

**FINANCIAL STATEMENTS**

**mothers2mothers International Inc.**

**DECEMBER 31, 2011 AND 2010**

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# JARVIS W. IRVING & COMPANY, LLP

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Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
mothers2mothers International Inc.

We have audited the accompanying balance sheets of mothers2mothers International Inc. as of December 31, 2011 and 2010 and the related statements of operations and cash flows for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of 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 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 audit provides 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 mothers2mothers International Inc. and the results of its activities and cash flows for the years then ended in conformity with generally accepted accounting principles.

New York, New York  
October 22, 2012

*Jarvis W. Irving & Company LLP*

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104 Fifth Avenue · New York · NY 10011

Tel. 212.675.0856

Fax. 212.691.7908

**mothers2mothers International Inc.****STATEMENT OF FINANCIAL POSITION****DECEMBER 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,148,391	\$ 701,285
Total cash and cash equivalents	<u>1,148,391</u>	<u>701,285</u>
Grants & contributions receivable	14,751	-
Travel advances and other receivables	<u>99,572</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,262,714</b>	<b>701,285</b>
Furniture, equipment, and vehicles, net (Note 5)	4,887	6,109
Refundable deposits	<u>1,200</u>	<u>200</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,268,801</u></b>	<b>\$ <u>707,594</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 713,156	\$ 83,566
Total liabilities	713,156	83,566
<b>NET ASSETS</b>		
Unrestricted	555,645	607,338
Temporarily restricted	<u>-</u>	<u>16,690</u>
Total net assets	<u>555,645</u>	<u>624,028</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,268,801</u></b>	<b>\$ <u>707,594</u></b>

See accompanying notes to the financial statements.

# mothers**2**mothers International Inc.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011 and 2010

	<u>2011</u>			<u>2010</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>						
Grants and contracts: (Note 3)						
Corporate Grants	\$ 23,446	\$ 1,680,000	\$ 1,703,446	\$ 13,397	\$ -	\$ 13,397
Foundation Grants	2,538,875	240,000	2,778,875	99,302	-	99,302
Grants from Affiliated Organisation	660,403	664,237	1,324,640	2,171,842	-	2,171,842
Contributions:						
Individual and Private Donations	272,176	-	272,176	335,763	-	335,763
Foundation Donations	598,154	63,750	661,904	-	-	-
In-kind Donations	-	-	-	7,000	-	7,000
Other income	679	-	679	390	-	390
Net assets released from restrictions (Note 4)	2,647,177	(2,647,177)	-	14,200	(14,200)	-
<b>Total revenue and support</b>	<u>6,740,910</u>	<u>810</u>	<u>6,741,720</u>	<u>2,641,894</u>	<u>(14,200)</u>	<u>2,627,694</u>
<b>EXPENSES</b>						
Program services	5,295,383	-	5,295,383	2,266,271	-	2,266,271
Supporting Services:						
Management and General	749,597	-	749,597	13,381	-	13,381
Fundraising	765,123	-	765,123	460,755	-	460,755
<b>Total supporting services</b>	<u>1,514,720</u>	<u>-</u>	<u>1,514,720</u>	<u>474,136</u>	<u>-</u>	<u>474,136</u>
<b>Total expenses</b>	<u>6,810,103</u>	<u>-</u>	<u>6,810,103</u>	<u>2,740,407</u>	<u>-</u>	<u>2,740,407</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ (69,193)</u>	<u>\$ 810</u>	<u>\$ (68,383)</u>	<u>\$ (98,513)</u>	<u>\$ (14,200)</u>	<u>\$ (112,713)</u>

See accompanying notes to the financial statements.

**mothers<sup>2</sup>mothers International Inc.**

**STATEMENT OF CHANGES IN NET ASSETS**

**For the Year Ended December 31, 2011 and 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets at January 1, 2010	\$ 705,851	\$ 30,890	\$ 736,741
Change in net assets	<u>(98,513)</u>	<u>(14,200)</u>	<u>(112,713)</u>
<b>Net assets at December 31, 2010</b>	<b>607,338</b>	<b>16,690</b>	<b>624,028</b>
Prior period adjustment	17,500	(17,500)	-
Change in net assets	<u>(69,193)</u>	<u>810</u>	<u>(68,383)</u>
<b>NET ASSETS AT DECEMBER 31, 2011</b>	<b>\$ <u>555,645</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>555,645</u></b>

See accompanying notes to the financial statements.

## mothers<sup>2</sup>mothers International Inc.

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2011

Expense Description	Total Program Services	Management and General	Fundraising	Total Supporting Services	TOTAL EXPENSES
Grants, contracts & direct assistance	\$ 4,311,839	\$ -	\$ -	\$ -	\$ 4,311,839
Sub-total grants & awards	4,311,839	-	-	-	4,311,839
Salaries & wages	633,021	320,853	435,441	756,294	1,389,315
Fringe benefits	122,864	330,064	65,037	395,101	517,965
Sub-total personnel	755,885	650,917	500,478	1,151,395	1,907,280
Professional fees	216,974	40,123	103,996	144,119	361,093
Equipment	-	-	1,330	1,330	1,330
Supplies	-	62	10,066	10,128	10,128
Communication expenses	233	299	7,565	7,864	8,097
Occupancy expenses	-	-	20,349	20,349	20,349
Computer maintenance	-	-	3,183	3,183	3,183
Printing & duplicating	-	282	140	422	422
Travel	8,242	32,420	61,292	93,712	101,954
Conferences, conventions & meetings	200	14,335	9,238	23,573	23,773
Depreciation	-	-	1,222	1,222	1,222
Insurance	-	-	3,088	3,088	3,088
Learning and development	-	50	7,202	7,252	7,252
Other expenses	2,010	11,109	35,974	47,083	49,093
Sub-total other expenses	227,659	98,680	264,645	363,325	590,984
<b>TOTAL EXPENSES</b>	<b>\$ 5,295,383</b>	<b>\$ 749,597</b>	<b>\$ 765,123</b>	<b>\$ 1,514,720</b>	<b>\$ 6,810,103</b>

See accompanying notes to the financial statements.

**mothers<sup>2</sup>mothers International Inc.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2010**

<b>Expense Description</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>TOTAL EXPENSES</b>
Grants, contracts & direct assistance	\$ 2,251,973	\$ -	\$ -	\$ 2,251,973	\$ 2,251,973
Sub-total grants & awards	2,251,973	-	-	2,251,973	2,251,973
Salaries & wages	-	-	300,117	300,117	300,117
Fringe benefits	-	1,477	40,073	41,550	41,550
Sub-total personnel	-	1,477	340,190	341,667	341,667
Professional fees	14,200	6,190	5,777	11,967	26,167
Equipment	-	-	3,061	3,061	3,061
Supplies	-	-	6,802	6,802	6,802
Communication expenses	-	-	10,593	10,593	10,593
Occupancy expenses	-	49	12,823	12,872	12,872
Computer maintenance	-	384	84	468	468
Printing & duplicating	-	-	3,079	3,079	3,079
Travel	-	2,020	57,086	59,106	59,106
Conferences, conventions & meetings	-	714	11,620	12,334	12,334
Insurance	-	-	1,217	1,217	1,217
Learning and development	-	-	4,392	4,392	4,392
Other expenses	98	2,547	4,031	6,578	6,676
Sub-total other expenses	14,298	11,904	120,565	132,469	146,767
<b>TOTAL EXPENSES</b>	<b>\$ 2,266,271</b>	<b>\$ 13,381</b>	<b>\$ 460,755</b>	<b>\$ 2,726,109</b>	<b>\$ 2,740,407</b>

See accompanying notes to the financial statements.



**mothers2mothers International Inc.****STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (68,383)	\$ (112,713)
Adjustments to reconcile changes in net assets net cash provided (used) by operating activities:		
Depreciation and amortization	1,222	-
(Increase) decrease in:		
Grants receivable	(14,751)	-
Travel advances and other receivables	(99,572)	-
Refundable deposits	(1,000)	(200)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>629,590</u>	<u>(742,836)</u>
Net cash provided (used) by operating activities	<u>447,106</u>	<u>(855,749)</u>
Net increase (decrease) in cash and cash	447,106	(855,749)
Cash and cash equivalents at beginning of year	<u>701,285</u>	<u>1,557,034</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,148,391</u>	<u>\$ 701,285</u>

See accompanying notes to the financial statements.

**mothers2mothers International Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

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**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.

Change in reporting entity –

Effective January 1, 2011, **mothers2mothers International** changed its reporting entity structure to exclude the financial statements of mothers2mothers national organizations, including certain former affiliate organizations. The changes were made to reflect changes in the operating relationships and governance of the organizations comprising the former group of entities for which consolidated financial statements were presented in prior years. The changes resulted in a decrease of mothers2mothers' total net assets of \$3,177,298, representing a decrease of \$815,023 and \$2,362,275 in unrestricted and temporarily restricted net assets, respectively.

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.

**mothers2mothers International Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

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

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, equipment and furniture is computed using the straight-line method over the estimated useful lives of the assets as follows:

<b><u>Class of Property</u></b>	<b><u>Average useful life</u></b>
Property	3 – 5 years
Motor Vehicles	5 years
Office and Computer Equipment	3 – 5 years
Furniture and fixtures	3 – 7 years

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, 2011, **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.

**mothers2mothers International Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

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

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.

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.

**mothers2mothers International Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

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**3. GRANTS**

**mothers2mothers** International receives grants from various donors. The following is a summary of the grants received during 2011:

	<u>2011</u>
Skoll Foundation	\$ 150,000
Starr Foundation	1,500,000
MAC Aids Fund - International	180,000
m2m South Africa	1,324,639
Johnson and Johnson (International)	1,500,000
Bickerstaff Foundation	850,000
Other grants	<u>302,321</u>
<b>TOTAL GRANTS</b>	<b>\$ <u>5,806,960</u></b>

**4. 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>2011</u>	<u>2010</u>
Izumi International	\$ 63,750	\$ -
Anonymous	140,000	-
MAC Aids Fund - International	180,000	-
m2m South Africa	534,224	-
Johnson and Johnson (International)	1,502,546	-
Other grants	<u>226,656</u>	<u>14,200</u>
<b>TOTAL GRANTS</b>	<b>\$ <u>2,647,176</u></b>	<b>\$ <u>14,200</u></b>

**mothers2mothers International Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

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

Furniture & fittings, equipment and vehicles consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Software	\$ <u>6,109</u>	\$ <u>6,109</u>
	6,109	6,109
Less: Accumulated depreciation and amortization	<u>(1,222)</u>	<u>-</u>
<b>TOTAL</b>	<b>\$ <u>4,887</u></b>	<b>\$ <u>6,109</u></b>

Depreciation and amortization expense totaled \$1,222 and \$0 for the year ended December 31, 2011 and 2010, respectively.

**6. SUBSEQUENT EVENTS**

In preparing these financial statements, **mothers2mothers** has evaluated events and transactions for potential recognition or disclosure through November 2012, the date the financial statements were issued.