

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2020

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

December 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

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, 2020, 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, 2020, 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 17, 2021

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

December 31, 2020

Assets

Current assets	
Cash and cash equivalents	\$ 1,494,439
Investments	141,463
Accounts receivable	22,133
Grant receivables	268,093
Inventory	61,056
Prepaid expenses	62,830
Total current assets	<u>2,050,014</u>
Fixed assets, net of accumulated depreciation	<u>2,069,663</u>
Total assets	<u><u>\$ 4,119,677</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 32,443
Accrued payroll liabilities	54,433
Current portion of lease obligations payable	2,668
Current portion of long-term debt	37,584
Total current liabilities	<u>127,128</u>
Lease obligation payable, less current portion	4,424
Long-term debt, less current portion	<u>230,327</u>
Total liabilities	<u>361,879</u>
Net assets	
Without donor restrictions	
Board designations	370,000
Undesignated	2,780,254
Total net assets without donor restrictions	<u>3,150,254</u>
With donor restrictions	
Purpose restrictions	607,544
Total net assets with donor restrictions	<u>607,544</u>
Total net assets	<u>3,757,798</u>
Total liabilities and net assets	<u><u>\$ 4,119,677</u></u>

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Program service fees	\$ 1,139,574	\$ -	\$ 1,139,574
Contributions	775,938	15,040	790,978
Grants and contracts	585,146	536,186	1,121,332
Fundraising - special events, net of direct expenses of \$12,577	123,740	-	123,740
Contributed goods and services	136,675	-	136,675
Loan forgiveness revenue	399,500	-	399,500
Net investment return	12,032	-	12,032
Interest income from cash accounts	1,808	-	1,808
Net assets released from restriction	305,249	(305,249)	-
	<u>3,479,662</u>	<u>245,977</u>	<u>3,725,639</u>
Total revenue and other support			
Expenses:			
Program services:			
Basic needs	152,197	-	152,197
Dental center	1,999,060	-	1,999,060
Education	299,027	-	299,027
Back to school	8,960	-	8,960
Total program services	<u>2,459,244</u>	<u>-</u>	<u>2,459,244</u>
Supporting services:			
Management and general	257,564	-	257,564
Fundraising	224,457	-	224,457
Total supporting services	<u>482,021</u>	<u>-</u>	<u>482,021</u>
Total expenses	<u>2,941,265</u>	<u>-</u>	<u>2,941,265</u>
Change in net assets	538,397	245,977	784,374
Net assets, beginning of year	<u>2,611,857</u>	<u>361,567</u>	<u>2,973,424</u>
Net assets, end of year	<u>\$ 3,150,254</u>	<u>\$ 607,544</u>	<u>\$ 3,757,798</u>

See accompanying auditors' report and notes to financial statements.

MANOS DE CRISTO, INC.
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

Expenses	Program Services				Supporting Services		Cost of Direct	Totals
	Basic Needs	Dental Center	Education	Back to School	Management and General	Fundraising	Benefit to Donors	
Bank service charges	\$ -	\$ 12,575	\$ -	\$ -	\$ 17,552	\$ -	\$ -	\$ 30,127
Computer program maintenance	-	-	-	-	-	14,289	-	14,289
Contributed goods and services	64,689	8,428	63,558	-	-	-	-	136,675
Depreciation	11,056	117,239	22,510	-	42,694	4,537	-	198,036
Event expense	-	-	-	-	-	-	12,577	12,577
Gifts	-	560	-	-	6,153	-	-	6,713
Insurance	-	8,485	6,012	-	11,295	-	-	25,792
Legal and accounting	-	5,100	-	-	5,950	-	-	11,050
Licenses, bonds, and fees	-	3,804	-	-	-	-	-	3,804
Medical services	-	496	-	-	-	-	-	496
Meetings and food	-	393	-	-	917	121	-	1,431
Memberships and subscriptions	-	-	-	-	-	1,543	-	1,543
Occupancy	-	24,221	16,254	-	24,406	2,013	-	66,894
Office supplies	116	19,190	555	-	14,859	3,043	-	37,763
Other	-	2,014	-	-	405	53	-	2,472
Personnel costs	52,922	1,532,738	177,552	-	87,999	189,032	-	2,040,243
Postage and delivery	-	30	286	-	18	4,463	-	4,797
Printing and photos	1,000	-	-	-	97	1,685	-	2,782
Programs and event supplies	22,414	210,008	12,140	8,960	-	149	-	253,671
Repairs and maintenance	-	26,685	160	-	15,643	192	-	42,680
Staff training	-	176	-	-	-	-	-	176
Telephone and internet	-	26,918	-	-	29,576	3,337	-	59,831
Total expenses by function	152,197	1,999,060	299,027	8,960	257,564	224,457	12,577	2,953,842
Less expenses included with revenues on the statement of activities	-	-	-	-	-	-	(12,577)	(12,577)
Total expenses included in expense section on the statement of activities	\$ 152,197	\$1,999,060	\$ 299,027	\$ 8,960	\$ 257,564	\$ 224,457	\$ -	\$2,941,265

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, 2020

Cash flows from operating activities:	
Total change in net assets	\$ 784,373
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	198,036
Loan forgiveness revenue	(399,500)
Net investment return	(12,032)
Stock donation	(1,083)
(Increase) decrease in operating assets	
Receivables	(4,938)
Inventory	(6,754)
Prepaid expense	(31,267)
Increase (decrease) in operating liabilities	
Accounts payable	3,323
Accrued payroll liabilities	(6,265)
Net cash from operating activities	<u>523,893</u>
Cash flows used by investing activities:	
Purchase of fixed assets	<u>(20,318)</u>
Net cash used by investing activities	<u>(20,318)</u>
Cash flows used by financing activities:	
Proceeds from new debt	399,500
Payments under capital lease obligation	(2,343)
Payment of long-debt	<u>(36,131)</u>
Net cash used by financing activities	<u>361,026</u>
Net increase in cash and cash equivalents	864,601
Cash and cash equivalents at beginning of year	<u>629,838</u>
Cash and cash equivalents at end of year	<u>\$ 1,494,439</u>
Supplemental data:	
Interest paid	<u>\$ 13,084</u>
Income taxes paid	<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, 2020

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 2020, 11 volunteer DDSs contributed 97 hours, 16 volunteer RDHs, 9 pre-dental students, contributed 168 hours. All together, these 36 volunteers donated 265 hours of service. The Dental Center provided 5185 unduplicated clients with 13,030 visits and 37,766 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. Normally Manos serves seven families per day and that was the case through March 2020. However, beginning in April of 2020 the need for food grew exponentially, and Manos was able to serve an unlimited number of families from 8-11 am Monday-Friday. In 2020, a total of 11,550 individuals were served through the Food Pantry. Manos shopped through the Capital Area Food Bank, Sam’s Clubs and HEB. During this time the Austin area Presbyterian Churches also supplemented the Food Pantry as needed. The clothes closet served 939 individuals through the Clothes Closet, as the Clothes Closet closed its’ doors on March 16, 2020.

In 2020 32 volunteers provided 220 hours of service, as Manos closed its’ doors to volunteers as a safety precaution, due to COVID, the doors remained closed from March 16, 2020 through December 31, 2020.

Education: Manos offers several levels of English as a Second Language (ESL) introductory and intermediate computer classes, U.S. Citizenship classes, and Spanish literacy classes. In 2020, 251 students enrolled in ESL classes, 93 participated in citizenship classes, 47 in computer literacy classes, and 17 in Spanish literacy classes. In 2020 117 volunteers provided 3,531 hours of instruction, while reinventing classes to be taught virtually.

MANOS DE CRISTO, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

1. Description of Organization (continued)

Back to School: In 2020 Manos partnered with Foundation Communities and provided them with 700 backpacks for students on their campuses. 300 backpacks were also distributed through the Manos de Cristo Food Pantry. An in person Back to School event was not held in 2020.

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 the 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, 2020

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, unless designated for investment purposes.

Investments

The Organization reports investments in cash and cash equivalents, equities and fixed income securities at their fair values in the statement 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 receivable consist of amounts due to the Organization for services rendered. Grant receivables 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, 2020

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. Costs of routine repairs and maintenance are charged to expense as incurred.

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, 2020

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. Additionally, Manos 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. Management and general 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, except for unrelated business income, 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, 2020. The Organization is subject to income tax audits for the previous three years which are open. There are currently no audits in progress for any open tax periods.

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2. Summary of Significant Accounting Policies (continued)

Changes in Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP that is most important to users of each entity’s financial statements. ASU 2018-13 takes effect for not-for-profit entities for fiscal years beginning after December 15, 2019. ASU 2018-13 has been applied prospectively beginning after December 31, 2019, with no significant impact on the financial statement disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual period beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently considering the impact of ASU 2020-07.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. This guidance impacts the presentation of an entity’s leasing activities and will require the recognition of lease (right-of-use) assets and related lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements. ASU 2016-02 was scheduled to become effective for fiscal years beginning after December 15, 2019, but has been delayed until annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

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.

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NOTES TO FINANCIAL STATEMENTS

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3. Fair Value Measurements and Disclosures (continued)

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.

The following table represents assets and liabilities reported on the statement of financial position at their fair value as of December 31, 2020 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)
Cash and cash equivalents	\$ 3,710	\$ -	\$ 3,710	\$ -
Fixed income - pooled funds	137,753	-	137,753	-
Total investments	\$ 141,463	\$ -	\$ 141,463	\$ -

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

MANOS DE CRISTO, INC.
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December 31, 2020

4. Grant receivables

Grant receivables consists of amounts awarded but not yet paid and due within the next year. Grant receivables consist of the following at December 31, 2020:

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

5. Fixed assets

Major classes of fixed assets at December 31, 2020 consisted of the following:

Land and improvements	\$ 1,216,656
Buildings and improvements	1,747,354
Furniture and equipment	692,296
Software	53,036
Less accumulated depreciation	<u>(1,639,679)</u>
Total fixed assets, net of accumulated depreciation	<u><u>\$ 2,069,663</u></u>

Depreciation expense for the year ended December 31, 2020 was \$198,036.

6. Long-Term Debt

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 \$11,989 at December 31, 2020. Total principal payments in 2020 were \$36,131.

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6. Long-Term Debt (continued)

Balance outstanding at year-end	\$ 267,911
Less current portion of long-term debt	<u>(37,584)</u>
Long-term debt, net of current portion	<u><u>\$ 230,327</u></u>

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

Year	Amount
2021	\$ 37,584
2022	39,197
2023	40,879
2024	42,634
2025	44,454
Thereafter	<u>63,163</u>
Total minimum principal payments	<u><u>\$ 267,911</u></u>

In addition, the Organization has a line of credit in the amount of \$200,000 at an interest rate of 5%. There were no draws or repayments during 2020, and the balance of the line was \$0 at December 31, 2020.

7. 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. For the year ended December 31, 2020, the Organization incurred interest expense of \$1,095. Total principal payments in 2020 were \$2,343. Future minimum lease payments under the capital lease are as follows at December 31:

Year	Amount
2021	\$ 2,668
2022	3,037
2023	<u>1,387</u>
Total minimum lease payments due under capital lease	<u><u>\$ 7,092</u></u>

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December 31, 2020

8. 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, 2020 was \$21,448. In addition, the Organization accrued bonuses as of December 31, 2020 in the amount of \$32,985.

9. Board Designated Net Assets

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, 2020 for operating and building reserves was \$370,000.

10. Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restrictions are restricted for the following purposes:

Back to school	\$	29,981
Dental center		32,500
Basic needs		8,877
St. David's Foundation - Dental Center		<u>536,186</u>
Total net assets with donor restrictions	\$	<u><u>607,544</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, 2020:

Back to school	\$	8,999
Dental center		10,000
Basic needs		5,163
EDU Covenant		12,960
St. David's Foundation - Dental Center		<u>268,127</u>
Total net assets released from donor restrictions	\$	<u><u>305,249</u></u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

11. 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. At December 31, 2020, the cash balances exceeded FDIC coverage by \$865,978.

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, 2020.

12. 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:

	<u>Basic Needs</u>	<u>Education</u>	<u>Dental Center</u>	<u>Total</u>
Contributed goods				
Food for food pantry	\$ 64,689	\$ -	\$ -	\$ 64,689
Contributed services				
Teachers	-	63,558	-	63,558
Dentists and assistants	-	-	8,428	8,428
Total contributed goods and services	<u>\$ 64,689</u>	<u>\$ 63,558</u>	<u>\$ 8,428</u>	<u>\$ 136,675</u>

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13. 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	\$ 1,494,439
Investments	141,463
Accounts receivable	22,133
Grants receivable	268,093
Total financial assets	<u>1,926,128</u>
Less those unavailable for general expenditure within one year due to:	
Donor-imposed restrictions	(607,544)
Board designations	<u>(370,000)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 948,584</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 \$370,000 Board designated net assets; although the Organization does not intend to spend from this fund, it could be made available if necessary.

14. Loan Payable

On May 2, 2020, the Organization was approved for a Paycheck Protection Program (PPP) promissory note in the amount of \$399,500, with an interest rate of 1% per year until maturity. The Organization used the proceeds of the loan only for purposes authorized by the PPP. The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. \$399,500 was recognized as loan forgiveness revenue for the year ended December 31, 2020.

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 17, 2021, and the following subsequent events were disclosed.

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15. Subsequent Events (continued)

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. The continuing disruption is having a broad and negative impact on the US economy and the ability of the Organization to hold in-person events. However, the related financial impact of this and other business disruptions cannot be reasonably estimated at this time.