

LAZARUS HOUSE, INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2021 AND 2020**

LAZARUS HOUSE, INC.
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MARCH 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Raffahr + Company, P.C.

North Andover, Massachusetts
October 4, 2021

LAZARUS HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash (Note 3)	\$ 5,185,201	\$ 2,133,179
Accounts receivable, net	-	27,661
Other receivable (Note 4)	10,058	71,857
Prepaid expenses	<u>40,531</u>	<u>47,777</u>
Total Current Assets	<u>5,235,790</u>	<u>2,280,474</u>
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation of \$2,598,400 and \$2,525,344 in 2021 and 2020, respectively (Note 7)	<u>2,163,589</u>	<u>2,138,037</u>
OTHER ASSETS		
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>
TOTAL ASSETS	<u>\$ 8,168,320</u>	<u>\$ 5,187,452</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,127	\$ 1,619
Short term note payable (Note 8)	241,384	-
Accrued expenses and other current liabilities	123,900	139,999
Unearned revenue (Note 14)	<u>45,100</u>	<u>75,654</u>
Total Liabilities	<u>419,511</u>	<u>217,272</u>
LONG-TERM LIABILITIES		
Long-term note payable (Note 8)	<u>1,045,996</u>	<u>-</u>
Total Long-Term Liabilities	<u>1,465,507</u>	<u>217,272</u>
NET ASSETS		
Without donor restrictions (Note 10)	5,793,733	4,152,565
With donor restrictions (Note 9)	<u>909,080</u>	<u>817,615</u>
Total Net Assets	<u>6,702,813</u>	<u>4,970,180</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,168,320</u>	<u>\$ 5,187,452</u>

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

LAZARUS HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED MARCH 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
SUPPORT AND REVENUES				
Donations and grants	\$ 3,886,150	\$ 670,619	\$ 4,556,769	\$ 3,284,822
Special events (Note 21)	697,218	-	697,218	875,338
Thrift shop sales	74,395	-	74,395	356,025
Work preparation training (Note 13)	5,654	-	5,654	295,251
Other program revenue	19,398	-	19,398	54,444
In-kind contributions (Note 11)	5,047,832	-	5,047,832	4,605,198
Interest and dividend income	13,864	-	13,864	7,020
Gain (loss) on sale of securities	(1,454)	-	(1,454)	(2,053)
Gain (loss) on sale of property & equipment	-	-	-	193,296
Net assets released from restrictions (Note 9)	579,154	(579,154)	-	-
Total Support and Revenues	<u>10,322,211</u>	<u>91,465</u>	<u>10,413,676</u>	<u>9,669,341</u>
EXPENSES				
Program services	7,165,569	-	7,165,569	8,023,475
Management and general	677,391	-	677,391	676,625
Fundraising	838,083	-	838,083	1,017,822
Total Expenses	<u>8,681,043</u>	<u>-</u>	<u>8,681,043</u>	<u>9,717,922</u>
INCREASE (DECREASE) IN NET ASSETS	1,641,168	91,465	1,732,633	(48,581)
NET ASSETS - BEGINNING	<u>4,152,565</u>	<u>817,615</u>	<u>4,970,180</u>	<u>5,018,761</u>
NET ASSETS - ENDING	<u>\$ 5,793,733</u>	<u>\$ 909,080</u>	<u>\$ 6,702,813</u>	<u>\$ 4,970,180</u>

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

LAZARUS HOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED MARCH 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
SUPPORT AND REVENUES				
Donations and grants	\$ 2,635,180	\$ 649,642	\$ 3,284,822	\$ 3,166,350
Special events (Note 21)	875,338	-	875,338	879,615
Thrift shop sales	356,025	-	356,025	384,456
Work preparation training (Note 13)	295,251	-	295,251	280,027
Other program revenue	54,444	-	54,444	41,265
In-kind contributions (Note 11)	4,605,198	-	4,605,198	4,610,589
Interest and dividend income	7,020	-	7,020	5,861
Gain (loss) on sale of securities	(2,053)	-	(2,053)	(3,382)
Gain (loss) on sale of property & equipment	193,296	-	193,296	-
Net assets released from restrictions (Note 9)	345,415	(345,415)	-	-
Total Support and Revenues	<u>9,365,114</u>	<u>304,227</u>	<u>9,669,341</u>	<u>9,364,781</u>
EXPENSES				
Program services	8,023,475	-	8,023,475	7,724,956
Management and general	676,625	-	676,625	565,877
Fundraising	1,017,822	-	1,017,822	983,881
Total Expenses	<u>9,717,922</u>	<u>-</u>	<u>9,717,922</u>	<u>9,274,714</u>
INCREASE (DECREASE) IN NET ASSETS	(352,808)	304,227	(48,581)	90,067
NET ASSETS - BEGINNING	<u>4,505,373</u>	<u>513,388</u>	<u>5,018,761</u>	<u>4,928,694</u>
NET ASSETS - ENDING	<u>\$ 4,152,565</u>	<u>\$ 817,615</u>	<u>\$ 4,970,180</u>	<u>\$ 5,018,761</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, 2021

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,115,816	\$ 306,683	\$ 418,677	\$ 1,841,176
Insurance	142,828	44,151	32,606	219,585
Payroll taxes	55,987	44,777	32,377	133,141
Special events	-	-	180,011	180,011
Professional fees	3,791	164,540	41,069	209,400
Rent expense	157,602	-	-	157,602
Program expenses	132,620	15,603	-	148,223
Depreciation	129,420	-	-	129,420
Utilities	89,422	8,370	11,364	109,156
Postage and printing	-	459	43,110	43,569
Repairs and maintenance	108,317	9,799	9,091	127,207
IT and website support	-	45,742	22,264	68,006
Other expenses	5,387	4,177	27,542	37,106
Food	123,893	-	-	123,893
Temporary labor service	5,581	-	-	5,581
Vehicle expense	9,159	-	701	9,860
Office supplies	26,760	24,213	14,064	65,037
Grants	7,000	-	-	7,000
Telephone	5,154	1,635	5,207	11,996
Interest expense	-	7,242	-	7,242
In-kind expenses	5,046,832	-	-	5,046,832
Total	\$ 7,165,569	\$ 677,391	\$ 838,083	\$ 8,681,043

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

LAZARUS HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	\$ 2,145,274	\$ 371,999	\$ 428,527	\$ 2,945,800
Insurance	251,796	55,188	47,768	354,752
Payroll taxes	186,125	34,227	32,494	252,846
Special events	-	-	230,602	230,602
Professional fees	11,325	139,821	161,426	312,572
Rent expense	146,659	-	-	146,659
Program expenses	205,989	493	-	206,482
Depreciation	146,788	-	-	146,788
Utilities	100,193	7,921	12,334	120,448
Postage and printing	-	328	55,317	55,645
Repairs and maintenance	104,482	1,723	780	106,985
IT and website support	-	34,740	19,047	53,787
Other expenses	4,718	14,263	20,090	39,071
Food	52,445	-	-	52,445
Temporary labor service	24,376	-	-	24,376
Vehicle expense	21,596	-	2,029	23,625
Office supplies	9,717	13,839	4,417	27,973
Grants	22,915	-	-	22,915
Telephone	8,398	2,083	2,991	13,472
In-kind expenses	<u>4,580,679</u>	<u>-</u>	<u>-</u>	<u>4,580,679</u>
Total	<u>\$ 8,023,475</u>	<u>\$ 676,625</u>	<u>\$ 1,017,822</u>	<u>\$ 9,717,922</u>

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

LAZARUS HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,732,633	\$ (48,581)
Adjustments required to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	129,420	146,788
(Gain) loss on disposal of fixed assets	-	(193,296)
(Increase) decrease in accounts receivable	27,661	2,677
(Increase) decrease in other receivable	61,799	(6,695)
(Increase) decrease in prepaid expenses	7,246	(6,975)
Increase (decrease) in accounts payable and accrued expenses	(8,591)	61,479
Increase (decrease) in unearned revenue	(30,554)	31,149
	<u>186,981</u>	<u>35,127</u>
Total Adjustments	<u>186,981</u>	<u>35,127</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,919,614</u>	<u>(13,454)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds on sale of property and equipment	-	242,998
Expenditures for property and equipment	(154,972)	(23,942)
NET CASH USED IN (PROVIDED BY) INVESTING ACTIVITIES	<u>(154,972)</u>	<u>219,056</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP Loan (Note 8)	1,287,380	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>1,287,380</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	3,052,022	205,602
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,133,179</u>	<u>1,927,577</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 5,185,201</u>	<u>\$ 2,133,179</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
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, 2021 AND 2020**

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, our Guests, struggling with poverty and homelessness. Our services include temporary and permanent shelters, transitional housing, food pantry, soup kitchen, thrift stores, advocacy, 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

The Organization has adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2018-08 Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously audited financial statements were required on a retrospective basis.

In May 2014, the FASB issued Accounting Standards update 2014-9, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers*. This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization implemented ASU 2014-09 effective January 1, 2020. The adoption of this accounting standard did not have an impact on the Foundation’s financial position or changes in its net assets.

Forgivable Loans-SBA Paycheck Protection Program Loan

The Company’s policy is to account for forgivable loans received through the Small Business Administration (SBA) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program (PPP), as debt in accordance with Accounting Standards Codification (ASC) 470, “Debt”, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Company is legally released from the liability by the SBA.

Subsequent to year-end March 31, 2021, the Organization received notification from the SBA that forgiveness of PPP rounds 1 and 2 were forgiven in full. Accordingly, the forgiven PPP loans will be reported as income on the Statement of Activities for the year-ended March 31, 2022.

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021 and 2020.

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.

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 financial statements have been reclassified to conform to the 2021 presentation.

Revenue and Revenue Recognition

Revenue is recognized when earned. Donations and grants are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Revenue from thrift shop sales is recognized at the point of sale. Revenue from work preparation training program fees is recognized when the service is provided to the customer.

Financial Instruments

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, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Fair Value Measurements

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>2021</u>	<u>2020</u>
Cash and checking	\$ 200,440	\$ 313,856
Savings and certificates of deposit	<u>4,984,761</u>	<u>1,819,323</u>
Total	<u>\$ 5,185,201</u>	<u>\$ 2,133,179</u>

4. OTHER RECEIVABLE

Other receivable includes \$54,862 due to the Organization from the sale of property sold in fiscal year 2020. The funds were received in May 2020. Also included in other receivable are non-interest-bearing loans to employees, which amounted to \$10,058 and \$16,995, as of March 31, 2021 and 2020, respectively.

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020

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.

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 \$660,454 and \$593,904 at March 31, 2021 and 2020, 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 \$618,179 and \$551,629 at March 31, 2021 and 2020, 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, 2021 was 3.25%. 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, 2021 and 2020.

7. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2021 consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and buildings	\$ 2,826,522	\$ 1,184,996	\$ 1,641,526
Building improvements	914,566	560,017	354,549
Equipment	778,986	611,472	167,514
Furniture and fixtures	218,942	218,942	-
Motor vehicles	<u>22,973</u>	<u>22,973</u>	<u>-</u>
Total	<u>\$ 4,761,989</u>	<u>\$ 2,598,400</u>	<u>\$ 2,163,589</u>

LAZARUS HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

7. PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment at March 31, 2020 consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land and buildings	\$ 2,826,522	\$ 1,119,962	\$ 1,706,560
Building improvements	858,197	534,455	323,742
Equipment	680,383	577,243	103,140
Furniture and fixtures	218,942	218,942	-
Motor vehicles	<u>79,337</u>	<u>74,742</u>	<u>4,595</u>
Total	<u>\$ 4,663,381</u>	<u>\$ 2,525,344</u>	<u>\$ 2,138,037</u>

Depreciation expense was \$129,420 and \$146,788 in fiscal years 2021 and 2020, respectively.

8. PAYROLL PROTECTION PROGRAM LOAN

During the fiscal year ended March 31, 2021, the Organization received approval for a Small Business Administration (SBA) Payroll Protection Program (“PPP”) Loans. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over an eight to twenty-four week period following the date of funding. To qualify for forgiveness, the funding must be spent on eligible payroll expenses, with up to 40% allowed to be spent on other eligible expenditures such as rent and utilities.

As of March 31, 2021, the Organization had the following long-term debt:

	Amount
<p>Unsecured term loan dated April 2020, due to the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief and Economic Security Act’s Paycheck Protection Program (PPP). All payments are deferred until the Company receives notification from the SBA as to the amount of the loan that is forgiven. Thereafter, monthly principal payments of \$26,820 are due, plus interest at one percent per annum, through June of 2023. The loan terms provide that a portion or all of the loan is forgivable to the extent that the Company uses loan proceeds to fund qualifying payroll, interest, rent and utilities during a designated 24-week period. Unforgiven loan amounts are expected to be repaid over 24 months at 1%. In May 2021, after the end of the fiscal year, the Organization received notification from the SBA that this loan had been forgiven in full. Accordingly, the loan is classified as debt on the balance sheet as of March 31, 2021.</p>	<p>\$ 643,690</p>

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020

8. PAYROLL PROTECTION PROGRAM LOAN (CONTINUED)

Unsecured term loan dated February 2021, due to the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief and Economic Security Act's Paycheck Protection Program (PPP). All payments are deferred until the Company receives notification from the SBA as to the amount of the loan that is forgiven.

Thereafter, monthly principal payments of \$10,728 are due, plus interest at one percent per annum, through April of 2027. The loan terms provide that a portion or all of the loan is forgivable to the extent that the Company uses loan proceeds to fund qualifying payroll, interest, rent and utilities during a designated 24-week period. Unforgiven loan amounts are expected to be repaid over 60 months at 1%. In September 2021, after the end of the fiscal year, the Organization received notification from the SBA that this loan had been forgiven in full. Accordingly, the loan is classified as debt on the balance sheet as of March 31, 2021.

	643,690
Total debt	1,287,380
Less: current portion	(241,384)
Long-term debt	\$ 1,045,996

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Restricted for management expenses, project upkeep and certain other expenses of Capernaum Place	\$ 104,195	\$ 104,195
Restricted by private grants for the Life Skills Center, facility improvements, and certain program costs	804,885	713,420
Total Net Assets With Donor Restrictions	\$ 909,080	\$ 817,615

During the years ended March 31, 2021 and 2020, 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 2021 and 2020 was \$579,154 and \$345,415, respectively.

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020

10. 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 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, 2021, and 2020, board designated net assets were \$1,131,265 and \$1,146,406, respectively.

11. 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>2021</u>	<u>2020</u>
Food	\$ 4,671,333	\$ 3,449,783
Professional services	129,500	520,715
Clothes and household items	245,999	610,181
Other goods and services	<u>1,000</u>	<u>24,519</u>
Total	<u>\$ 5,047,832</u>	<u>\$ 4,605,198</u>

12. DONATED SERVICES

Professional services included in In-Kind Contributions (note 11) 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 2,000, and 24,000 hours in fiscal years 2021 and 2020, 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 \$34,000 and \$372,000 for fiscal years 2021 and 2020, respectively.

13. 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.

LAZARUS HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

13. EDUCATION AND WORK PREPARATION PROGRAMS (CONTINUED)

The Organization continually evaluates the effectiveness of its programs to meet the needs of its Guests. The above mentioned ESOL classes were discontinued in February 2020, the Spark*L.E. Cleaning Services program was discontinued in July 2020 and the Culinary Arts program is temporarily on hold due to the COVID-19 pandemic.

14. UNEARNED REVENUE

At March 31, 2021 and 2020 unearned revenue includes donations and fees, received in advance of events held in each subsequent year, of \$45,100 and \$75,654, respectively.

15. 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 2021 and 2020, were valued at \$55,740 and \$85,062, 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 \$1,000 and \$24,519 in fiscal years 2021 and 2020, respectively, which is included in in-kind revenues. (See note 11)

16. 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 employed one person who was the daughter of a former member of management. The total amount paid for the expenses associated with these services and supplies approximated \$25,051 and \$72,320 for fiscal years 2021 and 2020, respectively. There were no amounts due to or from these related parties at March 31, 2021 and 2020.

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 \$90,000 and \$115,000 were made directly to the insurance carriers, in fiscal years 2021 and 2020, respectively.

One board member is a principle at a law firm which provided legal services to the Organization. The services amounted to \$43,412 and \$31,515 in fiscal years 2021 and 2020, respectively.

LAZARUS HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020**

17. 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 \$4,023,466 at March 31, 2021.

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, 2021, and 2020, the guaranteed loan balance was \$2,610,000. (See also notes 6 and 16)

18. 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 2021 and 2020 was \$157,602 and \$146,659, respectively.

Minimum base rent expense for the next five years is:

2022	\$ 244,406
2023	\$ 253,703
2024	\$ 263,378
2025	\$ 273,445
2026	\$ 283,923

LAZARUS HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2021 AND 2020

19. 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 2021, the Organization estimates its full exposure, over the course of the plan year, to be approximately \$104,000. During the fiscal years ended March 31, 2021, and 2020 the Organization had accrued approximately \$40,000 and \$43,000 of unpaid medical insurance benefits, respectively.

20. 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>2021</u>	<u>2020</u>
Cash	\$5,185,201	\$2,133,179
Accounts receivable, net, collected in less than one year	-	44,656
Other receivable, collected in less than one year	<u>10,058</u>	<u>54,862</u>
Total financial assets, excluding noncurrent receivables and non-liquid investments	5,195,259	2,232,697
Contractual or donor-imposed restrictions:		
Restricted for management expenses, project upkeep and certain other expenses for Capernaum Place	(104,195)	(104,195)
Donor imposed restrictions – private grants reserved for Life Skills Center, facility improvements, other educational and certain program costs	<u>(804,886)</u>	<u>(713,420)</u>
Financial assets available to meet cash need for expenditures within one year	<u>\$4,286,178</u>	<u>\$1,415,082</u>

As disclosed in Note 10 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 \$1,131,265 and \$1,146,406, at March 31, 2021 and 2020, 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 7, 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, 2021 AND 2020**

21. 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, 2021 and 2020 was \$517,207 and \$644,736, respectively.

22. SUBSTANTIAL CONTRIBUTIONS

In fiscal year 2021, the Organization received five substantial contributions totaling \$675,000. In fiscal year 2020, the Organization received four substantial contributions totaling \$688,732. 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.

23. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2021, the date which the financial statements were available for issue, and has determined that there are no additional adjustments and/or disclosures required.

In March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread. Business continuity continues to be impacted as governments and their citizens take measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its effect on operations and fundraising. No adjustments have been made to these financial statements as a result of this uncertainty.

In May of 2021, the Organization received notification from the SBA that its PPP round 1 loan of \$643,690 had been forgiven. In September of 2021, the Organization received notification from the SBA that its PPP round 2 loan of \$643,690 had been forgiven. Accordingly, the forgiven PPP loans will be reported as income on the Statement of Activities for the year-ended March 31, 2022.