

**MANO A MANO
INTERNATIONAL
PARTNERS**

REPORT ON AUDIT

DECEMBER 31, 2012



LETHERT, SKWIRA, SCHULTZ & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors and Stockholders
Mano A Mano International Partners**

We have audited the accompanying statement of financial position of **Mano A Mano International Partners** (a Minnesota nonprofit organization) as of **December 31, 2012** and 2011, and the related statements of activities, functional expenses (with comparative totals for 2011), 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 from 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 **Mano A Mano International Partners** as of **December 31, 2012** and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **Mano A Mano International Partners** December 31, 2011 financial statements, and our report was dated August 24, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year end December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 29, 2013

Lethert, Skwira, Schultz & Co. LLP

LETHERT, SKWIRA, SCHULTZ & CO. LLP

MANO A MANO INTERNATIONAL PARTNERS

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MANO A MANO INTERNATIONAL PARTNERS

Statement of Financial Position

December 31, 2012

(with comparative totals for 2011)

	2012			2011
<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Cash	\$ 144,562	\$ 505,721	\$ 650,283	\$ 714,049
Contributions receivable, current (Note 3)	7,000	421,000	428,000	205,498
Inventory	2,794	785,889	788,683	1,198,231
Allowance for obsolescence	-	(156,625)	(156,625)	(119,000)
Prepayments	7,279	-	7,279	5,860
Notes receivable (Notes 4 and 8)	-	-	-	205,932
Total Current Assets	161,635	1,555,985	1,717,620	2,210,570
 <u>Property and Equipment</u>				
Land	234,800	-	234,800	-
Building	368,987	-	368,987	-
Vehicle	8,000	-	8,000	8,000
Total	611,787	-	611,787	8,000
Less: Accumulated depreciation	8,000	-	8,000	8,000
Total Property and Equipment	603,787	-	603,787	-
 <u>Other Assets</u>				
Contributions receivable, noncurrent (Note 3)	278,924	-	278,924	258,487
Deposits	2,500	-	2,500	5,500
Intangible assets (Note 5)	4,582	-	4,582	-
Total Other Assets	286,006	-	286,006	263,987
 Total Assets	\$ 1,051,428	\$ 1,555,985	\$ 2,607,413	\$ 2,474,557
 <u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Current maturities of long-term debt	11,282	-	11,282	-
Accounts payable	150,921	-	150,921	284,121
Accrued payroll and related	7,941	-	7,941	11,211
Total Current Liabilities	170,144	-	170,144	295,332
 <u>Long-Term Debt (Notes 6 and 8)</u>				
Mortgage payable	350,000	-	350,000	60,000
Less: Current maturities	11,282	-	11,282	-
Total Long-Term Debt	338,718	-	338,718	60,000
 <u>Net Assets (Note 7)</u>	542,566	1,555,985	2,098,551	2,119,225
 TOTAL LIABILITIES AND NET ASSETS	\$ 1,051,428	\$ 1,555,985	\$ 2,607,413	\$ 2,474,557

The accompanying notes are an integral part of this financial statement.

MANO A MANO INTERNATIONAL PARTNERS

Statement of Activities

Year Ended **December 31, 2012**

(with comparative totals for 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support</u>				
Contributions	\$ 1,912,137	\$ -	\$ 1,912,137	\$ 1,152,822
In-kind medical surplus, transportation and related	539,986	-	539,986	369,420
In-kind other	-	15,750	15,750	59,400
Miscellaneous	33,400	-	33,400	24,839
Investment income	1,481	-	1,481	2,282
Net Assets Released from Restrictions	237,223	(237,223)	-	-
Total Support	2,724,227	(221,473)	2,502,754	1,608,763
<u>Expenses</u>				
<u>Program Services</u>				
Program services	2,324,236	-	2,324,236	1,692,123
<u>Supporting Services</u>				
Management and general	119,218	-	119,218	99,853
Fund raising	79,974	-	79,974	88,588
Total Supporting Services	199,192	-	199,192	188,441
Total Expenses	2,523,428	-	2,523,428	1,880,564
 Increase (Decrease) in Net Assets	 200,799	 (221,473)	 (20,674)	 (271,801)
 Net Assets, Beginning of Year	 341,767	 1,777,458	 2,119,225	 2,391,026
 Net Assets, End of Year	 \$ 542,566	 \$ 1,555,985	 \$ 2,098,551	 \$ 2,119,225

The accompanying notes are an integral part of this financial statement.

MANO A MANO INTERNATIONAL PARTNERS
Statement of Functional Expenses
Year Ended **December 31, 2012**
(with comparative totals for 2011)

	2012			2011	
	Program Services	Management and General	Fund Raising	Total	Total
Salaries	\$ 56,889	\$ 36,037	\$ 49,778	\$ 142,704	\$ 123,885
Employee benefits	8,030	5,018	7,026	20,074	17,654
Payroll taxes	4,723	2,953	4,132	11,808	10,074
Total Salaries and Related Benefits	69,642	44,008	60,936	174,586	151,613
Donated materials	-	37,625	-	37,625	16,643
Grants to Bolivia	2,127,042	-	-	2,127,042	1,550,049
Professional services	5,845	11,896	-	17,741	18,310
Office supplies	365	228	320	913	2,418
Other supplies	1,210	756	1,059	3,025	5,109
Telephone	2,148	1,342	1,880	5,370	5,634
Postage	1,022	692	840	2,554	1,857
Occupancy costs	29,796	1,040	-	30,836	30,828
Utilities	909	1,256	-	2,165	2,730
Repairs and maintenance	2,935	4,053	-	6,988	8,933
Printing and publications	9,791	6,119	8,567	24,477	19,868
Travel	67,746	4,419	1,472	73,637	25,419
Vehicle expense	2,235	2,234	-	4,469	4,854
Conferences, conventions, and meetings	65	-	-	65	964
Bank charges	764	477	668	1,909	1,316
Payroll fees	-	2,031	-	2,031	1,938
Insurance	336	210	294	840	2,091
Miscellaneous	875	832	766	2,473	2,450
Volunteer expenses	1,510	-	-	1,510	1,392
Fund raising expenses	-	-	3,172	3,172	26,148
Total Expenses	\$ 2,324,236	\$ 119,218	\$ 79,974	\$ 2,523,428	\$ 1,880,564

The accompanying notes are an integral part of this financial statement.

MANO A MANO INTERNATIONAL PARTNERS
Statement of Cash Flows
Year Ended **December 31, 2012**
(with comparative totals for 2011)

<u>Cash Flows From Operating Activities</u>	<u>2012</u>	<u>2011</u>
Decrease in net assets	\$ (20,674)	\$ (271,801)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Note payable converted to contribution	(60,000)	(10,000)
Increase (decrease) in cash flows from:		
Contributions receivable	(242,939)	386,189
Inventory	447,173	(16,150)
Prepayments	(1,419)	(1,989)
Notes receivable	205,932	-
Deposits	3,000	(5,500)
Accounts payable	(133,200)	123,348
Accrued payroll and related	(3,270)	1,934
Net Cash Provided by Operating Activities	194,603	206,031
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(253,787)	-
Intangible assets	(4,582)	-
Net Cash Used by Investing Activities	(258,369)	-
Net Increase (Decrease) in Cash	(63,766)	206,031
Cash, Beginning of Year	714,049	508,018
Cash, End of Year	\$ 650,283	\$ 714,049

Supplemental Disclosures of Noncash Investing and Financing Activities

During the years ended **December 31, 2012**, the Organization incurred a \$350,000 debt obligation when they acquired a building in the amount of \$600,000.

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements
December 31, 2012 and 2011

NOTE 1 NATURE OF ORGANIZATION

Mano A Mano International Partners (the "Organization") is guided by the simple premise that groups of committed individuals can reach across national boundaries to make a dramatic difference in the lives of others. The power of this premise has been demonstrated by the extent to which the Organization has grown. Mano a Mano was established in 1994 and has created an infrastructure for health care and economic development in hundreds of rural communities. This infrastructure is constructed, supported, and run by Bolivians. Mano a Mano accomplishes its work in Bolivia through three counterpart organizations which it helped create: Mano a Mano – Bolivia, which focuses on health and education; Mano a Mano - Nuevo Mundo (New World), which addresses the economic development aspect of its mission; and, Mano a Mano – Apoyo Aereo (Air Support), which provides emergency air rescue to rural communities and air transport for Mano a Mano and other organizations with similar missions. These organizations are headquartered in the Andean city of Cochabamba, located in the Department (state) of Cochabamba.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES****Financial Statement Presentation**

The financial statements have been prepared in conformity with the disclosure requirements of generally accepted accounting standards for not-for-profit organizations. Under these provisions, net assets and revenues, expenses, gains, and losses are classified on the existence or absence of donor imposed restrictions.

Accordingly, the Organization's net assets and changes thereto are classified and reported as follows:

Unrestricted net assets have no donor imposed restrictions, or the donor imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes by the Board of Directors.

Temporarily restricted net assets have donor imposed restrictions that are satisfied either by the passage of time or expenditures that meet the donor specified purpose.

Permanently restricted net assets have donor imposed restrictions which do not expire.

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements

December 31, 2012 and 2011

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributions receivable expected to be collected in greater than one year are reflected in the financial statements at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. Amortization of the discounts is recorded as contribution revenue.

Inventory

Inventory consists of donated and purchased medical supplies and crafts and is recorded at fair market value if donated or cost if purchased. The obsolescence reserve is set up to account for the decline in value on the items.

Property and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the following estimated useful lives:

Building	40 Years
Vehicle	5 Years

Maintenance and repairs of property and equipment are charged to operations, and major renewals in excess of \$5,000 are capitalized.

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements
December 31, 2012 and 2011

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)****Intangible Assets**

The Organization amortizes mortgage acquisition costs over the term of the mortgage.

Contributions

The Organization follows the "Accounting for Contributions Received and Contributions Made" standard, contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donated Materials and Services

Donated materials are reflected as contributions in the financial statements at their estimated fair values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind contributions, consisting primarily of medical supplies, totaled **\$555,736** and \$428,820 for the years ended **December 31, 2012** and 2011, respectively.

Donated services, which consisted of 20,000 hours by 250 volunteers, did not meet recognition criteria under generally accepted accounting principles and, accordingly, are not included in the Statement of Activities.

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements
December 31, 2012 and 2011

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Income Taxes

The Organization was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation. Accordingly, no provision for income taxes has been provided for in these financial statements.

The Organization follows a "more likely than not" criterion for recognizing the tax benefits. The Organization has identified no such exposures. The current tax years open are 2009 through 2012. During the upcoming 12 months, the Organization expects no material changes to occur related to Accounting for Uncertainty in Income Taxes. The Organization recognizes interest and penalties related to income taxes and accrued unrecognized tax benefits in interest and penalties. The amount of interest and penalties expensed totaled **\$0** and \$0 for the years ended **December 31, 2012** and 2011, respectively.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation measures determined by management.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at **December 31, 2012** and 2011, are measured at present value of estimated future cash flows using an interest rate of 5.00%. Collection of receivables is expected as follows:

	<u>2012</u>	<u>2011</u>
Due in one year	\$ 428,000	\$ 205,498
Due in two to five years	<u>300,000</u>	<u>300,000</u>
Total	728,000	505,498
Less: Discount to net present value	<u>(21,547)</u>	<u>(41,513)</u>
Total Contributions Receivable	\$ <u>706,453</u>	\$ <u>463,985</u>

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements

December 31, 2012 and 2011

NOTE 4 NOTES RECEIVABLE

	<u>2012</u>	<u>2011</u>
Note receivable, Mano a Mano - Nuevo Mundo (related party). Non-interest bearing, due in full 2012.	\$ -	\$ 131,932
Note receivable, Mano a Mano - Apoyo Aereo (related party). Non-interest bearing, due in full 2012.	<u>-</u>	<u>74,000</u>
Total Notes Receivable	<u>\$ -</u>	<u>\$ 205,932</u>

Notes receivable, that were secured by the assets of the borrowers, were written off to assist the related parties mission in Bolivia.

NOTE 5 INTANGIBLE ASSETS

At **December 31, 2012** and 2011, intangible assets consist of the following:

	<u>2012</u>			<u>2011</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>
Closing costs	<u>\$ 4,582</u>	<u>\$ -</u>	<u>\$ 4,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Amortization of intangible assets for the years ended **December 31, 2012** and 2011 was **\$0** and \$0, respectively.

The aggregate annual amortization of intangible assets at **December 31, 2012** is:

<u>Year Ended December 31,</u>	<u>Amount</u>
2013	\$ 917
2014	917
2015	916
2016	916
2017	916
	<u>\$ 4,582</u>

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements
December 31, 2012 and 2011

NOTE 6 MORTGAGE PAYABLE

In 2007, the Organization received a \$100,000 loan from a board member. The note is non-interest bearing and is payable in full on January 1, 2013. During **2012** and 2011, the board member agreed to convert \$60,000 and \$10,000 to a contribution, reducing the note payable balance to **\$0** and \$60,000 at **December 31, 2012** and 2011, respectively. This note has been recognized into income in the current year per the Board Member's authorization.

During 2012, the Organization purchased a building. They have a mortgage of \$350,000 at **December 31, 2012**. The note is amortized over 20 years at 4.25% and balloons at December 31, 2017, and is secured by the building and land.

The aggregate annual maturities of long-term debt at **December 31, 2012**, are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2013	\$ 11,282
2014	11,778
2015	12,296
2016	12,798
2017	301,846
Total	\$ 350,000

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Constructing, equipping, and staffing health clinics in Bolivia	\$ 453,222	\$ 681,747
Garden project and miscellaneous	78,148	16,480
Emergency Air	10,000	-
Roads and reservoirs	85,351	-
Medical inventory	629,264	1,079,231
Time restricted	300,000	-
Total Temporarily Restricted Net Assets	\$ 1,555,985	\$ 1,777,458

Corresponding assets were as follows:

	<u>2012</u>	<u>2011</u>
Cash	\$ 505,721	\$ 240,340
Contributions receivable	421,000	457,887
Inventory - medical supplies	629,264	1,079,231
Total Temporarily Restricted Net Assets	\$ 1,555,985	\$ 1,777,458

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements
December 31, 2012 and 2011

NOTE 8 RELATED PARTY TRANSACTIONS

The president of the Board of the Organization is an honorary board member of Mano a Mano - Bolivia, Mano a Mano - Apoyo Aereo, and Mano a Mano - Nuevo Mundo. These organizations, which are located in Bolivia, are recipients of grants from the Organization. As an honorary board member, the president has veto power over any disbursements that are contrary to the mission of the Organization.

Grants paid to the recipient organizations were as follows for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Mano a Mano - Bolivia	\$ 338,302	\$ 396,962
Mano a Mano - Apoyo Aereo	177,348	549,257
Mano a Mano - International	164,394	20,620
Mano a Mano - Nuevo Mundo	<u>477,948</u>	<u>277,502</u>
Total Related Party Grants	<u>\$ 1,157,992</u>	<u>\$ 1,244,341</u>

In 2006, the Organization entered into a lease with the president of its Board of Directors as described in Note 9.

In 2007, a member of the Board loaned the Organization \$100,000, and subsequently has converted a portion of the loan to contributions (See Note 6).

In 2008, the Organization loaned Mano a Mano - Nuevo Mundo \$150,000 (See Note 4).

In 2008, the Organization loaned Mano a Mano - Apoyo Aero \$100,000 (See Note 4).

NOTE 9 OPERATING LEASES

The Organization began leasing office space on a month-to-month basis from its president in July, 2006. Rent expense under this lease totaled **\$18,000** in **2012** and 2011. The Organization also leases warehouse space on a month-to-month basis. Rent expense under this lease for the years ended **December 31, 2012** and 2011, was **\$12,836** and \$12,828, respectively. The Organization purchased a building in **December, 2012**, and cancelled its other leases effective January 1, 2013.

NOTE 10 COMMITMENTS AND CONTINGENCIES

During the years ended **December 31, 2012** and 2011, two donors accounted for **29%** and **28%**, respectively, of the Organization's support and revenues and **42%** and **39%** of its contributions receivable at **December 31, 2012** and 2011, respectively.

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements
December 31, 2012 and 2011

NOTE 11 CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITED IN EXCESS OF INSURED LIMITS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization maintains its cash balances at two financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Accounts at other institutions may be privately insured.

At **December 31, 2012** and 2011, amounts not insured by the FDIC were approximately **\$259,000** and \$470,000, respectively.

NOTE 12 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through **July 29, 2013**, the date the financial statements were available to be issued.