

MANOS DE CRISTO, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Manos de Cristo, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Manos de Cristo, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gindler, Chappell, Morrison & Co., P.C.

Austin, Texas
July 24, 2014

FINANCIAL STATEMENTS

MANOS DE CRISTO, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 325,794	\$ 330,561
Investments	249,363	100,928
Receivables:		
Pledges due within one year	70,136	49,736
Grants and contracts	41,228	383,024
Contributions	30,500	15,322
Inventory - dental supplies	17,038	-
Prepaid expenses	9,904	8,836
Total current assets	743,963	888,407
Cash restricted as to use	106,535	605,816
Pledges due in future periods	70,489	93,466
Fixed assets		
Land	367,678	367,678
Buildings	1,764,229	678,669
Furniture and equipment	441,152	208,075
Leasehold improvements	-	16,602
Software	49,131	10,299
Less accumulated depreciation	(460,103)	(409,056)
Net fixed assets before construction	2,162,087	872,267
Construction in progress	-	60,304
Net fixed assets	2,162,087	932,571
Total assets	\$ 3,083,074	\$ 2,520,260
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 69,881	\$ 15,528
Deferred revenue	47,875	-
Vacation accrual	8,830	7,341
Other accrued expenses	6,847	214
Current portion of long-term debt	22,755	21,808
Total current liabilities	156,188	44,891
Long-term debt	338,310	361,066
Total liabilities	494,498	405,957
Net assets		
Unrestricted net assets		
Available for current operations	271,416	299,187
Board designations	450,000	200,000
Investment in fixed assets	1,801,022	549,697
Total unrestricted net assets	2,522,438	1,048,884
Temporarily restricted net assets	66,138	1,065,419
Permanently restricted net assets	-	-
Total net assets	2,588,576	2,114,303
Total liabilities and net assets	\$ 3,083,074	\$ 2,520,260

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2013 and 2012

	2013			
	Current Operating Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program service fees	\$ 919,956	\$ -	\$ -	\$ 919,956
Contributions	413,763	73,902	-	487,665
Grants and contracts	93,754	504,333	-	598,087
Fund raising - special events	201,413	-	-	201,413
Less direct benefits to donors	(84,938)	-	-	(84,938)
Net special events revenue	116,475	-	-	116,475
Contributed goods and services	103,842	-	-	103,842
Investment income	(472)	-	-	(472)
Net assets released from donor imposed restrictions	1,577,516	(1,577,516)	-	-
Total revenues and other support	3,224,834	(999,281)	-	2,225,553
EXPENSES				
Program services				
Basic Needs services	130,200	-	-	130,200
Dental Clinic	1,033,421	-	-	1,033,421
Education	251,331	-	-	251,331
Back to school	71,354	-	-	71,354
Total program services	1,486,306	-	-	1,486,306
Supporting services				
Management and general	41,299	-	-	41,299
Fund raising	223,675	-	-	223,675
Total expenses	1,751,280	-	-	1,751,280
CHANGE IN NET ASSETS (decrease)	1,473,554	(999,281)	-	474,273
NET ASSETS				
Beginning of year	1,048,884	1,065,419	-	2,114,303
End of year	\$ 2,522,438	\$ 66,138	\$ -	\$ 2,588,576

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF ACTIVITIES - continued

Years Ended December 31, 2013 and 2012

	2012			
	Current Operating Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program service fees	\$ 1,015,281	\$ -	\$ -	\$ 1,015,281
Contributions	257,235	96,510	-	353,745
Grants and contracts	83,906	546,526	-	630,432
Fund raising - special events	113,466	-	-	113,466
Less direct benefits to donors	(47,831)	-	-	(47,831)
Net special events revenue	65,635	-	-	65,635
Contributed goods and services	103,220	-	-	103,220
Investment income	7,529	-	-	7,529
Other income	3,117	-	-	3,117
Net assets released from donor imposed restrictions	254,528	(254,528)	-	-
Total revenues and other support	1,790,451	388,508	-	2,178,959
EXPENSES				
Program services				
Basic Needs services	121,064	-	-	121,064
Dental Clinic	977,873	-	-	977,873
Education	201,205	-	-	201,205
Back to school	79,583	-	-	79,583
Total program services	1,379,725	-	-	1,379,725
Supporting services				
Management and general	105,368	-	-	105,368
Fund raising	149,875	-	-	149,875
Total expenses	1,634,968	-	-	1,634,968
CHANGE IN NET ASSETS (decrease)	155,483	388,508	-	543,991
NET ASSETS				
Beginning of year	893,401	676,911	-	1,570,312
End of year	\$ 1,048,884	\$ 1,065,419	\$ -	\$ 2,114,303

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2013 and 2012

EXPENSES	2013						Total
	Program Services				Supporting Services		
	Basic Needs	Dental Center	Education	Back to School	Management & General	Fund Raising	
Salaries	\$ 64,304	\$ 686,231	\$ 104,568	\$ 7,125	\$ 8,521	\$ 136,539	\$ 1,007,288
Payroll taxes	4,895	51,140	7,932	517	231	10,213	74,928
Employee benefits	6,126	24,604	6,902	-	2,429	7,808	47,869
Total personnel costs	75,325	761,975	119,402	7,642	11,181	154,560	1,130,085
Programs and event supplies	3,853	128,208	15,046	50,677	748	3,106	201,638
Contributed goods and Services (note 8)	20,601	14,302	56,250	11,832	857	-	103,842
Depreciation	12,954	26,023	15,871	-	3,390	6,124	64,362
Occupancy	5,646	41,358	7,715	-	3,245	1,469	59,433
Contract labor	-	340	11,853	40	315	25,917	38,465
Insurance	3,537	7,104	10,505	-	605	1,052	22,803
Printing and photos	-	2,497	315	936	716	15,481	19,945
Office supplies	677	8,288	3,693	49	2,251	2,984	17,942
Interest	2,700	-	3,653	-	7,940	1,588	15,881
Repairs and maintenance	950	10,325	773	-	912	-	12,960
Bank service charges	881	8,158	1,198	63	672	144	11,116
Legal and accounting	1,181	3,337	1,594	-	781	57	6,950
Telephone	935	3,453	1,311	-	805	272	6,776
Computer program maintenance	-	2,341	-	-	74	4,221	6,636
Postage and delivery	61	277	111	-	2,585	3,025	6,059
Mileage	47	1,335	189	90	456	1,482	3,599
Staff training	-	3,296	25	-	230	-	3,551
Memberships and subscriptions	-	1,649	117	-	550	1,004	3,320
Loss on disposal of assets	-	3,287	-	-	-	-	3,287
Payroll processing	541	1,526	732	-	382	-	3,181
Internet services	311	1,264	439	-	635	254	2,903
Meetings and food	-	21	58	25	1,619	345	2,068
Furnishings and equipment	-	549	481	-	-	590	1,620
Miscellaneous	-	1,252	-	-	235	-	1,487
Licenses, bonds and fees	-	1,256	-	-	50	-	1,306
Gifts	-	-	-	-	65	-	65
Total expenses	\$ 130,200	\$ 1,033,421	\$ 251,331	\$ 71,354	\$ 41,299	\$ 223,675	\$ 1,751,280

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - continued

Years Ended December 31, 2013 and 2012

2012

	Basic Needs	Dental Center	Education	Back to School	Management & General	Fund Raising	Total
EXPENSES							
Salaries	\$ 54,098	\$ 642,422	\$ 69,735	\$ 10,203	\$ 29,168	\$ 88,169	\$ 893,795
Payroll taxes	4,206	47,443	5,485	-	2,416	6,858	66,408
Employee benefits	4,435	22,887	4,444	-	12,017	7,497	51,280
Total personnel costs	<u>62,739</u>	<u>712,752</u>	<u>79,664</u>	<u>10,203</u>	<u>43,601</u>	<u>102,524</u>	<u>1,011,483</u>
Programs and event supplies	3,947	152,216	14,554	50,541	-	9,077	230,335
Contributed goods and Services (note 8)	23,827	14,491	46,728	16,879	1,295	-	103,220
Depreciation	13,285	22,432	17,623	-	4,068	6,423	63,831
Contract labor	-	-	14,508	-	23,080	15,200	52,788
Occupancy	4,854	33,110	6,643	165	5,947	1,478	52,197
Insurance	4,920	8,384	8,263	-	3,382	1,466	26,415
Interest	5,575	-	7,414	-	2,140	1,706	16,835
Office supplies	738	8,637	1,913	109	2,517	2,079	15,993
Bank service charges	-	6,132	-	30	1,316	145	7,623
Repairs and maintenance	63	4,701	621	-	1,178	18	6,581
Printing and photos	-	1,259	449	-	2,676	2,132	6,516
Legal and accounting	135	270	180	-	5,180	135	5,900
Postage and delivery	-	240	440	1,520	558	2,713	5,471
Telephone	627	3,244	868	-	514	195	5,448
Staff training	-	2,440	75	-	370	219	3,104
Computer program maintenance	-	1,368	-	-	-	1,713	3,081
Gifts	-	-	-	-	2,706	-	2,706
Mileage	106	978	85	136	626	769	2,700
Meetings and food	-	734	8	-	1,099	544	2,385
Payroll processing	30	899	43	-	1,361	48	2,381
Licenses, bonds and fees	23	1,885	16	-	287	4	2,215
Memberships and subscriptions	-	385	149	-	1,078	37	1,649
Internet services	195	557	455	-	110	178	1,495
Furnishings and equipment	-	-	322	-	77	933	1,332
Miscellaneous	-	239	184	-	202	139	764
Medical services	-	520	-	-	-	-	520
Total expenses	<u>\$ 121,064</u>	<u>\$ 977,873</u>	<u>\$ 201,205</u>	<u>\$ 79,583</u>	<u>\$ 105,368</u>	<u>\$ 149,875</u>	<u>\$ 1,634,968</u>

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Change in net assets	\$ 474,273	\$ 543,991
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	64,362	63,831
Unrealized (gain) loss on investments	6,459	(4,330)
(Increase) decrease in operating assets		
Receivables	329,195	(130,750)
Inventory	(17,038)	-
Prepaid expense	(1,068)	(2,770)
Increase (decrease) in operating liabilities		
Accounts payable	54,353	756
Deferred revenue	47,875	(1,950)
Payroll liabilities	6,633	18
Vacation accrual	1,489	(1,219)
Net (increase) decrease in restricted cash	499,281	(326,245)
Net cash provided by (used by) operating activities	1,465,814	141,332
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES		
Purchase of fixed assets	(1,293,879)	(28,931)
Purchase of investments	(154,894)	(4,211)
	(1,448,773)	(33,142)
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES		
Reduction of long-term debt	(21,808)	(20,854)
NET INCREASE (DECREASE) IN CASH	(4,767)	87,336
Other changes in cash - refund of prior year fees	-	-
CASH AND CASH EQUIVALENTS		
Beginning of year	330,561	243,225
End of year	\$ 325,794	\$ 330,561
Supplemental Information		
Interest paid	\$ 15,881	\$ 16,835
Taxes paid	\$ -	\$ -
Noncash investing activities		
Disposal of fixed assets	\$ 16,602	\$ -
Accumulated depreciation related to disposal	\$ (13,315)	\$ -
Donated fixed assets	\$ -	\$ -

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and without regard to age, gender, race, or religious preference. Manos promotes dignity and self-reliance by 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 2013, the dental staff, together with 27 volunteers who donated 725.25 hours of service, provided 4,039 unduplicated clients with 8,331 visits and 29,782 procedures.

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

Basic Needs Services: Manos de Cristo operates a Food Pantry and Clothes Closet. Six families a day who are in need of a helping hand can get about one week's food at no charge. In 2013, 4,033 individuals in 834 families were served in the Food Pantry. Anyone who comes to the Clothes Closet can spend 20 minutes selecting gently used clothes. We served 855 families in the Clothes Closet who accounted for 4,029 people.

This level of service was made possible by 62 volunteers who gave 667 hours of support in the Food Pantry and Clothes Closet, as well as continued generous donations of food and gently used clothes from the community. To ensure fully stocked shelves, Manos 'shops' at the Capital Area Food Bank. During those times when the Food Bank's inventories are low, we supplement our food supplies with judicious purchases at local warehouse and discount stores.

Education: Manos de Cristo offers several levels of English as a Second Language (ESL), introductory and intermediate computer classes, US citizenship classes, nutrition classes and Spanish language literacy classes. In 2013, 385 students enrolled in ESL classes, 99 participated in Citizenship classes, and 208 signed up for computer classes and 115 enrolled in Spanish language literacy. Most classroom instruction is provided by 75 volunteer teachers who generously taught for 3,125 hours during morning and evening classes.

Back to School: Each year, our staff and volunteers provide basic necessities to K - 5 school children. We believe that if a child has grade-appropriate school supplies and nice clothes, they may feel more at ease at school and be more open to learning. In 2013, 2,041 children received two sets of clothes, including socks and underwear, grade appropriate school supplies and a backpack. 417 volunteers provided 1,988 hours of support preparing for the event, during the two-week distribution period and the end of program break-down and cleanup.

Volunteers for special events, computer and other services contributed 297 hours.

Summary of Significant Accounting Policies

Accounting 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.

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

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2013 and 2012

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Assets Classes: Manos de Cristo reports the following net assets classes.

Permanently restricted net assets The part of the net assets of a not-for-profit organization resulting from contributions whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization are considered permanently restricted net assets. An example of a permanently restricted net asset would be the donation of funds (or other assets) to the Organization in which the donor imposed a restriction that the funds not be expended, but that the Organization would be permitted to use or expend part or all of the income (or other economic benefit) derived from the donation.

Temporarily restricted net assets Not-for-profit organizations receive contributions and other resources whose use is limited by stipulations that are more specific than the broad limits resulting from the nature and purpose of the organization and its programs. Resources (net assets) with such stipulations that either expire by passage of time or can be fulfilled by actions of the organization are reported as temporarily restricted net assets.

Unrestricted net assets Resources not included in the above categories are considered unrestricted net assets. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, Board of Director designations, legal requirements and contractual obligations.

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Manos measures and discloses fair value in accordance with the following hierarchy.

Market approach (level 1) - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

Cost approach (level 2) - based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach (level 3) - uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Eligible financial assets and financial liabilities such as cash, receivables, accounts payable and note payables are valued using an alternative fair value option as management believes the use of the fair value option for eligible items or group of similar eligible items provides more relevant and understandable information for financial statement users because the fair value option reflects the current cash equivalent of the financial instruments rather than another measure. The fair value of such assets and liabilities are deemed to be the face value of the instrument due to either the short term nature of the instrument or to an interest rate that is considered to be a market rate.

Changes in fair value of financial instruments and unrealized gains or losses on financial instruments are reported in the statement of activities. Investment income and gains and losses on investments are reported as an increase or decrease in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

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

Receivables: Receivables reported are allocations and promises to give within one year in the form of grants or contributions. The receivables create a credit risk for the Organization, should the parties to the receivables fail to perform as obligated. The Organization's policy for determining when these type receivables are past due is based on when the payments are promised. At year end 2013 and 2012, no receivables are considered past due, and the allowance for doubtful accounts is \$-0-.

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.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2013 and 2012

NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 service life of the asset (generally 20-30 years for buildings and improvements and 3-5 years for other assets) using the straight line method of computation. The Organization uses the direct expensing method to account for planned major maintenance activities.

Depreciation expense and accumulated depreciation reported in the financial statements are an accounting estimate. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

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

Contributed Services: Contributed services are recorded in the financial statements if one of the following criteria is met: 1) contributed services must create or enhance nonfinancial assets of the Organization, or 2) contributed services must require specialized skills that the Organization would otherwise need to purchase. The value of the contributed services reported in the financial statements is an accounting estimate. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Additionally, Manos de Cristo receives a substantial amount of volunteer hours. These hours do not meet the criteria for reporting in the financial statements, but are critical for the accomplishment of the Organization's mission.

Inventories: Inventories, which consist of dental supplies, 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.

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

Reclassifications: Certain prior year amounts have been reclassified in order to conform to the current year presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Federal Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization believes it is no longer subject to examination by the IRS for years prior to 2010.

Subsequent Events: Management has evaluated subsequent events through July 24, 2013 which is the date the financial statements were available for issuance. In management's opinion there are no subsequent events requiring disclosure as of that date.

NOTE 2: INVESTMENTS AND INVESTMENT INCOME

All investments have been valued using a market approach. Fair values for investments in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in valuation techniques during the current year.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2013 and 2012

NOTE 2: INVESTMENTS AND INVESTMENT INCOME - continued

Fair value of assets measured on a recurring basis at December 31, 2013 and 2012 reported as current assets in the financial statements are the following.

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2013</u>				
Cash and cash equivalents	\$ 1,837	\$ 1,837	\$ -	\$ -
Fixed income - pooled funds	247,526	-	247,526	-
Total	\$ 249,363	\$ 1,837	\$ 247,526	\$ -

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2012</u>				
Cash and cash equivalents	\$ 768	\$ 768	\$ -	\$ -
Fixed income - pooled funds	100,160	-	100,160	-
Total	\$ 100,928	\$ 768	\$ 100,160	\$ -

Investment securities are carried at fair value (see above table) and consist of the following at December 31, 2013 and 2012, respectively:

Type of Investment	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Fidelity Investments - cash	\$ 1,527	\$ 1,527	\$ -	\$ -
Texas Presbyterian Foundation				
Cash	310	310	768	768
Pooled Funds - fixed income fund	237,182	247,526	83,358	100,160
Investments	\$ 239,019	\$ 249,363	\$ 84,126	\$ 100,928

Components of Investment Return

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

	2013	2012
Interest and dividend income	\$ 3,774	\$ 3,199
Realized gains	2,213	-
Unrealized gains (losses)	(6,459)	4,330
Investment income	\$ (472)	\$ 7,529

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2013 and 2012

NOTE 3: PLEDGES

The Organization has received pledges for the purposes of renovating property to expand the capacity to provide services, for specific programs, and for general operations.

Pledges receivable with due dates extending beyond one year are valued using a present value discount of .5%. Annual amortization of the present value discount is reported as temporarily restricted contributions in the statement of activities. During 2013 and 2012, \$-0- in pledges receivable were written off and the allowance for uncollectible pledges was \$-0-. At year end 2013 and 2012, no pledges were considered past due. The allowance for uncollectible pledges is considered a significant accounting estimate. The present value discount is considered an accounting estimate. The estimates may be adjusted as more current information becomes available and any adjustment could be significant.

These pledges are reported in the financial statements as follows.

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 70,136	\$ 49,736
Receivable in one to five years	71,471	94,448
Total amount of pledge	<u>\$ 141,607</u>	<u>\$ 144,184</u>
Receivable in one to five years	71,471	94,448
Present value discount	(982)	(982)
Pledges due in future periods	<u>\$ 70,489</u>	<u>\$ 93,466</u>

NOTE 4: CASH RESTRICTED AS TO USE:

The Organization had the following cash restricted as to use.

	<u>2013</u>	<u>2012</u>
Restricted purpose:		
for capital campaign	\$ 63,338	\$ 584,900
for specific programs	43,197	20,916
Total cash restricted as to use	<u>\$ 106,535</u>	<u>\$ 605,816</u>

NOTE 5: LONG-TERM DEBT

Long-term debt at year end 2013 consists of a note payable to a bank dated March, 2011. The original amount is \$417,000, interest accrues at a fixed rate of 4.20%, and monthly payments are \$3,142 until April, 2016, when the balance of the note is due. Collateral is a deed of trust on real estate with a book value of \$594,689 and \$627,337, respectively, as of December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Balance outstanding at year-end	\$ 361,065	\$ 382,874
Less current portion of long-term debt	(22,755)	(21,808)
Long-term debt, net of current portion	<u>\$ 338,310</u>	<u>\$ 361,066</u>

Annual maturity of principal due on the long-term debt is estimated as the following: 2014- \$22,755; 2015- \$23,743 and 2016- \$314,567. Interest incurred and charged to expense for 2013 and 2012 was \$15,881 and \$16,835, respectively.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2013 and 2012

NOTE 6: UNRESTRICTED NET ASSETS - DESIGNATIONS

Unrestricted net assets may be earmarked for future use by action of the board of directors such as for future programs, investments, contingencies, purchase or construction of fixed assets, or other uses. Designations by board of directors are subject to the actions of future boards.

For 2013 and 2012, the board of directors designated **\$450,000** and \$200,000, respectively, for operating reserves.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

In 2013 and 2012, temporarily restricted net assets of **\$1,577,516** and \$254,528, respectively, were released from their accompanying stipulations due to the Organization's actions or through the passage of time and are considered net assets released from restrictions and reported as transfers from temporarily restricted net assets to unrestricted net assets in the statements of activity.

At year end, Manos had the following temporarily restricted net assets in the form of cash and receivables available for use under certain restrictions.

Funding Source	2013	2012	Restrictions Imposed
Contributions & grants	\$ 36,276	\$ 989,441	for capital campaign
Contributions & grants	29,862	75,978	for specific programs or events
Total	\$ 66,138	\$ 1,065,419	

NOTE 8: 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.

	2013					
	Basic Needs	Education	Dental Clinic	Back to School	Management & General	Total
Contributed goods						
Food for food pantry	\$ 20,601	\$ -	\$ -	\$ -	\$ -	\$ 20,601
Backpacks, clothing and school supplies	-	-	-	582	-	582
Event space	-	-	-	11,250	-	11,250
Contributed services						
Consultants	-	-	2,595	-	-	2,595
Teachers	-	56,250	-	-	-	56,250
Technology specialist	-	-	-	-	857	857
Dentists and assistants	-	-	11,707	-	-	11,707
Total expenses	\$ 20,601	\$ 56,250	\$ 14,302	\$ 11,832	\$ 857	\$ 103,842

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2013 and 2012

NOTE 8: CONTRIBUTED GOODS AND SERVICES - continued

	2012					Total
	Basic Needs	Education	Dental Clinic	Back to School	Management & General	
Contributed goods						
Food for food pantry	\$ 23,827	\$ -	\$ -	\$ -	\$ -	\$ 23,827
Backpacks, clothing and school supplies	-	-	-	4,379	-	4,379
Event space	-	-	-	12,500	-	12,500
Contributed services						
Teachers	-	46,728	-	-	-	46,728
Technology specialist	-	-	-	-	1,295	1,295
Dentists and assistants	-	-	14,491	-	-	14,491
Total expenses	<u>\$ 23,827</u>	<u>\$ 46,728</u>	<u>\$ 14,491</u>	<u>\$ 16,879</u>	<u>\$ 1,295</u>	<u>\$ 103,220</u>

NOTE 9: CONDITIONAL CONTRIBUTIONS RECEIVABLE

During 2012, the Organization received a conditional promise of \$100,000, contingent upon the Organization raising \$1,275,485 million in additional pledges and contributions in support of the capital campaign and beginning construction within 24 months of raising these pledges and contributions. Due to the contingent nature of this promised gift, it was not reported in the financial statements as of December 31, 2012. The conditions of the gift were met during 2013, and the gift was recorded as revenue during 2013.

NOTE 10: CONCENTRATION OF CREDIT RISK

Cash balances with a financial institution in excess of Federal Deposit Insurance Corporation insurance coverage are considered a credit risk. Throughout the year, the Organization maintained cash balances with major financial institutions and at year end those cash balances exceeded the institutions' FDIC coverage. The Organization considers its funds to be in high quality financial institutions and constantly monitors its financial positions with the institutions. The Organization does not require collateral for amounts exceeding federal insurance coverage. The Organization does not anticipate any nonperformance. At year end the cash balances exceeded the coverage by approximately \$197,052 for 2013 and \$42,839 for 2012.

NOTE 11: RELATED PARTY TRANSACTIONS

The Organization purchased architectural and engineering services from a firm that has as its President and CEO a board member of the Organization. The Organization paid the related party \$107,604 during 2013 for architectural and engineering services related to a construction remodeling project. At December 31, 2013, the Organization owed the related party \$11,956 for an outstanding invoice.