

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

December 31, 2017 and 2016

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INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8

# Allman & Associates, Inc.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Manos de Cristo, Inc.

We have audited the accompanying financial statements of Manos de Cristo, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 Manos de Cristo, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Allman & Associates, Inc.*

Austin, Texas  
April 20, 2018

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 588,043	\$ 619,850
Investments	118,864	113,800
Accounts receivable	23,099	15,860
Contributions receivable, due within one year	57,700	154,850
Inventory - dental, Back to School supplies, and donated artwork	59,770	73,670
Prepaid expenses	46,331	23,039
Total current assets	893,807	1,001,069
Contributions receivable, long-term	-	15,000
Fixed assets		
Land and improvements	1,139,209	777,601
Buildings and improvements	1,739,874	1,739,874
Furniture and equipment	589,791	530,139
Software	53,036	53,036
Less accumulated depreciation	(1,046,825)	(895,039)
Net fixed assets	2,475,085	2,205,611
Total Assets	\$ 3,368,892	\$ 3,221,680
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 134,334	\$ 42,732
Deferred revenue	3,500	-
Vacation accrual	19,234	15,541
Current portion of long-term debt	33,158	16,051
Total current liabilities	190,226	74,324
Long-term debt	338,866	371,083
Total Liabilities	529,092	445,407
Net Assets		
Unrestricted net assets		
Board designations	300,000	250,000
Undesignated	2,183,900	1,883,291
Total unrestricted net assets	2,483,900	2,133,291
Temporarily restricted net assets	355,900	642,982
Total Net Assets	2,839,800	2,776,273
Total Liabilities and Net Assets	\$ 3,368,892	\$ 3,221,680

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenues and Other Support			
Program service fees	\$ 1,933,849	\$ -	\$ 1,933,849
Contributions	306,906	111,120	418,026
Grants and contracts	166,405	664,334	830,739
Fundraising - special events, net of direct expenses of \$130,503	137,585	-	137,585
Contributed goods and services	206,621	-	206,621
Investment income	6,695	-	6,695
Net assets released from restriction	1,062,536	(1,062,536)	-
<b>Total Revenues and Other Support</b>	<b>3,820,597</b>	<b>(287,082)</b>	<b>3,533,515</b>
Expenses			
Program Services			
Basic needs services	101,480	-	101,480
Dental Clinic	2,359,120	-	2,359,120
Education	392,504	-	392,504
Back to school	86,314	-	86,314
<b>Total Program Services</b>	<b>2,939,418</b>	<b>-</b>	<b>2,939,418</b>
Supporting Services			
Management and general	264,944	-	264,944
Fundraising	265,626	-	265,626
<b>Total Supporting Services</b>	<b>530,570</b>	<b>-</b>	<b>530,570</b>
<b>Total Expenses</b>	<b>3,469,988</b>	<b>-</b>	<b>3,469,988</b>
Change in net assets	350,609	(287,082)	63,527
Net assets, beginning of year	2,133,291	642,982	2,776,273
Net assets, end of year	\$ 2,483,900	\$ 355,900	\$ 2,839,800

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenues and Other Support			
Program service fees	\$ 1,854,737	\$ -	\$ 1,854,737
Contributions	298,237	395,432	693,669
Grants and contracts	108,754	320,670	429,424
Fundraising - special events, net of direct expenses of \$143,420	166,994	-	166,994
Contributed goods and services	310,705	30,375	341,080
Investment income	4,438	-	4,438
Other income	6,691	-	6,691
Net assets released from restriction	654,802	(654,802)	-
	<b>3,405,358</b>	<b>91,675</b>	<b>3,497,033</b>
Expenses			
Program Services			
Basic needs services	100,762	-	100,762
Dental Clinic	2,246,779	-	2,246,779
Education	328,405	-	328,405
Back to school	77,745	-	77,745
Total Program Services	<b>2,753,691</b>	<b>-</b>	<b>2,753,691</b>
Supporting Services			
Management and general	255,267	-	255,267
Fundraising	318,159	-	318,159
Total Supporting Services	<b>573,426</b>	<b>-</b>	<b>573,426</b>
Total Expenses	<b>3,327,117</b>	<b>-</b>	<b>3,327,117</b>
Change in net assets	78,241	91,675	169,916
Net assets, beginning of year	<b>2,055,050</b>	<b>551,307</b>	<b>2,606,357</b>
Net assets, end of year	<b>\$ 2,133,291</b>	<b>\$ 642,982</b>	<b>\$ 2,776,273</b>

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

Expenses	Program Services				Supporting Services		Totals
	Basic Needs	Dental Center	Education	Back to School	Management & General	Fundraising	
Salaries	\$ 31,047	\$ 1,502,461	\$ 199,521	\$ 11,270	\$ 63,670	\$ 159,140	\$ 1,967,109
Payroll taxes	2,397	113,818	15,187	-	2,558	12,325	146,285
Employee benefits	5,060	83,766	14,571	-	12,329	9,272	124,998
Total personnel costs	38,504	1,700,045	229,279	11,270	78,557	180,737	2,238,392
Programs and event supplies	8,116	365,406	20,764	62,238	147	(442)	456,229
Contributed goods and services	41,573	36,631	66,717	12,500	-	49,200	206,621
Depreciation	10,335	117,940	18,576	-	475	4,459	151,785
Occupancy	2,655	36,424	20,800	-	20,214	-	80,093
Contract labor	-	270	5,408	-	-	2,000	7,678
Insurance	-	11,454	8,291	-	9,576	-	29,321
Printing and photos	-	314.00	-	-	-	5,764	6,078
Office supplies	297	9,285	3,883	306	7,530	6,007	27,308
Repairs and maintenance	-	21,061	555	-	93,762	-	115,378
Bank service charges	-	17,642	-	-	6,614	-	24,256
Legal and accounting	-	4,140	-	-	4,910	-	9,050
Telephone & internet	-	8,072	-	-	7,916	3,996	19,984
Computer program maintenance	-	23,364	18,161	-	14,288	9,468	65,281
Postage and delivery	-	78	-	-	254	2,205	2,537
Mileage	-	-	-	-	30	-	30
Staff training	-	3,472	70	-	4,825.00	-	8,367
Medical services	-	194	-	-	-	-	194
Memberships and subscriptions	-	820	-	-	-	2,199	3,019
Payroll processing	-	-	-	-	9,773	-	9,773
Meetings and food	-	61	-	-	1,935	33	2,029
Licenses, bonds and fees	-	2,447	-	-	-	-	2,447
Gifts	-	-	-	-	4,138	-	4,138
Total expenses	\$ 101,480	\$ 2,359,120	\$ 392,504	\$ 86,314	\$ 264,944	\$ 265,626	\$ 3,469,988

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

Expenses	Program Services				Supporting Services		Totals
	Basic Needs	Dental Center	Education	Back to School	Management & General	Fundraising	
Salaries	\$ 30,300	\$ 1,444,131	\$ 148,451	\$ 9,101	\$ 59,296	\$ 179,882	\$ 1,871,161
Payroll taxes	2,284	105,761	11,313	440	4,354	14,010	138,162
Employee benefits	4,000	64,510	10,669	-	11,128	11,284	101,591
Total personnel costs	36,584	1,614,402	170,433	9,541	74,778	205,176	2,110,914
Programs and event supplies	5,421	349,195	17,902	53,427	-	328	426,273
Contributed goods and services	45,465	28,282	89,837	13,967	59,200	73,954	310,705
Depreciation	10,438	112,418	18,636	-	562	4,891	146,945
Occupancy	2,595	30,883	12,400	-	20,766	-	66,644
Contract labor	-	159	8,344	-	-	4,550	13,053
Insurance	-	12,862	4,923	-	19,269	-	37,054
Printing and photos	-	-	-	-	-	3,508	3,508
Office supplies	259	12,940	4,101	810	7,622	8,886	34,618
Interest	-	11,778	-	-	-	-	11,778
Repairs and maintenance	-	15,340	149	-	16,409	-	31,898
Bank service charges	-	17,088	-	-	9,457	-	26,545
Legal and accounting	-	4,140	-	-	4,900	-	9,040
Telephone & internet	-	8,598	-	-	7,775	2,934	19,307
Computer program maintenance	-	22,410	1,680	-	23,388	9,748	57,226
Postage and delivery	-	-	-	-	109	2,162	2,271
Mileage	-	25	-	-	2,062	-	2,087
Staff training	-	1,753	-	-	-	-	1,753
Medical services	-	104	-	-	-	-	104
Memberships and subscriptions	-	600	-	-	435	1,719	2,754
Payroll processing	-	-	-	-	3,582	-	3,582
Meetings and food	-	19	-	-	1,114	303	1,436
Licenses, bonds and fees	-	3,783	-	-	-	-	3,783
Gifts	-	-	-	-	3,839	-	3,839
<b>Total expenses</b>	<b>\$ 100,762</b>	<b>\$ 2,246,779</b>	<b>\$ 328,405</b>	<b>\$ 77,745</b>	<b>\$ 255,267</b>	<b>\$ 318,159</b>	<b>\$ 3,327,117</b>

See accompanying auditors' report and notes to financial statements.



MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Cash Flows From Operating Activities:		
Total Change in Net Assets	\$ 63,527	\$ 169,916
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	151,785	146,945
Realized and unrealized (gain) loss on investments	(5,132)	(3,708)
Debt forgiveness	-	(312,543)
(Increase) decrease in operating assets		
Receivables	104,911	(19,828)
Inventory	13,901	(41,477)
Prepaid expense	(23,292)	4,975
Increase (decrease) in operating liabilities		
Accounts payable	91,600	(21,246)
Deferred revenue	3,500	-
Payroll liabilities	-	(21,518)
Vacation accrual	3,693	3,373
Net Cash from Operating Activities	404,493	(95,111)
Cash Flows From Investing Activities:		
Purchase of fixed assets	(421,259)	(21,521)
Sale of investments	2,296	150,000
Purchase of investments	(2,227)	-
Net Cash from Investing Activities	(421,190)	128,479
Cash Flows Provided by Financing Activities		
Proceeds from notes payable	-	387,134
Payment of debt	(15,110)	(312,277)
Cash from Financing Activities	(15,110)	74,857
Net Increase in Cash and Cash Equivalents	(31,807)	108,225
Cash and Cash Equivalents at beginning of year	619,850	511,625
Cash and Cash Equivalents at end of year	\$ 588,043	\$ 619,850
Supplemental data:		
Interest paid	\$ 15,625	\$ 11,778
Income taxes paid	\$ -	\$ -

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Description of Organization

**Mission:** Manos de Cristo, Inc. (“Manos” or the “Organization”) is dedicated to empowering low-income individuals with a loving hand of assistance without regard to age, gender, race, or religious preference. Manos promotes dignity and self-reliance while providing essential oral care, furthering educational development, and meeting basic needs with food and clothing.

**Vision:** Manos’ life-changing services empower people of all backgrounds to build self-esteem and self-confidence and the ability to participate fully in the life of the community.

Manos de Cristo fulfills this mission through programs in these targeted areas:

**Dental Center:** The Manos de Cristo Dental Center serves families who do not have dental insurance, earn too much to qualify for assistance programs and generally are 150% or less of the Federal Poverty Guidelines. The dental center offers dentistry services including emergency treatments and preventative and restorative services at rates between the 30<sup>th</sup> and 35<sup>th</sup> percentile of average private dental practices, according to the National Dental Advisory Service – Comprehensive Fee Report. Dental health education is provided in English and/or Spanish at every visit. In 2017, 10 volunteer DDSs contributed 95 hours, and 47 volunteer RDHs, dental assistants and pre-dental students contributed 788 hours. All together, these 57 volunteers donated 883 hours of service, provided 6,524 unduplicated clients with 17,559 visits and 43,515 procedures.

For twenty-five years the four-operator dental clinic operated on Cesar Chavez Street. In November 2013, the agency completed a three-year project, converting under-used space in the Programs and Administration building into an eleven-operator Dental Center on Harmon Avenue.

**Basic Needs Services:** Manos de Cristo operates a Food Pantry and Clothes Closet. Seven families per day who are in need of a helping hand can get about one week’s food at no charge. In 2017, 4,417 individuals in 1,524 families were served in the Food Pantry. Anyone who comes to the Clothes Closet can spend 20 minutes selecting gently used clothes. Manos served 1,266 families in the Clothes Closet who accounted for 3,691 people.

This level of service was made possible by 49 volunteers who gave 823 hours of support in the Food Pantry and Clothes Closet, as well as continued generous donations of food and gently used clothes from the community. To ensure fully stocked shelves, Manos ‘shops’ at the Capital Area Food Bank. During those times when the Food Bank’s inventories are low, Manos de Cristo supplements food supplies with judicious purchases at local warehouse and discount stores.

**Education:** Manos de Cristo offers several levels of English as a Second Language (ESL), introductory and intermediate computer classes, US citizenship classes, nutrition classes and Spanish language and literacy classes. In 2017, 531 students enrolled in ESL classes, 139 participated in citizenship classes, 150 signed up for computer classes, and 59 enrolled in Spanish language literacy. Most classroom instruction is provided by 86 volunteer teachers who generously taught for 3,768 hours during morning and evening classes.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Description of Organization (continued)

**Back to School:** Each year, Manos de Cristo's staff and volunteers provide basic necessities to K – 5 school children. Manos believes that if a child has grade-appropriate school supplies and nice clothes, they may feel more at ease at school and be more open to learning. In 2017, 2,027 children received two sets of clothes, including socks and underwear, grade-appropriate school supplies and a backpack. 300 volunteers provided 1,377 hours of support preparing for the event, during the two-week distribution period and the end of program break-down and cleanup.

Volunteers for special events, computer and other services contributed 200 hours.

2. Summary of Significant Accounting Policies

**Basis of Accounting**

Manos de Cristo uses the accrual basis method of accounting. Using this method of accounting, revenues and other support and related accounts receivable are reported when funds are considered earned, regardless of when cash is received. Expenses and related accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed.

**Net Assets Classes**

Manos de Cristo reports the following net assets classes:

*Unrestricted Net Assets*

Unrestricted net assets consist of net assets that are not subject to donor-imposed restrictions, including Board Designated net assets. Unrestricted net assets result from operating revenues, unrestricted contributions, unrestricted dividend and interest income, less expenses incurred in operations and for administrative functions.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets*

Permanently restricted net assets are subject to donor-imposed stipulations that are maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of December 31, 2017 and 2016.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

**Estimates**

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

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents. Excluded from this definition are restricted cash and cash equivalents, which are limited in use to specific programs, and for payment of costs of remodeling the existing facility and of a related capital campaign. Cash and short-term investments held in a brokerage account with Texas Presbyterian Foundation are reported as investments instead of cash because those funds are in a brokerage account.

**Receivables**

Receivables reported are allocations and promises to give within one year in the form of grants or contributions. The receivables create a credit risk for the Organization, should the parties to the receivables fail to perform as obligated. The Organization's policy for determining when these type receivables are past due is based on when the payments are promised. At December 31, 2017 and 2016, management recorded \$0 for the allowance for uncollectible accounts.

**Fixed Assets**

Fixed assets are capitalized at cost if the value of the item is more than \$1,000, and the estimated useful service life of the item is more than one year. Donations of fixed assets are recorded as support at their estimated fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation of fixed assets capitalized by the Organization is computed over the estimated useful life of the asset (generally 20 years for buildings and improvements, and 3 to 5 years for other assets) using the straight-line method of computation. The organization uses the direct expensing method to account planned major maintenance activities.

Depreciation expense and accumulated depreciation reported in the financial statements are an accounting estimate. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant. Depreciation expense for the years ended December 31, 2017 and 2016 was \$151,785 and \$146,945, respectively.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

**Revenues**

Manos receives program service fees through fees charged at the Dental Clinic and through student fees and book sales charged by the Education Programs.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to Manos, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if that restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

**Contributed Services**

Contributed services are recorded in the financial statements if one of the following criteria is met: 1) contributed services must create or enhance nonfinancial assets of the Organization, or 2) contributed services must require specialized skills that the Organization would otherwise need to purchase. The value of the contributed services reported in the financial statements is an accounting estimate. These estimates may be adjusted as more current financial information becomes available and any adjustment could be significant. Additionally, Manos de Cristo receives a substantial amount of volunteer hours. These hours do not meet the criteria for reporting in the financial statements, but are critical for the accomplishment of the Organization's mission.

**Inventories**

Inventories, which consist of dental, Back to School supplies, and donated art are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

**Functional Allocation of Expenses**

Manos de Cristo allocates common costs such as salaries and benefits, rent, and other occupancy costs between program services, management and general, and fundraising based on management's judgment of the estimated costs related to the Organization's activities. The estimated allocation of costs are reviewed periodically and the allocations revised, if necessary, to reflect changes in the activities of the Organization. The allocation of costs reported in the financial statements is an accounting estimate. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

**Federal Income Taxes**

The Organization is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. As such, no provision for federal income taxes has been made in the accompanying financial statements.

The Organization has adopted the recognition requirements for uncertain tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial position, changes in net assets or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at December 31, 2017 and 2016. The Organization is subject to income tax audits for the previous three years which are open. There are currently no audits for any tax periods.

3. Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

3. Fair Value Measurements and Disclosures (continued)

The following table represents assets and liabilities reported on the statements of financial position at their fair value as of December 31, 2017 and 2016 by level within the fair value measurement hierarchy.

Description	Amount	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2017</b>				
Cash and cash equivalents	\$ 2,587	\$ -	\$ 2,587	\$ -
Fixed income - pooled funds	116,277	-	116,277	-
Total investments	<u>\$ 118,864</u>	<u>\$ -</u>	<u>\$ 118,864</u>	<u>\$ -</u>
Note payable	<u>\$ 372,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,024</u>
<b>2016</b>				
Cash and cash equivalents	\$ 2,553	\$ -	\$ 2,553	\$ -
Fixed income - pooled funds	111,247	-	111,247	-
Total investments	<u>\$ 113,800</u>	<u>\$ -</u>	<u>\$ 113,800</u>	<u>\$ -</u>
Note payable	<u>\$ 387,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,134</u>

The fair value of Manos' remaining current assets and current liabilities approximate the carrying amounts of such instruments due to their short maturity.

4. Investments and Investment Income

Investment securities are carried at fair value and consist of following as of December 31:

Type of Investment	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Fidelity Investments - cash	\$ 1,007	\$ 1,007	\$ 1,001	\$ 1,001
Texas Presbyterian Foundation				
Cash	1,580	1,580	1,552	1,552
Pooled funds - fixed income	104,915	116,277	103,327	111,247
Total Investments	<u>\$ 107,502</u>	<u>\$ 118,864</u>	<u>\$ 105,880</u>	<u>\$ 113,800</u>

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

4. Investments and Investment Income (continued)

Investment income reported in the financial statements consists of the following:

<u>Components of Investment Return</u>	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 3,169	\$ 2,187
Realized and unrealized gains (losses)	3,526	2,251
Total investment return	<u>\$ 6,695</u>	<u>\$ 4,438</u>

5. Contributions Receivable

The Organization has received pledged contributions in support of renovating property to expand the capacity to provide services for specific programs and for general operations.

Contributions receivable with due dates extending beyond one year are valued using a present value discount of .5%. Annual amortization of the present value discount is reported as temporarily restricted contributions in the statement of activities. During 2017 and 2016, there were no contributions receivable written off, and the allowance for doubtful accounts was \$0. At year end 2017 and 2016, no contributions receivable were considered past due. The allowance for uncollectible contributions receivable is considered a significant accounting estimate. The present value discount is considered an accounting estimate. The estimates may be adjusted as more current information becomes available and any adjustment could be significant.

The contributions receivable are reported in the financial statements as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 57,700	\$ 154,850
Receivable in one to five years	-	15,000
Total pledges	<u>\$ 57,700</u>	<u>\$ 169,850</u>
Receivable in one to five years	\$ -	\$ 15,000
Present value discount	-	-
Pledges due in future periods	<u>\$ -</u>	<u>\$ 15,000</u>



MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

6. Long-Term Debt

The Organization purchased land in December 2014 using a note payable in the amount of \$301,000, with the purchased land as collateral. The Organization simultaneously entered into a note payable in December 2014 in the amount of \$11,543, to pay for the closing costs on the land purchase. This note payable was unsecured. On April 5, 2016, Rathgeber Investment GP, Inc. forgave the \$301,000 and the \$11,543 note payables. The property located at Lot 1A, Block R, Resubdivision of West one-half of Lot 1 was released and discharged from all liens held by the undersigned securing said indebtedness.

The Organization had a note payable to First Citizens Bank which it refinanced on December 28, 2016 to fund floor repairs. The amount financed was \$387,134, at a fixed rate of 4.20%, with 6 monthly consecutive payments of interest only, followed by 119 monthly payments of \$4,010, and a final payment on June 28, 2027. The collateral is the Texas deed of trust for real property located at 4911 Harmon Ave, Austin, TX, 78751. The Organization incurred interest expense in the amount of \$15,265 and \$11,778 at December 31, 2017 and 2016, respectively. Total principal payments in 2017 and 2016 were \$15,110 and \$24,141, respectively.

	<b>2017</b>	<b>2016</b>
Balance outstanding at year-end	\$ 372,024	\$ 387,134
Less current portion of long-term debt	(33,158)	(16,051)
Long-term debt, net of current portion	\$ 338,866	\$ 371,083

The minimum principal payments for the next five years are as follows:

<b>Year</b>	<b>Amount</b>
2018	\$ 33,158
2019	34,554
2020	36,037
2021	37,584
2022	39,197
Thereafter	191,494
	\$ 372,024

In addition, the Organization has a line of credit in the amount of \$200,000. The balance of the line was \$0 at December 31, 2017 and 2016.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

7. Unrestricted Net Assets – Board Designations

Unrestricted net assets may be earmarked for future use by action of the board of directors such as for future programs, investments, contingencies, purchase or construction of fixed assets, or other uses. Designations by the board of directors are subject to the actions of future boards. The amount designated at December 31, 2017 and 2016 for operating reserves was \$300,000 and \$250,000, respectively.

8. Accrued Vacation

The Organization recognizes a liability for earned vacation time unused at December 31 for all eligible employees. The amount of accrued vacation payable as of December 31, 2017 and 2016 was \$19,234 and \$15,541, respectively.

9. Temporarily Restricted Net Assets

The Organization had the following temporarily restricted net assets at December 31:

<u>Restricted Purpose</u>	<u>2017</u>	<u>2016</u>
Capital campaign	\$ 115,355	\$ 413,697
Floor repairs	5,484	-
Back to School program	18,866	17,960
Dental Clinic	30,000	80,000
St. David's Foundation expansion	171,195	-
Fundraising	-	30,375
Education program	15,000	100,950
Total	<u>\$ 355,900</u>	<u>\$ 642,982</u>

10. Concentration of Credit Risk

Cash balances with a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage are considered a credit risk. The Organization maintained cash balances with major financial institutions and at times those cash balances may exceed the institutions' FDIC coverage. The Organization considers its funds to be in high quality financial institutions and constantly monitors its financial positions with the institutions. The Organization does not require collateral for amounts exceeding federal insurance coverage and does not anticipate any nonperformance. At December 31, 2017 and 2016, the cash balances exceeded FDIC coverage by \$0 and \$163,774, respectively.

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

11. Contributed Goods and Services

Manos received the following non-cash contributions of goods and services that have been reported in the financial statements. The contributions benefited the following programs and supporting services:

		<b>2017</b>						
		Basic Needs	Education	Dental Clinic	Back to School	Mgmt & General	Fundraising & Development	Total
Contributed goods								
	Food for food pantry	\$ 41,573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,573
	Event space	-	-	-	12,500	-	-	12,500
	Fund development materials	-	-	-	-	-	49,200	49,200
Contributed services								
	Teachers	-	66,402	-	-	-	-	66,402
	Technology specialist	-	315	-	-	-	-	315
	Dentists and assistants	-	-	21,631	-	-	-	21,631
	Other	-	-	15,000	-	-	-	15,000
	Total	\$ 41,573	\$ 66,717	\$ 36,631	\$ 12,500	\$ -	\$ 49,200	\$ 206,621
		<b>2016</b>						
		Basic Needs	Education	Dental Clinic	Back to School	Mgmt & General	Fundraising & Development	Total
Contributed goods								
	Food for food pantry	\$ 45,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,465
	Event space	-	-	-	12,500	-	-	12,500
	Fund development materials	-	-	-	175	3,200	73,953	77,328
	Art collection	-	-	-	-	-	30,375	30,375
Contributed services								
	Consultants	-	-	-	-	56,000	-	56,000
	Teachers	-	88,963	-	-	-	-	88,963
	Technology specialist	-	875	-	-	-	-	875
	Dentists and assistants	-	-	28,192	-	-	-	28,192
	Other	-	-	1,382	-	-	-	1,382
	Total	\$ 45,465	\$ 89,838	\$ 29,574	\$ 12,675	\$ 59,200	\$ 104,328	\$ 341,080

MANOS DE CRISTO, INC.  
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

12. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management has evaluated subsequent events through the date of the financial statements were available for issuance, April 20, 2018, and there were no subsequent events to be disclosed.