

MOTHER TO MOTHER, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019

**MOTHER TO MOTHER, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Mother To Mother, Inc.

We have audited the accompanying statement of financial position of Mother To Mother, Inc. as of December 31, 2019, and the related statement of activities, cash flows and functional expenses 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 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 of 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 Mother To Mother, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – COVID-19

As more fully described in Note 8 to the accompanying financial statements, Mother to Mother, Inc. may be materially impacted by the outbreak of a novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020.

April 20, 2020

MOTHER TO MOTHER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 93,094
Grant receivable	15,000
Other receivable	1,680
Prepaid expense	7,575
Inventory	308,362
Total current assets	<u>425,711</u>

Property and Equipment-Vehicle (net of
accumulated depreciation of \$4,050)

22,950

Other Assets

Security deposit	<u>2,732</u>
Total assets	<u><u>\$ 451,393</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	<u>1,330</u>
Total liabilities	\$ 1,330

Net Assets

Without donor restrictions	425,063
With donor restrictions	25,000
Total net assets	<u>450,063</u>
Total liabilities and net assets	<u><u>\$ 451,393</u></u>

The accompanying notes are an integral part of these financial statements

MOTHER TO MOTHER, INC.
STATEMENT OF ACTIVITIES
DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public Support:			
Contributions	\$ 411,985	\$ 10,000	\$ 421,985
Grant Revenue	-	15,000	15,000
In-kind contributions	1,179,217	-	1,179,217
Net assets released from restrictions	19,550	(19,550)	-
Total revenue	<u>1,610,752</u>	<u>5,450</u>	<u>1,616,202</u>
Expenses			
Program services	1,285,970	-	1,285,970
Supporting services:			
Management and general	27,617	-	27,617
Fundraising	10,876	-	10,876
Total supporting services	<u>38,493</u>	<u>-</u>	<u>38,493</u>
Total expenses	<u>1,324,463</u>	<u>-</u>	<u>1,324,463</u>
Change in net assets	286,289	5,450	291,739
Net assets at beginning of year, as restated	138,774	19,550	158,324
Net assets at end of year	<u>\$ 425,063</u>	<u>\$ 25,000</u>	<u>\$ 450,063</u>

The accompanying notes are an integral part of these financial statements

MOTHER TO MOTHER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 145,382	\$ 17,104	\$ 8,552	\$ 171,038
Payroll taxes	10,834	1,275	637	12,746
Total compensation	156,216	18,379	9,189	183,784
Donation expense	973,645	-	-	973,645
Professional fees	-	2,188	-	2,188
Marketing expense	20,746	-	-	20,746
Project supplies	56,588	-	-	56,588
Office supplies	16,252	1,912	956	19,120
Insurance	4,566	-	-	4,566
Facility rent and storage	27,396	3,044	-	30,440
Dues and subscriptions	5,067	-	-	5,067
Penalties and interest	4,267	502	251	5,020
Vehicle expenses	4,148	-	-	4,148
Travel and meetings	3,668	432	215	4,315
Utilities	3,240	360	-	3,600
Technology	1,639	182	-	1,821
Bank fees	265	-	265	530
Repairs and maintenance	921	102	-	1,023
Miscellaneous	4,646	516	-	5,162
Depreciation	2,700	-	-	2,700
Total expenses	\$ 1,285,970	\$ 27,617	\$ 10,876	\$ 1,324,463
Current year's percentages	97.09%	2.09%	0.82%	100.00%

The accompanying notes are an integral part of these financial statements

**MOTHER TO MOTHER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows From Operating Activities:

Change in net assets	\$ 291,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Prior period restatements	(18,644)
Depreciation	2,700
Changes in operating assets and liabilities:	
Grant receivable	(15,000)
Other receivable	(1,680)
Security deposit	(2,732)
Prepaid expense	(7,575)
Inventory	(205,572)
Accounts payable	1,330
Net cash provided by operating activities	<u>44,566</u>
 Net change in cash and cash equivalents	 44,566
Cash and cash equivalents at beginning of year	48,528
Cash and cash equivalents at end of year	<u><u>\$ 93,094</u></u>

Supplemental disclosure of non-cash operating activities

In-kind contribution of inventory	\$ 1,179,217
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The accompanying notes are an integral part of these financial statements

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mother to Mother, Inc. (the “Organization”), is a nonprofit organization chartered in the State of Tennessee in 2004, to provide vital health, safety and wellness items for infants and children in need by working with a network of social workers, nurses, social service agencies and local hospitals. The Organization is supported primarily through individual and company contributions and special events.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation-continued

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At December 31, 2019, the Organization had no cash equivalents.

Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out method. Such inventory consists of car seats, diapers, clothes and other infant/children health, safety and wellness items purchased or donated for use in its program seminars and classes. If donated, the inventory is recorded at the estimated fair market value at the date of receipt.

Property and Equipment

Property and equipment are recorded at cost to the Organization, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. Estimated useful life is 10 years for its vehicle.

Expenditures for repairs and maintenance are charged to operations when incurred.

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

In-Kind Contributions

The Organization received contributions in a form other than cash or investments. The Organization received contributions of inventory with an estimated fair value of \$1,179,217 during the year ended December 31, 2019. Donated inventory is reported as in-kind contribution revenue in the statement of activities and as inventory in the statement of position for year ended December 31, 2019.

Approximately 1,160 in volunteer hours of time were contributed to the Organization's activities during the year ended December 31, 2019. The financial statements do not reflect the value of these services because they do not meet the recognition criteria prescribed by accounting principles generally accepted in the United States of America.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expense Recognition and Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Facility rent, and other expenses that cannot be directly identified are also allocated on the basis of activity reports prepared by key personnel.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the website is updated with requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$99,774 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$83,094, grant receivable of \$15,000 and other receivable of \$1,680. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 30 days of normal operating expenses. The Organization also has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019:

Vehicle	\$ 27,000
Less accumulated depreciation	<u>(4,050)</u>
	<u>\$ 22,950</u>

NOTE 4 – CONCENTRATION OF RISK

A financial instrument that potentially subjects the Organization to a concentration of credit risk consists of contributions from the founder of the Organization. These contributions represent 55% and 15% of total contributions and total public support and revenue, respectively, for the year ended December 31, 2019. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization's programs and activities.

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – LEASE COMMITMENT

The Organization leased office facilities under an operating lease which expires February 29, 2024. Rent expense for the year ended December 31, 2019 totaled \$27,350.

Future minimum rental payments under noncancellable operating lease are as follows:

	Rents
2020	30,900
2021	31,672
2022	31,827
2023	32,623
2024	<u>5,464</u>
	<u>\$ 132,486</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions are available for the following purpose or time period:

Purpose restriction – Rural outreach program - purchase of pack n plays	\$10,000
Time restriction – Grant receivable, which is to be spent during year ended December 31, 2020	<u>15,000</u>
	<u>\$25,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Rural outreach program	\$10,000
Purchase of car seats	<u>9,550</u>
	<u>\$19,550</u>

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7 – RESTATEMENT OF NET ASSETS

During the year ended December 31, 2019, two financial transactions occurred that related to prior year operations. The first transaction related to payment of previously unpaid employee payroll taxes in amount of \$8,644 for year ended December 31, 2016. The second transaction related to payment of fundraiser event expense in the amount of \$10,000 that occurred in prior year ended December 31, 2018. The impact on the financial statements was a decrease to beginning net assets as follows:

Net assets – beginning of year, as previously reported	\$176,968
Adjustment to record employee payroll taxes	(8,644)
Adjustment to record fundraiser event expense	<u>(10,000)</u>
Net assets – beginning of year, as restated	<u>\$158,324</u>

Both adjustments were made to the net assets without donor restrictions class.

NOTE 8 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2020.

The Organization evaluated subsequent events through April 20, 2020, the issuance of the Organization’s financial statements.