



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, 2020
With Comparative Totals for 2019**

MANUELITO NAVAJO CHILDREN'S HOME, INC.
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For the Year Ended December 31, 2020

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MANUELITO NAVAJO CHILDREN'S HOME, INC.
OFFICIAL ROSTER
For the Year Ended December 31, 2020

Official Roster

<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

Jim Christian	Director
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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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Home's December 31, 2019 financial statements. We have previously audited the Home's 2019 financial statements, and we issued an unmodified opinion on those audited financial statements in our report dated July 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hinkle & Landers, P.C.

Albuquerque, NM

April 25, 2021

MANUELITO NAVAJO CHILDREN'S HOME, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2020, With Comparative Totals for 2019

	Notes	2020	2019
ASSETS			
Current Assets			
Cash, restricted cash and cash equivalents			
Unrestricted and restricted	B	\$ 701,948	276,956
Held for others		5	3
Total cash and cash equivalents		701,953	276,959
Short - term investments		4,723	4,713
Total investments		4,723	4,713
Accounts receivable, net		16,749	19,567
Prepaid assets		8,850	6,665
Current portion of notes receivable	F	3,625	3,158
Total current assets		735,900	311,062
Non-current Assets			
Investment in land, held for sale	E	6,970	5,470
Notes receivable, net of current portion	F	46,129	50,114
Total non-current assets		53,099	55,584
Property and equipment, net	D	231,236	259,351
Total assets		\$ 1,020,235	625,997
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$	14,056	12,565
Accrued expenses		24,664	16,535
Total current liabilities		38,720	29,100
Total liabilities		38,720	29,100
Net Assets			
Net Assets without donor restrictions			
Net investment in property and equipment		231,236	259,351
General operating		656,803	307,336
Total Net Assets without donor restrictions		888,039	566,687
Net Assets with donor restrictions			
Total net assets		93,476	30,210
Total net assets		981,515	596,897
Total liabilities and net assets		\$ 1,020,235	625,997

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, 2020, With Comparative Totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, Support, and Gains				
Contributions				
Donations - home	\$ 1,134,942	70,418	1,205,360	863,227
Federal grant - PPPL forgiveness	84,083	-	84,083	-
Donations - in-kind	1,975	-	1,975	3,560
Donations - school	5,611	-	5,611	5,598
Total support	1,226,611	70,418	1,297,029	872,385
Revenue and gains				
School income	9,925	-	9,925	22,104
Special events	830	-	830	42,955
Less: cost of direct benefits	-	-	-	(9,807)
Special events, net	830	-	830	33,148
Rental income	5,450	-	5,450	9,598
Interest income	1,766	-	1,766	1,824
Miscellaneous	-	-	-	3,575
Sale of vehicles	-	-	-	2,900
Unrealized gain (loss) on investments	10	-	10	840
Dividends and royalties	6	-	6	570
Net assets released from restrictions	7,152	(7,152)	-	-
Total revenue	25,139	(7,152)	17,987	74,559
Total revenue, support and gains	1,251,750	63,266	1,315,016	946,944
Expenses				
Operating expenses				
Program services	666,350	-	666,350	687,636
General and administrative	179,052	-	179,052	186,148
Fundraising	84,996	-	84,996	98,060
Total expenses	930,398	-	930,398	971,844
Non-operating expenses:				
Change in net assets	-	-	-	-
	321,352	63,266	384,618	(24,900)
Net assets, beginning of year	566,687	30,210	596,897	621,797
Net assets, end of year	\$ 888,039	93,476	981,515	596,897

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, 2020, With Comparative Totals for 2019

	Programs	General and Administrative	Fundraising	2020 Total	2019 Total
Personnel services					
Salaries, wages and other compensation	\$ 303,154	86,615	43,308	433,077	409,139
Payroll taxes	22,841	6,526	3,263	32,630	32,710
Employee benefits	127,485	36,424	18,212	182,121	225,053
Total personal services	453,480	129,565	64,783	647,828	666,902
Other expenses					
Utilities	72,217	17,151	903	90,271	82,628
Insurance	24,421	9,392	3,757	37,570	40,724
Repairs & maintenance	32,548	329	-	32,877	18,893
Other school expenses	14,186	-	-	14,186	20,893
Food	8,928	218	1,742	10,888	21,720
Contract labor	8,850	-	-	8,850	8,600
Allowances-children	7,107	-	-	7,107	3,256
Bulletins	4,731	70	2,157	6,958	6,925
Office expense	1,711	1,437	3,696	6,844	4,323
Auto expense	3,910	717	1,890	6,517	21,875
Postage	3,827	-	2,061	5,888	2,648
Supplies	2,305	46	2,258	4,609	4,461
Fees and permits	2,810	602	602	4,014	3,196
Dues & memberships	2,783	1,192	-	3,975	4,482
Taxes	1,384	413	269	2,066	2,015
Telephone	1,136	491	122	1,749	1,571
Bad debt	1,666	-	-	1,666	2,875
Equipment and facilities	1,100	-	-	1,100	1,200
Travel	545	-	269	814	3,527
Lodging	156	6	487	649	8,643
Medicines & doctors	219	-	-	219	670
Miscellaneous	124	2	-	126	7,958
Staff training	67	32	-	99	-
Incidental children's expenses	73	-	-	73	-
Clothing	15	-	-	15	545
Advertising	-	-	-	-	678
Unrealized loss on investment	-	-	-	-	2,195
Total other expenses	196,819	32,098	20,213	249,130	276,501
Total expenses before depreciation	650,299	161,663	84,996	896,958	943,403
Depreciation	16,051	17,389	-	33,440	38,248
Total	666,350	179,052	84,996	930,398	981,651
Less cost of direct benefits	-	-	-	-	(9,807)
Total expenses	\$ 666,350	179,052	84,996	930,398	971,844

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, 2020, With Comparative Totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Donations	\$ 1,231,788	850,115
Dividends and royalties	6	570
Interest income	1,766	1,824
Miscellaneous sales	-	6,475
Rental income	5,450	9,598
School income	11,077	6,826
Special event revenue	830	42,955
Total cash received	1,250,917	918,363
Less:		
Cash paid to suppliers and employees	(885,556)	(940,916)
Total cash paid out	(885,556)	(940,916)
Net cash provided (used) by operating activities	365,361	(22,553)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,152)	(6,500)
Net cash provided (used) by investing activities	(7,152)	(6,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from notes receivable	3,519	3,415
Contributions for building and other capital expansion projects	63,266	18,710
Net cash provided (used) by financing activities	66,785	22,125
Net increase (decrease) in cash	424,994	(6,928)
Cash, restricted cash and cash equivalents, beginning of year	276,959	283,887
Cash, restricted cash and cash equivalents, end of year	\$ 701,953	276,959
Reconciliation of changes in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 384,618	(24,900)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	33,440	38,248
Bad debt expense	1,666	3,527
Building and other capital projects revenue	(63,266)	(18,710)
Unrealized loss (gain) on investments	(10)	(840)
Unrealized loss (gain) on asset disposal	1,826	
In-kind donations adjustments for stock and capital assets	(1,500)	-
Decrease (increase) in accounts receivable	1,152	(5,471)
Decrease (increase) in prepaid expenses	(2,185)	134
(Decrease) increase in accounts payable	1,491	(12,349)
(Decrease) increase in accrued expenses	8,129	(2,192)
Net cash (used) provided by operating activities	\$ 365,361	(22,553)
Supplementary information		
In-kind donations (food and goods)	\$ 475	3,560
In-kind donations (land)	1,500	-
	\$ 1,975	3,560

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, 2020, With Comparative Totals For 2019

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

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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, 2020, the Home reported no net assets with donor restrictions perpetual in nature. See Net 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 2017. 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, 2020.

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.

MANUELITO NAVAJO CHILDREN’S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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>2020</u>	<u>2019</u>
Goods and materials	\$ 475	3,560
Land	<u>1,500</u>	<u>-</u>
Total	<u>\$ 1,975</u>	<u>3,560</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 the period received. The Home has no donor restricted property and equipment to report in 2020 or 2019.

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

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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	
	2020	2019	2020	2019
Investment in stock	\$ 4,723	4,713	-	-
Investment in land	-	-	6,970	5,470
	\$ 4,723	4,713	6,970	5,470

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	
	2020	2019
Beginning balance	\$ 5,470	5,470
Donated land	1,500	-
Ending balance	\$ 6,970	5,470

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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 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, 2020 and 2019, 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, 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.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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, 2020, With Comparative Totals For 2019

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:

<u>Classification</u>	<u>Depreciable Lives (in years)</u>
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.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

Advertising/Promotion

Advertising/promotion costs are expensed as incurred. For the years ended December 31, 2020 and 2019, advertising expenses incurred totaled \$0 and \$678, 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.

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, 2019 from which the summarized information was derived.

Reclassification

Certain expenses may have been reclassified for presentation in the 2020 financial statements which may not conform to 2019 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:

<u>Description</u>	<u>Location</u>	<u>2020</u>	<u>2019</u>
Checking and savings	Local banks	\$ 671,513	246,667
Savings (restricted)	Local banks	30,355	30,210
Children's checking (restricted)	Local banks	5	2
Petty cash	Onsite	80	80
Total cash		<u>\$ 701,953</u>	<u>276,959</u>

Concentration of Custodial Credit Risk—Uninsured Cash Balances

Custodial credit risk is the risk that in the event of a bank failure, 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 Home's bank balances were uninsured and uncollateralized by \$416,533. Management does not consider the cash balances to be at risk.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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, 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:

	<u>2020</u>	<u>2019</u>
Current financial assets, at year end		
Cash, restricted cash and cash equivalents	\$ 701,953	276,959
Short - term investments	4,723	4,713
Accounts receivable, net	16,749	19,567
Current portion of notes receivable	<u>3,625</u>	<u>3,158</u>
Total current financial assets, at year end	727,050	304,397
Less those unavailable for general expenditures with in one year, due to		
Due to others	(5)	-
Restricted by donor with purpose restrictions	<u>(33,880)</u>	<u>(30,210)</u>
Current financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>693,165</u></u>	<u><u>274,187</u></u>

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

NOTE D – PROPERTY, EQUIPMENT AND DEPRECIATION

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

Type	2019	Additions	Deletions	2020
Depreciable property and equipment				
Land improvements	\$ 4,302	-	(1,000)	3,302
Furniture and equipment	142,625	-	(95,423)	47,202
Buildings and improvements	966,815	7,152	(47,904)	926,063
Vehicles	236,250	-	(18,482)	217,768
Tanks and pumps	15,383	-	-	15,383
Total depreciable property and equipment	<u>1,365,375</u>	<u>7,152</u>	<u>(162,809)</u>	<u>1,209,718</u>
Less accumulated depreciation	<u>(1,177,025)</u>	<u>(33,440)</u>	<u>160,983</u>	<u>(1,049,482)</u>
Subtotal depreciable property & equipment (net)	188,350	(26,288)	(1,826)	160,236
Land	71,000	-	-	71,000
Total property and equipment (net)	<u>\$ 259,350</u>	<u>(26,288)</u>	<u>(1,826)</u>	<u>231,236</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$33,440 and \$38,248, 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.

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.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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

	2020	2019
Promissory note receivable (property)	\$ 49,754	53,272
Less current portion	(3,625)	(3,158)
Notes receivable, net of current portion	\$ <u>46,129</u>	<u>50,114</u>

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:

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

	2019			
<u>Special Events</u>	<u>Wild Thing</u>	<u>5k Run</u>	<u>Other events</u>	<u>Total</u>
Income	\$ 20,146	14,374	8,435	42,955
Contributions	-	-	-	-
Total revenue and support	20,146	14,374	8,435	42,955
Expenses	(3,989)	(3,623)	(2,195)	(9,807)
Net revenue from fundraising	\$ <u>16,157</u>	<u>10,751</u>	<u>6,240</u>	<u>33,148</u>

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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>2019</u>	<u>Additions</u>	<u>Released</u>	<u>2020</u>	<u>Purpose/Time</u>
\$ 30,210	3,670	-	33,880	Purpose: building expansion
-	58,248	-	58,248	Purpose: well
-	8,500	(7,152)	1,348	Purpose: security gate
<u>\$ 30,210</u>	<u>70,418</u>	<u>(7,152)</u>	<u>93,476</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, 2020 and 2019.

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>
2021 \$	1,752
2022	1,752
2023	1,606
2024	-
2025	-
Thereafter	-
\$	<u>5,110</u>

The lease expense for 2020 was \$1,471 and for 2019 was \$0.

NOTE K– PAYCHECK PROTECTION PROGRAM LOAN

The Home applied for and received a Paycheck Protection Program Loan (PPPL) in the amount of \$84,083 on May 08, 2020. In November 2020, the Home applied and received forgiveness for the entire amount.

NOTE L – PENSION PLAN

The Home has a pension plan sponsored by Capital Group/American Funds and managed by

MANUELITO NAVAJO CHILDREN’S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020, With Comparative Totals For 2019

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 limit specified in the plan. Pension plan contributions totaled \$6,600 and \$5,700 at December 31, 2020 and 2019, respectively.

NOTE M– 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>2020</u>	<u>%</u>	<u>2019</u>	<u>%</u>
Donations	\$ 1,210,971	92%	868,825	92%
School income (tuition/registration)	9,925	1%	22,105	2%
Special events	830	0%	42,955	5%
	<u>\$ 1,221,726</u>		<u>933,885</u>	
 Total revenue (excluding in-kind revenue)	 \$ 1,315,016		 943,384	
 Percentage of revenue	 93%		 99%	

Geographical Concentration

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

NOTE N– 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 25, 2021, which is the date the Financial Statements were available to be issued. Subsequent to December 31, 2020, 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.