

**MANO A MANO
INTERNATIONAL
PARTNERS**

REPORT ON AUDIT

DECEMBER 31, 2013



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**

Report on the Financial Statements

We have audited the accompanying statement of financial position of **Mano A Mano International Partners** (a Minnesota nonprofit organization) as of **December 31, 2013**, and the related statements of activities, functional expenses (with comparative totals for 2012), and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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, 2013**, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **Mano A Mano International Partners** December 31, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 29, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 17, 2014

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, 2013

(with comparative totals for 2012)

	<u>2013</u>			<u>2012</u>
<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Cash	\$ 147,907	\$ 433,552	\$ 581,459	\$ 650,283
Contributions receivable, current (Note 3)	153,188	275,000	428,188	428,000
Inventory	3,410	1,026,343	1,029,753	788,683
Allowance for obsolescence	-	(190,500)	(190,500)	(156,625)
Prepayments	<u>7,311</u>	<u>-</u>	<u>7,311</u>	<u>7,279</u>
Total Current Assets	311,816	1,544,395	1,856,211	1,717,620
 <u>Property and Equipment</u>				
Land	234,800	-	234,800	234,800
Building	368,987	-	368,987	368,987
Vehicle	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Total	611,787	-	611,787	611,787
Less: Accumulated depreciation	<u>17,225</u>	<u>-</u>	<u>17,225</u>	<u>8,000</u>
Total Property and Equipment	594,562	-	594,562	603,787
 <u>Other Assets</u>				
Contributions receivable, noncurrent (Note 3)	-	-	-	278,924
Deposits	5,236	-	5,236	2,500
Intangible assets (Note 4)	<u>3,665</u>	<u>-</u>	<u>3,665</u>	<u>4,582</u>
Total Other Assets	8,901	-	8,901	286,006
 Total Assets	 \$ <u>915,279</u>	 \$ <u>1,544,395</u>	 \$ <u>2,459,674</u>	 \$ <u>2,607,413</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Current maturities of long-term debt	11,778	-	11,778	11,282
Accounts payable	2,994	145,159	148,153	150,921
Accrued payroll and related	<u>6,542</u>	<u>-</u>	<u>6,542</u>	<u>7,941</u>
Total Current Liabilities	21,314	145,159	166,473	170,144
 <u>Long-Term Debt (Note 5)</u>				
Mortgage payable	338,675	-	338,675	350,000
Less: Current maturities	<u>11,778</u>	<u>-</u>	<u>11,778</u>	<u>11,282</u>
Total Long-Term Debt	326,897	-	326,897	338,718
 Net Assets (Note 6)	 <u>567,068</u>	 <u>1,399,236</u>	 <u>1,966,304</u>	 <u>2,098,551</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>915,279</u>	 \$ <u>1,544,395</u>	 \$ <u>2,459,674</u>	 \$ <u>2,607,413</u>

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

MANO A MANO INTERNATIONAL PARTNERS

Statement of Activities
Year Ended **December 31, 2013**
(with comparative totals for 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support</u>				
Contributions	\$ 668,103	\$ 226,980	\$ 895,083	\$ 1,912,137
In-kind medical surplus, transportation and related	1,009,863	206,579	1,216,442	539,986
In-kind other	441,250	-	441,250	531,750
Miscellaneous	39,721	-	39,721	33,400
Investment income	795	-	795	1,481
Net Assets Released from Restrictions	<u>590,308</u>	<u>(590,308)</u>	<u>-</u>	<u>-</u>
Total Support	<u>2,750,040</u>	<u>(156,749)</u>	<u>2,593,291</u>	<u>3,018,754</u>
 <u>Expenses</u>				
<u>Program Services</u>				
Program services	2,072,546	-	2,072,546	2,324,236
 <u>Supporting Services</u>				
Management and general	522,579	-	522,579	635,218
Fund raising	130,413	-	130,413	79,974
Total Supporting Services	<u>652,992</u>	<u>-</u>	<u>652,992</u>	<u>715,192</u>
 Total Expenses	<u>2,725,538</u>	<u>-</u>	<u>2,725,538</u>	<u>3,039,428</u>
 Increase (Decrease) in Net Assets	24,502	(156,749)	(132,247)	(20,674)
 Net Assets, Beginning of Year	<u>542,566</u>	<u>1,555,985</u>	<u>2,098,551</u>	<u>2,119,225</u>
 Net Assets, End of Year	<u>\$ 567,068</u>	<u>\$ 1,399,236</u>	<u>\$ 1,966,304</u>	<u>\$ 2,098,551</u>

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

MANO A MANO INTERNATIONAL PARTNERS
Statement of Functional Expenses
Year Ended **December 31, 2013**
(with comparative totals for 2012)

	2013			2012	
	Program Services	Management and General	Fund Raising	Total	Total
Salaries	\$ 66,322	\$ 377,451	\$ 58,031	\$ 501,804	\$ 478,704
Employee benefits	11,770	7,356	10,299	29,425	20,074
Payroll taxes	5,420	3,387	4,742	13,549	11,808
Total Salaries and Related Benefits	83,512	388,194	73,072	544,778	510,586
Donated materials	6,375	-	-	6,375	37,625
Grants to Bolivia	1,844,104	-	-	1,844,104	2,127,042
Professional services	20,516	101,810	-	122,326	197,741
Office supplies	1,338	837	1,171	3,346	913
Other supplies	2,565	1,603	2,352	6,520	3,025
Telephone	1,948	1,218	1,704	4,870	5,370
Postage	2,439	1,413	1,978	5,830	2,554
Occupancy costs	12,675	1,048	-	13,723	30,836
Utilities	9,859	600	-	10,459	2,165
Repairs and maintenance	6,149	375	-	6,524	6,988
Printing and publications	10,881	6,801	9,521	27,203	24,477
Travel	36,161	997	587	37,745	73,637
Vehicle expense	1,881	51	31	1,963	4,469
Conferences, conventions, and meetings	-	15	-	15	65
Interest	5,927	3,705	5,186	14,818	-
Bank charges	520	326	455	1,301	1,909
Payroll fees	859	537	751	2,147	2,031
Insurance	3,755	2,348	3,286	9,389	840
Real estate taxes	11,346	7,092	9,927	28,365	-
Miscellaneous	5,036	46	76	5,158	2,473
Volunteer expenses	644	1,027	-	1,671	1,510
Fund raising expenses	-	-	16,767	16,767	3,172
Amortization	366	230	320	916	-
Depreciation	3,690	2,306	3,229	9,225	-
Total Expenses	\$ 2,072,546	\$ 522,579	\$ 130,413	\$ 2,725,538	\$ 3,039,428

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

MANO A MANO INTERNATIONAL PARTNERS

Statement of Cash Flows
Year Ended **December 31, 2013**
(with comparative totals for 2012)

<u>Cash Flows From Operating Activities</u>	<u>2013</u>	<u>2012</u>
Decrease in net assets	\$ (132,247)	\$ (20,674)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	9,225	-
Amortization	916	-
Note payable converted to contribution	-	(60,000)
Increase (decrease) in cash flows from:		
Contributions receivable	278,736	(242,939)
Inventory	(207,195)	447,173
Prepayments	(32)	(1,419)
Notes receivable	-	205,932
Deposits	(2,736)	3,000
Accounts payable	(2,768)	(133,200)
Accrued payroll and related	(1,399)	(3,270)
Net Cash Provided (Used) by Operating Activities	(57,500)	194,603
 <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)
 <u>Cash Flows Used by Financing Activities</u>		
Payments of long-term debt	(11,324)	-
 Net Decrease in Cash	(68,824)	(63,766)
 Cash, Beginning of Year	<u>650,283</u>	<u>714,049</u>
 Cash, End of Year	<u>\$ 581,459</u>	<u>\$ 650,283</u>

Supplemental Disclosures of Cash Flows Information

During the years ended **December 31, 2013** and 2012, the Organization made interest payments of **\$14,818** and \$0, respectively.

Supplemental Disclosures of Noncash Investing and Financing Activities

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

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

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements
December 31, 2013 and 2012

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, 2013 and 2012

**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, 2013 and 2012

**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 **\$1,657,692** and \$1,071,736 for the years ended **December 31, 2013** and 2012, respectively.

For the years ended **December 31, 2013** and 2012, the value of contributed services meeting the requirements for recognition in the financial statements was **\$426,000** and \$516,000, 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, 2013 and 2012

**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 2010 through 2013. 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, 2013** and 2012, 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.

Vacation Pay

Employees of the Organization earn a vested right to compensation for unused vacation and personal absence time. Accordingly, the Organization has made an accrual for vacation and personal absence compensation that employees have earned but have not taken.

MANO A MANO INTERNATIONAL PARTNERS
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at **December 31, 2013** and 2012, 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>2013</u>	<u>2012</u>
Due in one year	\$ 428,188	\$ 428,000
Due in two to five years	<u>-</u>	<u>300,471</u>
Total	428,188	728,471
Less: Discount to net present value	<u>-</u>	<u>(21,547)</u>
Total Contributions Receivable	<u>\$ 428,188</u>	<u>\$ 706,924</u>

NOTE 4 INTANGIBLE ASSETS

At **December 31, 2013** and 2012, intangible assets consist of the following:

	<u>2013</u>			<u>2012</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>917</u>	\$ <u>3,665</u>	\$ <u>4,582</u>	\$ <u>-</u>	\$ <u>4,582</u>

Amortization of intangible assets for the years ended **December 31, 2013** and 2012 was **\$916** and \$0, respectively.

The aggregate annual amortization of intangible assets at **December 31, 2013** is:

<u>Year Ended December 31,</u>	<u>Amount</u>
2014	\$ 917
2015	916
2016	916
2017	<u>916</u>
	<u>\$ 3,665</u>

NOTE 5 LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Mortgage payable to bank bearing interest at 4.25% with monthly installments of \$2,179, matures December, 2032. Secured by land and building.	\$ 338,675	\$ 350,000

MANO A MANO INTERNATIONAL PARTNERS
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 5 LONG-TERM DEBT (CONTINUED)

	<u>2013</u>	<u>2012</u>
Less: Current maturities	\$ <u>11,778</u>	\$ <u>11,282</u>
Total Long-Term Debt	\$ <u>326,897</u>	\$ <u>338,718</u>

The aggregate annual maturities of long-term debt at **December 31, 2013**, are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2014	\$ 11,778
2015	12,296
2016	12,798
2017	13,399
2018	13,988
After 2018	<u>274,416</u>
	\$ <u>338,675</u>

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Constructing, equipping, and staffing health clinics in Bolivia	\$ 311,463	\$ 453,222
Garden project and miscellaneous	41,361	78,148
Emergency Air	10,569	10,000
Roads and reservoirs	200,000	85,351
Medical inventory	835,843	629,264
Time restricted	-	300,000
Total Temporarily Restricted Net Assets	\$ <u>1,399,236</u>	\$ <u>1,555,985</u>

Corresponding assets were as follows:

	<u>2013</u>	<u>2012</u>
Cash	\$ 433,552	\$ 505,721
Accounts payable	(145,159)	-
Contributions receivable	275,000	421,000
Inventory - medical supplies	835,843	629,264
Total Temporarily Restricted Net Assets	\$ <u>1,399,236</u>	\$ <u>1,555,985</u>

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 7 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>2013</u>		<u>2012</u>
Mano a Mano - Bolivia	\$ 301,726	\$	338,302
Mano a Mano - Apoyo Aereo	63,965		177,348
Mano a Mano - International	205,131		164,394
Mano a Mano - Nuevo Mundo	<u>305,193</u>		<u>477,948</u>
Total Related Party Grants	\$ <u>876,015</u>	\$	<u>1,157,992</u>

NOTE 8 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 \$12,500 in 2013 and \$18,000 in 2012. That lease was cancelled effective September of 2013. The Organization also leased warehouse space on a month-to-month basis, through December of 2012. Rent expense under this lease for the years ended December 31, 2013 and 2012, were \$0 and \$12,836, respectively. The Organization purchased a building in December, 2012, and cancelled its other leases effective January 1, 2013.

The Organization had a copier lease signed in 2013 for sixty months at \$111 per month. This is an operating lease.

The following is a schedule of future minimum lease payments under operating leases:

<u>Year Ended December 31,</u>	<u>Amount</u>
2014	\$ 1,332
2015	1,332
2016	1,332
2017	1,332
2018	<u>222</u>
Total Minimum Future Lease Payments	\$ <u>5,550</u>

MANO A MANO INTERNATIONAL PARTNERS
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 9 COMMITMENTS AND CONTINGENCIES

During the years ended **December 31, 2013** and 2012, one and two donors that accounted for **14%** and **42%**, respectively, of the Organization's support and revenues and **61%** and **42%** of its contributions receivable at **December 31, 2013** and 2012, respectively.

NOTE 10 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, 2013** and 2012, amounts not insured by the FDIC were approximately **\$309,000** and \$259,000, respectively.

NOTE 11 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through **October 17, 2014**, the date the financial statements were available to be issued.