

**MANO A MANO INTERNATIONAL
PARTNERS**

REPORT ON AUDIT

DECEMBER 31, 2010



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, 2010**, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 audit 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 **Mano A Mano International Partners** as of **December 31, 2010**, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2009 financial statements were audited by another firm and their report thereon, dated October 18, 2010, stated that they were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles.

October 3, 2011

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Statement of Financial Position

December 31, 2010 and 2009

	2010			2009
<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Cash	\$ 59,994	\$ 448,024	\$ 508,018	\$ 654,809
Contributions receivable, current (Note 3)	-	235,174	235,174	324,643
Certificate of deposit	-	-	-	267,071
Inventory	-	1,165,438	1,165,438	486,125
Allowance for obsolescence	-	(102,357)	(102,357)	-
Prepayments	3,871	-	3,871	4,737
Notes receivable (Notes 4 and 7)	205,932	-	205,932	250,000
Current portion, contract for deed (Notes 4 and 7)	-	-	-	2,164
Total Current Assets	269,797	1,746,279	2,016,076	1,989,549
<u>Property and Equipment</u>				
Vehicle	8,000	-	8,000	8,000
Less: Accumulated depreciation	8,000	-	8,000	7,000
Total Property and Equipment	-	-	-	1,000
<u>Other Assets</u>				
Contributions receivable, noncurrent (Note 3)	-	615,000	615,000	730,261
Contract for deed, net of current portion (Notes 4 and 7)	-	-	-	49,307
Deposits	-	-	-	1,000
Total Other Assets	-	615,000	615,000	780,568
Total Assets	\$ 269,797	\$ 2,361,279	\$ 2,631,076	\$ 2,771,117
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts payable	160,773	-	160,773	28,632
Grants payable	-	-	-	327,995
Accrued payroll and related	9,277	-	9,277	8,077
Total Current Liabilities	170,050	-	170,050	364,704
<u>Long-Term Debt (Notes 5 and 7)</u>				
Note payable	70,000	-	70,000	80,000
Net Assets (Note 6)	29,747	2,361,279	2,391,026	2,326,413
TOTAL LIABILITIES AND NET ASSETS	\$ 269,797	\$ 2,361,279	\$ 2,631,076	\$ 2,771,117

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

MANO A MANO INTERNATIONAL PARTNERS

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Statement of Activities

Years Ended **December 31, 2010** and 2009

	<u>2010</u>			<u>2009</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<u>Increase in Unrestricted Net Assets</u>				
Contributions	\$ 549,390	\$ 44,746	\$ 594,136	\$ 1,166,314
In-kind medical surplus, transportation and related	718,792	-	718,792	497,213
In-kind other	15,000	-	15,000	15,000
Miscellaneous	16,423	-	16,423	6,161
Investment income	8,187	-	8,187	18,464
Impairment loss	-	-	-	(1,000)
Total Support	1,307,792	44,746	1,352,538	1,702,152
<u>Expenses</u>				
<u>Program Services</u>				
Program services	1,140,202	-	1,140,202	2,326,934
<u>Supporting Services</u>				
Management and general	84,653	-	84,653	63,492
Fund raising	63,070	-	63,070	87,821
Total Supporting Services	147,723	-	147,723	151,313
Total Expenses	1,287,925	-	1,287,925	2,478,247
Increase (Decrease) in Unrestricted Net Assets	19,867	44,746	64,613	(776,095)
Restrictions satisfied by payments	12,918	(12,918)	-	-
Increase (Decrease) in Net Assets	32,785	31,828	64,613	(776,095)
Net Assets, Beginning of Year	(3,038)	2,329,451	2,326,413	3,102,508
Net Assets, End of Year	\$ 29,747	\$ 2,361,279	\$ 2,391,026	\$ 2,326,413

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

MANO A MANO INTERNATIONAL PARTNERS

Statement of Functional Expenses

December 31, 2010 and 2009

	2010			2009	
	Program Services	Management and General	Fund Raising	Total	Total
Salaries	\$ 61,120	\$ 35,750	\$ 18,452	\$ 115,322	\$ 115,296
Employee benefits	11,308	299	6,614	18,221	12,868
Payroll taxes	5,465	3,196	1,650	10,311	10,668
Total Salaries and Related Benefits	77,893	39,245	26,716	143,854	138,832
Donated materials	141,894	-	-	141,894	850,012
Grants to Bolivia	841,667	-	-	841,667	1,300,836
Professional services	14,060	8,224	4,244	26,528	30,035
Office supplies	-	1,473	281	1,754	554
Other supplies	1,729	1,012	522	3,263	2,633
Telephone	1,836	2,425	812	5,073	6,026
Postage	907	531	274	1,712	1,590
Occupancy costs	16,322	9,547	4,927	30,796	31,296
Utilities	1,125	657	340	2,122	1,836
Repairs and maintenance	1,002	586	303	1,891	6,318
Printing and publications	11,500	8,225	3,757	23,482	30,551
Travel	29,867	-	-	29,867	19,496
Vehicle expense	-	3,695	-	3,695	1,208
Conferences, conventions, and meetings	400	-	-	400	-
Bank charges	-	1,562	-	1,562	2,348
Payroll fees	-	1,848	-	1,848	1,777
Insurance	-	2,339	-	2,339	2,221
Miscellaneous	-	261	6,189	6,450	785
Holding costs on property held for sale	-	-	-	-	1,819
Volunteer expenses	-	2,023	-	2,023	4,972
Fund raising expenses	-	-	14,705	14,705	41,502
Depreciation	-	1,000	-	1,000	1,600
Total Expenses	\$ 1,140,202	\$ 84,653	\$ 63,070	\$ 1,287,925	\$ 2,478,247

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

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Statement of Cash Flows

Years Ended **December 31, 2010**
(with comparative totals for 2009)

<u>Cash Flows From Operating Activities</u>	2010	2009
Increase (decrease) in net assets	\$ 64,613	\$ (776,095)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	1,000	1,600
Note payable converted to contribution	(10,000)	(10,000)
Impairment loss on property held for sale	-	1,000
Increase (decrease) in cash flows from:		
Contributions receivable	204,730	390,652
Inventory	(576,956)	352,850
Prepayments	866	(94)
Notes receivable	44,068	-
Due from related parties	-	-
Deposits	1,000	(1,000)
Accounts payable	132,141	17,726
Grants payable	(327,995)	170,639
Accrued payroll and related	1,200	1,174
Net Cash Provided (Used) by Operating Activities	(465,333)	148,452
 <u>Cash Flows From Investing Activities</u>		
Proceeds from sale of investments	267,071	100,000
Proceeds from sale of real estate held for investment	-	70,000
Issuance of contract for deed for real estate held for investment	-	(50,000)
Principal payments received on contract for deed	51,471	694
Net Cash Provided by Investing Activities	318,542	120,694
 Net Increase (Decrease) in Cash	(146,791)	269,146
 Cash, Beginning of Year	654,809	385,663
 Cash, End of Year	\$ 508,018	\$ 654,809

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

NOTE 1 NATURE OF ORGANIZATION

Mano A Mano International Partners (the "Organization") was founded in 1994 in Minnesota for the purpose of increasing the capacity of health care providers in Bolivia to serve impoverished patients. Its mission has evolved to creating partnerships with poor Bolivian communities that improve health and increase economic well-being.

**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 a 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.

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.

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

Vehicle

The vehicle is stated at cost. Depreciation is provided on the straight-line method over the estimated useful life of five years.

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

Property Held for Sale

In 2007, the Organization received a donation of property in Florida which was recognized at fair market and held with the intention of sale. In 2008, it was determined that the fair market value had decreased and, accordingly, an impairment loss was recorded in 2009 based on the sale price of the property in 2010.

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 **\$733,792** and \$512,213 for the years ended **December 31, 2010** and 2009, respectively.

Donated services, which consisted of 16,698 hours by 250 volunteers, did not meet recognition criteria under generally accepted accounting principles and, accordingly, are not included in the Statement of Activities.

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Notes to Financial Statements

December 31, 2010 and 2009

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.

In July, 2006, new guidance relating to Accounting for Uncertainty in Income Taxes, which was adopted by the Organization effective January 1, 2009. The new guidance, set a "more likely than not" criterion for recognizing the tax benefits and it established certain new disclosure requirements. The Organization has identified no such exposures. The current tax years open are 2007 through 2010. 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, 2010** and 2009, 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, 2010** and 2009, are measured at present value of estimated future cash flows. Collection of receivables is expected as follows:

	<u>2010</u>	<u>2009</u>
Due in one year	\$ 235,174	\$ 526,807
Due in two to five years	<u>615,000</u>	<u>580,260</u>
Total	850,174	1,107,067
Less: discount to net present value	<u>(44,746)</u>	<u>(49,999)</u>
Total Contributions Receivable	<u>\$ 805,428</u>	<u>\$ 1,057,068</u>

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Notes to Financial Statements

December 31, 2010 and 2009

NOTE 4 NOTES RECEIVABLE

	<u>2010</u>	<u>2009</u>
Note receivable, Mano a Mano - Nuevo Mundo (related party). Non-interest bearing, due in full 2012.	\$ 131,932	\$ 150,000
Note receivable, Mano a Mano - Apoyo Aereo (related party). Non-interest bearing, due in full 2012.	<u>74,000</u>	<u>100,000</u>
Total Notes Receivable	<u>\$ 205,932</u>	<u>\$ 250,000</u>

Notes receivable, secured by the assets of the borrowers, are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. In making that determination, management evaluated the financial condition of the borrowers, the estimated value of the underlying collateral, and current economic conditions.

Contract for Deed

As indicated in Note 2, a property in Florida was donated to the Organization in 2007 and sold in 2010. The proceeds were recognized and received in 2010.

NOTE 5 NOTE 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, 2012. During both 2010 and 2009, the board member agreed to convert \$10,000 to a contribution, reducing the note payable balance to \$70,000 and \$80,000 at December 31, 2010 and 2009, respectively.

MANO A MANO INTERNATIONAL PARTNERS

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Constructing, equipping, and staffing health clinics in Bolivia	\$ 850,174	\$ 1,470,019
Environmental health/basic care services, schools and teacher housing in Bolivia	-	13,757
Agricultural water reservoirs in Bolivia	422,024	333,550
Reforestation	14,000	14,000
Medical inventory	1,063,081	486,125
Time restricted	<u>12,000</u>	<u>12,000</u>
Total Temporarily Restricted Net Assets	\$ <u>2,361,279</u>	\$ <u>2,329,451</u>

Corresponding assets were as follows:

	<u>2010</u>	<u>2009</u>
Cash	\$ 448,024	\$ 554,788
Investments	-	267,071
Contributions receivable	850,174	1,021,467
Inventory - medical supplies	<u>1,063,081</u>	<u>486,125</u>
Total Temporarily Restricted Net Assets	\$ <u>2,361,279</u>	\$ <u>2,329,451</u>

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Notes to Financial Statements

December 31, 2010 and 2009

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>2010</u>	<u>2009</u>
Mano a Mano - Bolivia	\$ 785,274	\$ 720,506
Mano a Mano - Apoyo Aereo	-	203,399
Mano a Mano - Nuevo Mundo	-	376,373
Total related party grants	<u>\$ 785,274</u>	<u>\$ 1,300,278</u>

In 2006, the Organization entered into a lease with the president of its Board of Directors as described in Note 8.

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 5).

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 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 **\$18,000** in **2010** and 2009. The Organization also leases warehouse space on a month-to-month basis. Rent expense under this lease for the years ended **December 31, 2010** and 2009, was **\$13,296** and \$13,296, respectively

NOTE 9 COMMITMENTS AND CONTINGENCIES

During the years ended **December 31, 2010** and 2009, two donors accounted for **47%** and **39%**, respectively, of the Organization's support and revenues and **90%** and **28%** of its contributions receivable at **December 31, 2010** and 2009, respectively.

NOTE 10 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through **October 3, 2011**, the date the financial statements were available to be issued.