

**LAUSANNE COMMITTEE
FOR WORLD EVANGELIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

BYEMAN & CLEARY
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lausanne Committee for World Evangelization
South Hamilton, Massachusetts

We have audited the accompanying financial statements of Lausanne Committee for World Evangelization (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2012 and 2011, 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.

Auditor's Responsibility


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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 Lausanne Committee for World Evangelization as of December 31, 2012 and 2011, 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.


November 25, 2013

LAUSANNE COMMITTEE FOR WORLD EVANGELIZATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,582,927	\$ 200,999
Pledges Receivable	-	-
Contributions & Other Receivables	-	-
Prepaid Expense	10,000	-
Total Current Assets	1,592,927	200,999
Property and Equipment:		
Office Equipment	75,088	127,106
Less: Accumulated Depreciation	(57,417)	(83,204)
Net Property and Equipment	17,671	43,902
TOTAL ASSETS	\$ 1,610,598	\$ 244,901
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 299,748	\$ 289,260
Accrued Expense	138,749	22,209
Unearned Registration Fees	101,894	13,335
Loans Payable	2,093,097	1,920,122
Total Current Liabilities \ Total Liabilities	\$ 2,633,488	\$ 2,244,926
Net Assets:		
Unrestricted	(1,140,404)	(2,033,888)
Temporarily Restricted	117,514	33,863
Total Net Assets	(1,022,890)	(2,000,025)
TOTAL LIABILITIES AND NET ASSETS	\$ 1,610,598	\$ 244,901

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

LAUSANNE COMMITTEE FOR WORLD EVANGELIZATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUE:</u>						
Contributions	\$ 1,910,224	\$ 342,413	\$ 2,252,637	\$ 1,607,245	\$ 801,810	\$ 2,409,055
Royalties	1,871	-	1,871	13,724	-	13,724
Registration Fees	62,289	-	62,289	31,525	-	31,525
Gifts-In-Kind	-	-	-	-	-	-
Miscellaneous Income	(2,525)	-	(2,525)	3,377	-	3,377
Net Assets Released Due To						
Satisfaction Of Restrictions	258,762	(258,762)	-	767,947	(767,947)	-
TOTAL SUPPORT AND REVENUE	<u>2,230,621</u>	<u>83,651</u>	<u>2,314,272</u>	<u>2,423,818</u>	<u>33,863</u>	<u>2,457,681</u>
<u>EXPENSES:</u>						
Program Services	902,567	-	902,567	1,083,023	-	1,083,023
Management & General	191,319	-	191,319	237,657	-	237,657
Fundraising	243,251	-	243,251	209,791	-	209,791
TOTAL EXPENSES	<u>1,337,137</u>	<u>-</u>	<u>1,337,137</u>	<u>1,530,471</u>	<u>-</u>	<u>1,530,471</u>
CHANGE IN NET ASSETS	893,484	83,651	977,135	893,347	33,863	927,210
NET ASSETS AT BEGINNING OF YEAR	<u>(2,033,888)</u>	<u>33,863</u>	<u>(2,000,025)</u>	<u>(2,927,235)</u>	<u>-</u>	<u>(2,927,235)</u>
NET ASSETS AT END OF YEAR	<u>\$ (1,140,404)</u>	<u>\$ 117,514</u>	<u>\$ (1,022,890)</u>	<u>\$ (2,033,888)</u>	<u>\$ 33,863</u>	<u>\$ (2,000,025)</u>

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

LAUSANNE COMMITTEE FOR WORLD EVANGELIZATION

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012					2011				
	Program Service	Management & General	Fundraising	Total Supporting	Total Expenses	Program Service	Management & General	Fundraising	Total Supporting	Total Expenses
Personnel	\$ 490,018	\$ 110,396	\$ 95,213	\$ 205,609	\$ 695,627	\$ 505,501	\$ 126,494	\$ 97,630	\$ 224,124	\$ 729,625
Travel	192,682	18,203	27,615	45,818	238,500	188,710	24,172	10,075	34,247	222,957
Marketing & Media	67,723	-	(285)	(285)	67,438	184,649	3,504	-	3,504	188,153
Program Grants	83,855	-	-	-	83,855	83,313	-	-	-	83,313
Conferences & Events	6,312	-	325	325	6,637	54,193	-	-	-	54,193
Office	37,210	8,609	1,746	10,355	47,565	23,875	11,779	3,698	15,477	39,352
Legal & Financial Services	2,950	52,088	255	52,343	55,293	13,025	66,958	335	67,293	80,318
Donor Relations	-	-	20,185	20,185	20,185	-	-	751	751	751
Depreciation	21,585	2,023	-	2,023	23,608	29,757	4,750	-	4,750	34,507
Interest Expense	232	-	98,197	98,197	98,429	-	-	97,302	97,302	97,302
Other Expense	-	-	-	-	-	-	-	-	-	-
Gifts-In-Kind Expense	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 902,567	\$ 191,319	\$ 243,251	\$ 434,570	\$ 1,337,137	\$ 1,083,023	\$ 237,657	\$ 209,791	\$ 447,448	\$ 1,530,471

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

LAUSANNE COMMITTEE FOR WORLD EVANGELIZATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 977,135	\$ 927,210
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	23,608	34,507
Interest added to Loan Principal	97,965	-
Loss on Disposal of Equipment	2,623	1,398
Decrease (Increase) in:		
Advances	(10,000)	-
Prepaid Expense	-	18,501
Receivables	-	104,066
Pledges Receivable	-	-
Increase (Decrease) in:		
Accounts Payable	10,488	212,169
Accrued Expense	116,540	(59,071)
Unearned Registration Income	88,559	13,335
Net Cash Provided By Operating Activities	1,306,918	1,252,115
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	-	(3,935)
Proceeds from Sale of Property and Equipment	-	-
Net Cash Used By Investing Activities	-	(3,935)
Cash Flows From Financing Activities:		
Proceeds from Loan Payable	75,010	-
Payments of Principal on Loans Payable	-	(1,479,078)
Net Cash Provided (Used) By Financing Activities	75,010	(1,479,078)
Net Increase In Cash	1,381,928	(230,898)
Cash and Cash Equivalents at Beginning of Year	200,999	431,897
Cash and Cash Equivalents at End of Year	\$ 1,582,927	\$ 200,999
Supplemental Disclosures:		
Interest Paid:	\$ 464	\$ 1,790

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

LAUSANNE COMMITTEE FOR WORLD EVANGELIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. NATURE OF ORGANIZATION

Lausanne Committee for World Evangelization (LCWE) is incorporated in California under the Nonprofit Religious Corporation Law, exclusively for religious purposes. It is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and Section 23701 of the California Revenue and Taxation Code.

LCWE exists to encourage and stimulate the involvement of churches, denominations, ministries, networks and individuals in the cause of world evangelization by providing a forum for theological discussion and the development of practical strategies to address crucial issues facing the church in spreading the Gospel of Jesus Christ.

The organization is supported primarily through donor contributions solicited by missionary staff and charitable foundation grants. Grants and contributions are received from donors throughout the United States. Foundation grants were approximately 27% and 56% of total support and revenue for the years ended December 31, 2012 and 2011 respectively. Two donors contributed approximately 54% and 53% of total support and revenue for the years ended December 31, 2012 and 2011 respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

Cash consists of balances in deposit accounts at banks. All unrestricted highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Classes of Net Assets

Unrestricted amounts are those currently available at the discretion of the board of directors and management for use in the organization's operations and those resources invested in equipment.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of equipment.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LAUSANNE COMMITTEE FOR WORLD EVANGELIZATION
NOTES TO FINANCIAL STATEMENTS
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Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Pledges Receivable

Contribution revenue is recognized when a donor makes a promise to give to the organization that is, in substance, unconditional. Unconditional pledges expected to be collected within one year are reported at net realizable value. Those expected in more than one year are reported at the net present value of their estimated future cash flow. There were no pledges receivable at December 31, 2012 or 2011.

Property and Equipment

Property and Equipment is recorded at cost or estimated fair value if received by donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor directions regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Property and equipment are depreciated on the straight-line method based on estimated useful lives of 3 to 7 years for furniture and equipment.

Revenues and Expenses

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the organization.

Temporarily restricted contributions are recognized as contribution income when cash or ownership of donated assets is unconditionally promised to the organization and subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those donor stipulated restrictions. When a restricted donation is recognized, a portion is allocated to unrestricted net assets to offset the cost of processing the transaction.

Gifts-in-Kind

Gifts-in-kind are donated materials and services reflected as contributions in the financial statements at their estimated values on the date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets, or require specialized skills and are provided by persons with those skills, and would be purchased if not provided by donation.

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DECEMBER 31, 2012

3. UNEARNED REGISTRATION FEES

Registration for the Global Leadership Forum held in May 2013 was opened in July 2012. Registration fees paid prior to the event are recorded as unearned income. At the conclusion of the event, the unearned income will be reclassified to current income.

4. LOANS PAYABLE

The loans payable at December 31, 2012 and 2011 are two unsecured notes in the amount of \$900,000 each plus accrued interest due to private parties. The loans are structured as commercial paper maturing within 30 days or less at an interest rate of 5% per year. The loans and accrued interest have been renewed for additional 30-day terms on the agreement of both parties. In December 2012 an interest-free advance in the amount of \$75,010 was received from an organization that provides accounting services to the Organization. Subsequent to December 31, 2012, principal due on all loans payable was repaid and the lenders waived any interest accrued.

5. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets represent unspent contributions received with donor-imposed stipulations. The stipulations are removed when funds are expended for the purpose specified. At December 31, 2012 and 2011, net assets were restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
Global Analysis Project	\$ 60,889	\$ 30,800
Consultations	27,444	70
Younger Leaders	17,759	-
Missionary Balances	11,422	-
Working Groups	-	2,993
	<u>\$117,514</u>	<u>\$ 33,863</u>

6. CONCENTRATION OF CREDIT RISK

At December 31, 2012 bank balances exceeded federal deposit insurance limits by \$1,252,544.

7. NEGATIVE UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2012 are negative \$1,140,404. At December 31, 2011 the negative amount was \$2,033,888. Management believes that there will be an increase in contribution income in the future. Fundraising efforts to retire outstanding debt from the Third Lausanne Congress on World Evangelization held in Cape Town, South Africa in October, 2010 will continue. These obligations were consolidated into four loans at December 31, 2010. Two of these loans were repaid in 2011 and the remaining two loans described in Note 4 were repaid subsequent to December 31, 2012. It is expected that a positive position in net assets will be reached by December 31, 2013.

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8. INCOME TAXES

The Organization evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of December 31, 2012, the Organization believes that all its tax positions would be sustainable upon examination by the appropriate taxing jurisdictions. As of December 31, 2012, the Organization's federal returns for 2009, 2010, and 2011 remain open to examination. In addition, the California return for 2008 remains open for examination.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 25, 2013 the date which the financial statements were available to be issued. Notes 4 and 7 discuss significant subsequent events.