



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, 2019
With Comparative Totals for 2018**

MANUELITO NAVAJO CHILDREN'S HOME, INC.
TABLE OF CONTENTS
For the Year Ended December 31, 2019

TABLE OF CONTENTS	
	Page
Official Roster	1
Independent Auditor's Report	2-3
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Schedule 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, 2019

Official Roster

Name	Position
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, 2019, 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, 2019, 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, 2018 financial statements. We have previously audited the Home's 2018 financial statements, and we issued an unmodified opinion on those audited financial statements in our report dated April 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hinkle & Landers, P.C.

Albuquerque, NM

July 14, 2020

MANUELITO NAVAJO CHILDREN'S HOME, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2019, With Comparative Totals for 2018

	Notes	2019	2018
ASSETS			
Current Assets			
Cash, restricted cash and cash equivalents			
Unrestricted and restricted	B	\$ 276,956	283,887
Held for others		3	-
Total cash and cash equivalents		276,959	283,887
Short - term investments		4,713	3,873
Total investments		4,713	3,873
Accounts receivable, net		19,568	17,624
Prepaid assets		6,665	6,799
Current portion of notes receivable	F	3,158	3,414
Total current assets		311,063	315,597
Non-current Assets			
Investment in land	E	5,470	5,470
Notes receivable, net of current portion	F	50,114	53,273
Total non-current assets		55,584	58,743
Property and equipment, net	D	259,350	291,098
Total assets		\$ 625,997	665,438
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable		\$ 12,565	24,914
Accrued expenses		16,535	18,727
Total current liabilities		29,100	43,641
Total liabilities		29,100	43,641
Net Assets			
Net Assets without donor restrictions			
Net investment in property and equipment		259,350	291,098
General operating		307,337	319,199
Total Net Assets without donor restrictions		566,687	610,297
Net Assets with donor restrictions		30,210	11,500
Total net assets		596,897	621,797
Total liabilities and net assets		\$ 625,997	665,438

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, 2019, With Comparative Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
	2019			2018
Revenue, Support, and Gains				
Contributions				
Donations - home	\$ 844,517	18,710	863,227	1,006,260
Donations - in-kind	3,560	-	3,560	6,889
Donations - school	5,598	-	5,598	6,882
Total support	<u>853,675</u>	<u>18,710</u>	<u>872,385</u>	<u>1,020,031</u>
Revenue and gains				
School income	22,104	-	22,104	33,439
Special events	42,955	-	42,955	38,482
Less: cost of direct benefits	<u>(9,807)</u>	<u>-</u>	<u>(9,807)</u>	<u>(10,175)</u>
Special events, net	33,148	-	33,148	28,307
Rental income	9,598	-	9,598	4,998
Interest income	1,824	-	1,824	1,853
Miscellaneous	3,575	-	3,575	3,594
Sale of vehicles	2,900	-	2,900	-
Unrealized gain (loss) on investments	840	-	840	-
Dividends and royalties	570	-	570	145
Net assets released from restrictions	-	-	-	-
Total revenue	<u>74,559</u>	<u>-</u>	<u>74,559</u>	<u>72,336</u>
Total revenue, support and gains	<u>928,234</u>	<u>18,710</u>	<u>946,944</u>	<u>1,092,367</u>
Expenses				
Operating expenses				
Program services	687,636	-	687,636	703,269
General and administrative	186,148	-	186,148	195,667
Fundraising	98,060	-	98,060	93,643
Total expenses	<u>971,844</u>	<u>-</u>	<u>971,844</u>	<u>992,579</u>
Non-operating expenses:				
Change in net assets	-	-	-	-
Change in net assets	(43,610)	18,710	(24,900)	99,788
Net assets, beginning of year	610,297	11,500	621,797	522,009
Net assets, end of year	<u>\$ 566,687</u>	<u>30,210</u>	<u>596,897</u>	<u>621,797</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, 2019, With Comparative Totals for 2018

	Programs	General and Administrative	Fundraising	2019 Total	2018 Total
Personnel services					
Salaries, wages and other compensation	\$ 286,397	81,828	40,914	409,139	411,271
Payroll taxes	21,953	6,272	3,136	31,361	30,630
Employee benefits	158,481	45,280	22,640	226,401	235,711
Total personal services	466,831	133,380	66,690	666,901	677,612
Other expenses					
Utilities	66,102	15,699	826	82,627	89,054
Insurance	26,471	10,181	4,072	40,724	43,189
Food	19,610	478	3,826	23,914	22,192
Auto expense	13,125	2,406	6,344	21,875	17,415
Other school expenses	20,893	-	-	20,893	19,001
Repairs & maintenance	18,704	189	-	18,893	23,722
Lodging	2,075	86	6,483	8,644	5,722
Contract labor	8,600	-	-	8,600	8,400
Miscellaneous	7,810	151	-	7,961	6,979
Bulletins	4,709	69	2,147	6,925	7,736
Dues & memberships	3,137	1,345	-	4,482	5,160
Supplies	2,231	45	2,186	4,462	3,165
Office expense	1,081	908	2,334	4,323	4,395
Travel	2,363	-	1,164	3,527	506
Allowances-children	3,256	-	-	3,256	5,371
Fees and permits	2,237	479	479	3,195	1,314
Bad debt	2,875	-	-	2,875	-
Postage	1,721	-	927	2,648	2,764
Taxes	1,349	403	262	2,014	2,222
Telephone	1,021	440	110	1,571	1,559
Equipment and facilities	1,200	-	-	1,200	1,854
Advertising	468	-	210	678	347
Medicines & doctors	670	-	-	670	188
Clothing	545	-	-	545	40
Incidental children's expenses	-	-	-	-	106
Unrealized loss on investment	-	-	-	-	2,495
Total other expenses	212,253	32,879	31,370	276,502	274,896
Total expenses before depreciation	679,084	166,259	98,060	943,403	952,508
Depreciation	18,359	19,889	-	38,248	50,246
Total	697,443	186,148	98,060	981,651	1,002,754
Less cost of direct benefits	(9,807)	-	-	(9,807)	(10,175)
Total expenses	\$ 687,636	186,148	98,060	971,844	992,579

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, 2019, With Comparative Totals for 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Donations	\$ 868,825	1,013,142
Dividends and royalties	570	145
Interest income	1,824	1,853
Miscellaneous sales	6,475	4,728
Rental income	9,598	4,998
School income	8,339	24,718
Special event revenue	42,955	38,482
Total cash received	938,586	1,088,066
Less:		
Cash paid to suppliers and employees	942,429	914,363
Total cash paid out	942,429	914,363
Net cash provided (used) by operating activities	(3,843)	173,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in funds held for children	-	(991)
Purchase of property and equipment	(6,500)	-
Net cash provided (used) by investing activities	(6,500)	(991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from notes receivable	3,415	3,322
Net cash provided (used) by financing activities	3,415	3,322
Net increase (decrease) in cash	(6,928)	176,034
Cash, restricted cash and cash equivalents, beginning of year	283,887	107,853
Cash, restricted cash and cash equivalents, end of year	\$ 276,959	283,887
Reconciliation of changes in net assets to cash provided (used) by operating activities		
Change in net assets	\$ (24,900)	99,788
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	38,248	50,246
Bad debt expense	2,014	2,222
Unrealized loss (gain) on investments	(840)	1,134
Decrease (increase) in accounts receivable	(3,958)	1,454
Decrease (increase) in prepaid expenses	134	1,078
(Decrease) increase in accounts payable	(12,349)	17,475
(Decrease) increase in accrued expenses	(2,192)	306
Net cash (used) provided by operating activities	\$ (3,843)	173,703
Supplementary information		
In-kind donations (food and goods)	\$ 3,560	5,489
In-kind donations (vehicles)	-	1,400
	\$ 3,560	6,889

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, 2019, With Comparative Totals For 2018

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

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Home. At December 31, 2019, 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 2016. 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, 2019.

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, 2019, With Comparative Totals For 2018

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	2019	2018
Food	\$ -	3,110
Goods and materials	3,560	2,379
Vehicles	-	1,400
Total	<u>\$ 3,560</u>	<u>6,889</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 2019 or 2018.

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.

MANUELITO NAVAJO CHILDREN’S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

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	
	2019	2018	2019	2018
Investment in stock	\$ 4,713	3,873	-	-
Investment in land	-	-	5,470	5,470
	<u>\$ 4,713</u>	<u>3,873</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):

	Investment in Land	
	2019	2018
Beginning balance	\$ 5,470	5,470
Purchases, issuance, and settlements	-	-
Ending balance	<u>\$ 5,470</u>	<u>5,470</u>

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

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, 2019 and 2018, 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.

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, 2019, With Comparative Totals For 2018

Expenses for contract labor; allowances for children, food, medical lab, medicines and doctor; and school expenses are all allocated for program. 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 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.

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.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

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, 2019 and 2018, advertising expenses incurred totaled \$678 and \$347, 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, 2018 from which the summarized information was derived.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

Reclassification

Certain expenses may have been reclassified for presentation in the 2019 financial statements which may not conform to 2018 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>2019</u>	<u>2018</u>
Checking and savings	Local banks	\$ 246,666	282,682
Savings (restricted)	Local banks	30,210	1,125
Children's checking (restricted)	Local banks	3	-
Petty cash	Onsite	80	80
Total cash		<u>\$ 276,959</u>	<u>283,887</u>

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, 2019.

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>2019</u>	<u>2018</u>
Current financial assets, at year end		
Cash, restricted cash and cash equivalents	\$ 276,959	283,887
Short - term investments	4,713	3,873
Accounts receivable, net	19,568	17,624
Current portion of notes receivable	<u>3,158</u>	<u>3,414</u>
Total current financial assets, at year end	304,398	308,798
Less those unavailable for general expenditures with in one year, due to		
Due to others	(3)	-
Restricted by donor with purpose restrictions	<u>(30,210)</u>	<u>(11,500)</u>
Current financial assets available to meet cash needs for general expenditures within one year	<u>\$ 274,185</u>	<u>297,298</u>

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

NOTE D – PROPERTY, EQUIPMENT AND DEPRECIATION

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

<u>Type</u>	<u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>2019</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	6,500	-	236,250
Tanks and pumps	15,383	-	-	15,383
Total depreciable property and equipment	1,358,875	6,500	-	1,365,375
Less accumulated depreciation	(1,138,777)	(38,248)	-	(1,177,025)
Subtotal depreciable property & equipment (net)	220,098	(31,748)	-	188,350
Land	71,000	-	-	71,000
Total property and equipment (net)	\$ <u>291,098</u>	<u>(31,748)</u>	<u>-</u>	<u>259,350</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$38,248 and \$50,246, 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.

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

	<u>2019</u>	<u>2018</u>
Promissory note receivable (property)	\$ 53,272	56,687
Less current portion	(3,158)	(3,414)
Notes receivable, net of current portion	\$ <u>50,114</u>	<u>53,273</u>

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

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, 2019:

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

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:

2018	Additions	Released	2019	Purpose/Time
\$ 11,500	18,710	-	30,210	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, 2019 and 2018.

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.

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

Future lease payments are as follows:

	<u>Equipment</u>
2020 \$	1,752
2021	1,752
2022	1,752
2023	1,606
2024	-
Thereafter	-
\$	<u><u>6,862</u></u>

The lease expense for 2019 is \$1,471 and for 2018 is \$0.

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 \$5,700 and \$4,550 at December 31, 2019 and 2018, respectively.

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>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Donations	\$ 868,825	92%	1,013,142	93%
School income (tuition/registration)	22,105	2%	33,440	3%
Special events	42,955	5%	38,481	4%
	<u>\$ 933,885</u>		<u>1,085,063</u>	
Total revenue (excluding in-kind revenue)	\$ 946,944		1,085,478	
Percentage of revenue	99%		100%	

Geographical Concentration

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

MANUELITO NAVAJO CHILDREN'S HOME, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2019, With Comparative Totals For 2018

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 July 14, 2020, which is the date the Financial Statements were available to be issued. Subsequent to December 31, 2019, 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.

The Home applied for and received in 2020 the Paycheck Protection Program Loan in the amount of \$84,083. If the Home meets the requirements, the loan would be expected to be forgiven.