with the students on General Educational Development (GED) diploma preparations, citizenship testing, self esteem and other life skills.

One training program consists of a cleaning company, *Spark*le Cleaning Company*, formed by the Organization in 1998, to provide training in the cleaning industry. Program participants learn by providing cleaning services to businesses in the Greater Lawrence area. When trained, participants are employed by the Company, for a period not to exceed ten months. During this period, employees are encouraged to seek permanent employment, and are assisted by Lazarus House staff in preparing resumes and role-playing for job interviews. Revenues generated by this program are applied back to the work preparation program. Profits or losses from this program are not considered to be Unrelated Business Income, per Internal Revenue Code Section 501; Regulation Section 1.501(c)(3)-1; and therefore, are exempt from income taxes. The program does not generate a profit.

11. EDUCATION AND WORK PREPARATION PROGRAMS (CONTINUED)

In 2011, Lazarus House, with volunteer assistance from area chefs donating their time, began *The Culinary Training Program*, in which participants are trained in the proper preparation and handling of food, in order to prepare them for employment in the food service industry. Upon completion of the program, participants are eligible for *ServSafe* certification, which will enable them to work in various food preparation industries, including restaurants and catering businesses. Every person who has completed the Culinary Training Program has secured employment in the culinary field at the restaurant where she or he interned.

A classroom environment has also been established, utilizing several computers which had been donated for use in the various education and work preparation training programs. In addition to utilizing the computers for their GED and other studies, participants in the various work preparation programs are encouraged to utilize these computers to prepare resumes and other documents necessary to assist them in seeking permanent employment. Other than ink and other printing supplies, there are no expenses associated with this service.

12. UNEARNED REVENUE

Unearned revenue at March 31, 2015 and 2014 consists of grants received for operation of the dental clinic, which closed in April 2012. It is likely that the unexpended balance of private grant monies totaling $78,789 will be required to be forwarded to the dental clinic's successor, less any costs incurred by Lazarus House for removal of dental equipment. Unearned income totaled $78,789 in fiscal years 2015 and 2014. This money is expected to be repaid during fiscal 2016.

13. 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 Funds account. Donations of marketable securities received during fiscal years 2015 and 2014, were valued at $2,670 and $11,770, 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 $29,223 and $24,632 in fiscal years 2015 and 2014, respectively, which is included in in-kind revenues. (See also note 9)

14. 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 4)

14. RELATED PARTIES (CONTINUED)

The Organization incurred expenses for professional services provided by three board members or their families. The total amount paid for these services approximated $43,849 and $35,019 for fiscal years 2015 and 2014, respectively. There were no amounts due to or from these related parties at March 31, 2015 and 2014.

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 $119,000 and $110,000 were made directly to the insurance carriers, in fiscal years 2015 and 2014, respectively.

The Organization employs the daughter of a member of management as a supportive services coordinator. The employee earned $30,722 and $17,157 for the years ending March 31, 2015 and 2014, respectively.

15. CONCENTRATION OF CREDIT RISK

The Organization places its cash equivalents in bank deposit and other accounts at credit-worthy financial institutions. The Organization has not experienced any losses on its cash equivalents. At times, bank deposit account balances may exceed the Federal Deposit Insurance Corporation (FDIC) limits. However, some of the Organization's deposits and investments 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 $1,293,637 at March 31, 2015.

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. Three of the notes have no set re-payment requirement, and may be carried until maturity. The notes are secured by the transitional housing property, located in Lawrence, Massachusetts. All notes mature on November 10, 2036. As of March 31, 2015 and 2014, the guaranteed loan balance was $2,610,000. There were no payments yet due on the loans. (See also notes 4 and 14)

16. 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 November 10, 2025, 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 2015 and 2014 was $155,058 and $153,999, respectively.

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Minimum base rent expense for the next five years is:

2016	$ 195,719
2017	$ 203,057
2018	$ 210,688
2019	$ 218,625
2020	$ 226,882

17. MEMORIAL BEQUESTS

Memorial bequests are occasional donations made by an estate or as otherwise directed in a will. There were no memorial bequests in fiscal year 2015. Memorial bequests totaled $5,284 in fiscal year 2014. There were no restrictions as to the use of these funds.

18. 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 fund raising 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, 2015 and 2014 was $514,939 and $471,719, respectively.

19. CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE

During fiscal year 2011, Lazarus House launched a capital campaign, *Campaign for Dignity.* The Organization had set a target of $5,000,000. Solicitations of donors included individuals, businesses, foundations, philanthropies, and religious organizations. In March 2014, the Organization reached its goal with pledges totaling $5,187,341.

All pledges are considered to be unrestricted in nature. Contributions were recorded at fair value during the period the pledge was received. For the purpose of the statement of financial position, total pledges receivable are included in unrestricted net assets as Board Designated.

The Organization determined that its goal would be better met if donors were given a three-year or five-year option in which to meet their total pledges, with longer extensions of time granted when specifically requested.

Pledges expected to be received within twelve months are categorized on the statements of financial position as current assets, while pledges expected to be received beyond one year are categorized as other assets. Long-term pledges receivable are adjusted for present value of the receivable, using a discount rate of one percent (1%), which is the average interest rate received on investments as of March 31, 2015 and 2014.

19. CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE (CONTINUED)

As of March 31, 2015 and 2014, gross pledges receivable totaled $322,452 and $813,406, respectively. An allowance for doubtful accounts has been netted against the current portion of these receivables, while the long-term portion of the receivables has been discounted for present value of the balance.

A summary of expected collections and their net value at March 31, 2015 is as follows:

	Pledges Receivable
Due in fiscal year 2016	$ 286,962
Less allowance for uncollectibility	(7,800)
Current portion	$ 279,162
Due in fiscal year 2017	$ 26,390
Due in fiscal year 2018	6,100
Due in fiscal year 2019	1,000
Due in fiscal year 2020	1,000
Due in fiscal year 2021	1,000
	35,490
Less discount to present value	(2,092)
Long term portion	$ 33,398

Net pledges receivable was $312,560 and $807,354 at March 31, 2015 and 2014, respectively.

Pledges receivable are periodically evaluated for collectability based on past collection history with donors. Provisions for losses on pledges receivable are determined on the basis of loss experience, known and inherent risk in the pledge balances, and current economic conditions. Management has reviewed the pledges receivable and determined that an allowance for uncollectible pledges of $7,800 was required for fiscal year 2015. There was no allowance deemed necessary for fiscal year 2014.

During fiscal year 2015, the balance of $165,666 due on a previously made pledge was deemed to be uncollectible and has been written off. This amount is included in bad debt expense at March 31, 2015.

Included in fundraising expenses on the statements of activities are costs directly related to the Capital Campaign. There were no capital campaign costs in fiscal year 2015. Costs totaled $5,771 in fiscal year 2014, which was the last year of the campaign.

20. FAIR VALUE MEASUREMENTS

The following assets carried at fair value are reviewed and adjusted on a recurring basis (See also notes 2 and 4):

Assets at Fair Value as of March 31, 2015

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 414,322	$ -	$ -	$ 414,322
Investments:				
Investment in Capernaum Place	-	-	768,941	768,941
Total	$ 414,322	$ -	$ 768,941	$1,183,263

Assets at Fair Value as of March 31, 2015

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 411,898	$ -	$ -	$ 411,898
Investments:				
Investment in Capernaum Place	-	-	768,941	768,941
Total	$ 411,898	$ -	$ 768,941	$1,180,839

21. SUBSTANTIAL CONTRIBUTIONS

Included in total revenue are substantial contributions totaling $100,000 received from one donor during fiscal year 2015, and $556,667 received from four donors during fiscal year 2014. 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 July 16, 2015, the date which the financial statements were available for issue, and has determined that there are no additional adjustments and/or disclosures required.