

MOTHER TO MOTHER, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018

**MOTHER TO MOTHER, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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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, 2018, 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis of Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were not engaged as auditors of the Organization until October 2019, and, therefore, did not observe the counting of physical inventories at the beginning or end of the fiscal year end December 31, 2018. We were unable to satisfy ourselves by other auditing procedures concerning the inventory held at December 31, 2018, which is stated in the balance sheet at \$102,790. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Thomason Financial Resources

January 2, 2020

MOTHER TO MOTHER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 48,528
Inventory	102,790
Total current assets	<u>151,318</u>

Property and Equipment-Vehicle (net of
accumulated depreciation of \$1,350)

25,650

Total assets	<u><u>\$ 176,968</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Total liabilities	\$ -
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Net Assets

Without donor restrictions	157,418
With donor restrictions	19,550
Total net assets	<u>176,968</u>

Total liabilities and net assets	<u><u>\$ 176,968</u></u>
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The accompanying notes are an integral part of these financial statements

MOTHER TO MOTHER, INC.
STATEMENT OF ACTIVITIES
DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public Support:			
Contributions	\$ 188,591	\$ -	\$ 188,591
Grant Revenue	1,000	20,000	21,000
In-kind contributions	349,216	-	349,216
Special event revenue:			
Revenue	156,008	-	156,008
Less direct costs	(124,410)	-	(124,410)
Net revenue from special events	31,598	-	31,598
Net assets released from restrictions	10,000	(10,000)	-
Total revenue	580,405	10,000	590,405
Expenses			
Program services	591,524	-	591,524
Supporting services:			
Management and general	20,208	-	20,208
Fundraising	9,675	-	9,675
Total supporting services	29,883	-	29,883
Total expenses	621,407	-	621,407
Change in net assets	(41,002)	10,000	(31,002)
Net assets at beginning of year	198,420	9,550	207,970
Net assets at end of year	<u>\$ 157,418</u>	<u>\$ 19,550</u>	<u>176,968</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, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 133,385	\$ 15,692	\$ 7,846	\$ 156,923
Payroll taxes	9,745	1,147	573	11,465
Total compensation	143,130	16,839	8,419	168,388
Donation expense	376,655	-	-	376,655
Professional fees	-	1,526	-	1,526
Marketing expense	9,153	-	-	9,153
Project supplies	34,278	-	-	34,278
Office supplies	5,341	628	314	6,283
Insurance	4,366	-	-	4,366
Facility rent	9,135	1,015	-	10,150
Postage & shipping	1,815	-	96	1,911
Technology	1,796	200	-	1,996
Direct expenses of special events	-	-	124,410	124,410
Bank fees	845	-	846	1,691
Miscellaneous	3,660	-	-	3,660
Depreciation	1,350	-	-	1,350
Total expenses	591,524	20,208	134,085	745,817
Less: expenses netted with revenue on statement of activities;				
Direct expenses of special events	-	-	124,410	124,410
Total expenses by function	\$ 591,524	\$ 20,208	\$ 9,675	\$ 621,407
Current year's percentages	95.19%	3.25%	1.56%	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, 2018**

Cash Flows From Operating Activities:

Change in net assets	\$ (31,002)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,350
Donated equipment - vehicle	(27,000)
Changes in operating assets and liabilities:	
Other current assets	208
Inventory	81,570
Net cash provided by operating activities	<u>25,126</u>
 Net change in cash and cash equivalents	 25,126
Cash and cash equivalents at beginning of year	23,402
Cash and cash equivalents at end of year	<u><u>\$ 48,528</u></u>

Supplemental disclosure of non-cash operating activities

In-kind contribution of inventory	\$ 349,216
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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, 2018

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, 2018

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, 2018, 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, 2018

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 \$349,216 during the year ended December 31, 2018. 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, 2018.

Approximately 1,160 in volunteer hours of time were contributed to the Organization's activities during the year ended December 31, 2018. 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, 2018

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.

Change in Accounting Principles

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$131,768 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$28,978, and inventory of \$102,790. 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, 2018:

Vehicle	\$ 27,000
Less accumulated depreciation	<u>(1,350)</u>
	<u>\$ 25,650</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 46% and 25% of total contributions and total public support and revenue, respectively, for the year ended December 31, 2018. 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, 2018

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, 2018 totaled \$10,150.

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

	Rents
2019	25,750
2020	30,900
2021	31,672
2022	31,827
2023	32,623
Thereafter	<u>5,464</u>
	<u>\$ 158,236</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, net assets with donor restrictions are available for the following purpose:

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

Purchase & education of pack n plays	\$ 9,550
Purchase of car seats	<u>450</u>
	<u>\$10,000</u>

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through January 2, 2020, the issuance of the Organization's financial statements.