

Mother to Mother Inc.

Financial Statements
For the Year Ended December 31, 2021

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For the Year Ended December 31, 2021

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Independent Auditor's Report

Board of Directors
Mother to Mother, Inc.

Opinion

We have audited the financial statements of Mother to Mother, Inc. (a not-for-profit organization, the Organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
September 23, 2022

Mother to Mother, Inc.
Statement of Financial Position
December 31, 2021

Assets

Current assets	
Cash and cash equivalents	\$ 134,765
Inventory	1,357,451
Total current assets	<u>1,492,216</u>
Property and equipment, net	40,216
Security deposit	<u>2,732</u>
Total assets	\$ 1,535,164

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 20,468
Net assets	
Without donor restrictions	1,514,696
With donor restrictions	<u>-</u>
Total net assets	<u>1,514,696</u>
Total liabilities and net assets	\$ 1,535,164

Mother to Mother, Inc.
Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues			
Contributions	\$ 282,328	\$ -	\$ 282,328
In-kind contributions	4,126,254	-	4,126,254
Other income	27,897	-	27,897
Special event revenue	-	-	-
Net assets released from restrictions	<u>65,964</u>	<u>(65,964)</u>	<u>-</u>
Total revenues	4,502,443	(65,964)	4,436,479
Expenses			
Program services	3,917,606	-	3,917,606
Management and general	35,252	-	35,252
Fundraising	<u>10,856</u>	<u>-</u>	<u>10,856</u>
Total expenses	3,963,714	-	3,963,714
Change in net assets	538,729	(65,964)	472,765
Net assets, beginning of year	<u>975,967</u>	<u>65,964</u>	<u>1,041,931</u>
Net assets, end of year	\$ 1,514,696	\$ -	\$ 1,514,696

Mother to Mother, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Salaries	\$ 137,049	\$ 16,123	\$ 8,062	\$ 161,234
Payroll taxes	12,127	1,427	713	14,267
Charitable contributions	200	-	-	200
Contracted services	10,000	-	-	10,000
Depreciation	5,475	-	-	5,475
Donation expense	3,589,473	-	-	3,589,473
Dues and subscriptions	986	-	-	986
Event expense	3,269	-	-	3,269
Facility rent and storage	26,296	3,094	1,547	30,937
Insurance	7,741	-	-	7,741
Marketing expense	1,702	-	-	1,702
Meals	5,878	-	-	5,878
Office supplies	1,139	134	67	1,340
Professional fees	-	13,850	-	13,850
Project supplies	106,871	-	-	106,871
Repairs and maintenance	269	-	-	269
Shipping and postage	465	-	-	465
Taxes and licenses	408	-	-	408
Technology	477	-	-	477
Travel	2,318	-	-	2,318
Utilities	5,307	624	312	6,243
Bank and merchant fees	156	-	155	311
	\$ 3,917,606	\$ 35,252	\$ 10,856	\$ 3,963,714

Mother to Mother, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021
Cash and cash equivalents, beginning of year	\$ 138,100
Cash flows from operating activities	
Change in net assets	472,765
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	5,475
PPP loan forgiveness	(27,897)
Change in:	
Grant receivable	65,964
Inventory	(536,780)
Accounts payable	17,138
Net cash provided (used) by operating activities	<u>(3,335)</u>
Cash and cash equivalents, end of year	\$ 134,765
Supplemental disclosures of non-cash operating activities	
In-kind contribution of inventory	\$ 1,111,049
Donation of inventory to community partners	\$ 575,043

Mother to Mother, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 1. Nature of Operations

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.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Financial Statement Presentation

The financial statements are reported in accordance with the Financial Accounting Standards Board Accounting Standards Codification of *Presentation of Financial Statements, Not-For-Profit Entities*. Under those provisions, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

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 the donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2021, the Organization had no cash equivalents.

Grants Receivable

The Organization considers grants receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Inventory

Inventory is stated at the lower of cost or net realizable value 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 value at the date of receipt.

Mother to Mother, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 2. Summary of Significant Accounting Policies

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 vehicles.

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

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. 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 of inventory with an estimated fair value of \$4,126,254 during 2021. Donated inventory is reported as in-kind contribution revenue in the statement of activities and as inventory in the statement of financial position at December 31, 2021. In addition, the Organization contributed \$3,589,473 of inventory to community agencies during the year. These donations are reported as donation expense in the statement of functional expense.

Approximately 2,000 in volunteer hours of time were contributed to the Organization's activities during the year ended December 31, 2021. 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
For the Year Ended December 31, 2021

Note 2. Summary of Significant Accounting Policies

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.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

Note 3. Liquidity and Availability

The following represents the Organization's financial assets at year end.

Financial assets	
Cash and cash equivalents	\$ 134,765
Inventory	<u>1,357,451</u>
Total financial assets available to meet expenditures within one year	\$ 1,492,216

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 90 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.

Mother to Mother, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 4. Property and Equipment

Property and equipment consist of the following:

Vehicles	\$ 54,754
Less: accumulated depreciation	<u>(14,538)</u>
Property and equipment, net	\$ 40,216

Note 5. Lease Commitment

The Organization leases office facilities under an operating lease, which expires February 29, 2024. Rent expense for the year totaled \$29,871. Future minimum rental payments under the noncancellable operating lease are as follows:

Year ended December 31,	
2022	\$ 31,827
2023	32,623
2024	<u>5,464</u>
Total	\$ 69,914

Note 6. PPP Loan

On April 28, 2020, the Organization received a loan in the amount of \$27,897 in accordance with the PPP section of the CARES Act. The loan was forgiven during 2021.

Note 7. Subsequent Events

Management has evaluated subsequent events through September 23, 2022, the date on which the financial statements were available for issuance.