

FINANCIAL STATEMENTS

mothers2mothers International Inc.

DECEMBER 31, 2013 AND 2012

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JARVIS W. IRVING & COMPANY, LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
mothers2mothers International Inc.

We have audited the accompanying financial statements of mothers2mothers International Inc. (the Organization), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 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 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 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 mothers2mothers International Inc. as of December 31, 2013 and 2012, and the changes in their net assets, their functional expenses and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

New York, New York
May 27, 2014



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mothers2mothers International Inc.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	ASSETS	
	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,685,869	\$ 3,279,829
Total cash and cash equivalents	<u>3,685,869</u>	<u>3,279,829</u>
Grants & contributions receivable	67,987	582,322
Travel advances and other receivables	<u>20,703</u>	<u>147,454</u>
TOTAL CURRENT ASSETS	3,774,559	4,009,604
Furniture, equipment, vehicles & software, net (Note 5)	2,443	3,665
Refundable deposits	<u>1,200</u>	<u>1,200</u>
TOTAL ASSETS	<u>\$ 3,778,202</u>	<u>\$ 4,014,469</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 691,300	\$ 784,600
Deferred Revenue	<u>541,240</u>	<u>299,321</u>
Total liabilities	1,232,540	1,083,921
NET ASSETS		
Unrestricted	484,631	457,580
Temporarily restricted	<u>2,061,031</u>	<u>2,472,968</u>
Total net assets	2,545,662	2,930,548
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,778,202</u>	<u>\$ 4,014,469</u>

See accompanying notes to the financial statements

mothers2mothers International Inc.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants and contracts: (Note 4)						
Corporate Grants	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,150,000	\$ 2,150,000
Foundation Grants	372,740	1,423,206	1,795,946	1,759,573	1,524,997	3,284,570
Grants from Affiliated Organisations	1,181	471,710	472,891	65,860	311,005	376,865
Contributions:						
Individual and private donations	395,704	5,767	401,471	228,384	-	228,384
Corporate donations	45,357	-	45,357	77,362	-	77,362
Foundation donations	456,707	-	456,707	384,030	-	384,030
In-kind donations	-	-	-	-	-	-
Other Income	4,632	-	4,632	(37,687)	33,223	(4,464)
Net assets released from restrictions (Note 3)	4,312,620	(4,312,620)	-	1,546,257	(1,546,257)	-
Total revenue and support	5,588,941	(411,937)	5,177,004	4,023,778	2,472,968	6,496,746
EXPENSES						
Program services	4,713,463	-	4,713,463	3,093,173	-	3,093,173
Supporting Services:						
Management and General	557,393	-	557,393	594,645	-	594,645
Fundraising	359,916	-	359,916	434,025	-	434,025
Total supporting services	917,309	-	917,309	1,028,670	-	1,028,670
Total expenses	5,630,772	-	5,630,772	4,121,843	-	4,121,843
Changes in net assets before other items	(41,831)	(411,937)	(453,768)	(98,065)	2,472,968	2,374,904
OTHER ITEMS						
Foreign exchange gain/(loss)	68,882	-	68,882	-	-	-
CHANGES IN NET ASSETS	\$ 27,051	\$ (411,937)	\$ (384,886)	\$ (98,065)	\$ 2,472,968	\$ 2,374,904

See accompanying notes to the financial statements

mothers2mothers International Inc.

STATEMENT OF CHANGES IN NET ASSETS For the Year Ended December 31, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets at January 1, 2012	\$ 555,645	-	555,645
Change in net assets	<u>(98,065)</u>	<u>2,472,968</u>	<u>2,374,904</u>
Net assets at December 31, 2012	457,580	2,472,968	2,930,548
Change in net assets	<u>27,051</u>	<u>(411,937)</u>	<u>(384,886)</u>
NET ASSETS AT DECEMBER 31, 2013	\$ <u><u>484,631</u></u>	\$ <u><u>2,061,031</u></u>	\$ <u><u>2,545,662</u></u>

See accompanying notes to the financial statements

mothers2mothers International Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

Expense Description	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Grants, contracts & direct assistance	\$ 4,006,059	\$ -	\$ -	\$ -	\$ 4,006,059
Sub-total grants & awards	4,006,059	-	-	-	4,006,059
Salaries & wages	529,040	247,927	199,358	447,285	976,325
Fringe benefits	129,345	217,673	64,497	282,170	411,515
Sub-total personnel	658,385	465,600	263,855	729,455	1,387,840
Professional fees	53,662	50,011	7,385	57,396	111,058
Equipment	-	859	-	859	859
Supplies	-	-	3,089	3,089	3,089
Communication expense	-	248	6,170	6,418	6,418
Occupancy expense	-	-	21,263	21,263	21,263
Computer maintenance	-	-	301	301	301
Printing and duplicating	-	-	1,330	1,330	1,330
Travel	4,956	27,904	16,667	44,571	49,527
Conferences, conventions & meetings	1,850	1,513	449	1,962	3,812
Depreciation	-	-	1,222	1,222	1,222
Insurance	2,821	10,849	441	11,290	14,111
Learning and development	-	-	98	98	98
Other expenses	(14,270)	409	37,646	38,055	23,785
Sub-total other expenses	49,019	91,793	96,061	187,854	236,873
TOTAL EXPENSES	\$ 4,713,463	\$ 557,393	\$ 359,916	\$ 917,309	\$ 5,630,772

See accompanying notes to the financial statements

mothers2mothers International Inc.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2012

Expense Description	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Grants, contracts & direct assistance	\$ 2,408,989	\$ -	\$ -	\$ -	\$ 2,408,989
Sub-total grants & awards	2,408,989	-	-	-	2,408,989
Salaries & wages	412,014	297,048	308,834	605,883	1,017,896
Fringe benefits	120,953	163,148	52,605	215,754	336,706
Sub-total personnel	532,966	460,197	361,440	821,636	1,354,603
Professional fees	98,501	112,259	14,291	126,550	225,050
Equipment	-	-	1,000	1,000	1,000
Supplies	-	31	1,223	1,253	1,253
Communication expense	95	25	7,470	7,496	7,591
Occupancy expense	1,816	-	19,865	19,865	21,681
Computer maintenance	-	-	129	129	129
Printing and duplicating	-	111	1,073	1,184	1,184
Travel	17,435	24,717	23,726	48,443	65,878
Conferences, conventions & meetings	8,642	2,604	7,889	10,493	19,135
Depreciation	-	-	1,222	1,222	1,222
Insurance	950	-	7,843	7,843	8,793
Learning and development	-	-	869	869	869
Other expenses	111	1,451	2,906	4,357	4,468
Sub-total other expenses	127,550	141,199	89,504	230,702	358,252
TOTAL EXPENSES	\$ 3,069,505	\$ 601,395	\$ 450,943	\$ 1,052,339	\$ 4,121,844

See accompanying notes to the financial statements

mothers2mothers International Inc.

STATEMENT OF CASH FLOWS

For the year ended 31 December, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (384,886)	\$ 2,374,904
Adjustments to reconcile changes in net assets Net cash provided (used) by operating activities:		
Depreciation and amortization	1,222	1,222
(Increase) decrease in:		
Grants receivable	514,335	(567,571)
Travel advances and other receivables	126,751	(47,882)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>148,618</u>	<u>370,765</u>
Net cash provided (used) by operating activities	<u>406,040</u>	<u>2,131,438</u>
Net increase (decrease) in cash and cash equivalents	406,040	2,131,438
Cash and cash equivalents at beginning of year	<u>3,279,829</u>	<u>1,148,391</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,685,869</u>	<u>\$ 3,279,829</u>

See accompanying notes to the financial statements

mothers2mothers International Inc.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization –

mothers2mothers International, Inc. is a non-profit, non-governmental, non-religious organization incorporated in November 2008 under the laws of the State of Delaware pursuant to Section 501(c)(3) of the Internal Revenue Code and commenced operations in July 2009.

mothers2mothers is an innovative mentoring program offering comprehensive support for HIV positive pregnant women and new mothers.

Basis of presentation -

The accompanying financial statements have been prepared on the accrual basis of accounting following the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements Of Not-For-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

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

- *Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

- *Permanently restricted net assets* – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

Cash and cash equivalents –

mothers2mothers considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Property, Furniture, equipment, vehicles and leasehold improvements –

Property, furniture, equipment, vehicles and leasehold improvements with costs in excess of \$700 are capitalized and stated at cost less accumulated depreciation.

Depreciation and amortization of property, plant, equipment and furniture is computed using the straight-line method over the estimated useful lives of the asset as follows:

<u>Class of Property</u>	<u>Average useful life</u>
Property	3 - 5 years
Motor Vehicles	5 years
Office and computer equipment	3 - 5 years
Furniture and fittings	3 - 7 years
Software	3 - 5 years

mothers2mothers International Inc.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

(Continued)

Income taxes -

mothers2mothers International is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Accordingly, no provision for income taxes has been made in the accompanying financial statements. **mothers2mothers** has been classified by the Internal Revenue Service as a public charity under section 170(b)(1)(A)(vi) of the Internal Revenue Code and is not considered a private foundation.

Uncertain tax positions –

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2013, **mothers2mothers** has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of **mothers2mothers** and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor imposed stipulations that will be met by the actions of **mothers2mothers** and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Revenue Recognition –

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statement of activities.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

mothers2mothers International Inc.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

(Continued)

Grants receivable –

Amounts to be received in the future are recorded as grants receivable in the Statements of Financial Position. All grants receivable are considered to be collectible within one year unless otherwise stated by the donor.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. CONCENTRATION OF CREDIT RISK

At times during the year, **mothers2mothers** maintains cash balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk in these situations to be minimal.

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of net assets which were released from donor restrictions by incurring expenses, which satisfied the donor-specified restrictions:

	<u>2013</u>	<u>2012</u>
Anonymous (Fidelity Charitable Gift Fund)	\$ -	\$ 15,986
Chevron USA Inc	21,724	9,329
Izumi - International	-	19,804
Johnson and Johnson (International)	1,933,526	894,629
MAC Aids Fund - International	373,327	30,778
Merck & Co Inc.	70,748	22,531
Skoll Foundation	1,199,673	145,080
Wallace Global Fund	29,673	59,340
m2m South Africa	473,771	313,412
Bohemian Foundation	100,000	-
AgeWell Global	60,871	-
Stephen Lewis Foundation	36,923	-
Mitchell J Besser, MD	5,767	-
NBD Nigeria Privately Funded Project	6,617	-
Other	-	35,369
	<u>\$ 4,312,620</u>	<u>\$ 1,546,257</u>

mothers2mothers International Inc.

NOTES TO FINANCIAL STATEMENTS

4. GRANTS

mothers2mothers International receives grants from various donors.

	2013	2012
Anonymous Charitable Fidelity	\$ -	\$ 60,000
Bickerstaff Foundation	108,666	1,000,000
Chevron USA Inc	-	150,000
Segal Foundation	50,000	50,000
Izumi International	-	18,520
Johnson and Johnson (International)	1,955,800	2,000,000
Jasmine Trust	300,000	199,975
m2m South Africa	-	310,919
MAC Aids Fund - International	330,000	30,778
Merck & Co Inc.	69,798	115,798
Mulago Foundation	400,000	200,000
Oil Aid	-	104,598
Skoll Foundation	780,000	1,250,000
Starr Foundation	125,000	125,000
Wallace Global Fund	50,000	50,000
Gillian McCain	75,000	-
Stephen Lewis Foundation	34,813	-
Nancy Gallt	31,842	-
Leslie Brunner	25,000	-
Athena Health	25,000	-
Edward Matthews	80,000	-
Bohemian Foundation	100,048	-
Keane Family Foundation	112,000	-
Barr Foundation	400,000	-
Other	276,404	145,860
TOTAL GRANTS	\$ 5,329,371	\$ 5,811,448

5. FURNITURE, EQUIPMENT, VEHICLES, SOFTWARE AND LEASEHOLD IMPROVEMENTS

Furniture & fittings, equipment, vehicles and software consist of the following at December 31, 2013 and 2012:

	2013	2012
Software	\$ 6,109	\$ 6,109
	6,109	6,109
Less:		
Accumulated depreciation and amortization	(3,666)	(2,444)
	\$ 2,443	\$ 3,665

Depreciation and amortization expense totaled \$1,222 and \$1,222 for the year ended December 31, 2013 and 2012 respectively.

mothers2mothers International Inc.

NOTES TO FINANCIAL STATEMENTS

6. SUBSEQUENT EVENTS

In preparing these financial statements, **mothers2mothers** has evaluated events and transactions for potential recognition or disclosure through May 2014, the date the financial statements were issued.