



# 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, 2015  
With Comparative Totals for 2014**



**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
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**For the Year Ended December 31, 2015 , With Comparative Totals For 2014**

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**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**OFFICIAL ROSTER**  
**For the Year Ended December 31, 2015 , With Comparative Totals For 2014**

**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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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  
May 17, 2016

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2015, With Comparative Totals for 2014**

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents:			
Unrestricted	B	\$ 220,495	73,100
Held for others		1,485	1,707
Total cash and cash equivalents		<u>221,980</u>	<u>74,807</u>
Accounts receivable, net		18,945	10,581
Prepaid assets		-	161
Current portion of notes receivable	F	3,121	3,029
Total current assets		<u>244,046</u>	<u>88,578</u>
<b>Non-current Assets</b>			
Investment in land	D	5,470	5,470
Notes receivable, net of current portion	F	63,215	66,336
Total non-current assets		<u>68,685</u>	<u>71,806</u>
Property and equipment, net	C	378,772	425,343
Total assets		<u>\$ 691,503</u>	<u>585,727</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$	6,023	20,730
Accrued expenses		19,530	15,792
Deferred tuition revenue		2,331	855
Funds held for children		1,485	1,707
Line of credit	E	-	123,500
Total current liabilities		<u>29,369</u>	<u>162,584</u>
Total liabilities		<b>29,369</b>	162,584
<b>Net Assets</b>			
Unrestricted:			
Net investment in property and equipment		378,772	425,343
General operating		283,362	(2,200)
Total unrestricted		<u>662,134</u>	<u>423,143</u>
Total liabilities and net assets		<u>\$ 691,503</u>	<u>585,727</u>

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, 2015, With Comparative Totals for 2014**

	<b>2015</b>	<b>2014</b>
<b>Revenue, support, and gains:</b>		
Contributions:		
Donations - Home	\$ <b>1,163,797</b>	772,994
Donations In-kind	<b>10,684</b>	12,438
Donations - School	<b>6,167</b>	4,699
Total support	<b>1,180,648</b>	790,131
Revenue and gains:		
School income	<b>64,964</b>	55,551
Special events	<b>40,404</b>	25,903
Less: cost of direct benefits	<b>(7,424)</b>	(7,696)
Net special events	<b>32,980</b>	18,207
Rental income	<b>3,719</b>	3,719
Gain/(loss) on disposition of fixed assets	-	(1,833)
Interest income	<b>2,033</b>	2,411
Miscellaneous	<b>579</b>	2,508
Dividends and royalties	<b>357</b>	688
Total revenue	<b>104,632</b>	81,251
Total revenue and support	<b>1,285,280</b>	871,382
<b>Expenses:</b>		
Operating expenses:		
Program services	<b>716,221</b>	651,857
General and administrative	<b>219,573</b>	200,865
Fundraising	<b>110,495</b>	100,553
Total operating expenses	<b>1,046,289</b>	953,275
Total expenses	<b>1,046,289</b>	953,275
Change in net assets	<b>238,991</b>	(81,893)
Net assets, beginning of year	<b>423,143</b>	505,036
Net assets, end of year	<b>\$ 662,134</b>	423,143

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**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For The Year Ended December 31, 2015, With Comparative Totals for 2014**

	Programs	General and Administrative	Fundraising	2015 Total	2014 Total
<b>Personnel services:</b>					
Salaries, wages and other compensation	\$ 294,739	96,340	48,830	<b>439,909</b>	425,621
Payroll taxes	22,675	7,412	3,757	<b>33,844</b>	29,639
Employee benefits	119,962	39,212	19,874	<b>179,048</b>	141,272
Total personal services	<u>437,376</u>	<u>142,964</u>	<u>72,461</u>	<b>652,801</b>	596,532
<b>Other expenses:</b>					
Utilities	56,475	18,876	761	<b>76,112</b>	67,186
Insurance	37,810	16,246	5,022	<b>59,078</b>	45,752
Other school expenses	29,272	-	-	<b>29,272</b>	24,539
Repairs & maintenance	26,213	508	-	<b>26,721</b>	24,671
Food	15,478	641	4,547	<b>20,666</b>	21,491
Auto expense	6,091	2,588	8,926	<b>17,605</b>	18,804
Miscellaneous	16,763	325	-	<b>17,088</b>	16,958
Telephone	6,688	3,280	785	<b>10,753</b>	9,564
Medicines & doctors	10,488	-	-	<b>10,488</b>	3,602
Allowances-children	10,435	-	-	<b>10,435</b>	9,467
Lodging	2,121	53	6,737	<b>8,911</b>	7,576
Contract labor	8,300	-	-	<b>8,300</b>	8,837
Bulletins	4,265	58	2,101	<b>6,424</b>	6,784
Travel	4,087	-	2,240	<b>6,327</b>	2,213
Supplies	2,589	25	3,522	<b>6,136</b>	6,101
Dues & memberships	3,265	1,494	-	<b>4,759</b>	3,559
Taxes	2,357	770	390	<b>3,517</b>	2,571
Postage	1,974	-	1,195	<b>3,169</b>	3,437
Interest	1,725	1,233	-	<b>2,958</b>	4,899
Office expense	625	614	1,467	<b>2,706</b>	2,110
School tuition	1,395	-	-	<b>1,395</b>	-
Equipment and facilities	1,193	-	7	<b>1,200</b>	2,397
Fees and permits	698	185	170	<b>1,053</b>	(1,246)
Staff training	610	290	-	<b>900</b>	-
Advertising	336	-	163	<b>499</b>	140
Clothing	240	-	1	<b>241</b>	351
Incidental children's expenses	130	-	-	<b>130</b>	446
Legal & accounting	62	-	-	<b>62</b>	399
Bad debt	-	-	-	-	6,965
Total other expenses	<u>251,685</u>	<u>47,186</u>	<u>38,034</u>	<b>336,905</b>	299,573
Total expenses before depreciation	689,061	190,150	110,495	<b>989,706</b>	896,105
Depreciation	27,160	29,423	-	<b>56,583</b>	57,170
Total expenses	<u>\$ 716,221</u>	<u>219,573</u>	<u>110,495</u>	<b>1,046,289</b>	953,275

SEE INDEPENDENT AUDITOR'S REPORT  
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**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2015, With Comparative Totals for 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Donations	\$ <b>1,169,964</b>	777,693
Dividends and royalties	<b>357</b>	688
Interest income	<b>2,033</b>	2,411
Miscellaneous sales	<b>579</b>	2,508
Rental income	<b>3,719</b>	3,719
School income	<b>50,652</b>	49,825
Special event revenue	<b>40,404</b>	25,903
Total cash received	<b>1,267,708</b>	862,747
Less:		
Cash paid to suppliers and employees	<b>986,872</b>	859,912
Interest paid	<b>2,958</b>	4,899
Total cash paid out	<b>989,830</b>	864,811
Net cash provided (used) by operating activities	<b>277,878</b>	(2,064)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Changes in funds held for children	<b>(222)</b>	(254)
Proceeds from sale of fixed assets	-	4,500
Purchase of fixed assets	<b>(10,012)</b>	(20,385)
Net cash provided (used) by investing activities	<b>(10,234)</b>	(16,139)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from line of credit	-	63,500
Payment of notes payable	<b>(123,500)</b>	-
Proceeds received from notes receivable	<b>3,029</b>	2,650
Net cash provided (used) by financing activities	<b>(120,471)</b>	66,150
Net increase (decrease) in cash	<b>147,173</b>	47,947
Cash and cash equivalents, beginning of year	<b>74,807</b>	26,860
Cash and cash equivalents, end of year	<b>\$ 221,980</b>	74,807

**Reconciliation of changes in net assets to cash provided (used) by operating activities**

Change in net assets	\$ <b>238,991</b>	(81,893)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	<b>56,583</b>	57,170
Bad debt expense	-	6,965
Loss/(gain) on disposition of Property and Equipment	-	1,833
Decrease (increase) in accounts receivable	<b>(8,364)</b>	(5,276)
Decrease (increase) in prepaid expenses	<b>161</b>	175
(Decrease) increase in accounts payable	<b>(14,707)</b>	16,003
(Decrease) increase in accrued expenses	<b>3,738</b>	3,409
(Decrease) increase in deferred revenue	<b>1,476</b>	(450)
Net cash (used) provided by operating activities	<b>\$ 277,878</b>	(2,064)

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, 2015, With Comparative Totals For 2014**

**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

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

**NOTES TO FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2015, With Comparative Totals For 2014**

Home is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2012. 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, 2015 or 2014.

**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, 2015.

**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>2015</u>	<u>2014</u>
Food	\$ 7,107	10,599
Goods and materials	3,577	1,839
Total	\$ <u>10,684</u>	<u>12,438</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 2015 or 2014.

**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

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

**NOTES TO FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2015, With Comparative Totals For 2014**

inputs and methodology used for valuing the Home's financial assets and liabilities are not indicators of the risks associated with those instruments.) The three levels of the fair value hierarchy under ASC 820-10 are as follows:

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

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

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

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>2015</b>	2014
Investment in land \$	<b><u>5,470</u></b>	<u>5,470</u>

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

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

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

	<b>Investment in Land</b>	
	<b>2015</b>	2014
Beginning balance	\$ <b>5,470</b>	5470
Purchases, issuance, and settlements	-	-
Transfers in and/or out of Level 3	-	-
Ending Balance	<b><u>\$ 5,470</u></b>	<u>5,470</u>

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2015, With Comparative Totals For 2014**

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses, and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest.

**Functional Expenses**

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

**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, 2015 and 2014, 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2015, With Comparative Totals For 2014**

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

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, 2015 and 2014, advertising expenses incurred totaled \$499 and \$140, 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, 2014 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>2015</u>	<u>2014</u>
Checking and savings	Local banks	\$	<b>220,415</b>	73,020
Children's checking	Local banks		<b>1,485</b>	1,707
Petty cash	On site		<b>80</b>	80
Total cash		\$	<b>221,980</b>	<b>74,807</b>

**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2015, With Comparative Totals For 2014**

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

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

<u>Type</u>	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>
Depreciable property and equipment				
Land improvements	\$ 4,302	-	-	<b>4,302</b>
Furniture and equipment	140,309	2,316	-	<b>142,625</b>
Buildings and improvements	939,866	-	-	<b>939,866</b>
Vehicles	166,029	7,696	-	<b>173,725</b>
Tanks and pumps	15,383	-	-	<b>15,383</b>
Total depreciable property and equipment	<u>1,265,889</u>	<u>10,012</u>	<u>-</u>	<b><u>1,275,901</u></b>
Less accumulated depreciation	<u>(911,546)</u>	<u>(56,583)</u>	<u>-</u>	<b><u>(968,129)</u></b>
Subtotal depreciable property & equipment (net)	<u>354,343</u>	<u>(46,571)</u>	<u>-</u>	<b><u>307,772</u></b>
Land	<u>71,000</u>	<u>-</u>	<u>-</u>	<b><u>71,000</u></b>
Total property and equipment (net)	<u>\$ 425,343</u>	<u>(46,571)</u>	<u>-</u>	<b><u>378,772</u></b>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$56,583 and \$57,170, 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.

Please see Note A – Summary of Fair Value Exposure for more information.

**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, at which point it was not renewed.

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

	<u>2015</u>	<u>2014</u>
Line of credit	\$ -	123,500
Total	<u>\$ -</u>	<u>123,500</u>

**NOTE F – NOTES RECEIVABLE**

In June 2004, the Home received a promissory note for \$95,943 representing the current value of a property sold by Ivanhoe Church of Christ. The note has an interest rate of 3% and matures in July 2032.



**MANUELITO NAVAJO CHILDREN'S HOME, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2015, With Comparative Totals For 2014**

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

		<b>2015</b>	2014
Promissory note receivable (Property)	\$	<b>66,336</b>	69,365
Less current portion		<b>(3,121)</b>	(3,029)
Notes receivable, net of current portion	\$	<b><u>63,215</u></b>	<u>66,336</u>

**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 are no accrued compensated absences liabilities as of December 31, 2015 and 2014.

**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 \$7,612 and \$3,232 at December 31, 2015 and 2014, respectively.

**NOTE I – CONCENTRATION**

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

<b>Source</b>		<b>2015</b>		2014
Donations	\$	<b>1,169,964</b>	<b>91%</b>	777,693 90%
School income (tuition/registration)		<b>64,964</b>	<b>5%</b>	55,551 6%
Special events		<b>40,404</b>	<b>3%</b>	25,903 3%
		<b><u>\$ 1,275,332</u></b>		<u>859,147</u>
Total revenue (excluding in-kind revenue)	\$	<b>1,282,020</b>		866,640
Percentage of revenue		<b>99%</b>		99%

**NOTE J – RECLASSIFICATION**

Certain expenses may have been reclassified for presentation in the 2015 financial statements which may not conform to 2014 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 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 May 17, 2016, which is the date the Financial Statements were available to be issued.