

HAND IN HAND/MANO EN MANO

FINANCIAL STATEMENTS

December 31, 2011 and 2010

HAND IN HAND/MANO EN MANO

FINANCIAL STATEMENTS

December 31, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hand in Hand/Mano En Mano

We have audited the accompanying statements of financial position of Hand in Hand/Mano En Mano as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Hand in Hand/Mano En Mano'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Hand in Hand/Mano En Mano 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012 on our consideration of Hand in Hand/Mano En Mano's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 9 through 12 is presented for purposes of additional analysis. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants

June 21, 2012
South Portland, Maine
Employer Identification No: 20-3690847
Engagement Partner: Bruce Fritzson

HAND IN HAND/MANO EN MANO
STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash - Unrestricted	\$ 54,229	\$ 9,992
Cash - Restricted (Note 5)	3,109	4,258
Cash - Escrows		
Tax and Insurance	100	-
Replacement Reserve	7,377	-
Tenant Security Deposits	3,450	-
Total Cash	68,265	14,250
Accounts Receivable - Services	-	9,740
Accounts Receivable - Donations	-	848
Accounts Receivable - Development (Note 2)	-	3,500
Total Current Assets	68,265	28,338
PROPERTY AND EQUIPMENT		
Land	95,553	87,553
Building	1,181,501	-
Equipment	28,103	3,394
Construction in Progress	-	275,716
Total	1,305,157	366,663
Less Accumulated Depreciation	18,223	1,172
Net Property and Equipment	1,286,934	365,491
TOTAL ASSETS	\$ 1,355,199	\$ 393,829
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable - Operations	\$ 269	\$ -
Accounts Payable - Construction (Note 3)	-	8,045
Tenant Security Deposits	3,450	-
Current Portion of Long-term Debt	17,110	-
Total Current Liabilities	20,829	8,045
LONG-TERM LIABILITIES (Note 2)		
Note Payable - Coastal Enterprises Inc.	126,364	-
Note Payable - USDA Rural Development	175,778	-
	302,142	-
Less Current Portion	17,110	-
Total Non-Current Liabilities	285,032	-
TOTAL LIABILITIES	305,861	8,045
NET ASSETS		
Unrestricted Net Assets	1,046,229	381,526
Temporarily Restricted Net Assets (Note 5)	3,109	4,258
TOTAL NET ASSETS	1,049,338	385,784
TOTAL LIABILITIES AND NET ASSETS	\$ 1,355,199	\$ 393,829

See accompanying notes to the financial statements.

HAND IN HAND/MANO EN MANO

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
INCOME			
Foundation Grants	\$ 77,233	\$ 3,234	\$ 80,467
Development Grant (Note 6)	646,005	-	646,005
Contributions	17,146	1,117	18,263
Program Service Fees	103,058	-	103,058
Tenant Rent	15,981	-	15,981
Tenant Subsidy	21,447	-	21,447
Miscellaneous	2,658	-	2,658
Interest	91	-	91
	<u>883,619</u>	<u>4,351</u>	<u>887,970</u>
EXPENSES			
Administrative	38,579	-	38,579
Program Services	130,055	5,500	135,555
Maintenance	6,381	-	6,381
Utilities	7,043	-	7,043
Occupancy	4,943	-	4,943
Fundraising	6,978	-	6,978
Depreciation	17,051	-	17,051
Insurance	3,653	-	3,653
Real Estate Taxes	2,931	-	2,931
Interest	1,302	-	1,302
	<u>218,916</u>	<u>5,500</u>	<u>224,416</u>
Increase in Net Assets	664,703	(1,149)	663,554
Net Assets, Beginning of Year	<u>381,526</u>	<u>4,258</u>	<u>385,784</u>
Net Assets, End of Year	<u>\$ 1,046,229</u>	<u>\$ 3,109</u>	<u>\$ 1,049,338</u>

See accompanying notes to the financial statements.

HAND IN HAND/MANO EN MANO

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(Continued)

For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
INCOME			
Foundation Grants	\$ 55,044	\$ 2,500	\$ 57,544
Development Grant (Note 6)	359,717	-	359,717
Contributions	15,948	50	15,998
Program Service Fees	48,939	-	48,939
Miscellaneous	823	-	823
Interest	34	-	34
	<u>480,505</u>	<u>2,550</u>	<u>483,055</u>
EXPENSES			
Administrative	26,820	127	26,947
Program Services	73,918	3,900	77,818
Fundraising	13,166	-	13,166
Depreciation	603	-	603
Insurance	4,429	-	4,429
	<u>118,936</u>	<u>4,027</u>	<u>122,963</u>
Increase in Net Assets	361,569	(1,477)	360,092
Net Assets, Beginning of Year	<u>19,957</u>	<u>5,735</u>	<u>25,692</u>
Net Assets, End of Year	<u>\$ 381,526</u>	<u>\$ 4,258</u>	<u>\$ 385,784</u>

See accompanying notes to the financial statements.

HAND IN HAND/MANO EN MANO

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 663,554	\$ 360,092
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	17,051	603
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Services	9,740	-
Accounts Receivable - Donations	848	-
Tenant Security Deposits	(3,450)	-
Accounts Payable - Operations	269	(800)
Tenant Security Deposits	3,450	-
Net Cash Provided by Operating Activities	<u>691,462</u>	<u>359,895</u>
Cash Flows from Investing Activities:		
Net Deposits to Restricted Escrows	(7,477)	-
Purchases of Property and Equipment	<u>(943,039)</u>	<u>(341,315)</u>
Net Cash Used by Investing Activities	<u>(950,516)</u>	<u>(341,315)</u>
Cash Flows from Financing Activities:		
Repayment of Long-term Debt	(9,089)	(52,285)
Proceeds from Long-term Debt	<u>311,231</u>	<u>24,124</u>
Net Cash Provided (Used) by Financing Activities	<u>302,142</u>	<u>(28,161)</u>
Net Increase (Decrease) in Cash	43,088	(9,581)
Cash at Beginning of Year	<u>14,250</u>	<u>23,831</u>
Cash at End of Year	<u>\$ 57,338</u>	<u>\$ 14,250</u>
Supplemental Disclosure of Cash Flows Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 1,302</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

HAND IN HAND/MANO EN MANO

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Hand in Hand/Mano En Mano is a not-for-profit organization established to build a stronger community in Downeast Maine by working with diverse populations to provide affordable housing and educational opportunities, remove barriers to health and social services and advocate for social justice.

Method of Accounting - The financial statements of the organization are prepared on the accrual basis of accounting, and include only those assets, liabilities and results of operations which relate to Hand in Hand/Mano En Mano.

Property and Equipment - Property and equipment are stated at cost and are being depreciated using the straight-line method over their estimated useful lives. Repairs and maintenance are expensed and renewals are capitalized as incurred. When assets are retired or disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are reflected in income.

Income Taxes - No provision for taxes on income is made in the organization's financial statements since the organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Cash - For purposes of reporting cash flows, cash includes cash on hand and amounts due from banks. The statement of cash flows does not include restricted escrows and tenant security deposits in cash. Tenant security deposits are held in trust and may be returned to the tenants.

Grants and Contributions - Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Subsequent Events - Subsequent events have been evaluated through June 21, 2012, the date the financial statements were available to be issued.

HAND IN HAND/MANO EN MANO

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NOTE 2 - NOTES PAYABLE

During 2009, the Organization executed a predevelopment loan with MaineHousing. Under the terms of the loan agreement, MaineHousing agreed to advance up to \$60,000 for certain predevelopment costs associated with the development of an affordable housing project. At December 31, 2009, \$28,161 of loan funds had been advanced. During 2010, the loan was repaid from USDA-RD grant proceeds. Due to a clerical error on the part of MaineHousing, the outstanding loan balance was overpaid by \$3,500. At December 31, 2010, \$3,500 was due from MaineHousing. This amount was received during 2011.

During 2011, the Organization executed a loan with Coastal Enterprise Inc. The loan bears interest of 6.5% per annum and is secured by real property. Monthly payments of \$1,653 are due until the maturity date of February 1, 2018. The balance of the loan as of December 31, 2011 was \$126,364.

During 2011, the Organization executed a mortgage loan with USDA - Rural Development. The loan bears interest of 1% per annum. Monthly payments of \$532 are due until the maturity date of March 1, 2044. The balance of the loan as of December 31, 2011 was \$175,778.

Maturities of long-term debt for the next five years and thereafter are as follows:

2012	\$ 17,110
2013	17,505
2014	18,410
2015	19,374
2016	20,399
Thereafter	209,344
	<u>\$ 302,142</u>

NOTE 3 - ACCOUNTS PAYABLE - CONSTRUCTION

During 2009, the Organization began to develop a low income housing project. At December 31, 2010, construction costs payable totaled \$8,045.

NOTE 4 - FUNCTIONAL EXPENSES

The costs of providing the program are summarized on a functional basis as follows:

	<u>2011</u>	<u>2010</u>
Program Services		
Program Expenses	\$ 178,859	\$ 82,850
Supporting Services		
General and Administrative	38,579	26,947
Fundraising	6,978	13,166
	<u>\$ 224,416</u>	<u>\$ 122,963</u>

HAND IN HAND/MANO EN MANO

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporary restrictions on net assets at December 31, 2011 and 2010 are related to funds raised from various sources which are to be used to provide educational assistance to local individuals. At December 31, 2011 and 2010, the Organization had \$3,109 and \$4,258, respectively, of cash on hand which could only be used for scholarships.

NOTE 6 - DEVELOPMENT GRANT

During 2010, the Organization executed a grant agreement with USDA, Rural Development which provides up to \$1,005,722 of funds to be used for the development of an affordable housing project. During 2011 and 2010, the Organization received grant funds of \$646,005 and \$359,717, respectively.

SUPPLEMENTAL DATA

HAND IN HAND/MANO EN MANO
COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS				
	Operations	Apartments	Elimination	Total
CURRENT ASSETS				
Cash - Unrestricted	\$ 40,332	\$ 13,897	\$ -	\$ 54,229
Cash - Restricted	3,109	-	-	3,109
Cash - Escrows				
Tax and Insurance	-	100	-	100
Replacement Reserve	-	7,377	-	7,377
Tenant Security Deposits	-	3,450	-	3,450
Total Cash	43,441	24,824	-	68,265
Total Current Assets	43,441	24,824	-	68,265
PROPERTY AND EQUIPMENT				
Land	-	95,553	-	95,553
Building	-	1,181,501	-	1,181,501
Equipment	3,394	24,709	-	28,103
Total	3,394	1,301,763	-	1,305,157
Less Accumulated Depreciation	2,176	16,047	-	18,223
Net Property and Equipment	1,218	1,285,716	-	1,286,934
NON-CURRENT ASSETS				
Investment in Hand in Hand Apartments	1,004,979	-	(1,004,979)	-
Total Non-current Assets	1,004,979	-	(1,004,979)	-
TOTAL ASSETS	\$ 1,049,638	\$ 1,310,540	\$ (1,004,979)	\$ 1,355,199
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable - Operations	\$ 269	\$ -	\$ -	\$ 269
Tenant Security Deposits	-	3,450	-	3,450
Current Portion of Long-term Debt	-	17,110	-	17,110
Total Current Liabilities	269	20,560	-	20,829
LONG-TERM LIABILITIES				
Note Payable - Coastal Enterprises Inc.	-	126,364	-	126,364
Note Payable - USDA Rural Development	-	175,778	-	175,778
Less Current Portion	-	302,142	-	302,142
Total Non-current Liabilities	-	17,110	-	17,110
Total Non-current Liabilities	-	285,032	-	285,032
TOTAL LIABILITIES	269	305,592	-	305,861
NET ASSETS				
Unrestricted Net Assets	1,046,260	1,004,948	(1,004,979)	1,046,229
Temporarily Restricted Net Assets	3,109	-	-	3,109
TOTAL NET ASSETS	1,049,369	1,004,948	(1,004,979)	1,049,338
TOTAL LIABILITIES AND NET ASSETS	\$ 1,049,638	\$ 1,310,540	\$ (1,004,979)	\$ 1,355,199

HAND IN HAND/MANO EN MANO

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2011

	<u>Operations</u>	<u>Apartments</u>	<u>Elimination</u>	<u>Total</u>
INCOME				
Foundation Grants	\$ 80,467	\$ -	\$ -	\$ 80,467
Development Grant	646,005	-	-	646,005
Contributions	18,263	-	-	18,263
Program Service Fees	103,058	-	-	103,058
Tenant Rent	-	15,981	-	15,981
Tenant Subsidy	-	21,447	-	21,447
Miscellaneous	675	1,983	-	2,658
Interest	81	10	-	91
	<u>848,549</u>	<u>39,421</u>	<u>-</u>	<u>887,970</u>
EXPENSES				
Administrative	34,941	3,638	-	38,579
Program Services	135,555	-	-	135,555
Maintenance	-	6,381	-	6,381
Utilities	-	7,043	-	7,043
Fundraising	6,978	-	-	6,978
Occupancy	4,943	-	-	4,943
Depreciation	1,004	16,047	-	17,051
Insurance	1,543	2,110	-	3,653
Real Estate Taxes	-	2,931	-	2,931
Interest	-	1,302	-	1,302
	<u>184,964</u>	<u>39,452</u>	<u>-</u>	<u>224,416</u>
Increase (Decrease) in Net Assets	663,585	(31)	-	663,554
Net Assets, Beginning of Year	385,784	-	-	385,784
Capital Contributions	-	1,004,979	(1,004,979)	-
Net Assets, End of Year	<u>\$ 1,049,369</u>	<u>\$ 1,004,948</u>	<u>\$ (1,004,979)</u>	<u>\$ 1,049,338</u>

HAND IN HAND/MANO EN MANO

SCHEDULE OF EXPENSES

For the Year Ended December 31, 2011

	Operations	Apartments	Total
ADMINISTRATIVE			
Management Fees	\$ -	\$ 1,792	\$ 1,792
Advertising	550	1,426	1,976
Travel and Conferences	3,224	-	3,224
Accounting	3,198	-	3,198
Information Technology	4,010	-	4,010
Wages	19,293	400	19,693
Payroll Taxes and Benefits	1,464	-	1,464
Dues and Subscriptions	100	-	100
Other	3,102	20	3,122
Total Administrative	<u>34,941</u>	<u>3,638</u>	<u>38,579</u>
PROGRAM SERVICES			
Advertising	414	-	414
Travel and Conferences	9,848	-	9,848
Professional Fees	1,500	-	1,500
Information Technology	4,600	-	4,600
Scholarships	3,000	-	3,000
Wages	95,742	-	95,742
Payroll Taxes and Benefits	8,681	-	8,681
Dues and Subscriptions	350	-	350
Other	11,420	-	11,420
Total Program Services	<u>135,555</u>	<u>-</u>	<u>135,555</u>
MAINTENANCE			
Caretaker Salary	-	3,500	3,500
Supplies	-	412	412
Contract	-	2,469	2,469
Total Maintenance	<u>-</u>	<u>6,381</u>	<u>6,381</u>
UTILITIES			
Electric	-	1,353	1,353
Fuel	-	4,268	4,268
Garbage and Trash Removal	-	1,422	1,422
Total Utilities	<u>-</u>	<u>7,043</u>	<u>7,043</u>
OCCUPANCY			
Utilities	1,195	-	1,195
Rent	2,978	-	2,978
Miscellaneous Improvements	770	-	770
Total Occupancy	<u>4,943</u>	<u>-</u>	<u>4,943</u>
FUNDRAISING			
Advertising	2,078	-	2,078
Travel and Conferences	394	-	394
Accounting	3	-	3
Wages	3,847	-	3,847
Payroll Taxes and Benefits	314	-	314
Dues	100	-	100
Other	242	-	242
Total Fundraising	<u>6,978</u>	<u>-</u>	<u>6,978</u>
DEPRECIATION	<u>1,004</u>	<u>16,047</u>	<u>17,051</u>
INSURANCE	<u>1,543</u>	<u>2,110</u>	<u>3,653</u>
REAL ESTATE TAXES	<u>-</u>	<u>2,931</u>	<u>2,931</u>
INTEREST	<u>-</u>	<u>1,302</u>	<u>1,302</u>
Total Expenses	<u>\$ 184,964</u>	<u>\$ 39,452</u>	<u>\$ 224,416</u>

HAND IN HAND/MANO EN MANO

SCHEDULE OF EXPENSES

For the Year Ended December 31, 2010

ADMINISTRATIVE	
Advertising	\$ 320
Travel and Conferences	572
Accounting	1,997
Information Technology	2,388
Wages	17,258
Payroll Taxes and Benefits	2,710
Dues and Subscriptions	125
Office Utilities	443
Other	1,134
	<hr/>
Total Administrative	26,947
PROGRAM SERVICES	
Advertising	82
Travel and Conferences	9,652
Information Technology	940
Scholarships	3,900
Wages	47,498
Payroll Taxes and Benefits	3,982
Dues and Subscriptions	350
Contract Labor	9,800
Other	1,614
	<hr/>
Total Program Services	77,818
FUNDRAISING	
Advertising	1,043
Travel and Conferences	44
Wages	10,354
Payroll Taxes and Benefits	1,626
Dues	25
Other	74
	<hr/>
Total Fundraising	13,166
DEPRECIATION	
	<hr/>
	603
INSURANCE	
	<hr/>
	4,429
	<hr/>
Total Expenses	<u><u>\$ 122,963</u></u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Hand in Hand/Mano En Mano

We have audited the financial statements of Hand in Hand/Mano En Mano as of and for the year ended December 31, 2011, and have issued our report thereon dated June 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hand in Hand/Mano En Mano's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hand in Hand/Mano En Mano's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hand in Hand/Mano En Mano's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 21, 2012
South Portland, Maine



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON ITS
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Hand in Hand/Mano En Mano

Compliance

We have audited Hand in Hand/Mano En Mano's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Hand in Hand/Mano En Mano's major federal program for the year ended December 31, 2011. Hand in Hand/Mano En Mano's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Hand in Hand/Mano En Mano's management. Our responsibility is to express an opinion on Hand in Hand/Mano En Mano's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hand in Hand/Mano En Mano's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hand in Hand/Mano En Mano's compliance with those requirements.

As described in Finding 2011-1 on the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding procurement that are applicable to its major federal program. Compliance with such requirements is necessary, in our opinion, for Hand in Hand/Mano En Mano to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Hand in Hand/Mano En Mano complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Hand in Hand/Mano En Mano is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hand in Hand/Mano En Mano's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hand in Hand/Mano En Mano's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Hand in Hand/Mano En Mano's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hand in Hand/Mano En Mano's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 21, 2012
South Portland, Maine

HAND IN HAND/MANO EN MANO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? yes none reported
 Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.405	Farm Labor Housing Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

HAND IN HAND/MANO EN MANO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

For the Year Ended December 31, 2011

Section III - Federal Award Findings and Questioned Costs

Finding 2011-1

Criteria: OMB Circular A-110 requires the Organization to have written procurement procedures that require that solicitations incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured. The procurement procedures should also have written policies pertaining to ethical conduct.

Condition: The procurement policies and procedures provided to us for review did not contain written policies pertaining to ethical conduct or require that solicitations incorporate a clear and accurate description of the technical requirements for the material, product or service being procured.

Cause: The Organization was not aware that the various requirements described above needed to be included in its written procurement policies and procedures.

Effect: The Organization may not be in compliance with certain provisions of OMB Circular A-110 related to procurement.

Recommendation: The Organization should be sure its written procurement policies and procedures incorporate the requirements of OMB Circular A-110 before it engages in future procurement activities funded by federal awards.

Response: Although certain requirements were not included in the Organization's written procurement policy, the Organization worked very closely with USDA, Rural Development during its period of procurement activity. The Organization has updated its written procurement policy to address the items noted by the auditors.

HAND IN HAND/MANO EN MANO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Farm Labor Housing Loans and Grants	10.405	\$ 646,005
Rural Rental Housing Loans	10.415	<u>175,778</u>
Total U.S. Department of Agriculture		<u>821,783</u>
Total Expenditures of Federal Awards		<u><u>\$ 821,783</u></u>

NOTE: Federal expenditures for Program 10.415 represents the loan balance as of the audit date. The schedule is prepared on the accrual basis of accounting.