

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2019

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Manos de Cristo, Inc.
Austin, TX

We have audited the accompanying financial statements of Manos de Cristo, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statement 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.

Auditors' 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 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, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Allman & Associates, Inc.

Austin, Texas
May 18, 2020

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2019

Assets

Current assets	
Cash and cash equivalents	\$ 629,838
Investments	128,349
Accounts receivable	17,195
Grant receivable	268,093
Inventory	54,302
Prepaid expenses	31,561
Total current assets	<u>1,129,338</u>
Fixed assets, net of accumulated depreciation	<u>2,247,381</u>
Total assets	<u>\$ 3,376,719</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 29,120
Accrued payroll liabilities	60,698
Current portion of lease obligations payable	2,343
Current portion of long-term debt	36,037
Total current liabilities	<u>128,198</u>
Lease obligation payable, less current portion	7,092
Long-term debt, less current portion	<u>268,005</u>
Total liabilities	<u>403,295</u>
Net assets	
Without donor restrictions	
Board designations	300,000
Undesignated	2,312,128
Total net assets without donor restrictions	<u>2,612,128</u>
With donor restrictions	
Purpose restrictions	361,296
Total net assets with donor restrictions	<u>361,296</u>
Total net assets	<u>2,973,424</u>
Total liabilities and net assets	<u>\$ 3,376,719</u>

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Program service fees	\$ 1,757,877	\$ -	\$ 1,757,877
Contributions	324,170	60,564	384,734
Grants and contracts	286,960	613,376	900,336
Fundraising - special events, net of direct expenses of \$145,248	228,140	-	228,140
Contributed goods and services	253,832	-	253,832
Net investment return	10,481	-	10,481
Interest income from cash accounts	2,825	-	2,825
Net assets released from restriction	551,030	(551,030)	-
Total revenue and other support	3,415,315	122,910	3,538,225
Expenses			
Program services			
Basic needs	102,690	-	102,690
Dental center	2,370,317	-	2,370,317
Education	389,573	-	389,573
Back to school	91,233	-	91,233
Total program services	2,953,813	-	2,953,813
Supporting services			
Management and general	287,505	-	287,505
Fundraising	303,547	-	303,547
Total supporting services	591,052	-	591,052
Total expenses	3,544,865	-	3,544,865
Change in net assets	(129,550)	122,910	(6,640)
Net assets, beginning of year	2,741,678	238,386	2,980,064
Net assets, end of year	\$ 2,612,128	\$ 361,296	\$ 2,973,424

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

Expenses	Program Services				Supporting Services		Cost of Direct Benefit to Donors	Totals
	Basic Needs	Dental Center	Education	Back to School	Management and General	Fundraising		
Personnel costs	\$ 43,360	\$ 1,761,372	\$ 200,815	\$ 12,713	\$ 103,892	\$ 202,498	\$ -	\$ 2,324,650
Programs and event supplies	5,812	324,037	25,372	66,020	-	22	-	421,263
Contributed goods and services	41,844	29,581	101,151	12,500	-	68,756	-	253,832
Depreciation	11,085	114,637	22,667	-	42,756	4,550	-	195,695
Occupancy	-	27,776	21,439	-	18,963	-	-	68,178
Contract labor	-	-	542	-	-	7,000	-	7,542
Insurance	-	8,633	3,756	-	11,966	-	-	24,355
Printing and photos	-	-	-	-	-	1,583	-	1,583
Office supplies	589	16,700	5,276	-	10,554	3,073	-	36,192
Repairs and maintenance	-	18,776	6,483	-	4,841	320	-	30,420
Bank service charges	-	12,526	-	-	24,578	-	-	37,104
Legal and accounting	-	4,600	-	-	5,450	-	-	10,050
Telephone and internet	-	7,670	-	-	8,292	3,336	-	19,298
Computer program maintenance	-	25,436	-	-	18,384	7,187	-	51,007
Postage and delivery	-	-	-	-	100	3,678	-	3,778
Staff training	-	6,034	-	-	-	-	-	6,034
Medical services	-	2,518	-	-	-	-	-	2,518
Memberships and subscriptions	-	-	-	-	-	1,095	-	1,095
Meetings and food	-	170	-	-	1,809	397	-	2,376
Strategic plan	-	-	-	-	27,696	52	-	27,748
Licenses, bonds, and fees	-	6,928	-	-	1,475	-	-	8,403
Gifts	-	656	-	-	6,430	-	-	7,086
Other	-	2,267	2,072	-	319	-	-	4,658
Gala night event	-	-	-	-	-	-	145,248	145,248
Total expenses by function	102,690	2,370,317	389,573	91,233	287,505	303,547	145,248	3,690,113
Less expenses included with revenues on the statement of activities	-	-	-	-	-	-	(145,248)	(145,248)
Total expenses include in expense section on the statement of activities	\$ 102,690	\$ 2,370,317	\$ 389,573	\$ 91,233	\$ 287,505	\$ 303,547	\$ -	\$ 3,544,865

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.
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STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

Cash flows from operating activities:	
Total change in net assets	\$ (6,640)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	195,695
Net investment return	(10,481)
(Increase) decrease in operating assets	
Receivables	(128,000)
Inventory	6,440
Prepaid expense	(5,987)
Increase (decrease) in operating liabilities	
Accounts payable	(5,806)
Deferred revenue	(3,250)
Accrued payroll liabilities	15,407
Net cash from operating activities	<u>57,378</u>
Cash flows used by investing activities:	
Purchase of fixed assets	(17,728)
Sale of investments	4,146
Purchase of investments	(4,192)
Net cash used by investing activities	<u>(17,774)</u>
Cash flows used by financing activities:	
Payments under capital lease obligation	(2,057)
Payment of long-debt	(34,696)
Net cash used by financing activities	<u>(36,753)</u>
Net increase in cash and cash equivalents	2,851
Cash and cash equivalents at beginning of year	<u>626,987</u>
Cash and cash equivalents at end of year	<u><u>\$ 629,838</u></u>
Supplemental data:	
Interest paid	\$ 14,830
Income taxes paid	<u><u>\$ -</u></u>

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 30th and 35th 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 2019, 39 volunteer DDSs contributed 318 hours, 2 volunteer RDHs, 144 dental assistants and pre-dental students, and 17 other volunteers contributed 55 hours. All together, these 203 volunteers donated 1,046 hours of service, provided 6,290 unduplicated clients with 18,604 visits and 52,137 procedures.

For twenty-five years the four-operatory dental center 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-operatory 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 2019, 4,892 individuals in 1,725 families were served in the Food Pantry. Anyone who comes to the Clothes Closet can spend 20 minutes selecting gently used clothes. Manos served 1,375 families in the Clothes Closet who accounted for 3,971 people.

This level of service was made possible by 43 volunteers who gave 608 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 2019, 430 students enrolled in ESL classes, 171 participated in citizenship classes, 167 signed up for computer classes and 38 in Spanish GED, and 88 enrolled in Spanish language literacy. Most classroom instruction is provided by 121 volunteer teachers who generously taught for 5,620 hours during morning and evening classes.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 2019, 2,100 children received two sets of clothes, including socks and underwear, grade-appropriate school supplies and a backpack. 603 volunteers provided 1,647 hours of support preparing for the event, during the two-week distribution period and the end of program break-down and cleanup.

Additionally, primarily in fund development for special events, 109 volunteers contributed 358 hours.

The Organization is primarily funded through program services fees, contributions, grants and contracts.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding Organization's financial statements. The financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenue is recognized when earned and expenditures are recorded when incurred. Accordingly, the financial statements reflect all significant receivables, payables, and other assets and liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor (or certain grantor) imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This includes any board designated net assets for specific purposes, as the board of directors may reverse these restrictions at any time in the future. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organization.

MANOS DE CRISTO, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. 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.

Investments

The Organization reports investments in cash and cash equivalents, equities and fixed income securities at their fair values in the statements of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Receivables

Accounts receivables consist of amounts due to the Organization for services rendered. Grant receivable are expected to be collected within one year. The allowance for uncollectible accounts is determined based on historical experience and a review of subsequent collections. No allowance for doubtful accounts has been recorded in these financial statements as all receivables are considered collectible.

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.

MANOS DE CRISTO, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. Summary of Significant Accounting Policies (continued)

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.

Revenue and Revenue Recognition

Contributions and grants received (including unconditional promises to give) are recorded as support with donor restrictions, or without donor restrictions, in the period received depending on the existence and/or nature of any donor restrictions. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received. The Organization reports contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Conditional promises to give are not recognized until the condition on which they depend have been substantially met.

Manos receives program service fees through fees charged at the Dental Center and through student fees and book sales charged by the Education Programs. Manos recognizes revenue from the Dental Center as services are provided, the student fees at the time of classes, and the book sales at the time of the sale. Manos records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

MANOS DE CRISTO, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. Summary of Significant Accounting Policies (continued)

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.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Personnel costs have been allocated based on time and effort spent in each area. General operations expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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, 2019. 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.

MANOS DE CRISTO, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which affects the revenue recognition of entities that enter into either 1) certain contracts to transfer goods or services to customers, or 2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods and services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim period in annual periods beginning after December 15, 2019. ASU 2014-09 has been applied on a modified prospective basis, applied to agreements that were either not completed, or were entered into, after December 31, 2018. The Organization does not believe the application of the provisions has a material effect on the amounts presented.

In June, 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 has been applied on a modified prospective basis, applied to agreements that were either not completed, or were entered into, after December 31, 2018.

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.

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- 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.

The following table represents assets and liabilities reported on the statements of financial position at their fair value as of December 31, 2019 by level within the fair value measurement hierarchy.

<u>Description</u>	<u>Amount</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 2,644	\$ -	\$ 2,644	\$ -
Fixed income - pooled funds	125,705	-	125,705	-
Total investments	<u>\$ 128,349</u>	<u>\$ -</u>	<u>\$ 128,349</u>	<u>\$ -</u>
Note payable	<u>\$ 304,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,042</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

Investment securities are carried at fair value and consist of following as of December 31, 2019:

<u>Type of Investment</u>	<u>Cost</u>	<u>Fair Value</u>
Fidelity Investments - cash	\$ 1,042	\$ 1,042
Texas Presbyterian Foundation		
Cash	1,602	1,602
Pooled funds - fixed income	<u>108,314</u>	<u>125,705</u>
Total investments	<u>\$ 110,958</u>	<u>\$ 128,349</u>

MANOS DE CRISTO, INC.
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5. Grant Receivable

Grant receivable consists of amounts awarded but not yet paid and due within the next year. Grant receivable consist of the following at December 31, 2019:

St. David's Foundation	<u>\$ 268,093</u>
Total grant receivable	<u><u>\$ 268,093</u></u>

6. Fixed assets

Major classes of fixed assets at December 31, 2019 consisted of the following:

Land and improvements	\$ 1,216,656
Buildings and improvements	1,739,874
Furniture and equipment	679,459
Software	53,036
Less accumulated depreciation	<u>(1,441,644)</u>
Total fixed assets, net of accumulated depreciation	<u><u>\$ 2,247,381</u></u>

Depreciation expense for the year ended December 31, 2019 was \$195,695.

7. 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 \$13,424 at December 31, 2019. Total principal payments in 2019 were \$34,696.

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December 31, 2019

7. Long-Term Debt (continued)

Balance outstanding at year-end	\$ 304,042
Less current portion of long-term debt	<u>(36,037)</u>
Long-term debt, net of current portion	<u><u>\$ 268,005</u></u>

The minimum principal payments for the next five years are as follows at December 31:

Year	Amount
2020	\$ 36,037
2021	37,584
2022	39,197
2023	40,879
2024	42,634
Thereafter	<u>107,711</u>
Total minimum principal payments	<u><u>\$ 304,042</u></u>

In addition, the Organization has a line of credit in the amount of \$200,000 at an interest rate of 5.5%. There were no draws or repayments during 2019, and the balance of the line was \$0 at December 31, 2019.

8. Capital Lease Obligation

The Organization leases certain specialized office equipment under leases classified as capital leases. The leased equipment is depreciated on a straight-line basis over 60 months. The Organization incurred interest expense of \$1,406. Total principal payments in 2019 were \$2,057. Future minimum lease payments under the capital lease are as follows at December 31:

Year	Amount
2020	\$ 2,343
2021	2,668
2022	3,037
2023	<u>1,387</u>
Total minimum lease payments due under capital lease	<u><u>\$ 9,435</u></u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

9. Accrued Payroll Liabilities

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, 2019 was \$35,831. In addition, the Organization accrued bonuses as of December 31, 2019 in the amount of \$24,867.

10. Net Assets With Donor Restrictions

Net assets without donor restrictions 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, 2019 for operating reserves was \$300,000.

11. Net Assets With Donor Restrictions

At of December 31, 2019, net assets with donor restrictions are restricted for the following purposes:

Back to school	\$	37,979
Dental center		42,500
EDU covenant		12,690
St. David's Foundation expansion		<u>268,127</u>
Total net assets with donor restrictions	\$	<u><u>361,296</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2019:

Back to school	\$	66,020
Dental center		27,500
St. David's Foundation expansion		<u>457,510</u>
Total net assets released from donor restrictions	\$	<u><u>551,030</u></u>

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12. 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, 2019, the cash balances exceeded FDIC coverage by \$116,848.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statement of financial position.

The Organization generally does not maintain collateral for its accounts receivable, and does not believe significant credit risk exists as December 31, 2019.

13. 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:

	Basic Needs	Education	Dental Center	Back to School	Fundraising	Total
Contributed goods						
Food for food pantry	\$ 41,844	\$ -	\$ -	\$ -	\$ -	\$ 41,844
Event space	-	-	-	12,500	-	12,500
Fund development materials	-	-	-	-	68,757	68,757
Contributed services						
Teachers	-	101,151	-	-	-	101,151
Dentists and assistants	-	-	29,580	-	-	29,580
Total contributed goods and services	<u>\$ 41,844</u>	<u>\$ 101,151</u>	<u>\$ 29,580</u>	<u>\$ 12,500</u>	<u>\$ 68,757</u>	<u>\$253,832</u>

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14. Liquidity and Availability

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, comprise the following:

Cash and cash equivalents	\$ 629,838
Investments	128,349
Accounts receivable	17,195
Grants receivable	268,093
Total financial assets	<u>1,043,475</u>
Less those unavailable for general expenditure within one year due to:	
Donor-imposed restrictions (see Note 15 about St. David's Foundation)	(93,169)
Board designations	<u>(300,000)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u><u>\$ 650,306</u></u>

The Organization manages day-to-day cash needs through a continually-refined system of tracking of payments and contributions, as well as on-hand cash management. The Organization has \$300,000 board designated net assets; although the Organization does not intend to spend from this fund, it could be made available if necessary.

15. 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 financial statements were available for issuance, May 18, 2020, and the following subsequent events were disclosed.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact future activities of the Organization. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact of business disruptions cannot be reasonably estimated at this time. Some specific items for Manos include –

- The 2020 Manos Gala has been rescheduled to August,
- St. David's Foundation recategorized its restricted grant amount of \$268,127 to be received in 2020 as unrestricted and available for operational purposes, and

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15. Subsequent Events (continued)

- On May 2, 2020, Manos was approved for a Paycheck Protection Program (PPP) promissory note in the amount of \$399,500, with an interest rate of 1% per annum based on a year of 365 days until maturity, with monthly payments of \$22,482.42 beginning on December 2, 2020. The note payable matures on May 2, 2022. Manos may use the proceeds of the loan only for purposes authorized by the PPP and may apply for loan forgiveness in whole or in part.