



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, 2018
With Comparative Totals for 2017**

MANUELITO NAVAJO CHILDREN'S HOME, INC.
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For the Year Ended December 31, 2018, With Comparative Totals For 2017

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MANUELITO NAVAJO CHILDREN'S HOME, INC.
OFFICIAL ROSTER
For the Year Ended December 31, 2018, With Comparative Totals For 2017

Official Roster

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



INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 the Home as of December 31, 2018, 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.

Emphasis of Matter

The Home adopted FASB accounting standards update (ASU) 2016-14. Presentation of Financial Statements of Not-For-Profit Entities, as described in Note A. The changes required by the update have been applied retrospectively to all periods presented.

Report on Summarized Comparative Information

We have previously audited the Home's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hinkle & Landers, P.C.

Albuquerque, NM

April 30, 2019

MANUELITO NAVAJO CHILDREN'S HOME, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018, With Comparative Totals for 2017

	Notes	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents			
Unrestricted	B	\$ 283,887	106,862
Held for others		-	991
Total cash and cash equivalents		283,887	107,853
Investments		3,873	5,007
Total investments		3,873	5,007
Accounts receivable, net		17,624	21,308
Prepaid assets		6,799	7,877
Current portion of notes receivable	E	3,414	3,313
Total current assets		315,597	145,358
Non-current Assets			
Investment in land	D	5,470	5,470
Notes receivable, net of current portion	E	53,273	56,687
Total non-current assets		58,743	62,157
Property and equipment, net	C	291,098	341,345
Total assets		\$ 665,438	548,860
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$	24,914	7,439
Accrued expenses		18,727	18,421
Funds held for children		-	991
Total current liabilities		43,641	26,851
Total liabilities		43,641	26,851
Net Assets			
Net Assets without donor restrictions			
Net investment in property and equipment		291,098	341,345
General operating		319,199	180,664
Total Net Assets without donor restrictions		610,297	522,009
Net Assets with donor restrictions		11,500	-
		621,797	522,009
Total liabilities and net assets		\$ 665,438	548,860

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, 2018, With Comparative Totals for 2017

	Without Donor Restrictions	With Donor Restrictions	Total	
	<u>2018</u>			<u>2017</u>
Revenue, support, and gains				
Contributions				
Donations - home	\$ 994,760	11,500	1,006,260	815,724
Donations - in-kind	6,889	-	6,889	57,858
Donations - school	6,882	-	6,882	6,319
Total support	<u>1,008,531</u>	<u>11,500</u>	<u>1,020,031</u>	<u>879,901</u>
Revenue and gains				
School income	33,439	-	33,439	50,950
Special events	38,482	-	38,482	35,328
Less: cost of direct benefits	<u>(10,175)</u>	<u>-</u>	<u>(10,175)</u>	<u>(1,000)</u>
Special events, net	28,307	-	28,307	34,328
Rental income	4,998	-	4,998	12,600
Interest income	1,853	-	1,853	1,849
Miscellaneous	3,594	-	3,594	1,415
Dividends and royalties	<u>145</u>	<u>-</u>	<u>145</u>	<u>329</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>72,336</u>	<u>-</u>	<u>72,336</u>	<u>101,471</u>
Total revenue, support and gains	1,080,867	11,500	1,092,367	981,372
Expenses				
Operating expenses				
Program services	703,269	-	703,269	584,640
General and administrative	195,667	-	195,667	219,208
Fundraising	<u>93,643</u>	<u>-</u>	<u>93,643</u>	<u>112,703</u>
Total expenses	<u>992,579</u>	<u>-</u>	<u>992,579</u>	<u>916,551</u>
Change in net assets	88,288	11,500	99,788	64,821
Net assets, beginning of year	<u>522,009</u>	<u>-</u>	<u>522,009</u>	457,188
Net assets, end of year	<u>\$ 610,297</u>	<u>11,500</u>	<u>621,797</u>	<u>522,009</u>

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

MANUELITO NAVAJO CHILDREN'S HOME, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018, With Comparative Totals for 2017

	Programs	General and Administrative	Fundraising	2018 Total	2017 Total
Personnel services					
Salaries, wages and other compensation	\$ 287,890	82,254	41,127	411,271	401,385
Payroll taxes	21,441	6,126	3,063	30,630	30,739
Employee benefits	164,997	47,142	23,571	235,710	199,399
Total personal services	<u>474,328</u>	<u>135,522</u>	<u>67,761</u>	<u>677,611</u>	<u>631,523</u>
Other expenses					
Utilities	71,243	16,920	891	89,054	74,019
Insurance	28,073	10,797	4,319	43,189	32,893
Food	15,099	368	2,946	18,413	16,540
Auto expense	10,449	1,916	5,050	17,415	13,614
Repairs & maintenance	23,485	237	-	23,722	12,492
Other school expenses	19,001	-	-	19,001	10,916
Contract labor	8,400	-	-	8,400	8,350
Miscellaneous	4,785	93	-	4,878	7,758
Bulletins	3,266	48	1,489	4,803	7,178
Lodging	1,373	57	4,292	5,722	6,999
Dues & memberships	3,612	1,548	-	5,160	5,298
Allowances-children	5,371	-	-	5,371	4,772
Office expense	1,098	923	2,373	4,394	4,669
Supplies	1,582	32	1,551	3,165	4,632
Telephone	1,014	437	109	1,560	3,335
Taxes	1,489	444	289	2,222	2,690
Postage	1,797	-	967	2,764	2,406
Fees and permits	920	197	197	1,314	2,123
Bad debt	-	-	-	-	1,500
Equipment and facilities	1,854	-	-	1,854	1,200
Travel	339	-	167	506	849
School tuition	-	-	-	-	660
Medicines & doctors	188	-	-	188	646
Clothing	40	-	-	40	164
Advertising	239	-	108	347	52
Incidental children's expenses	106	-	-	106	43
Unrealized loss on investment	-	-	1,134	1,134	-
Total other expenses	<u>204,823</u>	<u>34,017</u>	<u>25,882</u>	<u>264,722</u>	<u>225,798</u>
Total expenses before depreciation	679,151	169,539	93,643	942,333	857,321
Depreciation	24,118	26,128	-	50,246	59,232
Total expenses	<u>\$ 703,269</u>	<u>195,667</u>	<u>93,643</u>	<u>992,579</u>	<u>916,553</u>

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, 2018, With Comparative Totals for 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Donations	\$ 1,013,142	822,043
Dividends and royalties	145	329
Interest income	1,853	1,849
Miscellaneous sales	4,728	1,410
Rental income	4,998	12,600
School income	26,940	36,955
Special event revenue	38,482	35,328
Total cash received	1,090,288	910,514
Less:		
Cash paid to suppliers and employees	916,585	864,525
Interest paid	-	-
Total cash paid out	916,585	864,525
Net cash provided (used) by operating activities	173,703	45,989
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in funds held for children	(991)	(495)
Net cash provided (used) by investing activities	(991)	(495)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from notes receivable	3,322	3,216
Net cash provided (used) by financing activities	3,322	3,216
Net increase (decrease) in cash	176,034	48,710
Cash and cash equivalents, beginning of year	107,853	59,143
Cash and cash equivalents, end of year	\$ 283,887	107,853
Reconciliation of changes in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 99,788	64,821
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	50,246	59,232
Bad debt expense	-	1,500
Unrealized loss on investments	1,134	-
In-kind donations adjustments for stock and capital assets	-	(56,025)
Decrease (increase) in accounts receivable	3,676	(12,996)
Decrease (increase) in prepaid expenses	1,078	(7,877)
(Decrease) increase in accounts payable	17,475	(2,391)
(Decrease) increase in accrued expenses	306	(275)
Net cash (used) provided by operating activities	\$ 173,703	45,989
Supplementary information		
In-kind donations (food and goods)	5,489	1,833
In-kind donations (vehicles)	1,400	51,025
In-kind donations (stock)	-	5,000
	\$ 6,889	57,858

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

MANUELITO NAVAJO CHILDREN’S HOME, INC.
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2018, With Comparative Totals For 2017

NOTE A – SUMMARY OF 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 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 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 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, 2018, the Home reported no net assets perpetual in nature. See Net Assets with Donor Restrictions Note H.

New Accounting Pronouncement

During 2018, the Home adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Home’s liquidity, financial performance, and cash flows. The ASU has been applied retrospectively to all periods

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2018, With Comparative Totals For 2017

presented.

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 2015. 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, 2018.

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:

<u>Type</u>	<u>2018</u>	<u>2017</u>
Food	\$ 3,110	1,416
Goods and materials	2,379	417
Vehicles	1,400	51,025
Stock	-	5,000
Total	<u><u>\$ 6,889</u></u>	<u><u>57,858</u></u>

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

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2018, With Comparative Totals For 2017

the period received. The Home has no donor restricted property and equipment to report in 2018 or 2017.

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.

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	
	2018	2017	2018	2017
Investment in stock	3,873	5,007	-	-
Investment in land \$	-	-	5,470	<u>5,470</u>
	<u>3,873</u>	<u>5,007</u>	<u>5,470</u>	<u>5,470</u>

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):

MANUELITO NAVAJO CHILDREN'S HOME, INC.
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2018, With Comparative Totals For 2017

	Investment in Land	
	2018	2017
Beginning balance	5,470	5,470
Purchases, issuance, and settlements	-	-
End balance	5,470	5,470

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. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest.

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 receivable 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, 2018 and 2017, 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.

Notes receivable are reported at their outstanding principal adjusted for any applicable discounts. Discounts on notes receivable are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Notes receivable are 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's, 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.

MANUELITO NAVAJO CHILDREN'S HOME, INC.
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2018, With Comparative Totals For 2017

The expenses are allocated as follows:

<u>Natural Expense Category</u>	<u>Basis</u>
Salaries and wages	Estimates of effort and time
Pay roll taxes	Estimates of effort and time
Employee benefits	Estimates of effort and time
Advertising	Estimates of effort and time
Allowances - children	All used for program
Auto	Estimates of use
Auto expense	Estimates of use
Bulletins	All used for program
Cleaning and janitorial	Estimates of use
Clothing	All used for program
Conference and travel	Estimates of effort and time
Contract labor	All used for program
Contract services	Estimates of use
Contributions	Estimates of effort and time
Depreciation	Estimates of use
Equipment and facilities	All used for program
Food	Estimates of use
Incidental children expenses	All used for program
Insurance	Estimates of effort and time
Legal and accounting fees	Estimates of use
Lodging	Estimates of use
Medical lab expenses	All used for program
Medicines and doctors	All used for program
Miscellaneous	Estimates of use
Office expense	Estimates of use
Other school expenses	All used for program
Postage	Estimates of use
Repairs and maintenance	Estimates of use
Supplies	Estimates of use
Telephone	Estimates of use
Training	Estimates of effort and time
Utilities	Estimates of 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 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, 2018, With Comparative Totals For 2017

Depreciation is provided on 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 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.

Advertising/Promotion

Advertising/promotion costs are expensed as incurred. For the years ended December 31, 2018 and 2017, advertising expenses incurred totaled \$347 and \$52, respectively.

Use of Estimates

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.

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, 2017 from which the summarized information was derived.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2018, With Comparative Totals For 2017

Reclassification

Certain expenses may have been reclassified for presentation in the 2018 financial statements which may not conform to 2017 presentation.

NOTE B – 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:

<u>Description</u>	<u>Location</u>		<u>2018</u>	<u>2017</u>
Checking and savings	Local banks	\$	283,807	106,782
Children's checking	Local banks		-	991
Petty cash	On site		80	80
Total cash		\$	<u>283,887</u>	<u>107,853</u>

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Home is not substantially supported by restricted contributions. Because a donor's restriction required 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 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 additions, 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, 2018.

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:

Current financial assets, at year end	<u>2018</u>	<u>2017</u>
	\$ 315,597	145,358
Less those unavailable for general expenditures with in one year, due to		
Due to others	-	(991)
Restricted by donor with purpose restrictions	(11,500)	-
Restricted by donor with time restrictions	-	-
Current financial assets available to meet cash needs for general expenditures within one year	<u>\$ 304,097</u>	<u>144,367</u>

MANUELITO NAVAJO CHILDREN'S HOME, INC.
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2018, With Comparative Totals For 2017

NOTE D – PROPERTY, EQUIPMENT AND DEPRECIATION

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

<u>Type</u>	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Depreciable property and equipment				
Land improvements	\$ 4,302	-	-	4,302
Furniture and equipment	142,625	-	-	142,625
Buildings and improvements	966,815	-	-	966,815
Vehicles	229,750	-	-	229,750
Tanks and pumps	15,383	-	-	15,383
Total depreciable property and equipment	1,358,875	-	-	1,358,875
Less accumulated depreciation	(1,088,531)	(50,246)	-	(1,138,777)
Subtotal depreciable property & equipment (net)	270,344	(50,246)	-	220,098
Land	71,000	-	-	71,000
Total property and equipment (net)	<u>\$ 341,344</u>	<u>(50,246)</u>	<u>-</u>	<u>291,098</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$50,246 and \$59,232, respectively.

NOTE E – INVESTMENTS

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.

NOTE F – NOTES 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:

	<u>2018</u>	<u>2017</u>
Promissory note receivable (property)	\$ 56,687	60,000
Less current portion	(3,414)	(3,313)
Notes receivable, net of current portion	<u>\$ 53,273</u>	<u>56,687</u>

MANUELITO NAVAJO CHILDREN'S HOME, INC.
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2018, With Comparative Totals For 2017

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 is a schedule of income and expenses for each major special event held for the year ending December 31, 2018:

Special Events	2018			
	Wild Thing	5k Run	Other events	Total
Income	\$ 21,404	12,522	4,555	38,481
Contributions	-	-	-	-
Contributions -inkind	-	-	-	-
Total Revenue and Support	21,404	12,522	4,555	38,481
Expenses	(3,821)	(3,859)	(2,495)	(10,175)
Net Revenue from fundrasing	\$ 17,583	8,663	2,060	28,306

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:

2017	Addition	Released	2018	Purpose/Time
-	11,500	-	11,500	purpose: building expansion

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, 2018 and 2017.

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>	
2019	\$ 1,752
2020	1,752
2021	1,752
2022	1,752
2023	1,752
Thereafter	-
\$	<u>8,760</u>

The lease expense for 2018 is \$0.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2018, With Comparative Totals For 2017

NOTE K – PENSION PLAN

The Home has a pension plan sponsored by Mass Mutual. All employees involved in the plan receive a monthly amount which is used towards retirement. The amount varies depending upon the employee. Each employee has the choice of putting the funds in a TSA. Employees have the option of deducting more from their own pay. Pension plan contributions totaled \$4,550 and \$4,232 at December 31, 2018 and 2017, respectively.

NOTE L – CONCENTRATION

As of December 31, details of revenue recorded by the Home from concentrated sourced include:

<u>Source</u>	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Donations	\$ 1,013,142	93%	822,043	89%
School income (tuition/registration)	33,440	3%	50,950	6%
Special events	38,481	4%	35,328	4%
	<u>\$ 1,085,063</u>		<u>908,321</u>	
Total revenue (excluding in-kind revenue)	\$ 1,092,367		923,514	
Percentage of revenue	99%		98%	

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 30, 2019, which is the date the Financial Statements were available to be issued.