

FINANCIAL STATEMENTS

mothers2mothers International Inc.

DECEMBER 31, 2012 AND 2011

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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 balance sheets of mothers2mothers International Inc. as of December 31, 2012 and 2011 and the related statements of operations and cash flows for the years ended December 31, 2012 and 2011. 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
June 25, 2013

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mothers2mothers International Inc.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	ASSETS	
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,279,829	\$ 1,148,391
Total cash and cash equivalents	<u>3,279,829</u>	<u>1,148,391</u>
Grants & contributions receivable	582,322	14,751
Travel advances and other receivables	<u>147,454</u>	<u>99,572</u>
TOTAL CURRENT ASSETS	4,009,604	1,262,714
Furniture, equipment, vehicles & software, net (Note 5)	3,665	4,887
Refundable deposits	<u>1,200</u>	<u>1,200</u>
TOTAL ASSETS	<u>\$ 4,014,469</u>	<u>\$ 1,268,801</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 784,600	\$ 713,156
Deferred Revenue	<u>299,321</u>	<u>-</u>
Total liabilities	1,083,921	713,156
NET ASSETS		
Unrestricted	457,580	555,645
Temporarily restricted	<u>2,472,968</u>	<u>-</u>
Total net assets	2,930,548	555,645
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,014,469</u>	<u>\$ 1,268,801</u>

See accompanying notes to the financial statements

mothers2mothers International Inc.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants and contracts: (Note 3)						
Corporate Grants	\$ -	\$ 2,150,000	\$ 2,150,000	\$ 23,446	\$ 1,680,000	\$ 1,703,446
Foundation Grants	1,759,573	1,524,997	3,284,570	2,538,875	240,000	2,778,875
Grants from Affiliated Organisations	65,860	311,005	376,865	660,403	664,237	1,324,640
Contributions:						
Individual and private donations	228,384	-	228,384	272,176	-	272,176
Corporate donations	77,362	-	77,362	-	-	-
Foundation donations	384,030	-	384,030	598,154	63,750	661,904
In-kind donations	-	-	-	-	-	-
Other Income	(37,687)	33,223	(4,464)	679	-	679
Net assets released from restrictions (Note 4)	1,546,257	(1,546,257)	-	2,647,177	(2,647,177)	-
Total revenue and support	4,023,778	2,472,968	6,496,746	6,740,910	810	6,741,720
EXPENSES						
Program services	3,093,173	-	3,093,173	5,295,383	-	5,295,383
Supporting Services:						
Management and General	594,645	-	594,645	749,597	-	749,597
Fundraising	434,025	-	434,025	765,123	-	765,123
Total supporting services	1,028,670	-	1,028,670	1,514,720	-	1,514,720
Total expenses	4,121,843	-	4,121,843	6,810,103	-	6,810,103
CHANGES IN NET ASSETS	\$ (98,065)	\$ 2,472,968	\$ 2,374,904	\$ (69,193)	\$ 810	\$ (68,383)

See accompanying notes to the financial statements

mothers2mothers International Inc.

STATEMENT OF CHANGES IN NET ASSETS For the Year Ended December 31, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets at January 1, 2011	\$ 607,338	\$ 16,690	\$ 624,028
Prior period adjustment	17,500	(17,500)	-
Change in net assets	<u>(69,193)</u>	<u>810</u>	<u>(68,383)</u>
Net assets at December 31, 2011	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	<u>\$ 457,580</u>	<u>\$ 2,472,968</u>	<u>\$ 2,930,549</u>

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 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 expense	233	299	7,565	7,864	8,097
Occupancy expense	-	-	20,349	20,349	20,349
Computer maintenance	-	-	3,183	3,183	3,183
Printing and 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
TOTAL EXPENSES	\$ 5,295,383	\$ 749,597	\$ 765,123	\$ 1,514,720	\$ 6,810,103

See accompanying notes to the financial statements

mothers2mothers International Inc.

STATEMENT OF CASH FLOWS

For the year ended 31 December, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,374,904	\$ (68,383)
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	(567,571)	(14,751)
Travel advances and other receivables	(47,882)	(99,572)
Refundable deposits	-	(1,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>370,765</u>	<u>629,590</u>
Net cash provided (used) by operating activities	<u>2,131,438</u>	<u>447,106</u>
Net increase (decrease) in cash and cash equivalents	2,131,438	447,106
Cash and cash equivalents at beginning of year	<u>1,148,391</u>	<u>701,285</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,279,829</u>	<u>\$ 1,148,391</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, 2012, **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. GRANTS

mothers2mothers International receives grants from various donors.

	<u>2012</u>	<u>2011</u>
Anonymous Charitable Fidelity	\$ 60,000	\$ 50,000
Bickerstaff Foundation	1,000,000	850,000
Chevron USA Inc	150,000	-
Grant - Segal Foundation	50,000	-
Izumi International	18,520	-
Johnson and Johnson (International)	2,000,000	1,500,000
Jasmine Trust	199,975	-
m2m South Africa	310,919	1,324,639
MAC Aids Fund - International	30,778	180,000
Merck & Co Inc.	115,798	4,143
Mulago Foundation	200,000	-
Oil Aid	104,598	-
Skoll Foundation	1,250,000	150,000
Starr Foundation	125,000	1,500,000
Wallace Global Fund	50,000	30,200
Other	145,860	217,979
TOTAL GRANTS	\$ 5,811,448	\$ 5,806,961

mothers2mothers International Inc.

NOTES TO FINANCIAL STATEMENTS

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>2012</u>	<u>2011</u>
Anonymous (Fidelity Charitable Gift Fund)	\$ 15,986	\$ 140,000
Chevron USA Inc	9,329	-
Izumi - International	19,804	63,750
Johnson and Johnson (International)	894,629	1,502,546
MAC Aids Fund - International	30,778	180,000
Merck & Co Inc.	22,531	50,000
Skoll Foundation	145,080	-
The Scheide Fund (International)	-	50,000
Wallace Global Fund	59,340	46,773
m2m South Africa	313,412	534,224
Other	35,369	79,884
	<u>\$ 1,546,257</u>	<u>\$ 2,647,177</u>

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

Furniture & fittings, equipment, vehicles and software consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Software	\$ 6,109	\$ 6,109
	6,109	6,109
Less:		
Accumulated depreciation and amortization	<u>(2,444)</u>	<u>(1,222)</u>
	<u>\$ 3,665</u>	<u>\$ 4,887</u>

Depreciation and amortization expense totaled \$2,444 and \$1,222 for the year ended December 31, 2012 and 2011 respectively.

6. SUBSEQUENT EVENTS

In preparing these financial statements, **mothers2mothers** has evaluated events and transactions for potential recognition or disclosure through May 2013, the date the financial statements were issued.