

MANOS DE CRISTO, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2011 and 2010

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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 statements of financial position of **Manos de Cristo, Inc.** (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Austin, Texas
May 16, 2012

FINANCIAL STATEMENTS

MANOS DE CRISTO, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
Current assets		
Cash	\$ 522,796	\$ 220,186
Investments (note 2)	92,387	85,589
Receivables		
Pledges due within one year (note 3)	20,000	-
United Way allocations	22,500	25,500
Grants and contracts	298,000	7,500
Contributions	11,280	-
Prepaid expenses	6,066	11,728
Total current assets	973,029	350,503
Pledges due in future periods (note 3)	59,018	-
Fixed assets		
Land and buildings (note 4)	1,046,347	1,046,347
Furniture and equipment	208,075	210,708
Leasehold improvements	16,602	16,602
Software	10,299	10,299
Less accumulated depreciation	(345,225)	(291,311)
Net fixed assets before construction	936,098	992,645
Construction in progress	31,373	-
Net fixed assets	967,471	992,645
Total assets	\$1,999,518	\$1,343,148
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 14,772	\$ 11,561
Deferred revenue	1,950	-
Vacation accrual	8,560	7,841
Other accrued expenses	196	-
Current portion of long-term debt (note 4)	20,854	36,686
Total current liabilities	46,332	56,088
Long-term debt (note 4)	382,874	380,646
Commitments - operating lease (note 7)		
Total liabilities	429,206	436,734
Net assets		
Unrestricted net assets		
Available for general operations	129,658	96,536
Board designations (note 5)	200,000	130,812
Investment in fixed assets	563,743	575,314
Total unrestricted net assets	893,401	802,662
Temporarily restricted net assets (note 6)	676,911	103,752
Permanently restricted net assets	-	-
Total net assets	1,570,312	906,414
Total liabilities and net assets	\$1,999,518	\$1,343,148

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

	2011			
	Current Operating Funds		Permanently Restricted	Total
	Unrestricted	Temporarily Restricted		
REVENUES AND OTHER SUPPORT				
Program service fees - patient fees	\$ 960,263	\$ -	\$ -	\$ 960,263
Contributions	171,882	272,383	-	444,265
Grants, allocations 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
Miscellaneous revenue	1,729	-	-	1,729
Net assets released from donor imposed restrictions (note 6)	<u>343,503</u>	<u>(343,503)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,730,032</u>	<u>573,159</u>	<u>-</u>	<u>2,303,191</u>
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	<u>1,382,333</u>	<u>-</u>	<u>-</u>	<u>1,382,333</u>
Supporting services				
Management and general	80,982	-	-	80,982
Fund raising	<u>174,221</u>	<u>-</u>	<u>-</u>	<u>174,221</u>
Total expenses	<u>1,637,536</u>	<u>-</u>	<u>-</u>	<u>1,637,536</u>
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	<u>802,662</u>	<u>103,752</u>	<u>-</u>	<u>906,414</u>
End of Year	<u>\$ 893,401</u>	<u>\$ 676,911</u>	<u>\$ -</u>	<u>\$ 1,570,312</u>

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

	2010			
	Current Operating Funds		Permanently	Total
	Unrestricted	Temporarily Restricted	Restricted	
REVENUES AND OTHER SUPPORT				
Program service fees - patient fees	\$ 947,540	\$ -	\$ -	\$ 947,540
Contributions	147,157	206,579	-	353,736
Grants, allocations and contracts	1,000	287,750	-	288,750
Contributed goods and services (note 8)	102,114	-	-	102,114
Fund raising - special events	75,368	375	-	75,743
Education program revenues	9,237	-	-	9,237
Investment income (note 2)	6,721	-	-	6,721
Miscellaneous revenue	1,835	-	-	1,835
Net assets released from donor imposed restrictions (note 6)	504,153	(504,153)	-	-
Total revenues and other support	1,795,125	(9,449)	-	1,785,676
EXPENSES				
Program services				
Basic Needs Services	93,557	-	-	93,557
Dental Clinic	1,087,901	-	-	1,087,901
Education	161,557	-	-	161,557
Back to School	66,573	-	-	66,573
Total program services	1,409,588	-	-	1,409,588
Supporting services				
Management and general	64,407	-	-	64,407
Fund raising	175,352	-	-	175,352
Total expenses	1,649,347	-	-	1,649,347
CHANGE IN NET ASSETS (decrease)	145,778	(9,449)	-	136,329
Other changes in net assets				
Refund of prior year fees	(2,110)	-	-	(2,110)
NET ASSETS				
Beginning of year	658,994	113,201	-	772,195
End of Year	\$ 802,662	\$ 103,752	\$ -	\$ 906,414

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2011 and 2010

EXPENSES	2011						
	Program Services				Supporting Services		Total
	Basic Needs	Dental Clinic	Education	Back to School	Management & General	Fund Raising	
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	57,831	743,400	71,490	14,072	44,683	86,228	1,017,704
Programs and events 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 FUNCTIONAL EXPENSES

Years Ended December 31, 2011 and 2010

EXPENSES	2010						
	Program Services				Supporting Services		Total
	Basic Needs	Dental Clinic	Education	Back to School	Management & General	Fund Raising	
Salaries	\$ 49,257	\$ 709,416	\$ 58,779	\$ 13,147	\$ 29,868	\$ 64,660	\$ 925,127
Payroll taxes	3,723	53,237	4,452	960	2,260	4,914	69,546
Employee benefits	3,882	23,307	3,456	-	8,775	7,577	46,997
Total personnel	56,862	785,960	66,687	14,107	40,903	77,151	1,041,670
Programs and events supplies	3,585	148,190	7,799	42,579	-	30,806	232,959
Contributed goods and Services (note 8)	-	50,019	37,710	6,786	2,100	1,500	98,115
Depreciation	10,988	20,009	19,864	-	7,640	6,563	65,064
Occupancy	5,113	28,440	7,217	295	1,675	3,068	45,808
Interest	9,368	-	13,208	-	2,647	3,869	29,092
Printing and photos	-	-	139	-	23	21,037	21,199
Insurance	4,782	8,817	2,260	-	1,223	1,388	18,470
Office supplies	845	7,934	1,364	129	1,663	2,435	14,370
Contract labor	-	-	-	420	-	10,985	11,405
Bank service charges	12	7,405	12	-	84	983	8,496
Postage and delivery	-	434	445	1,923	334	4,937	8,073
Repairs and maintenance	196	5,661	321	-	754	225	7,157
Telephone	601	3,477	900	-	566	257	5,801
Legal and accounting	750	1,500	750	-	1,000	1,000	5,000
Computer program maintenance	-	1,441	-	-	-	3,315	4,756
Meetings and food	-	293	64	178	822	2,760	4,117
Medical services	-	3,704	-	-	28	20	3,752
Furnishings and equipment	-	2,263	410	-	475	450	3,598
Staff training	-	2,725	-	-	233	239	3,197
Licenses, bonds and fees	40	2,716	57	-	5	321	3,139
Gifts	100	1,543	100	-	868	357	2,968
Memberships and subscriptions	-	1,865	-	-	767	-	2,632
Mileage	8	1,363	161	132	126	837	2,627
Payroll processing	97	1,572	107	24	371	221	2,392
Computer software	-	-	1,642	-	-	538	2,180
Internet services	210	495	315	-	62	90	1,172
Advertising	-	75	25	-	-	-	100
Miscellaneous	-	-	-	-	38	-	38
Total expenses	\$ 93,557	\$1,087,901	\$ 161,557	\$ 66,573	\$ 64,407	\$ 175,352	\$1,649,347

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES		
Change in net assets	\$ 665,655	\$ 136,329
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	67,639	65,064
Unrealized (gain) loss on investments	(2,509)	(3,104)
Contribution of fixed assets	(13,705)	(3,999)
Other non-cash accounting entries	-	(13)
(Increase) decrease in operating assets		
Receivables	(377,798)	3,000
Prepaid expenses	5,662	(5,982)
Increase (decrease) in operating liabilities		
Accounts payable	3,211	5,899
Deferred revenue	1,950	-
Payroll liabilities	196	-
Vacation accrual	719	(951)
Net cash provided by operating activities	<u>351,020</u>	<u>196,243</u>
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES		
Purchase of fixed assets	(28,760)	(234,305)
Purchase of investments	(4,289)	(4,442)
Net cash provided by (used by) investing activities	<u>(33,049)</u>	<u>(238,747)</u>
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES		
Reduction of long-term debt	(13,604)	(34,324)
NET INCREASE IN CASH (decrease)	304,367	(76,828)
Other changes in cash - refund of prior year fees	(1,757)	(2,110)
CASH		
Beginning of year	<u>220,186</u>	<u>299,124</u>
End of year	<u>\$ 522,796</u>	<u>\$ 220,186</u>
Supplementary Information		
Interest paid	<u>\$ 18,822</u>	<u>\$ 29,092</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing activities		
Disposal of fixed assets	<u>\$ 15,350</u>	<u>\$ 40,699</u>
Accumulated depreciation related to disposal	<u>\$ (14,550)</u>	<u>\$ (40,699)</u>
Donated fixed assets	<u>\$ 13,705</u>	<u>\$ 3,999</u>

See accompanying Notes to Financial Statements.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2011 and 2010

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 a full array of general dentistry services including emergency treatments and preventative and restorative services at about 47% of private practice rates. Dental health education is provided in English and/or Spanish at every visit. In 2011, the Clinic staff, together with 53 volunteers who donated 1,698 hours of service, provided 4,163 unduplicated clients with 9,399 visits and 29,169 procedures.

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 2011, 4,207 individuals in 887 families were served in the Food Pantry. Anyone who comes to the Clothes Closet can spend 20 minutes selecting gently used clothes. We served 946 families in the Clothes Closet who accounted for 4,482 people.

This level of service was made possible by 64 volunteers who gave 727 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 2011, 347 students enrolled in ESL classes, 63 participated in Citizenship classes, and 205 signed up for computer classes, and 53 enrolled in Spanish language literacy. Most classroom instruction is provided by 63 volunteer teachers who generously taught for 2,203 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 2011, 2,231 children received two sets of clothes, including socks and underwear, grade appropriate school supplies and a backpack. Four hundred and twenty five volunteers provided 3,036 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 661 hours.

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 and to house three medical examination rooms for them in our newly renovated space. To date, gifts to the campaign have been made by a few individuals and other charitable organizations. Further details of the capital campaign are being developed to publicly launch the campaign on a broader scale in 2012.

Manos de Cristo is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) for income related to its exempt purpose. The Organization is classified by the Internal Revenue Service as an organization other than a private foundation.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2011 and 2010

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

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.

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.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2011 and 2010

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

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 2011 and 2010, 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. 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 books 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.

Subsequent Events: Management has evaluated subsequent events through May 16, 2012 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

Investments reported in the financial statements consist of the following. The fair value of investments is measured using Level 1 inputs.

Type of Investment	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Texas Presbyterian Foundation				
Cash	523	523	430	430
Pooled Funds - fixed income	79,915	91,864	75,196	85,159
Investments	\$ 80,438	\$ 92,387	\$ 75,626	\$ 85,589

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
Years Ended December 31, 2011 and 2010

NOTE 2: INVESTMENTS AND INVESTMENT INCOME - continued

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

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 3,237	\$ 3,618
Unrealized gains	<u>2,509</u>	<u>3,104</u>
Investment income	<u>\$ 5,746</u>	<u>\$ 6,722</u>

NOTE 3: PLEDGES

As a prelude to the capital campaign discussed in Note 1, in December 2010 the Organization received and collected a pledge of \$100,000 and began receiving other gifts from individuals, which were used to purchase property that includes land and a building. This land and building are adjacent to property already owned by the Organization and currently used for administration, education programs and basic needs services. The Organization intends to renovate the new building and the building on the adjacent property to expand the capacity to provide services. In 2011, an additional pledge was received which is reported in the 2011 financial statements as follows:

Collected in current year	\$ 20,000
Receivable in less than one year	20,000
Receivable in one to five years	60,000
Receivable in more than five years	<u>-</u>
Total amount of pledge	<u>\$ 100,000</u>
Receivable in less than one year	\$ 20,000
Allowance for uncollectible pledges	<u>-</u>
Pledges due within one year	<u>\$ 20,000</u>
Receivable in one to five years	\$ 60,000
Allowance for uncollectible pledges	-
Present value discount	<u>(982)</u>
Pledges due in future periods	<u>\$ 59,018</u>

Pledges receivable with due dates extending beyond one year are valued using a present value discount based on a Treasury bill rate for similar term investments, which is a Level 3 method of valuation. Annual amortization of the present value discount is reported as temporarily restricted contributions in the statement of activities. During 2011, \$-0- in pledges receivables was written off. At year end 2011, \$-0- in pledges are 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.

NOTE 4: LONG-TERM DEBT

Long-term debt at year end 2011 consists of the following.

Note payable to a bank dated March, 2011, original amount \$417,000, interest accrues at 4.20% fixed rate, \$3,142 monthly payments 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 \$660,099 as of year end	\$ 403,728
Less current portion of long-term debt	<u>20,854</u>
Long-term debt, net of current portion	<u>\$ 382,874</u>

Annual maturity of principal due on the long-term debt is estimated as the following: 2012- \$20,854; 2013- \$21,808; 2014- \$22,755; 2015- \$23,743 and 2016- \$314,567.

Interest incurred and charged to expense for 2011 and 2010 was \$18,822 and \$29,092, respectively.

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS – continued
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NOTE 5: 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 2011, the board of directors designated \$200,000 for operating reserves.

For 2010, the board of directors designated remaining proceeds from the 2005 sale of the Willow property, in the amount of \$130,812, for payment on the Harmon property note payable and for future expansion of program services.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

In 2011 and 2010, temporarily restricted net assets of \$343,503 and \$504,153, 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	2011	2010	Restrictions Imposed
Contributions	\$ -	\$ 28,487	for the Harmon project
United Way allocation	22,500	25,000	time restricted
Foundation contribution	-	25,000	time restricted for 2011
Contributions	15,823	24,765	for specific programs or events
Contributions & grants	638,588	-	for capital campaign
Total	<u>\$ 676,911</u>	<u>\$ 103,752</u>	

NOTE 7: COMMITMENTS - OPERATING LEASES

Manos is obligated on a lease for the dental clinic building which, for accounting purposes, is reported as an operating lease. The future obligation under the lease is not reported as a liability in the financial statements. The future minimum lease payments required under the lease are the following: 2012- \$7,920 and 2013- \$-0-.

Lease expense for the years 2011 and 2010 under operating leases was \$15,840 and \$14,520, respectively.

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.

	2011					Total
	Basic Needs	Education	Dental Clinic	Back to School	Management & General	
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

MANOS DE CRISTO, INC.
NOTES TO FINANCIAL STATEMENTS - continued
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NOTE 8: CONTRIBUTED GOODS AND SERVICES - continued

	2011 - continued					Total
	Basic Needs	Education	Dental Clinic	Back to School	Management & General	
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

	2010					Total
	Education	Dental Clinic	Back to School	Management & General	Fund Raising	
Contributed goods						
Backpacks, clothing and school supplies	\$ -	\$ -	\$ 6,786	\$ -	\$ -	\$ 6,786
Event space	-	-	-	-	1,500	1,500
Contributed services						
Teachers	37,710	-	-	-	-	37,710
Technology specialist	-	-	-	2,100	-	2,100
Dental clinic repairs	-	1,018	-	-	-	1,018
Dentists and assistants	-	48,205	-	-	-	48,205
Other contributed services	-	796	-	-	-	796
Total expenses	37,710	50,019	6,786	2,100	1,500	98,115
Contributed goods						
Capitalized as fixed assets	-	3,999	-	-	-	3,999
Total support	\$ 37,710	\$ 54,018	\$ 6,786	\$ 2,100	\$ 1,500	\$ 102,114

NOTE 9: OTHER CHANGES IN NET ASSETS

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

In 2011 and 2010, the Organization refunded patient fees earned in prior years in the amounts of \$1,757 and \$2,110, respectively. The net effect of these transactions was to reduce unrestricted net assets in 2011 and 2010 by \$1,757 and \$2,110, respectively.