



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**MANUELITO NAVAJO  
CHILDREN'S HOME, INC.**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2014  
With Comparative Totals for 2013**



**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
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**For the Year Ended December 31, 2014 , With Comparative Totals For 2013**

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**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**OFFICIAL ROSTER**  
**For the Year Ended December 31, 2014 , With Comparative Totals For 2013**

**Official Roster**

<u>Name</u>	<u>Position</u>
David Brown	President
Clifton Tuggle	Vice-President
Lynn Dunson	Secretary
Greg Peterson	Director



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Manuelito Navajo Children's Home, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Manuelito Navajo Children's Home, Inc. (the Home)(a nonprofit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Home as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Home's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
Albuquerque, NM  
June 29, 2015

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2014, With Comparative Totals for 2013**

	Notes	<b>2014</b>	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents:			
Unrestricted	B	\$ <b>73,100</b>	24,574
Held for others		<b>1,707</b>	2,286
Total cash and cash equivalents		<b>74,807</b>	26,860
Accounts receivable, net		<b>10,581</b>	12,270
Prepaid assets		<b>161</b>	336
Current portion of notes receivable	F	<b>3,029</b>	2,939
Total current assets		<b>88,578</b>	42,405
<b>Non-current Assets</b>			
Investment in land	D	<b>5,470</b>	5,470
Notes receivable, net of current portion	F	<b>66,336</b>	69,076
Total non-current assets		<b>71,806</b>	74,546
Property and equipment, net	C	<b>425,343</b>	468,461
Total assets		<b>\$ 585,727</b>	585,412
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable		\$ <b>20,730</b>	4,727
Accrued expenses		<b>15,792</b>	12,383
Deferred tuition revenue		<b>855</b>	1,305
Funds held for children		<b>1,707</b>	1,961
Line of credit	E	<b>123,500</b>	60,000
Total current liabilities		<b>162,584</b>	80,376
Total liabilities		<b>162,584</b>	80,376
<b>Net Assets</b>			
Unrestricted:			
Net investment in property and equipment		<b>425,343</b>	468,461
General operating		<b>(2,200)</b>	36,575
Total unrestricted		<b>423,143</b>	505,036
Total liabilities and net assets		<b>\$ 585,727</b>	585,412

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are an integral part of these financial statements

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 2014, With Comparative Totals for 2013**

	<b>2014</b>	<b>2013</b>
<b>Revenue, support, and gains:</b>		
Contributions:		
Donations - Home	\$ 772,994	822,300
Donations In-kind	12,438	7,004
Donations - School	4,699	6,348
Total support	790,131	835,652
Revenue and gains:		
School income	55,551	42,343
Special events	25,903	30,900
Less: cost of direct benefits	(7,696)	(14,894)
Net special events	18,207	16,006
Rental income	3,719	8,119
Local government contracts	-	5,000
Gain/(loss) on disposition of fixed assets	(1,833)	9,500
Interest income	2,411	2,266
Miscellaneous	2,508	1,519
Dividends and royalties	688	654
Total revenue	81,251	85,407
Total revenue and support	871,382	921,059
<b>Expenses:</b>		
Operating expenses:		
Program services	651,857	591,036
General and administrative	200,865	183,806
Fundraising	100,553	97,344
Total operating expenses	953,275	872,186
Total expenses	953,275	872,186
Change in net assets	(81,893)	48,873
Net assets, beginning of year	505,036	456,163
Net assets, end of year	\$ 423,143	505,036

SEE INDEPENDENT AUDITOR'S REPORT  
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**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For The Year Ended December 31, 2014, With Comparative Totals for 2013**

	Programs	General and Administrative	Fundraising	<b>2014 Total</b>	2013 Total
<b>Personnel services:</b>					
Salaries, wages and other compensation	\$ 285,166	93,211	47,244	<b>425,621</b>	388,614
Payroll taxes	19,858	6,491	3,290	<b>29,639</b>	31,903
Employee benefits	94,652	30,939	15,681	<b>141,272</b>	127,873
Total personal services	<u>399,676</u>	<u>130,641</u>	<u>66,215</u>	<b>596,532</b>	548,390
<b>Other expenses:</b>					
Utilities	49,852	16,662	672	<b>67,186</b>	77,410
Insurance	29,281	12,582	3,889	<b>45,752</b>	43,269
Repairs & maintenance	24,202	469	-	<b>24,671</b>	21,885
Other school expenses	24,539	-	-	<b>24,539</b>	25,922
Food	16,097	666	4,728	<b>21,491</b>	16,327
Auto expense	6,506	2,764	9,534	<b>18,804</b>	18,966
Miscellaneous	16,636	322	-	<b>16,958</b>	330
Telephone	5,949	2,917	698	<b>9,564</b>	10,029
Allowances-children	9,467	-	-	<b>9,467</b>	7,079
Contract labor	8,837	-	-	<b>8,837</b>	-
Lodging	1,803	45	5,728	<b>7,576</b>	4,289
Bad debt	6,965	-	-	<b>6,965</b>	-
Bulletins	4,505	61	2,218	<b>6,784</b>	-
Supplies	2,575	24	3,502	<b>6,101</b>	6,213
Interest	2,856	2,043	-	<b>4,899</b>	2,383
Medicines & doctors	3,602	-	-	<b>3,602</b>	1,801
Dues & memberships	2,441	1,118	-	<b>3,559</b>	2,295
Postage	2,141	-	1,296	<b>3,437</b>	11,247
Taxes	1,723	563	285	<b>2,571</b>	2,340
Equipment and facilities	2,383	-	14	<b>2,397</b>	1,247
Travel	1,430	-	783	<b>2,213</b>	5,317
Office expense	487	479	1,144	<b>2,110</b>	8,212
Incidental children's expenses	446	-	-	<b>446</b>	880
Legal & accounting	399	-	-	<b>399</b>	8,507
Clothing	349	-	2	<b>351</b>	2,587
Advertising	94	-	46	<b>140</b>	383
Staff training	-	-	-	-	1,225
Entertainment	-	-	-	-	1,191
Fees and permits	(826)	(219)	(201)	<b>(1,246)</b>	2,028
Total other expenses	<u>224,739</u>	<u>40,496</u>	<u>34,338</u>	<b>299,573</b>	283,362
Total expenses before depreciation	624,415	171,137	100,553	<b>896,105</b>	831,752
Depreciation	27,442	29,728	-	<b>57,170</b>	40,434
Total expenses	<u>\$ 651,857</u>	<u>200,865</u>	<u>100,553</u>	<b>953,275</b>	872,186

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**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2014, With Comparative Totals for 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Donations	\$ 777,693	828,648
Dividends and royalties	688	654
Interest income	2,411	2,266
Miscellaneous sales	2,508	1,519
Rental income	3,719	8,119
School income	49,825	39,199
Special event revenue	25,903	30,900
Local government contracts	-	5,000
Total cash received	<b>862,747</b>	<b>916,305</b>
Less:		
Cash paid to suppliers and employees	859,912	842,543
Notes payable interest paid	4,899	2,383
Total cash paid out	<b>864,811</b>	<b>844,926</b>
Net cash (used) provided by operating activities	<b>(2,064)</b>	<b>71,379</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Changes in funds held for children	(254)	821
Proceeds from sale of fixed assets	4,500	9,500
Purchase of fixed assets	(20,385)	(97,385)
Net cash provided (used) by investing activities	<b>(16,139)</b>	<b>(87,064)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from line of credit	63,500	60,000
Payment of notes payable	-	(54,860)
Proceeds received from notes receivable	2,650	2,207
Net cash provided (used) by financing activities	<b>66,150</b>	<b>7,347</b>
Net increase (decrease) in cash	47,947	(8,338)
Cash and cash equivalents, beginning of year	26,860	35,198
Cash and cash equivalents, end of year	<b>\$ 74,807</b>	<b>26,860</b>
<b>Reconciliation of changes in net assets to cash provided by operating activities</b>		
Change in net assets	\$ (81,893)	48,873
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	57,170	40,434
Bad debt expense	6,965	-
Loss/(gain) on disposition of Property and Equipment	1,833	(9,500)
Decrease (increase) in accounts receivable	(5,276)	(3,824)
(Decrease) increase in accounts payable	16,003	(5,124)
(Decrease) increase in accrued expenses	3,409	(160)
(Decrease) increase in deferred revenue	(450)	680
Net cash (used) provided by operating activities	<b>\$ (2,064)</b>	<b>71,379</b>

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are an integral part of these financial statements

**MANUELITO NAVAJO CHILDREN'S HOME, INC**  
**NOTES TO FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2014, With Comparative Totals For 2013**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES**

The audited financial statements are presented for the Manuelito Navajo Children's Home, Inc. (The Home). The Home, located near Gallup, New Mexico, operates group residential sites for boys and girls through high school age. The Home is a ministry of the Gallup Church of Christ. The members of the Board of Directors of the Home are required to be members of the Church of Christ.

In July 2007, the Home opened the Gallup Christian School (GCS) on the grounds of the Home. The school provides quality education from Preschool through Twelfth grade. GCS's teachers and administration are dedicated Christian professionals who challenge their students toward academic and moral excellence.

The Home is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Home has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. The Home's programs are supported primarily by contributions and school tuition.

**Classes of Net Assets**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification 958-205, *Financial Statements of Not-for Profit Organizations* and subsections (FASB ASC). Under ASC 958-205, the Home is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- a) Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Home's programs, and those resources invested in land, buildings, and equipment.
- b) Temporarily restricted amounts are those which are restricted by donors for specific operating purposes or for the acquisition of land, buildings, and equipment.
- c) Permanently restricted amounts are those restricted by donors in perpetuity as endowments.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted income and gains.

**Income Taxes**

The Home operates as a not-for-profit corporation and has received exempt status under Section 501(c)(3) of the Internal Revenue Code, and has been designated as an organization other than a private foundation. Contributions to the organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

**Uncertain Tax Positions**

The Home files their Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. The Home is generally no longer subject to examination by the Internal Revenue Service and the

# MANUELITO NAVAJO CHILDREN'S HOME, INC

## NOTES TO FINANCIAL STATEMENTS

### For The Year Ended December 31, 2014, With Comparative Totals For 2013

New Mexico Taxation and Revenue Department for fiscal years before 2011. The Home is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

The Home recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses, when applicable. No provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2014 or 2013.

#### **Impairment of Long-Lived Assets**

The Home accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections, *Accounting for the Impairment of Long-Lived Assets*. ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2014.

#### **Donated Assets, Materials and Services**

Contributions of services and materials are recognized in the accompanying financial statements in accordance with FASB ASC 958-605-25-16, *Accounting for Contributions Received and Contributions Made*; if the services received enhance or create non-financial assets, require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

During the years ended December 31 in-kind contributions of goods and materials to the Home were determined at fair market values. Below is a breakdown of the in-kind contributions the Home received:

<u>Type</u>	<u>2014</u>	<u>2013</u>
Food	\$ 10,599	3,188
Goods and materials	1,839	3,816
Total	<u>\$ 12,438</u>	<u>7,004</u>

The Home receives donated clothing, food, supplies, etc. from corporations and individuals. The donations are recorded at estimated fair value on the date of contribution. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. In the absence of any donor-imposed restrictions on the use of assets, the Home reports gifts of long-lived assets as unrestricted support in the period received. The Home has no donor restricted property and equipment to report in 2014 or 2013.

#### **Summary of Fair Value Exposure**

FASB ASC 820-10, *Fair Value Measurement* and subsections, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). (The inputs and methodology used for valuing the Home's financial assets and liabilities are not indicators of the risks associated with those instruments.) The three levels of the fair value

**MANUELITO NAVAJO CHILDREN'S HOME, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2014, With Comparative Totals For 2013**

hierarchy under ASC 820-10 are as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Home's financial assets measured at fair value as of December 31:

	<b>Level 3</b>	
	<b>2014</b>	2013
Investment in land	\$ <b>5,470</b>	5,470

The following assumptions were used to estimate the fair value of the assets included in the table above:

- Investment in land – Asset has been valued at estimated fair market value at time of donation based on an appraisal conducted at that time. There have been no changes in valuation techniques and related inputs.

The table below reconciles the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<b>Investment in Land</b>	
	<b>2014</b>	2013
Beginning balance	\$ <b>5,470</b>	5470
Purchases, issuance, and settlements	-	-
Transfers in and/or out of Level 3	-	-
Ending Balance	\$ <b>5,470</b>	5,470

**Functional Expenses**

The Home classifies expenses into three functions: Program Services, General and Administrative, and Fundraising. Program Services includes all funds expended directly or indirectly to support the programs of the Home. General and Administrative expenses represent administrative costs and costs associated with public information and donor

**MANUELITO NAVAJO CHILDREN'S HOME, INC**  
**NOTES TO FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2014, With Comparative Totals For 2013**

accountability. Fundraising expenses consist of expenses related to the solicitation of contributions.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Home considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Receivables**

Accounts receivable are stated at unpaid balances. The Home provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customer to meet their obligations. For the years ended December 31, 2014 and 2013, allowance for uncollectible accounts totaled \$0.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Home's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Notes receivable are reported at their outstanding principal adjusted for any applicable discounts. Discounts on notes receivable are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Notes receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrower's, the estimated value of the underlying collateral if applicable, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms.

**Property and Equipment**

Property and equipment are valued at cost at date of purchase or fair market value at the date of receipt, if donated. All purchases more than \$1,000 are capitalized. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Home reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Home reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets and is accounted for in the property and equipment fund and allocated to each function based upon utilization. Estimated useful lives for the purposes of depreciation are as follows:

<b>Classification</b>	<b>Depreciable Lives (in years)</b>
Land	Perpetuity
Land Improvements	15
Furniture & Fixtures	5-10
Building & Improvements	10-50
Vehicles	5-10
Tanks & Pumps	10 Years

**MANUELITO NAVAJO CHILDREN'S HOME, INC**  
**NOTES TO FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2014, With Comparative Totals For 2013**

Gains and losses on the disposition of property and equipment and investment assets are included in current funds - unrestricted.

**Public Support, Revenue and Expenses**

Contributions income is recorded when cash is received or when ownership of donated assets is transferred. Bequests are recorded as income at the time the Home has an established right to the bequest and the proceeds are measurable. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

**Advertising/Promotion**

Advertising/promotion costs are expensed as incurred. For the years ended December 31, 2014 and 2013, advertising expenses incurred totaled \$140 and \$383, respectively.

**Use of Estimates**

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

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Home's audited financial statements for the year ended December 31, 2013 from which the summarized information was derived.

**NOTE B – CASH AND CASH EQUIVALENTS**

The Home considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of the following at December 31:

<u>Description</u>	<u>Location</u>	<u>2014</u>	<u>2013</u>
Checking and savings	Local banks	\$ 73,020	24,494
Children's checking	Local banks	1,707	2,286
Petty cash	On site	80	80
Total cash		\$ <u>74,807</u>	<u>26,860</u>

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**MANUELITO NAVAJO CHILDREN'S HOME, INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2014, With Comparative Totals For 2013**

**NOTE C – PROPERTY AND EQUIPMENT AND DEPRECIATION**

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

<u>Type</u>	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>2014</u>
Depreciable property and equipment					
Land improvements	\$ 4,302	-	-	-	4,302
Furniture and equipment	140,278	2,253	(3,636)	1,414	140,309
Buildings and improvements	933,962	22,750		(16,846)	939,866
Vehicles	189,908	-	(18,674)	(5,205)	166,029
Tanks and pumps	8,636	-	-	6,747	15,383
Total depreciable property and equipment	<u>1,277,086</u>	<u>25,003</u>	<u>(22,310)</u>	<u>(13,890)</u>	<u>1,265,889</u>
Less accumulated depreciation	<u>(879,625)</u>	<u>(57,170)</u>	<u>20,477</u>	<u>4,772</u>	<u>(911,546)</u>
Subtotal depreciable property & equipment (net)	<u>397,461</u>	<u>(32,167)</u>	<u>(1,833)</u>	<u>(9,118)</u>	<u>354,343</u>
Land	<u>71,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,000</u>
Total property and equipment (net)	<u>\$ 468,461</u>	<u>(32,167)</u>	<u>(1,833)</u>	<u>(9,118)</u>	<u>425,343</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$57,170 and \$40,434, respectively.

**NOTE D – INVESTMENTS**

Investments consist of land that was donated to the Home. The policy of the Home is to recognize all realized and unrealized gains/losses in the current year.

Land is reported at the appraised value on the date of contribution. The investment in land is reported on the financial statements as a non-current asset.

Investments at December 31 are as follows:

<u>Type</u>	<u>2014</u>		<u>2013</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Land	\$ 5,470	5,470	5,470	5,470
Total	<u>\$ 5,470</u>	<u>5,470</u>	<u>5,470</u>	<u>5,470</u>

**NOTE E – LINE OF CREDIT**

In February 2013, the Home opened an uncollateralized line of credit with Washington Federal. The credit limit was \$195,000, with a variable interest rate of 5% and a maturity date of January 10, 2016.

As of December 31, there the Home had the following amount outstanding:

	<u>2014</u>	<u>2013</u>
Line of credit	\$ 123,500	60,000
Total	<u>\$ 123,500</u>	<u>60,000</u>

**NOTE F – NOTES RECEIVABLE**

In June 2004, the Home received a promissory note for \$95,943 representing the current value



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of a property sold by Ivanhoe Church of Christ. The note has an interest rate of 3% and matures in July 2032.

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

	<b>2014</b>	2013
Promissory note receivable (Property)	\$ <b>69,365</b>	72,015
Less current portion	<b>(3,029)</b>	(2,939)
Notes receivable, net of current portion	<b>\$ 66,336</b>	69,076

**NOTE G – COMPENSATED ABSENCES**

The Home's policy states that employees are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. Employees are not paid out for their unused vacation at the time of separation. As a result, there is no accrued compensated absences liabilities as of December 31, 2014 and 2013.

**NOTE H – PENSION PLAN**

The Home has a pension plan sponsored by Mass Mutual. All employees involved in the plan receive a monthly amount which is used towards retirement. The amount varies depending upon the employee. Each employee has the choice of putting the funds in a TSA. Employees have the option of deducting more from their own pay. Pension plan contributions totaled \$3,232 and \$4,915 at December 31, 2014 and 2013, respectively.

**NOTE I – CONCENTRATION**

As of December 31, details of revenue recorded by the Home from concentrated sourced include:

<b>Source</b>	<b>2014</b>	2013
Donations	\$ <b>777,693</b> <b>90%</b>	828,648 89%
School income (tuition/registration)	<b>55,551</b> <b>6%</b>	42,343 5%
Special events	<b>25,903</b> <b>3%</b>	30,900 3%
	<b>\$ 859,147</b>	901,891
 Total revenue (excluding in-kind revenue)	 <b>\$ 866,640</b>	 928,950
 Percentage of revenue	 <b>99%</b>	 97%

**NOTE J – RECLASSIFICATION**

Certain expenses may have been reclassified for presentation in the 2014 financial statements which may not conform to 2013 presentation.

**NOTE K – EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the Statement of Financial Position date but before the financial statements are issued. The Home recognizes in the Financial Statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing the financial statements. The Home's financial statements do not recognize subsequent events that provide evidence about conditions that did

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not exist at the date of the Statement of Financial Position but arose after the Statement of Financial Position date and before Financial Statements are available to be issued. The Home has evaluated subsequent events through June 29, 2015, which is the date the Financial Statements were available to be issued.