

MANOS DE CRISTO, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2012 and 2011

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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, 2012 and 2011, 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 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 Manos de Cristo, Inc. as of December 31, 2012 and 2011, 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
June 26, 2013

FINANCIAL STATEMENTS

MANOS DE CRISTO, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 330,561	\$ 243,225
Investments (note 2)	100,928	92,387
Receivables:		
Pledges due within one year (note 3)	49,736	20,000
United Way allocations	-	22,500
Grants and contracts	383,024	298,000
Contributions	15,322	11,280
Prepaid expenses	8,836	6,066
Total current assets	888,407	693,458
Cash restricted as to use (note 4)	605,816	279,571
Pledges due in future periods (note 3)	93,466	59,018
Fixed assets		
Land (note 5)	277,275	277,275
Buildings (note 5)	769,072	769,072
Furniture and equipment	208,075	208,075
Leasehold improvements	16,602	16,602
Software	10,299	10,299
Less accumulated depreciation	(409,056)	(345,225)
Net fixed assets before construction	872,267	936,098
Construction in progress	60,304	31,373
Net fixed assets	932,571	967,471
Total assets	\$ 2,520,260	\$ 1,999,518
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 15,528	\$ 14,772
Deferred revenue	-	1,950
Vacation accrual	7,341	8,560
Other accrued expenses	214	196
Current portion of long-term debt (note 5)	21,808	20,854
Total current liabilities	44,891	46,332
Long-term debt (note 5)	361,066	382,874
Total liabilities	405,957	429,206
Net assets		
Unrestricted net assets		
Available for current operations	299,187	129,658
Board designations (note 6)	200,000	200,000
Investment in fixed assets	549,697	563,743
Total unrestricted net assets	1,048,884	893,401
Temporarily restricted net assets (note 7)	1,065,419	676,911
Permanently restricted net assets	-	-
Total net assets	2,114,303	1,570,312
Total liabilities and net assets	\$ 2,520,260	\$ 1,999,518

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2012 and 2011

	2012			
	Current Operating Funds			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Program service fees - patient fees	\$ 1,003,185	\$ -	\$ -	\$ 1,003,185
Contributions	257,235	96,510	-	353,745
Grants and contracts	10,000	620,432	-	630,432
Contributed goods and services (note 8)	103,220	-	-	103,220
Fund raising - special events	113,466	-	-	113,466
Education program revenues	12,096	-	-	12,096
Investment income (note 2)	7,529	-	-	7,529
Other income	3,117	-	-	3,117
Net assets released from donor imposed restrictions (note 7)	328,434	(328,434)	-	-
Total revenues and other support	1,838,282	388,508	-	2,226,790
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	197,706	-	-	197,706
Total expenses	1,682,799	-	-	1,682,799
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 ACTIVITIES - continued

Years Ended December 31, 2012 and 2011

	2011			
	Current Operating Funds			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program service fees - patient fees	\$ 960,263	\$ -	\$ -	\$ 960,263
Contributions	171,882	272,383	-	444,265
Grants and contracts	4,000	644,279	-	648,279
Contributed goods and services (note 8)	131,655	-	-	131,655
Fund raising - special events	98,325	-	-	98,325
Education program revenues	12,929	-	-	12,929
Investment income (note 2)	5,746	-	-	5,746
Other income	1,729	-	-	1,729
Net assets released from donor imposed restrictions (note 7)	343,503	(343,503)	-	-
Total revenues and other support	1,730,032	573,159	-	2,303,191
EXPENSES				
Program services				
Basic Needs services	104,427	-	-	104,427
Dental Clinic	1,010,568	-	-	1,010,568
Education	175,652	-	-	175,652
Back to school	91,686	-	-	91,686
Total program services	1,382,333	-	-	1,382,333
Supporting services				
Management and general	80,982	-	-	80,982
Fund raising	174,221	-	-	174,221
Total expenses	1,637,536	-	-	1,637,536
CHANGE IN NET ASSETS (decrease)	92,496	573,159	-	665,655
Other changes in net assets				
Refund of prior year fees	(1,757)	-	-	(1,757)
NET ASSETS				
Beginning of year	802,662	103,752	-	906,414
End of year	\$ 893,401	\$ 676,911	\$ -	\$ 1,570,312

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2012 and 2011

	2012						Total
	Program Services				Supporting Services		
	Basic Needs	Dental Clinic	Education	Back to School	Management & General	Fund Raising	
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	62,739	712,752	79,664	10,203	43,601	102,524	1,011,483
Programs and event supplies	3,947	152,216	14,554	50,541	-	56,908	278,166
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	\$ 121,064	\$ 977,873	\$ 201,205	\$ 79,583	\$ 105,368	\$ 197,706	\$ 1,682,799

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - continued

Years Ended December 31, 2012 and 2011

	2011						
	Basic Needs	Dental Clinic	Education	Back to School	Management & General	Fund Raising	Total
EXPENSES							
Salaries	\$ 49,458	\$ 669,514	\$ 62,233	\$ 13,086	\$ 32,032	\$ 73,636	\$ 899,959
Payroll taxes	3,703	49,084	4,736	986	2,389	5,613	66,511
Employee benefits	4,670	24,802	4,521	-	10,262	6,979	51,234
Total personnel costs	57,831	743,400	71,490	14,072	44,683	86,228	1,017,704
Programs and event supplies	2,808	135,601	11,901	44,860	-	43,235	238,405
Contributed goods and Services (note 8)	10,944	33,863	41,318	28,849	2,976	-	117,950
Depreciation	13,285	20,641	20,010	-	7,021	6,682	67,639
Occupancy	5,488	28,980	6,948	202	4,713	2,237	48,568
Insurance	5,195	7,759	3,583	-	2,274	1,561	20,372
Interest	5,503	-	7,759	-	3,287	2,273	18,822
Contract labor	-	-	5,000	300	-	9,163	14,463
Printing and photos	123	648	120	-	589	10,603	12,083
Office supplies	621	5,710	2,274	27	1,383	1,037	11,052
Repairs and maintenance	708	6,092	1,227	-	2,451	293	10,771
Bank service charges	17	7,300	20	-	339	1,571	9,247
Postage and delivery	32	406	898	3,019	137	1,726	6,218
Computer program maintenance	-	1,984	-	-	-	3,879	5,863
Telephone	643	3,426	906	-	541	265	5,781
Legal and accounting	690	2,280	690	-	920	920	5,500
Closing costs	-	-	-	-	5,259	-	5,259
Staff training	20	3,195	290	-	420	180	4,105
Gifts	100	1,500	100	-	753	200	2,653
Meetings and food	-	366	27	108	1,576	415	2,492
Mileage	55	796	7	245	336	998	2,437
Licenses, bonds and fees	48	2,005	68	-	199	95	2,415
Payroll processing	89	1,514	153	4	369	144	2,273
Memberships and subscriptions	23	690	32	-	531	284	1,560
Miscellaneous	-	800	490	-	128	40	1,458
Internet services	204	527	341	-	58	31	1,161
Medical services	-	1,013	-	-	-	-	1,013
Furnishings and equipment	-	72	-	-	39	96	207
Advertising	-	-	-	-	-	65	65
Total expenses	\$ 104,427	\$ 1,010,568	\$ 175,652	\$ 91,686	\$ 80,982	\$ 174,221	\$ 1,637,536

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Change in net assets	\$ 543,991	\$ 665,655
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	63,831	67,639
Unrealized (gain) loss on investments	(4,330)	(2,509)
Contribution of fixed assets	-	(13,705)
(Increase) decrease in operating assets		
Receivables	(130,750)	(377,798)
Prepaid expense	(2,770)	5,662
Increase (decrease) in operating liabilities		
Accounts payable	756	3,211
Deferred revenue	(1,950)	1,950
Payroll liabilities	18	196
Vacation accrual	(1,219)	719
Net (increase) decrease in restricted cash	(326,245)	(279,571)
Net cash provided by (used by) operating activities	141,332	71,449
 CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES		
Purchase of fixed assets	(28,931)	(28,760)
Purchase of investments	(4,211)	(4,289)
	(33,142)	(33,049)
 CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES		
Reduction of long-term debt	(20,854)	(13,604)
 NET INCREASE (DECREASE) IN CASH	87,336	24,796
Other changes in cash - refund of prior year fees	-	(1,757)
 CASH AND CASH EQUIVALENTS		
Beginning of year	243,225	220,186
End of year	\$ 330,561	\$ 243,225
 Supplemental Information		
Interest paid	\$ 16,835	\$ 18,822
Taxes paid	\$ -	\$ -
Noncash investing activities		
Disposal of fully depreciated fixed assets	\$ -	\$ 15,350
Accumulated depreciation related to disposal	\$ -	\$ (14,550)
Donated fixed assets	\$ -	\$ 13,705

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011

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 Clinic: The Manos de Cristo Dental Clinic 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 Clinic 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 2012, the Clinic staff, together with 54 volunteers who donated 1,348.5 hours of service, provided 4,214 unduplicated clients with 9,292 visits and 32,234 procedures.

In November, 2010, a local philanthropist agreed to lead a capital campaign to help the agency realize a long-held objective of converting under-used space in the Programs and Administration building for the Clinic. We expect to at least double the size of the Clinic, from four operatories to eight. We are also in negotiations with People's Community Clinic to accept dental referrals for their patients. To date, gifts to the campaign have been made by many individuals and other charitable organizations. Plans for the dental clinic's September 2013 ribbon-cutting to celebrate the relocation and expansion, are being formalized throughout the summer.

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 2012, 3,967 individuals in 867 families were served in the Food Pantry. Anyone who comes to the Clothes Closet can spend 20 minutes selecting gently used clothes. We served 944 families in the Clothes Closet who accounted for 4,120 people.

This level of service was made possible by 51 volunteers who gave 698 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 2012, 334 students enrolled in ESL classes, 103 participated in Citizenship classes, and 209 signed up for computer classes, and 56 enrolled in Spanish language literacy. Most classroom instruction is provided by 66 volunteer teachers who generously taught for 2,596 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 2012, 2,210 children received two sets of clothes, including socks and underwear, grade appropriate school supplies and a backpack. 465 volunteers provided 2,015 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 753 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, 2012 and 2011

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 2012 and 2011, no receivables are considered past due.

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, 2012 and 2011

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.

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.

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 2009.

Subsequent Events: Management has evaluated subsequent events through June 26, 2013 which is the date the financial statements were available for issuance. On January 28, 2013, the board of directors designated an additional \$150,000 to be added to operating reserves. In management’s opinion there are no other subsequent events requiring disclosure as of that date.

NOTE 2: INVESTMENTS AND INVESTMENT INCOME

Fair value of assets measured on a recurring basis at December 31, 2012 and 2011 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)
December 31, 2012				
Cash and cash equivalents	\$ 768	\$ 768	\$ -	\$ -
Fixed income - pooled funds	100,160	-	100,160	-
Total	<u>\$ 100,928</u>	<u>\$ 768</u>	<u>\$ 100,160</u>	<u>\$ -</u>

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2012 and 2011

NOTE 2: INVESTMENTS AND INVESTMENT INCOME - continued

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2011</u>				
Cash and cash equivalents	\$ 523	\$ 523	\$ -	\$ -
Fixed income - pooled funds	91,864	-	91,864	-
Total	\$ 92,387	\$ 523	\$ 91,864	\$ -

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.

Investment securities are carried at fair value (see above table) and consist of the following at December 31, 2012 and 2011, respectively:

Type of Investment	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Texas Presbyterian Foundation				
Cash	768	768	523	523
Pooled Funds - fixed income fund	83,358	100,160	79,915	91,864
Investments	\$ 84,126	\$ 100,928	\$ 80,438	\$ 92,387

Components of Investment Return

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

	2012	2011
Interest and dividend income	\$ 3,199	\$ 3,237
Unrealized gains	4,330	2,509
Investment income	\$ 7,529	\$ 5,746

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 2012 and 2011, \$-0- in pledges receivable were written off. At year end 2012 and 2011, 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.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2012 and 2011

NOTE 3: PLEDGES - continued

These pledges are reported in the financial statements as follows.

	<u>2012</u>	<u>2011</u>
Collected in current year	\$ 20,000	\$ 20,000
Receivable in less than one year	49,736	20,000
Receivable in one to five years	94,448	60,000
Receivable in more than five years	-	-
Total amount of pledge	<u>\$ 164,184</u>	<u>\$ 100,000</u>
Receivable in one to five years	94,448	60,000
Present value discount	(982)	(982)
Pledges due in future periods	<u>\$ 93,466</u>	<u>\$ 59,018</u>

NOTE 4: CASH RESTRICTED AS TO USE:

The Organization had the following cash restricted as to use.

	<u>2012</u>	<u>2011</u>
Restricted purpose:		
for capital campaign	\$ 584,900	\$ 279,571
for specific programs	20,916	-
Total cash restricted as to use	<u>\$ 605,816</u>	<u>\$ 279,571</u>

NOTE 5: LONG-TERM DEBT

Long-term debt at year end 2012 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 \$627,337 and \$660,099, respectively, as of December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Balance outstanding at year-end	\$ 382,874	\$ 403,728
Less current portion of long-term debt	<u>(21,808)</u>	<u>(20,854)</u>
Long-term debt, net of current portion	<u>\$ 361,066</u>	<u>\$ 382,874</u>

Annual maturity of principal due on the long-term debt is estimated as the following: 2013- \$21,808; 2014- \$22,755; 2015- \$23,743 and 2016- \$314,567. Interest incurred and charged to expense for 2012 and 2011 was \$16,835 and \$18,822, respectively.

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 2012 and 2011, the board of directors designated \$200,000 for operating reserves. See subsequent events at note 1.

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For 2012 and 2011, the board of directors designated \$200,000 for operating reserves. See subsequent events at note 1.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2012 and 2011

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

In 2012 and 2011, temporarily restricted net assets of \$328,434 and \$343,503, 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	1900	1900	Restrictions Imposed
Contributions & grants	\$ 989,441	\$ 638,588	for capital campaign
Contributions & grants	75,978	15,823	for specific programs or events
United Way allocation	-	22,500	time restricted
Total	\$ 1,065,419	\$ 676,911	

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.

	1900					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	\$ 23,827	\$ 46,728	\$ 14,491	\$ 16,879	\$ 1,295	\$ 103,220

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2012 and 2011

NOTE 8: CONTRIBUTED GOODS AND SERVICES – continued

1900

	Basic Needs	Education	Dental Clinic	Back to School	Management & General	Total
Contributed goods						
Food for food pantry	\$10,944	\$ -	\$ -	\$ -	\$ -	\$ 10,944
Non-capital equipment	-	-	261	-	-	261
Education materials	-	964	-	-	-	964
Backpacks, clothing and school supplies	-	-	-	16,349	-	16,349
Laptop	-	700	350	-	-	1,050
Event space	-	-	-	12,500	-	12,500
Contributed services						
Teachers	-	39,654	-	-	-	39,654
Technology specialist	-	-	-	-	2,976	2,976
Dental clinic repairs	-	-	1,813	-	-	1,813
Dentists and assistants	-	-	31,439	-	-	31,439
Total expenses	10,944	41,318	33,863	28,849	2,976	117,950
Contributed goods capitalized as fixed assets	-	-	13,705	-	-	13,705
Total support	\$10,944	\$ 41,318	\$47,568	\$28,849	\$ 2,976	\$ 131,655

NOTE 9: OTHER CHANGES IN NET ASSETS

Details of the other change reported in the financial statements are the following.

In 2012 and 2011, the Organization refunded patient fees earned in prior years in the amounts of \$-0- and \$1,757, respectively. The net effect of these transactions was to reduce unrestricted net assets in 2012 and 2011 by \$-0- and \$1,757, respectively.

NOTE 10: 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.

Also during 2012, the Organization received a conditional promise of \$100,000, contingent upon the Organization raising \$400,000 in additional pledges and contributions in support of the Hearts for Hope campaign. Due to the contingent nature of these two promised gifts, they have not been reported in the financial statements as of December 31, 2012.

NOTE 11: 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 \$42,839 for 2012 and -0- for 2011.