HAND IN HAND/MANO EN MANO

FINANCIAL STATEMENTS

With Independent Auditors' Report

DECEMBER 31, 2016 AND 2015

HAND IN HAND/MANO EN MANO

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

ARB
ALBIN, RANDALL & BENNETT
Certified Public Accountants ▪ Business Consultants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hand in Hand/Mano en Mano:

Report on the Financial Statements

We have audited the accompanying statement of financial position of Hand in Hand/Mano en Mano (the Organization) as of December 31, 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

Auditors' Responsibility

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 audits 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 auditors' 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 auditors consider 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.

130 MIDDLE STREET • P.O. BOX 445 • PORTLAND, ME 04112-0445 • TEL: (207) 772-1981 • FAX: (207) 772-1982
WWW.ARBCPA.COM

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, 2016, 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.

Prior Period Financial Statements

The financial statements of Hand in Hand/Mano en Mano, as of December 31, 2015, were audited by other auditors whose report dated August 5, 2016, expressed an unmodified opinion on those statements.

Albin, Randall & Bennett

June 30, 2017

HAND IN HAND/MANO EN MANO

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS:		
Cash	$ 176,345	82,110
Restricted reserve funds	91,803	75,792
Tenant security deposits	2,550	3,295
Accounts receivable	4,400	15,823
Total current assets	275,098	177,020
PROPERTY AND EQUIPMENT:		
Land	87,553	87,553
Land improvements	23,702	23,702
Building	1,181,501	1,184,851
Furniture and fixtures	25,764	24,709
	1,318,520	1,320,815
Less accumulated depreciation	181,465	148,166
Net property and equipment	1,137,055	1,172,649
	$ 1,412,153	1,349,669

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

		2016	2015
CURRENT LIABILITIES:			
Current portion of long-term debt	$	14,313	13,979
Accounts payable		7,543	-
Tenant security deposits		2,550	3,295
Deferred grant revenue		7,500	-
Total current liabilities		31,906	17,274
LONG-TERM DEBT, net of current portion		247,225	258,570
NET ASSETS:			
Unrestricted net assets		1,133,022	1,073,789
Temporarily restricted net assets		-	36
Total net assets		1,133,022	1,073,825
	$	1,412,153	1,349,669

HAND IN HAND/MANO EN MANO

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily restricted	Totals
PUBLIC SUPPORT, PROGRAM SERVICES, AND REVENUE:			
Public support:			
Grants	$ 137,860	-	137,860
Contributions	30,467	17,011	47,478
Total public support	168,327	17,011	185,338
Program services:			
Access to Essential Services	4,715	-	4,715
Advocacy	784	-	784
Migrant Education	584,217	-	584,217
Housing	86,444	-	86,444
Total program services	676,160	-	676,160
Revenue:			
Interest income	2,332	-	2,332
Other revenue	6,290	-	6,290
Total revenue	8,622	-	8,622
Net assets released by satisfaction of program restrictions	17,047	(17,047)	-
Total public support, program services, and revenue	870,156	(36)	870,120
EXPENSES:			
Program services	697,335	-	697,335
Management and general	102,385	-	102,385
Fundraising	11,203	-	11,203
Total expenses	810,923	-	810,923
Change in net assets	59,233	(36)	59,197
Net assets at beginning of year	1,073,789	36	1,073,825
NET ASSETS AT END OF YEAR	$ 1,133,022	-	1,133,022

See accompanying notes to financial statements.

HAND IN HAND/MANO EN MANO

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily restricted	Totals
PUBLIC SUPPORT, PROGRAM SERVICES, AND REVENUE:			
Public support:			
Grants	$ 52,000	85,958	137,958
Contributions	23,399	7,562	30,961
Total public support	75,399	93,520	168,919
Program services:			
Access to Essential Services	3,425	-	3,425
Advocacy	266	-	266
Migrant Education	527,952	-	527,952
Housing	83,429	-	83,429
Total program services	615,072	-	615,072
Revenue:			
Interest income	1,238	-	1,238
Other revenue	7,085	-	7,085
Total revenue	8,323	-	8,323
Net assets released by satisfaction of program restrictions	96,488	(96,488)	-
Total public support, program services, and revenue	795,282	(2,968)	792,314
EXPENSES:			
Program services	691,512	-	691,512
Management and general	82,995	-	82,995
Fundraising	9,456	-	9,456
Total expenses	783,963	-	783,963
Change in net assets	11,319	(2,968)	8,351
Net assets at beginning of year	1,062,470	3,004	1,065,474
NET ASSETS AT END OF YEAR	$ 1,073,789	36	1,073,825

See accompanying notes to financial statements.

HAND IN HAND/MANO EN MANO

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
OPERATING ACTIVITIES:		
Increase in net assets	$ 59,197	8,351
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	33,299	33,540
Loss on disposal of property and equipment	3,350	5,500
Changes in operating assets and liabilities:		
Accounts receivable	11,423	(15,823)
Accounts payable	7,543	-
Deferred grant revenue	7,500	(7,295)
Net cash provided by operating activities	122,312	24,273
INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,055)	-
Net deposits to restricted reserve funds	(16,011)	(16,290)
Net cash used by investing activities	(17,066)	(16,290)
FINANCING ACTIVITY - Repayment of long-term debt	(11,011)	(13,377)
Increase (decrease) in cash	94,235	(5,394)
Cash at beginning of year	82,110	87,504
CASH AT END OF YEAR	$ 176,345	82,110

See accompanying notes to financial statements.

HAND IN HAND/MANO EN MANO

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	Program Services				
	Access to Essential Services	Advocacy	Migrant Education	Housing	Total
Salaries and wages	$ 26,454	44,509	293,258	1,300	365,521
Payroll taxes	2,590	4,256	29,165	-	36,011
Employee benefits	1,124	2,843	13,320	-	17,287
Total personnel	30,168	51,608	335,743	1,300	418,819
Advertising	7	30	-	131	168
Depreciation	-	-	-	33,299	33,299
Grants to other organizations	-	2,600	-	-	2,600
Independent contractor	75	6,450	6,405	-	12,930
Information technology	199	385	8,976	-	9,560
Insurance	-	-	268	2,580	2,848
Interest expense	-	-	-	10,443	10,443
Office expense	350	1,425	11,271	1,008	14,054
Other program expenses	1,620	3,035	353	-	5,008
Legal and accounting fees	-	-	-	2,510	2,510
Professional and outside services	1,442	4,539	11,415	4,615	22,011
Rent expense	-	-	11,300	-	11,300
Repairs and maintenance	-	-	4,954	22,678	27,632
Student services	-	-	38,910	-	38,910
Property taxes	-	-	-	5,000	5,000
Travel	2,460	4,360	44,891	-	51,711
Utilities	403	524	1,709	11,153	13,789
Scholarships	12,500	1,265	-	-	13,765
Miscellaneous expense	15	-	459	504	978
Total other expenses	19,071	24,613	140,911	93,921	278,516
Total functional expenses	$ 49,239	76,221	476,654	95,221	697,335

See accompanying notes to financial statements.

Support Services		Totals	
Management and general	Fundraising	2016	2015
31,135	6,067	402,723	404,906
2,238	527	38,776	39,801
2,552	416	20,255	13,084
35,925	7,010	461,754	457,791
-	942	1,110	1,832
-	-	33,299	33,540
-	-	2,600	8,000
-	-	12,930	9,660
7,828	1,416	18,804	15,698
4,484	-	7,332	8,447
292	-	10,735	9,899
5,412	1,263	20,729	21,467
-	-	5,008	5,498
4,587	-	7,097	4,633
6,946	-	28,957	29,806
17,700	-	29,000	12,300
7,114	-	34,746	36,216
-	-	38,910	37,560
-	-	5,000	5,000
5,596	44	57,351	48,008
5,493	-	19,282	18,284
-	-	13,765	18,283
1,008	528	2,514	2,041
66,460	4,193	349,169	326,172
102,385	11,203	810,923	783,963

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization - Hand in Hand/Mano en Mano (the Organization) was established in 2005 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.

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation - The Organization's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that require net assets to be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. The Organization determines its past due receivables based on contractual terms and generally does not assess finance charges on past due receivables. The Organization uses the allowance method of accounting for doubtful accounts. Losses are charged to the allowance when considered uncollectible. All accounts receivable are considered collectible at December 31, 2016 and 2015.

Property and equipment - Property and equipment are recorded at cost. Donated property is recorded at fair market value on the date received. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government agreements - Approximately 31% and 34% of the Organization's total public support, program services and revenue was received under an agreement with the State of Maine - Department of Education for the years ended December 31, 2016 and 2015, respectively.

Tax-exempt status - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Uncertain tax positions - U.S. GAAP prescribes a comprehensive model for how a company should measure, recognize, present and disclose in its financial statements uncertain tax positions that the Organization has taken or expects to take on a tax return. The Organization recognizes the tax benefits from uncertain tax positions if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Functional allocation of expenses - The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services.

Reclassifications - The financial statement presentation for 2015 has been changed to conform with the 2016 presentation. Total net assets and changes in net assets are unchanged as a result of the reclassifications.

Subsequent events - The Organization has evaluated events, if any, that have occurred subsequent to December 31, 2016 through June 30, 2017, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary. As disclosed in Note 8, the Organization entered into a long term lease agreement subsequent to year end.

2. LINE OF CREDIT

The Organization maintains a line of credit with Bar Harbor Bank & Trust with maximum borrowings of $200,000 and is secured by all business assets with a carrying value totaling $180,745 at December 31, 2016, exclusive of real estate and related assets. The line, which matures annually, bears interest at 2.75% above the U.S. Prime Rate (3.5% at December 31, 2016). According to the agreement, the line may be renewed at the request of the Organization, subject to review by the bank. No amounts were advanced on this line of credit at December 31, 2016 and 2015.

3. LONG-TERM DEBT

Long-term debt consists of the following:

	2016	2015
Mortgage payable to USDA - Rural Development due in monthly principal and interest installments of $532 through March 2044. The interest rate is fixed at 1.00%. Secured by real estate and related assets with a carrying value of $1,231,408 at December 31, 2016.	$ 152,096	156,927
Note payable to Coastal Enterprises, Inc. due in monthly principal and interest installments of $1,368 through March 2018 at which time all outstanding principal and interest is due. The interest rate is fixed at 6.50%. Secured by real estate with a carrying value of $1,137,055 at December 31, 2016.	109,442	115,622
	261,538	272,549
Less current portion	14,313	13,979
Net long-term debt	$ 247,225	258,570

Future maturities of long-term debt are as follows:

2017	$ 14,313
2018	104,939
2019	4,979
2020	5,029
2021	5,079
Thereafter	127,199
	$ 261,538

4. RESTRICTED USE OF NET ASSETS

Temporarily restricted net assets are restricted to:

	2016	2015
Passamaquoddy Language and Culture Class	$ -	26
Maine State Tutor Corps	-	10
	$ -	36

5. RENTAL ASSISTANCE AGREEMENT

The Organization has entered into a rental assistance agreement with USDA - Rural Development which provides payments to owners of USDA-financed Farm Labor Housing projects on behalf of low-income tenants unable to pay their full rent.

6. EMPLOYEE BENEFIT PLAN

The Company sponsors a Simple IRA plan (the Plan) administered under the provisions of Section 408(p) of the Internal Revenue Code. For each calendar year, the Organization will contribute a matching contribution for each eligible employee's Simple IRA equal to the employee's salary reduction contribution up to a limit of 3% of the employee's compensation. Total contributions to the Plan were approximately $7,900 and $8,200 for the years ended December 31, 2016 and 2015, respectively.

7. CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments exposed to concentration of credit risk consist primarily of cash. The Organization maintains cash balances with a bank that is a member of the Federal Deposit Insurance Corporation (FDIC) up to a maximum amount of $250,000. At times, the Organization maintains cash balances with financial institutions in excess of amounts federally insured. Management does not believe it is exposed to significant risk with respect to cash balances.

8. COMMITMENTS

Restricted reserve funds - The Organization is required to fund a replacement reserve account for expected future costs for its apartment building in the amount of $1,375 per month. In addition, the Organization funds a tax and insurance reserve account.

Lease agreements - On June 12, 2017, the Organization entered into an agreement to lease property located in Milbridge, Maine under an operating lease. The lease term will commence upon issuance of an occupancy permit and continue for a twenty year term. The quarterly lease payment is $5,595 subject to escalation provisions. The Organization is responsible for utilities and routine maintenance.

9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2016	2015
Cash paid for interest	$ 8,812	9,899