



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**MANUELITO NAVAJO CHILDREN'S  
HOME, INC.**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2021  
With Comparative Totals for 2020**



**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**TABLE OF CONTENTS**  
**For the Year Ended December 31, 2021,**  
**With Comparative Totals For 2020**

	<u>Page</u>
Official Roster	1
Independent Auditor's Report	2-3
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 -19

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**OFFICIAL ROSTER**  
**For the Year Ended December 31, 2021,**  
**With Comparative Totals For 2020**

**Board of Directors**

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<u>Name</u>	<u>Position</u>
Jim Christian	President
David Brown	Vice-President
Mark Newman	Secretary
Lynn Dunson	Director
Greg Peterson	Director
Clifton Tuggle	Director
Jovie Sabal	Director

**Administrative**

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Jim Christian	Director
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**INDEPENDENT AUDITOR’S REPORT**

To the Board of Directors  
Manuelito Navajo Children's Home, Inc.  
Gallup, New Mexico

**Opinion**

We have audited the accompanying financial statements of Manuelito Navajo Children's Home, Inc. (the Home), a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Home as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis of Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Manuelito Navajo Children's Home, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Home’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Home's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Home's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously audited the Home's 2020 financial statements, and we issued an unmodified opinion on those audited financial statements in our report dated April 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Hinkle + Landers, P.C.  
Albuquerque, NM  
April 05, 2022

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2021, With Comparative Totals for 2020**

	Notes	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash, restricted cash and cash equivalents			
Unrestricted and restricted	B	\$ 966,506	701,948
Held for others		5	5
Total cash and cash equivalents		966,511	701,953
Short - term investments		5,111	4,723
Total investments		5,111	4,723
Accounts receivable, net		13,751	16,749
Prepaid assets		8,013	8,850
Current portion of note receivable	F	3,735	3,625
Total current assets		997,121	735,900
<b>Non-current Assets</b>			
Investment in land, held for sale	E	6,970	6,970
Note receivable, net of current portion	F	42,394	46,129
Total non-current assets		49,364	53,099
Property and equipment, net	D	236,986	231,236
Total assets		\$ 1,283,471	1,020,235
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$	12,932	14,056
Accrued expenses		30,664	24,664
Total current liabilities		43,596	38,720
Total liabilities		43,596	38,720
<b>Net Assets</b>			
<b>Net Assets without donor restrictions</b>			
Net investment in property and equipment		236,986	231,236
General operating		939,009	656,803
<b>Total Net Assets without donor restrictions</b>		1,175,995	888,039
<b>Net Assets with donor restrictions</b>			
Total net assets		63,880	93,476
Total net assets		1,239,875	981,515
Total liabilities and net assets	\$	1,283,471	1,020,235

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are an integral part of these financial statements

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 2021, With Comparative Totals for 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, Support, and Gains</b>				
Contributions				
Donations - home	\$ 1,175,261	30,000	1,205,261	1,205,360
Federal grant - PPPL forgiveness	-	-	-	84,083
Donations - in-kind	200	-	200	1,975
Donations - school	5,830	-	5,830	5,611
Total support	<u>1,181,291</u>	<u>30,000</u>	<u>1,211,291</u>	<u>1,297,029</u>
Revenue and gains				
School tuition and registration	10,275	-	10,275	9,925
Special events	37,373	-	37,373	830
Less: cost of direct benefits	<u>(2,874)</u>	<u>-</u>	<u>(2,874)</u>	<u>-</u>
Special events, net	34,499	-	34,499	830
Rental income	4,800	-	4,800	5,450
Interest income	1,559	-	1,559	1,766
Miscellaneous	-	-	-	-
Sale of vehicles	-	-	-	-
Unrealized gain (loss) on investments	389	-	389	10
Dividends and royalties	231	-	231	6
Net assets released from restrictions	59,596	(59,596)	-	-
Total revenue	<u>111,349</u>	<u>(59,596)</u>	<u>51,753</u>	<u>17,987</u>
Total revenue, support and gains	<u>1,292,640</u>	<u>(29,596)</u>	<u>1,263,044</u>	<u>1,315,016</u>
<b>Expenses</b>				
Operating expenses				
Program services	722,620	-	722,620	666,350
General and administrative	190,658	-	190,658	179,052
Fundraising	91,406	-	91,406	84,996
Total expenses	<u>1,004,684</u>	<u>-</u>	<u>1,004,684</u>	<u>930,398</u>
Non-operating expenses:				
Change in net assets	287,956	(29,596)	258,360	384,618
Net assets, beginning of year	888,039	93,476	981,515	596,897
Net assets, end of year	<u>\$ 1,175,995</u>	<u>63,880</u>	<u>1,239,875</u>	<u>981,515</u>

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**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended December 31, 2021, With Comparative Totals for 2020**

	General and			2021	2020
	Programs	Administrative	Fundraising	Total	Total
Personnel services					
Salaries, wages and other compensation	\$ 323,063	92,304	46,152	461,519	433,077
Payroll taxes	26,453	7,558	3,779	37,790	34,734
Employee benefits	128,211	36,632	18,316	183,159	180,018
Total personal services	477,727	136,494	68,247	682,468	647,829
Other expenses					
Utilities	90,782	21,561	1,135	113,478	90,271
Insurance	29,956	11,522	4,609	46,087	37,570
Repairs & maintenance	34,841	352	-	35,193	32,877
Food	11,611	283	2,266	14,160	10,888
Other school expenses	12,256	-	-	12,256	14,186
Auto expense	7,026	1,288	3,396	11,710	6,517
Contract labor	8,850	-	-	8,850	8,850
Bulletins	5,062	74	2,308	7,444	6,958
Allowances-children	6,743	-	-	6,743	7,107
Miscellaneous	5,807	112	-	5,919	126
Office expense	1,361	1,143	2,939	5,443	6,844
Dues & memberships	3,751	1,607	-	5,358	3,975
Postage	3,294	-	1,773	5,067	5,888
Supplies	2,182	44	2,138	4,364	4,609
Fees and permits	2,456	526	526	3,508	4,014
Telephone	1,756	756	189	2,701	1,748
Taxes	1,465	437	284	2,186	2,067
Equipment and facilities	1,746	-	-	1,746	1,100
Lodging	329	10	1,028	1,367	648
Travel	837	-	412	1,249	814
Medicines & doctors	1,202	-	-	1,202	219
Advertising	348	-	156	504	-
Bad debt	475	-	-	475	1,666
Clothing	294	-	-	294	15
Staff training	-	-	-	-	99
Incidental children's expenses	-	-	-	-	73
Total other expenses	234,430	39,715	23,159	297,304	249,129
Total expenses before depreciation	712,157	176,209	91,406	979,772	896,958
Depreciation	13,337	14,449	-	27,786	33,440
Total	725,494	190,658	91,406	1,007,558	930,398
Less cost of direct benefits	(2,874)	-	-	(2,874)	-
Total expenses	\$ 722,620	190,658	91,406	1,004,684	930,398

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are an integral part of these financial statements

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2021, With Comparative Totals for 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Donations	\$ 1,181,091	1,231,788
Dividends and royalties	231	6
Interest income	1,559	1,766
Miscellaneous sales	-	-
Rental income	4,800	5,450
School income (tuition and registration)	9,924	11,077
Special event revenue	37,373	830
Total cash received	1,234,978	1,250,917
Less:		
Cash paid to suppliers and employees	(970,510)	(885,629)
Total cash paid out	(970,510)	(885,556)
Net cash provided (used) by operating activities	264,468	365,361
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(33,536)	(7,152)
Contributions for building and other capital expansion projects	30,000	63,266
Net cash provided (used) by investing activities	(3,536)	56,114
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds received from note receivable	3,626	3,519
Net cash provided (used) by financing activities	3,626	3,519
Net increase (decrease) in cash	264,558	424,994
Cash, restricted cash and cash equivalents, beginning of year	701,953	276,959
Cash, restricted cash and cash equivalents, end of year	\$ 966,511	701,953
<b>Reconciliation of changes in net assets to cash provided (used) by operating activities</b>		
Change in net assets	\$ 258,360	384,618
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	27,786	33,440
Bad debt expense	475	1,666
Building and other capital projects revenue	(30,000)	(63,266)
Unrealized loss (gain) on investments	(389)	(10)
Unrealized loss (gain) on asset disposal	-	1,826
In-kind donations adjustments for stock and capital assets	-	(1,500)
Decrease (increase) in accounts receivable	2,523	1,152
Decrease (increase) in interest receivable	-	-
Decrease (increase) in prepaid expenses	837	(2,185)
(Decrease) increase in accounts payable	(1,124)	1,491
(Decrease) increase in accrued expenses	6,000	8,129
Net cash (used) provided by operating activities	\$ 264,468	365,361
<b>Supplementary information</b>		
In-kind donations (food and goods)	\$ 200	475
In-kind donations (land)	-	1,500
	\$ 200	1,975

SEE INDEPENDENT AUDITOR'S REPORT  
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**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

**NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The audited financial statements are presented for the Manuelito Navajo Children's Home, Inc. (the Home). The Home, located near Gallup, New Mexico, operates group residential sites for boys and girls through high school age. The Home is a ministry of the Gallup Church of Christ. The members of the Board of Directors of the Home are required to be members of the Church of Christ.

In July 2007, the Home opened the Gallup Christian School (GCS) on the grounds of the Home. The school provides quality education from Preschool through Twelfth grade. GCS's teachers and administration are dedicated Christian professionals who challenge their students toward academic and moral excellence.

The Home is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Home has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. The Home's programs are supported primarily by contributions and school tuition.

**Financial Statement Presentation**

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. These two classes are defined as follows:

**Net Assets without Donor Restrictions** —Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The organization's Board of Directors may designate assets without restrictions for specific operational purposes from time to time.

The undesignated net assets represent the investment in undesignated assets and amounts invested in property and equipment, less accumulated depreciation and amortization and any related debt.

**Net Assets with Donor Restrictions** —Net assets with donor restrictions are the result of contributions and other inflows of assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions can be fulfilled and removed by actions of the organization pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature. Net assets with donor restrictions perpetual in nature result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Home. At December 31, 2021, the Home reported no net assets with donor restrictions perpetual in nature. See Net

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

Assets with Donor Restrictions, Note H.

**Income Taxes**

The Home operates as a not-for-profit corporation and has received exempt status under Section 501(c)(3) of the Internal Revenue Code, and has been designated as an organization other than a private foundation. Contributions to the organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

The Home files their Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. The Home is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2018. The Home is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

**Impairment of Long-Lived Assets**

The Home accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections, *Accounting for the Impairment of Long-Lived Assets*. ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2021.

**Donated Assets, Materials and Services**

Contributions of services and materials are recognized in the accompanying financial statements in accordance with FASB ASC 958-605-25-16, *Accounting for Contributions Received and Contributions Made*; if the services received enhance or create non-financial assets, require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the years ended December 31, in-kind contributions of goods and materials to the Home were determined at fair market values. Below is a breakdown of the in-kind contributions the Home received:

Type	2021	2020
Goods and materials	\$ 200	475
Land	-	1,500
Total	\$ 200	1,975

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

The Home receives donated clothing, food, supplies, etc. from corporations and individuals. The donations are recorded at estimated fair value on the date of contribution. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as revenue with donor restrictions and increases in net assets with donor restrictions. In the absence of any donor-imposed restrictions on the use of assets, the Home reports gifts of long-lived assets as revenue without donor restrictions in the period received. The Home has no donor restricted property and equipment to report in 2021 or 2020.

**Summary of Fair Value Exposure**

FASB ASC 820-10, *Fair Value Measurement* and subsections, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). (The inputs and methodology used for valuing the Home's financial assets and liabilities are not indicators of the risks associated with those instruments.) The three levels of the fair value hierarchy under ASC 820-10 are as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

**Level 2** – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

The following table sets forth by level, within the fair value hierarchy, the Home's financial assets measured at fair value as of December 31:

	Level 1		Level 3	
	2021	2020	2021	2020
Investment in stock	\$ 5,111	4,723	-	-
Investment in land	-	-	6,970	6,970
	\$ 5,111	4,723	6,970	6,970

The following assumptions were used to estimate the fair value of the assets included in the table above:

- Investment in land – Asset has been valued at estimated fair market value at time of donation based on an appraisal conducted at that time. There have been no changes in valuation techniques and related inputs.

The table below reconciles the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Investment in Land	
	2021	2020
Beginning balance	\$ 6,970	5,470
Donated land	-	1,500
Ending balance	\$ 6,970	6,970

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses, and other liabilities approximate fair value due to the short maturity periods of these instruments.

**Cash, Restricted Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Home considers all unrestricted and restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Receivables**

Accounts receivables are stated at unpaid balances. The Home provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customer to meet their obligations. For the years ended December 31, 2021 and 2020, allowance for uncollectible accounts totaled \$0.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Home's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

Note receivable is reported at its outstanding principal adjusted for any applicable discounts. Discounts on note receivable is amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. The note receivable is considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrower, the estimated value of the underlying collateral if applicable, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

**Functional Expenses**

The Home classifies expenses into three functions: Program Services, General and Administrative, and Fundraising. Program Services includes all funds expended directly or indirectly to support the programs of the Home. General and Administrative expenses represent administrative costs and costs associated with public information and donor accountability. Fundraising expenses consist of expenses related to the solicitation of contributions. These expenses require allocation on a reasonable basis that is consistently applied.

Expenses for contract labor; allowances for children, food, medical lab, medicines and doctor; and school expenses are all allocated to program expenses. Salaries, wages, payroll taxes, advertising and insurance are estimated based on efforts and time. Other expenses such as cleaning, janitorial, lodging, and auto are allocated to program, general and administrative or fundraising expenses based on use.

**Property, Equipment and Depreciation**

Property and equipment are valued at cost at date of purchase, or fair market value at the date of receipt, if donated. All purchases more than \$5,000, with an estimated life greater than one year are capitalized. Donations of property and equipment are reported as contributions without donor restrictions and increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as revenue with donor restrictions and increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Home reclassifies the net assets with donor restrictions to net assets without donor restrictions at that time.

**MANUELITO NAVAJO CHILDREN’S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets and is accounted for in the property and equipment fund and allocated to each function based upon utilization. Estimated useful lives for the purposes of depreciation are as follows:

Classification	Depreciable Lives (in years)
Land	Perpetuity
Land Improvements	15
Furniture & Fixtures	5-10
Building & Improvements	10-50
Vehicles	5-10
Tanks & Pumps	10 Years

Gains and losses on the disposition of property and equipment and investment assets are included in current funds without donor restrictions.

**Public Support, Revenue and Expenses**

Contributions

Contributions income is recorded when cash is received or when ownership of donated assets is transferred. Bequests are recorded as income at the time the Home has an established right to the bequest and the proceeds are measurable. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Home has adopted FASB ASC 958-605, Not-for-Profit Entities - Revenue Recognition. All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions and increase the respective class of net assets. Contributions received with time and purpose restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increase net assets without donor restrictions. When a donor restriction expires, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized. Donated stocks, bonds or other securities are recorded at the fair market value on the date of the gift.

Tuition

Tuition revenue is recognized from contracts with students in the fiscal year in which the educational programs are delivered. The revenue is recognized in the amount of consideration to which the Home receives in exchange for providing instruction and other program services. Revenue for services provided by the Home over time is recognized proportionally over the term of service. Tuition amounts due from students take into consideration individual students' needs for financial tuition assistance.



**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

Generally, the Home's performance obligations are satisfied over time and relate to students receiving educational services and other program services. The Home measures its performance obligation from the start of the program year. Because tuition performance obligations relate to contracts with a duration of less than one year, the Home has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the program year is completed. During the years ended December 31, 2021 and 2020, the Home did not recognize any unearned revenue related to tuition.

**Special Events Revenue**

The Home conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event.

Unless verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Home. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Home.

**Advertising/Promotion**

Advertising/promotion costs are expensed as incurred. For the years ended December 31, 2021 and 2020, advertising expenses incurred totaled \$0 and \$0, respectively.

**Use of Estimates in Preparing Financial Statements**

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

**MANUELITO NAVAJO CHILDREN’S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Home’s audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

**Reclassification**

Certain expenses may have been reclassified for presentation in the 2021 financial statements, which may not conform to 2020 presentation.

**NOTE B – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS**

The Home considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of the following at December 31:

Description	Location	2021	2020
Checking and savings	Local banks	\$ 936,056	671,514
Savings (restricted)	Local banks	30,370	30,355
Children's checking (restricted)	Local banks	5	4
Petty cash	Onsite	80	80
Total cash		\$ 966,511	701,953

**Concentration of Custodial Credit Risk—Uninsured Cash Balances**

Custodial credit risk is the risk that in the event of a bank failure, the Home’s deposits may not be returned to it. The Home does not have a custodial credit risk policy requiring collateral on all deposits exceeding Federal Deposit Insurance Corporation (FDIC) limits. Bank deposits are insured by the FDIC up to \$250,000 per depositor per institution for interest and noninterest-bearing accounts. As of December 31, 2020, certain bank balances of the Home were uninsured and uncollateralized by \$663,060. Management does not consider the cash balances to be at risk.

**NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Home is not substantially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Home must maintain sufficient resources to meet those responsibilities to its donors. These financial assets may not be available for general expenditure within one year. As part of the Home’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Home can invest cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve. See Note H for donor restricted funds at the end of December 31, 2021.

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

The Home's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2021	2020
Current financial assets, at year end		
Cash, restricted cash and cash equivalents	\$ 966,511	701,953
Short - term investments	5,111	4,723
Accounts receivable, net	13,751	16,749
Current portion of note receivable	3,735	3,625
Total current financial assets, at year end	989,108	727,050
Less those unavailable for general expenditures with in one year, due to		
Due to others	(5)	(5)
Restricted by donor with purpose restrictions	(33,880)	(33,880)
Current financial assets available to meet cash needs for general expenditures within one year	\$ 955,223	693,165

**NOTE D – PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment consist of the following as of December 31:

Type	2020	Additions	Deletions	2021
Depreciable property and equipment				
Land improvements	\$ 3,302	33,536	-	36,838
Furniture and equipment	47,202	-	-	47,202
Buildings and improvements	926,063	-	-	926,063
Vehicles	217,768	-	-	217,768
Tanks and pumps	15,383	-	-	15,383
Total depreciable property and equipment	1,209,718	33,536	-	1,243,254
Less accumulated depreciation	(1,049,482)	(27,786)	-	(1,077,268)
Subtotal depreciable property & equipment (net)	160,236	5,750	-	165,986
Land	71,000	-	-	71,000
Total property and equipment (net)	\$ 231,236	5,750	-	236,986

Depreciation expense for the years ended December 31, 2021 and 2020 was \$27,786 and \$33,440, respectively.

**NOTE E – INVESTMENT IN LAND**

Investments consist of land that was donated to the Home. The policy of the Home is to recognize all realized and unrealized gains/losses in the current year.

Land is reported at the appraised value on the date of contribution. The investment in land is reported on the financial statements as a non-current asset.

Please see Note A – Summary of Fair Value Exposure for more information.

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

**NOTE F – NOTE RECEIVABLE**

In June 2004, the Home received a promissory note for \$95,943 representing the current value of a property sold by Ivanhoe Church of Christ. The note has an interest rate of 3% and matures in July 2032.

The following schedule represents the remaining balance on the note receivable as of December 31:

		2021	2020
Promissory note receivable (property)	\$	46,129	49,754
Less current portion		(3,735)	(3,625)
Note receivable, net of current portion	\$	42,394	46,129

**NOTE G – SPECIAL EVENTS**

The Home conducts several special events throughout the year to raise funds and awareness. Expenses related to these special events that are considered a direct benefit to the donor are shown in the statement of activities as a reduction of gross revenue. Following are schedules of income and expenses for each major special event held for the years ending December 31:

2021					
Special Events		Wild Thing	5k Run	Other events	Total
Income	\$	32,009	-	-	32,009
Contributions		210	-	5,154	5,364
Total revenue and support		32,219	-	5,154	37,373
Expenses		(2,874)	-	-	(2,874)
Net revenue from fundraising	\$	29,345	-	5,154	34,499

2020					
Special Events		Wild Thing	5k Run	Other events	Total
Income	\$	-	-	130	130
Contributions		-	700	-	700
Total revenue and support		-	700	130	830
Expenses		-	-	-	-
Net revenue from fundraising	\$	-	700	130	830

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

**NOTE H – DONOR RESTRICTED NET ASSETS**

The Home collected funds designated for building expansion. The activity of donor restricted funds at the end of the year is below:

<u>2020</u>	<u>Additions</u>	<u>Released</u>	<u>2021</u>	<u>Purpose/Time</u>
\$ 33,880	-	-	33,880	Purpose: building expansion
58,248	-	(58,248)	-	Purpose: well
-	20,000	-	20,000	Purpose: excavator or backhoe
-	10,000	-	10,000	Purpose: greenhouse
<u>1,348</u>	<u>-</u>	<u>(1,348)</u>	<u>-</u>	Purpose: security gate
<u>\$ 93,476</u>	<u>30,000</u>	<u>(59,596)</u>	<u>63,880</u>	

**NOTE I – COMPENSATED ABSENCES**

The Home's policy states that employees are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. Employees are not paid out for their unused vacation at the time of separation. As a result, there are no accrued compensated absences liabilities as of December 31, 2021 and 2020.

**NOTE J – LEASES**

Starting December 1, 2018, the Home entered in a lease agreement with Xerox Financial Services to lease a copier for 60 months.

Future lease payments are as follows:

	<u>Equipment</u>
2022 \$	1,752
2023	1,606
2024	-
2025	-
2026	-
Thereafter	<u>-</u>
\$	<u>3,358</u>

The minimum lease expense for 2021 was \$1,915 and for 2020 was \$1,906.

**NOTE K – PENSION PLAN**

The Home has a pension plan sponsored by Capital Group/American Funds and managed by Pattison Pension Specialists. All employees involved in the plan receive a monthly amount which is used towards retirement. The amount varies depending upon the employee. The employer matches 100% up to the limit specified in the plan. Pension plan contributions totaled \$6,600 and \$6,600 at December 31, 2021 and 2020, respectively.

**MANUELITO NAVAJO CHILDREN’S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021, With Comparative Totals For 2020**

**NOTE L – CONCENTRATIONS**

**Economic Dependency**

The Home receives a significant portion of its revenue in the form of donations and other concentrated sources as noted below. The Home expects these funding sources to continue into the foreseeable future. If, however, a significant portion of these funds are not received, the Home’s ability to continue all programs would be significantly diminished. The following is a summary of concentrations from contributions and grants as of December 31:

<u>Source</u>	<u>2021</u>	<u>%</u>	<u>2020</u>	<u>%</u>
Donations	\$ 1,211,091	96%	1,210,971	92%
School income (tuition/registration)	10,275	1%	9,925	1%
Special events	37,373	3%	830	0%
	<u>\$ 1,258,739</u>		<u>1,221,726</u>	
 Total revenue (excluding in-kind revenue)	 \$ 1,262,844		 1,313,041	
 Percentage of revenue	 99.67%		 93%	

**Geographical Concentration**

The Home’s operations are concentrated in a single location near Gallup, NM.

**NOTE M– EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the Statement of Financial Position date but before the financial statements are issued. The Home recognizes in the Financial Statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing the financial statements. The Home’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Financial Position but arose after the Statement of Financial Position date and before Financial Statements are available to be issued. The Home has evaluated subsequent events through April 05, 2022, which is the date the Financial Statements were available to be issued. Subsequent to December 31, 2021, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the organization’s funding sources and cash flow. Other financial impacts could occur though such potential impact is unknown at this time.