

## FINANCIAL STATEMENTS



# MOTHERS2MOTHERS INTERNATIONAL, INC.

FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND 2013

**MOTHERS2MOTHERS INTERNATIONAL, INC.**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
mothers2mothers International, Inc.  
Los Angeles, California

We have audited the accompanying financial statements of the mothers2mothers International, Inc. (m2m I), which comprise the statements of financial position as of December 31, 2014, and the related statements of activities and changes in net assets 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 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 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 m2m I as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## **Report on Prior Year Comparative Statements**

The financial statements of m2m I for the year ended December 31, 2013 were audited by other auditors, whose report dated May 27, 2014, expressed an unmodified opinion on those statements.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on pages 11 - 12 are presented for purposes of additional analysis and are not a required part of the 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 audit 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

September 30, 2015

## MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014 AND 2013

## ASSETS

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,495,883	\$ 3,685,869
Accounts receivable	14,263	20,703
Grants and contributions receivable (Note 4)	<u>260,415</u>	<u>67,987</u>
Total current assets	<u>2,770,561</u>	<u>3,774,559</u>
<b>FIXED ASSETS</b>		
Computer equipment	6,109	6,109
Less: Accumulated depreciation and amortization	<u>(6,109)</u>	<u>(3,666)</u>
Net fixed assets	<u>-</u>	<u>2,443</u>
<b>OTHER ASSETS</b>		
Deposits	2,200	1,200
Loan to m2m UK (Note 6)	<u>155,320</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,928,081</u></b>	<b><u>\$ 3,778,202</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 366,287	\$ 691,300
Deferred revenue and support	<u>-</u>	<u>541,240</u>
Total current liabilities	<u>366,287</u>	<u>1,232,540</u>
<b>NET ASSETS</b>		
Unrestricted	1,156,907	484,631
Temporarily restricted (Note 2)	<u>1,404,887</u>	<u>2,061,031</u>
Total net assets	<u>2,561,794</u>	<u>2,545,662</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,928,081</u></b>	<b><u>\$ 3,778,202</u></b>

## MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>						
Grants and contracts:						
Corporate and foundation grants	\$ 385,000	\$ 3,098,586	\$3,483,586	\$ 372,740	\$ 3,423,206	\$3,795,946
Grants and contracts from affiliates (Note 5)	216,126	395,343	611,469	1,181	471,710	472,891
Contributions:						
Individual and private donations	706,388	-	706,388	395,704	5,767	401,471
Corporate donations	1,161,025	25,000	1,186,025	502,064	-	502,064
Other income	3,608	-	3,608	4,632	-	4,632
Net assets released from donor restrictions (Note 2)	4,175,073	(4,175,073)	-	4,312,620	(4,312,620)	-
Total revenue and support	6,647,220	(656,144)	5,991,076	5,588,941	(411,937)	5,177,004
<b>EXPENSES</b>						
Program Services	5,145,999	-	5,145,999	4,713,463	-	4,713,463
Supporting Services:						
Management and General	264,492	-	264,492	557,393	-	557,393
Fundraising	505,265	-	505,265	359,916	-	359,916
Total supporting services	769,757	-	769,757	917,309	-	917,309
Total expenses	5,915,756	-	5,915,756	5,630,772	-	5,630,772
Change in net assets before other item	731,464	(656,144)	75,320	(41,831)	(411,937)	(453,768)
<b>OTHER ITEM</b>						
Foreign exchange (gain) loss	(59,188)	-	(59,188)	68,882	-	68,882
Changes in net assets	672,276	(656,144)	16,132	27,051	(411,937)	(384,886)
Net assets at beginning of year	484,631	2,061,031	2,545,662	457,580	2,472,968	2,930,548
<b>NET ASSETS AT END OF YEAR</b>	<b>\$1,156,907</b>	<b>\$ 1,404,887</b>	<b>\$2,561,794</b>	<b>\$ 484,631</b>	<b>\$ 2,061,031</b>	<b>\$2,545,662</b>

See accompanying notes to financial statements.

**MOTHERS2MOTHERS INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 16,132	\$ (384,886)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	2,443	1,222
(Increase) decrease in:		
Travel advances and other receivables	6,440	126,751
Grants and contributions receivable	(192,428)	514,335
Deposits	(1,000)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	(325,013)	148,618
Deferred revenue and support	<u>(541,240)</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(1,034,666)</u>	<u>406,040</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan disbursement to m2m UK	<u>(155,320)</u>	<u>-</u>
Net cash used by investing activities	<u>(155,320)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(1,189,986)	406,040
Cash and cash equivalents at beginning of year	<u>3,685,869</u>	<u>3,279,829</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,495,883</u></b>	<b><u>\$ 3,685,869</u></b>

**MOTHERS2MOTHERS INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

mothers2mothers International, Inc. (m2m I) a non-profit, non-governmental, non-religious organization was 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.

m2m I is an innovative mentoring program offering comprehensive support for HIV positive pregnant women and new mothers.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

m2m I considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). m2m I maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

Grants and contributions receivable and accounts receivable -

Grants and contributions receivable and accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. All grants receivable are considered to be collectible within one year unless otherwise stated by the donor.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the years ended December 31, 2014 and 2013 totaled \$2,443 and \$1,222, respectively.

Income taxes -

m2m I is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. m2m I is not a private foundation.



MOTHERS2MOTHERS INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Uncertain tax positions -

For the years ended December 31, 2014 and 2013, m2m I has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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 m2m I 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 m2m I 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 and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Conditional contributions are recorded when the conditions have been substantially met. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

m2m I receives funding under grants and contracts from international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**MOTHERS2MOTHERS INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

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 and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**2. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
AgeWell Global	\$ 1,553	\$ -
Anonymous 2013/2014	-	80,000
BARR Foundation	239,664	400,000
Bohemian Foundation	67,217	-
Chevron USA Inc.	108,268	112,330
Elizabeth Taylor AIDS Foundation	87,031	-
Jasmine Foundation	-	300,000
Johnson and Johnson	749,471	1,121,845
m2m SA	(75)	(7,556)
Merck & Company Inc.	3,821	27,080
Red Ribbon Foundation	-	15,000
Skoll Foundation	124,020	-
Stephen Lewis Foundation	<u>23,917</u>	<u>12,332</u>
	<b><u>\$ 1,404,887</u></b>	<b><u>\$ 2,061,031</u></b>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2014</u>	<u>2013</u>
AgeWell Global	\$ 435,867	\$ 60,871
Anonymous 2013/2014	80,000	-
BARR Foundation	360,336	-
Bohemian Foundation	7,783	100,000
Chevron USA Inc.	4,062	21,724
Elizabeth Taylor AIDS Foundation	11,969	-
Jasmine Foundation	300,000	-
Johnson and Johnson	2,027,375	1,933,526
m2m SA	387,862	473,771
MAC Aids Fund-International	5,993	373,327
Merck & Company Inc.	73,259	70,748
Mitchell J. Besser, MD	-	5,767
NBD Nigeria privately funded project	-	6,617
Red Ribbon Foundation	15,000	-
Skoll Foundation	411,226	1,199,673
Stephen Lewis Foundation	43,340	36,923
Wallace Global Fund	<u>11,001</u>	<u>29,673</u>
	<b><u>\$ 4,175,073</u></b>	<b><u>\$ 4,312,620</u></b>

**MOTHERS2MOTHERS INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**3. LEASE COMMITMENTS**

m2m I leased office space in Los Angeles under a lease that ended in June 2014 and was extended another year through July 1, 2014. Office space was also rented in Washington, D.C. under a lease agreement that ended February 28, 2015. An extension on this lease was signed in June for the period July 1, 2015 through June 30, 2016.

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2015	\$ 24,500
2016	<u>11,700</u>
	<b><u>\$ 36,200</u></b>

Rent expense for the years ended December 31, 2014 and 2013 was \$34,298 and \$19,200, respectively.

**4. AGEWELL GLOBAL**

m2m I receives grants from AgeWell Global, an organization whose Executive Director is the Founder of m2m I. For the year ended December 31, 2014, m2m I received \$437,420 in grants from AgeWell Global; \$65,338 of this was a receivable as of December 31, 2014.

**5. MOTHER2MOTHERS SOUTH AFRICA (M2M SA)**

During the year ended December 31, 2014, m2m I was involved in several transactions with m2m SA (an affiliated organization which shares the same CEO as m2m I). During 2014, m2m I earned \$611,469 in technical and professional services revenue from m2m SA.

m2m I awarded \$3,473,541 in sub-awards to m2m SA during the year ended December 31, 2014 and also made an unrestricted donation of \$300,000. As of December 31, 2014, \$128,256 of this balance was recorded as a payable.

**6. LOAN TO MOTHERS2MOTHERS UK (M2M UK)**

During the year ended December 31, 2014, m2m I approved a loan to m2m UK. The loan is for 100,000 GBP, with the potential for an additional 50,000 GBP if needed. The loan is non-interest bearing, and is repayable within three years of disbursement. As of December 31, 2014, the U.S. Dollar value of the 100,000 GBP loaned totaled \$155,320.

**7. SUBSEQUENT EVENTS**

In preparing these financial statements, m2m I has evaluated events and transactions for potential recognition or disclosure through September 30, 2015, the date the financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

## MOTHERS2MOTHERS INTERNATIONAL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Grants, contracts and direct assistance	\$ 3,773,541	\$ -	\$ -	\$ -	\$ 3,773,541
Salaries and wages	844,591	156,505	290,296	446,801	1,291,392
Fringe benefits	361,913	62,954	78,409	141,363	503,276
Professional fees	72,435	21,561	26,275	47,836	120,271
Supplies	6,380	2,836	8,417	11,253	17,633
Communication expenses	935	42	6,393	6,435	7,370
Occupancy expenses	56,090	4,982	23,357	28,339	84,429
Computer maintenance	2,248	-	-	-	2,248
Printing and duplicating	-	-	101	101	101
Travel	25,740	14,199	52,466	66,665	92,405
Conferences, conventions, meetings	3,525	1,278	2,716	3,994	7,519
Depreciation	-	-	2,443	2,443	2,443
Insurance	4,746	-	13,012	13,012	17,758
Learning and development	-	-	28	28	28
Other expenses	(6,145)	135	1,352	1,487	(4,658)
<b>TOTAL</b>	<b><u>\$ 5,145,999</u></b>	<b><u>\$ 264,492</u></b>	<b><u>\$ 505,265</u></b>	<b><u>\$ 769,757</u></b>	<b><u>\$ 5,915,756</u></b>

## MOTHERS2MOTHERS INTERNATIONAL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Grants, contracts and direct assistance	\$ 4,006,059	\$ -	\$ -	\$ -	\$ 4,006,059
Salaries and wages	529,040	247,927	199,358	447,285	976,325
Fringe benefits	129,345	217,673	64,497	282,170	411,515
Professional fees	53,662	50,011	7,385	57,396	111,058
Equipment	-	859	-	859	859
Supplies	-	-	3,089	3,089	3,089
Communication expenses	-	248	6,170	6,418	6,418
Occupancy expenses	-	-	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
<b>TOTAL</b>	<b><u>\$ 4,713,463</u></b>	<b><u>\$ 557,393</u></b>	<b><u>\$ 359,916</u></b>	<b><u>\$ 917,309</u></b>	<b><u>\$ 5,630,772</u></b>