

FINANCIAL STATEMENTS



MOTHERS2MOTHERS INTERNATIONAL, INC.

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

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 mothers2mothers International, Inc. (m2m I), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets 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 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 audits 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 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, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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".

July 28, 2016

MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,542,838	\$ 2,495,883
Accounts receivable	8,564	14,263
Grants and contributions receivable (Notes 2 and 5)	288,730	260,415
Prepaid expenses	<u>4,342</u>	<u>-</u>
Total current assets	<u>2,844,474</u>	<u>2,770,561</u>
FIXED ASSETS		
Computer equipment	-	6,109
Less: Accumulated depreciation	<u>-</u>	<u>(6,109)</u>
Net fixed assets	<u>-</u>	<u>-</u>
OTHER ASSETS		
Deposits	2,200	2,200
Loan receivable from m2m UK (Note 7)	-	155,320
Grants and contributions receivable, net of current portion (Note 2)	<u>33,334</u>	<u>-</u>
Total other assets	<u>35,534</u>	<u>157,520</u>
TOTAL ASSETS	<u>\$ 2,880,008</u>	<u>\$ 2,928,081</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities (Note 6)	\$ <u>467,978</u>	\$ <u>366,287</u>
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NET ASSETS

Unrestricted	619,592	1,156,907
Temporarily restricted (Note 3)	<u>1,792,438</u>	<u>1,404,887</u>
Total net assets	<u>2,412,030</u>	<u>2,561,794</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,880,008</u>	<u>\$ 2,928,081</u>

MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants and contracts:						
Corporate and foundation grants and contracts	\$ 24,925	\$ 2,098,616	\$2,123,541	\$ 385,000	\$ 3,098,586	\$3,483,586
Affiliate grants and contracts (Note 6)	-	800,278	800,278	216,126	395,343	611,469
Contributions:						
Individual and private	363,983	-	363,983	706,388	-	706,388
Corporate	1,027,875	66,667	1,094,542	1,161,025	25,000	1,186,025
Other income	1,923	-	1,923	3,608	-	3,608
Net assets released from donor restrictions (Note 3)	2,578,010	(2,578,010)	-	4,175,073	(4,175,073)	-
Total revenue and support	3,996,716	387,551	4,384,267	6,647,220	(656,144)	5,991,076
EXPENSES						
Program Services	3,633,955	-	3,633,955	5,145,999	-	5,145,999
Supporting Services:						
Management and General	352,629	-	352,629	264,492	-	264,492
Fundraising	589,879	-	589,879	505,265	-	505,265
Total supporting services	942,508	-	942,508	769,757	-	769,757
Total expenses	4,576,463	-	4,576,463	5,915,756	-	5,915,756
Changes in net assets before other item	(579,747)	387,551	(192,196)	731,464	(656,144)	75,320
OTHER ITEM						
Foreign exchange gain (loss)	42,432	-	42,432	(59,188)	-	(59,188)
Changes in net assets	(537,315)	387,551	(149,764)	672,276	(656,144)	16,132
Net assets at beginning of year	1,156,907	1,404,887	2,561,794	484,631	2,061,031	2,545,662
NET ASSETS AT END OF YEAR	\$ 619,592	\$ 1,792,438	\$2,412,030	\$1,156,907	\$ 1,404,887	\$2,561,794

See accompanying notes to financial statements.

MOTHERS2MOTHERS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (149,764)	\$ 16,132
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	-	2,443
Forgiveness of loan disbursement to m2m UK	155,320	-
(Increase) decrease in:		
Accounts receivable	5,699	6,440
Grants and contributions receivable	(61,649)	(192,428)
Prepaid expenses	(4,342)	-
Deposits	-	(1,000)
Increase (decrease) in:		
Accounts payable and accrued liabilities	101,691	(325,013)
Deferred revenue and support	-	(541,240)
Net cash provided (used) by operating activities	<u>46,955</u>	<u>(1,034,666)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursement to m2m UK	<u>-</u>	<u>(155,320)</u>
Net cash used by investing activities	<u>-</u>	<u>(155,320)</u>
Net increase (decrease) in cash and cash equivalents	46,955	(1,189,986)
Cash and cash equivalents at beginning of year	<u>2,495,883</u>	<u>3,685,869</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,542,838</u>	<u>\$ 2,495,883</u>

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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. m2m I 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.

Grants, contributions 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, 2015 and 2014 totaled \$0 and \$2,443, 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.

Uncertain tax positions -

For the years ended December 31, 2015 and 2014, 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.

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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

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.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Conditional grants and contributions are recorded when the conditions have been substantially met. Temporarily restricted grants and contributions 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.

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.

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. GRANTS RECEIVABLE

As of December 31, 2015 and 2014, contributors to m2m I have made written promises to give totaling \$322,064 and \$260,415, respectively.

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. GRANTS RECEIVABLE (Continued)

Grants are due as follows at December 31, 2015 and 2014:

	2015	2014
Less than one year	\$ 288,730	\$ 260,415
One to five years	33,334	-
TOTAL GRANTS RECEIVABLE	\$ 322,064	\$ 260,415

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	2015	2014
AgeWell Global	\$ -	\$ 1,553
BARR Foundation	176,123	239,664
Bohemian Foundation	6,614	67,217
Chevron USA Inc.	105,786	108,268
Elizabeth Taylor AIDS Foundation	-	87,031
Imago Dei Fund	66,667	-
Johnson and Johnson Services, Inc.	1,052,935	749,471
m2m SA	-	(75)
MAC Aids Fund - International	248,506	-
Merck & Company Inc.	-	3,821
Segal Family Foundation	110,234	-
Skoll Foundation	-	124,020
Stephen Lewis Foundation	23,071	9,918
Wallace Global Fund	2,502	13,999
	\$ 1,792,438	\$ 1,404,887

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:

	2015	2014
AgeWell Global	\$ 1,553	\$ 435,867
Anonymous 2013/2014	-	80,000
BARR Foundation	238,541	360,336
Bohemian Foundation	135,603	7,783
Chevron USA Inc.	2,482	4,062
Elizabeth Taylor AIDS Foundation	112,031	11,969
Jasmine Foundation	-	300,000
Johnson and Johnson Services, Inc.	1,071,726	2,027,375
m2m SA	800,129	387,862
MAC Aids Fund-International	51,494	5,993
Merck & Company Inc.	3,821	73,259
Red Ribbon Foundation	-	15,000
Segal Family Foundation	6,433	-
Skoll Foundation	124,020	411,226
Stephen Lewis Foundation	18,680	43,340
Wallace Global Fund	11,497	11,001
	\$ 2,578,010	\$ 4,175,073

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. LEASE COMMITMENTS

m2m I leased office space in Los Angeles, California, under a lease that ended in June 2014, and was extended another year through July 1, 2015, then continued on a month-to-month basis afterwards. 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 2015 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, 2016	\$ <u>11,700</u>
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Rent expense for the years ended December 31, 2015 and 2014 was \$56,400 and \$34,298, respectively.

5. AGEWELL GLOBAL

The Executive Director of AgeWell Global is the founder of m2m I. During 2014, m2m I received a \$437,420 grant from AgeWell Global; \$0 and \$65,338 were receivable from AgeWell Global as of December 31, 2015 and 2014, respectively.

6. TRANSACTIONS WITH MOTHER2MOTHERS SOUTH AFRICA (M2M SA)

During the years ended December 31, 2015 and 2014, m2m I was involved in several transactions with mothers2mothers South Africa (m2m SA), an affiliated organization that shares the same CEO as m2m I. During 2015 and 2014, m2m I earned \$800,278 and \$611,469, respectively, for technical and professional services revenue from m2m SA.

m2m I awarded \$1,833,378 and \$3,474,541 in sub-awards to m2m SA during the years ended 2015 and 2014, respectively, and also made an unrestricted donation of \$300,000 each year. As of December 31, 2015 and 2014, included in accounts payable in the accompanying Statements of Financial Position are \$119,690 and \$128,256, respectively, of the annual grants due to m2m SA.

7. TRANSACTIONS WITH MOTHERS2MOTHERS UK (M2M UK)

During the year ended December 31, 2014, m2m I approved a non-interest bearing loan to m2m UK, repayable within three years of disbursement. The loan was for 100,000 GBP (\$155,320 USD), with the potential for an additional 50,000 GBP, if needed. During 2015, m2m I's Board of Director's voted unanimously to forgive repayment of the loan. In addition to the forgiven loan, m2m I made an unrestricted donation of \$45,000 to m2m UK.

8. SUBSEQUENT EVENTS

In preparing these financial statements, m2m I has evaluated events and transactions for potential recognition or disclosure through July 28, 2016, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

MOTHERS2MOTHERS INTERNATIONAL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 2,326,398	\$ -	\$ -	\$ -	\$ 2,326,398
Salaries and wages	758,331	156,022	351,581	507,602	1,265,933
Fringe benefits	330,754	113,212	119,643	232,855	563,609
Professional fees	66,435	41,416	31,954	73,370	139,805
Supplies	3,314	101	5,128	5,229	8,543
Communication expenses	1,164	82	5,592	5,673	6,837
Occupancy expenses	47,514	-	20,990	20,990	68,504
Computer maintenance	5,196	-	-	-	5,196
Printing and duplicating	-	138	156	294	294
Travel	69,333	29,813	34,745	64,558	133,891
Conferences, conventions, meetings	11,449	4,970	10,345	15,315	26,764
Insurance	14,067	-	2,985	2,985	17,052
Learning and development	-	990	49	1,039	1,039
Other expenses	-	5,885	6,711	12,597	12,597
TOTAL	<u>\$ 3,633,955</u>	<u>\$ 352,629</u>	<u>\$ 589,879</u>	<u>\$ 942,508</u>	<u>\$ 4,576,463</u>

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)
TOTAL	<u>\$ 5,145,999</u>	<u>\$ 264,492</u>	<u>\$ 505,265</u>	<u>\$ 769,757</u>	<u>\$ 5,915,756</u>