

MOTHER TO MOTHER, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2020

**MOTHER TO MOTHER, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



CPA for the Not-For-Profit Sector

1009 Harding Trace Court Nashville, TN 37221
phone 615-673-7307 cell 615-479-4770 kim@thomasonfinancial.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying statements of Mother To Mother, Inc. which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2020, 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 Mother To Mother, Inc., 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 these 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 Mother To Mother, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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, including omissions, 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 the 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 Mother To Mother, Inc.'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 Mother To Mother, Inc.'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.



April 30, 2021

MOTHER TO MOTHER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 138,100
Grant receivable	65,964
Inventory	820,671
Total current assets	<u>1,024,735</u>

Property and Equipment-Vehicles (net of accumulated depreciation of \$9,063)

45,691

Other Assets

Security deposit	<u>2,732</u>
Total assets	<u><u>\$ 1,073,158</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	3,330
Note payable	<u>27,897</u>
Total liabilities	\$ 31,227

Net Assets

With donor restrictions	65,964
Without donor restrictions	<u>975,967</u>
Total net assets	<u>1,041,931</u>
Total liabilities and net assets	<u><u>\$ 1,073,158</u></u>

The accompanying notes are an integral part of these financial statements

MOTHER TO MOTHER, INC.
STATEMENT OF ACTIVITIES
DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public Support:			
Contributions	\$ 306,121	\$ -	\$ 306,121
Grant Revenue	88,053	65,964	154,017
In-kind contributions	1,766,804	-	1,766,804
Special event revenue:			
Revenue	8,100	-	8,100
Less direct costs	(15,666)	-	(15,666)
Net revenue from special events	(7,566)	-	(7,566)
Net assets released from restrictions	25,000	(25,000)	-
Total revenue	2,178,412	40,964	2,219,376
Expenses			
Program services	1,572,512	-	1,572,512
Supporting services:			
Management and general	43,178	-	43,178
Fundraising	11,818	-	11,818
Total supporting services	54,996	-	54,996
Total expenses	1,627,508	-	1,627,508
Change in net assets	550,904	40,964	591,868
Net assets at beginning of year	425,063	25,000	450,063
Net assets at end of year	<u>\$ 975,967</u>	<u>\$ 65,964</u>	<u>\$ 1,041,931</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, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 146,244	\$ 17,205	\$ 8,603	\$ 172,052
Payroll taxes	12,675	1,491	746	14,912
Total compensation	158,919	18,696	9,349	186,964
Donation expense	1,254,495	-	-	1,254,495
Professional fees	-	20,076	-	20,076
Marketing expense	5,714	-	-	5,714
Project supplies	89,266	-	-	89,266
Office supplies	3,077	362	181	3,620
Insurance	10,960	-	-	10,960
Facility rent and storage	30,508	3,589	1,795	35,892
Dues and subscriptions	4,576	-	-	4,576
Vehicle expenses	2,724	-	-	2,724
Utilities	3,868	455	228	4,551
Technology	1,961	-	-	1,961
Bank fees	265	-	265	530
Miscellaneous	1,166	-	-	1,166
Depreciation	5,013	-	-	5,013
Direct expenses of special event	-	-	15,666	15,666
Total expenses	\$ 1,572,512	\$ 43,178	\$ 27,484	\$ 1,643,174
Less: expenses netted with revenue on statement of activities;				
Direct expenses of special events	-	-	(15,666)	(15,666)
Total expenses by function	\$ 1,572,512	\$ 43,178	\$ 11,818	\$ 1,627,508
Current year's percentages	96.62%	2.65%	0.73%	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, 2020**

Cash Flows From Operating Activities:

Change in net assets	\$ 591,868
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,013
Changes in operating assets and liabilities:	
Grant receivable	(50,964)
Other receivable	1,680
Prepaid expense	7,575
Inventory	(512,309)
Accounts payable	2,000
Net cash provided by operating activities	<u>44,863</u>

Cash Flows From Investing Activities:

Purchase of vehicle	(27,754)
Net cash used in investing activities	<u>(27,754)</u>

Cash Flows From Financing Activities

Proceeds from issuance of notes payable	27,897
Net cash provided by financing activities	<u>27,897</u>
Net change in cash and cash equivalents	45,006
Cash and cash equivalents at beginning of year	93,094
Cash and cash equivalents at end of year	<u>\$ 138,100</u>

Supplemental disclosure of non-cash operating activities

In-kind contribution of inventory	\$ 1,766,804
Donation of inventory to community partners	\$ 1,254,495

The accompanying notes are an integral part of these financial statements

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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, 2020

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, 2020, 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 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 vehicles.

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

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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 \$1,766,804 during the year ended December 31, 2020. 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, 2020. In addition, the Organization contributed \$1,254,495 of inventory to community agencies for year ended December 31, 2020. 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, 2020. 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, 2020

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, 2020

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$1,024,735 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$138,100, grants receivable of \$65,964 and inventory of \$820,671. 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 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.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020:

Vehicle	\$ 54,754
Less accumulated depreciation	<u>(9,063)</u>
	<u>\$ 45,691</u>

NOTE 4 – LEASE COMMITMENT

The Organization leased office facilities under an operating lease which expires February 29, 2024. Rent expense for the year ended December 31, 2020 totaled \$30,900.

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

	Rents
2021	31,672
2022	31,827
2023	32,623
2024	<u>5,464</u>
	<u>\$ 101,586</u>

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 – NOTE PAYABLE

On April 28, 2020, the Organization was granted a loan from Pinnacle Bank in the aggregate amount of \$27,897, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES”), which was enacted March 27, 2020. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, and costs used to continue rent, and utilities. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. The maturity date of PPP loan is April 28, 2022.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020, net assets with donor restrictions are available for the following purpose:

Purchase of car seats, pack n plays and strollers	\$ 65,964
---	-----------

During year ended December 31, 2020, 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:

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

MOTHER TO MOTHER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 7 – OTHER RISKS AND UNCERTAINTIES

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 2021.

NOTE 8 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through April 30, 2021, the issuance of the Organization’s financial statements.