

FINANCIAL STATEMENTS



MOTHERS2MOTHERS INTERNATIONAL, INC.

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

MOTHERS2MOTHERS INTERNATIONAL, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
mothers2mothers International, Inc.
Los Angeles, California

We have audited the accompanying financial statements of mothers2mothers International, Inc. (m2m I), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of m2m I as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

December 5, 2019

MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,279,799	\$ 1,233,587
Investments	953,140	1,017,115
Grants and contributions receivable	696,154	248,221
Due from m2m SA	395,750	293,092
Prepaid expenses	<u>4,000</u>	<u>360</u>
Total current assets	<u>3,328,843</u>	<u>2,792,375</u>
OTHER ASSETS		
Deposits	5,200	2,200
Grants and contributions receivable, net of current portion	<u>100,000</u>	<u>-</u>
Total other assets	<u>105,200</u>	<u>2,200</u>
TOTAL ASSETS	<u>\$ 3,434,043</u>	<u>\$ 2,794,575</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>513,974</u>	\$ <u>458,180</u>
NET ASSETS		
Without donor restrictions	507,102	802,351
With donor restrictions	<u>2,412,967</u>	<u>1,534,044</u>
Total net assets	<u>2,920,069</u>	<u>2,336,395</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,434,043</u>	<u>\$ 2,794,575</u>

MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restriction	Total
REVENUE AND SUPPORT						
Corporate and foundation grants	\$ -	\$ 3,285,051	\$ 3,285,051	\$ 714,119	\$ 2,394,831	\$ 3,108,950
Grants and contracts from affiliates	500	1,271,603	1,272,103	-	920,970	920,970
Contributions:						
Individual and private	570,223	-	570,223	539,217	-	539,217
Corporate	867,622	-	867,622	421,541	-	421,541
Investment income	(58,549)	-	(58,549)	59,014	-	59,014
Other income	-	-	-	16,867	-	16,867
Net assets released from donor restrictions	<u>3,677,731</u>	<u>(3,677,731)</u>	<u>-</u>	<u>2,783,761</u>	<u>(2,783,761)</u>	<u>-</u>
Total revenue and support	<u>5,057,527</u>	<u>878,923</u>	<u>5,936,450</u>	<u>4,534,519</u>	<u>532,040</u>	<u>5,066,559</u>
EXPENSES						
Program Services	<u>4,171,455</u>	<u>-</u>	<u>4,171,455</u>	<u>3,113,519</u>	<u>-</u>	<u>3,113,519</u>
Supporting Services:						
Management and General	288,136	-	288,136	207,195	-	207,195
Fundraising	<u>889,758</u>	<u>-</u>	<u>889,758</u>	<u>953,840</u>	<u>-</u>	<u>953,840</u>
Total supporting services	<u>1,177,894</u>	<u>-</u>	<u>1,177,894</u>	<u>1,161,035</u>	<u>-</u>	<u>1,161,035</u>
Total expenses	<u>5,349,349</u>	<u>-</u>	<u>5,349,349</u>	<u>4,274,554</u>	<u>-</u>	<u>4,274,554</u>
Changes in net assets before other item	(291,822)	878,923	587,101	259,965	532,040	792,005
OTHER ITEM						
Foreign exchange loss	<u>(3,427)</u>	<u>-</u>	<u>(3,427)</u>	<u>(43,831)</u>	<u>-</u>	<u>(43,831)</u>
Changes in net assets	(295,249)	878,923	583,674	216,134	532,040	748,174
Net assets at beginning of year	<u>802,351</u>	<u>1,534,044</u>	<u>2,336,395</u>	<u>586,217</u>	<u>1,002,004</u>	<u>1,588,221</u>
NET ASSETS AT END OF YEAR	<u>\$ 507,102</u>	<u>\$ 2,412,967</u>	<u>\$ 2,920,069</u>	<u>\$ 802,351</u>	<u>\$ 1,534,044</u>	<u>\$ 2,336,395</u>

See accompanying notes to financial statements.

MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Grants, contracts and direct assistance	\$ 2,593,868	\$ -	\$ -	\$ -	\$ 2,593,868
Salaries and wages	962,646	106,612	415,495	522,107	1,484,753
Fringe benefits	480,954	49,392	191,698	241,090	722,044
Professional fees	37,963	92,734	144,600	237,334	275,297
Supplies	579	17	14,076	14,093	14,672
Communication expenses	31,833	-	7,217	7,217	39,050
Occupancy expenses	2,295	-	47,188	47,188	49,483
Travel	26,697	26,365	36,082	62,447	89,144
Conferences, conventions, meetings	23,317	6,992	26,920	33,912	57,229
Insurance	-	-	2,461	2,461	2,461
Learning and development	3,389	-	90	90	3,479
Other expenses	7,914	6,024	3,931	9,955	17,869
TOTAL	\$ 4,171,455	\$ 288,136	\$ 889,758	\$ 1,177,894	\$ 5,349,349

MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Grants, contracts and direct assistance	\$ 1,906,154	\$ -	\$ -	\$ -	\$ 1,906,154
Salaries and wages	746,786	77,278	533,814	611,092	1,357,878
Fringe benefits	326,203	47,152	211,180	258,332	584,535
Professional fees	68,998	61,179	84,937	146,116	215,114
Supplies and printing	906	594	3,121	3,715	4,621
Communication expenses	1,141	81	5,443	5,524	6,665
Occupancy expenses	15,985	-	22,284	22,284	38,269
Computer maintenance	-	-	61	61	61
Travel	27,472	11,180	48,799	59,979	87,451
Conferences, conventions and meetings	5,793	14	20,767	20,781	26,574
Insurance	(877)	273	1,036	1,309	432
Learning and development	14,167	-	3,092	3,092	17,259
Other expenses	791	9,444	19,306	28,750	29,541
TOTAL	<u>\$ 3,113,519</u>	<u>\$ 207,195</u>	<u>\$ 953,840</u>	<u>\$ 1,161,035</u>	<u>\$ 4,274,554</u>

See accompanying notes to financial statements.

MOTHERS2MOTHERS INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 583,674	\$ 748,174
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Unrealized loss (gain) on investments	43,508	(52,223)
Realized loss on sale of investments	36,465	10,708
Increase in:		
Grants and contributions receivable	(547,933)	(159,487)
Due from m2m SA	(102,658)	(293,092)
Prepaid expenses	(3,640)	(360)
Deposits	(3,000)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	55,794	29,483
Due to m2m SA	<u>-</u>	<u>(414,641)</u>
Net cash provided (used) by operating activities	<u>62,210</u>	<u>(131,438)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(415,497)	(352,062)
Sale of investments	<u>399,499</u>	<u>116,375</u>
Net cash used by investing activities	<u>(15,998)</u>	<u>(235,687)</u>
Net increase (decrease) in cash and cash equivalents	46,212	(367,125)
Cash and cash equivalents at beginning of year	<u>1,233,587</u>	<u>1,600,712</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,279,799</u>	<u>\$ 1,233,587</u>

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

mothers2mothers International, Inc. (m2m I), 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. m2m I commenced operations in July 2009.

m2m I is one of several separate but affiliated organizations located in different countries.

m2m I is an innovative mentoring program offering comprehensive support for HIV positive pregnant women and new mothers.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended December 31, 2018 and applied retrospectively.

Cash and cash equivalents -

m2m I considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, m2m I maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income net of investment expenses provided by external investment advisors in the Statements of Activities and Changes in Net Assets.

Grants and contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

All grants and contributions receivable are considered to be collectible within one year, unless otherwise stated by the donor.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost.

Foreign currency -

The U.S. "Dollar" is the functional currency of m2m I. Transactions in currencies other than Dollars are translated into Dollars at the rates of exchange in effect during the month of the transaction.

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Foreign currency (continued) -

Assets and liabilities denominated in non-U.S. currency are translated into Dollars at the exchange rate in effect at the date of the balance sheet.

Income taxes -

m2m I is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. m2m I is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2018 and 2017, m2m I has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions".
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

m2m I receives funding under grants and contracts from international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants and contributions (continued) -

Accordingly, such grants are considered exchange transactions and are recorded as income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of m2m I are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Fair value measurement -

m2m I adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. m2m I accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. m2m I has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution.

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. m2m I has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

m2m I plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments, at fair value, consisted of the following at December 31, 2018 and 2017:

	2018	2017
Equities	\$ 349,339	\$ 392,993
Exchange traded funds and closed end funds	159,110	166,547
Mutual funds	46,184	87,488
Corporate fixed income	347,532	370,087
Government securities	50,975	-
TOTAL INVESTMENTS	\$ 953,140	\$ 1,017,115

Included in investment (loss) income are the following at December 31, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 31,861	\$ 27,616
Unrealized (loss) gain	(43,508)	52,223
Realized loss	(36,465)	(10,708)
Management fees	(10,437)	(10,117)
TOTAL INVESTMENT (LOSS) INCOME	\$ (58,549)	\$ 59,014

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2018 and 2017, contributors to m2m I have made written promises to give totaling \$796,154 and \$248,221, respectively. Grants and contribution payments are due as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 696,154	\$ 248,221
One to five years	<u>100,000</u>	<u>-</u>
TOTAL	<u>\$ 796,154</u>	<u>\$ 248,221</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Bickerstaff Family Foundation	\$ 424,660	\$ -
BARR Foundation	1,123	1,123
Chevron USA Inc.	105,786	105,786
Conrad N. Hilton Foundation	947,868	355,000
Elizabeth Taylor AIDS Foundation	38,681	-
Gilead Foundation	1,923	5,519
Johnson and Johnson Services, Inc.	556,592	940,041
m2m SA	13,659	75
Segal Family Foundation	108,048	108,048
Stephen Lewis Foundation	12,125	15,950
Wallace Global Fund	2,502	2,502
Subject to passage of time (Imago Dei Fund)	<u>200,000</u>	<u>-</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,412,967</u>	<u>\$ 1,534,044</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2018</u>	<u>2017</u>
Bickerstaff Family Foundation	\$ 75,340	\$ -
Bohemian Foundation	-	98,574
Elizabeth Taylor AIDS Foundation	61,319	112,874
Gilead Foundation	3,596	794
Imago Dei Fund	-	33,334
Johnson and Johnson Services, Inc.	2,020,358	1,585,381
m2m SA	1,258,019	919,597
Segal Family Foundation	-	628
Stephen Lewis Foundation	6,967	32,579
Conrad N. Hilton Foundation	<u>252,132</u>	<u>-</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,677,731</u>	<u>\$ 2,783,761</u>

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

5. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY)

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2018	2017
Cash and cash equivalents	\$ 1,279,799	\$ 1,233,587
Investments	953,140	1,017,115
Grants and contributions receivable	796,154	248,221
Due from m2m SA	395,750	293,092
Subtotal financial assets	3,424,843	2,792,015
Less: Donor restricted funds	(2,312,967)	(1,534,044)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 1,111,876	\$ 1,257,971

m2m I has a policy to structure its financial assets to be available and liquid as its obligations become due.

6. LEASE COMMITMENTS

m2m I leases office space in Los Angeles, California, under a month-to-month lease.

m2m I also leases office space in Washington, D.C., under a lease agreement that ended June 30, 2017. m2m I signed an extension effective July 1, 2017 through April 1, 2018, which increased the base rent to \$1,530 per month. The lease was not renewed subsequent to April.

During 2018, m2m I signed a lease for office space in New York for the period August 27, 2018 through September 1, 2019. The lease requires a monthly payment of \$4,000 and can be terminated by either party with 45 days notice.

The following is a schedule of the future minimum lease payments:

Year Ended December 31, 2019	\$ 32,000
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Rent expense for the years ended December 31, 2018 and 2017 was \$46,595 and \$37,585, respectively and is included in occupancy on the statement of functional expenses.

7. RETIREMENT PLAN

m2m I adopted a retirement plan during 2016 that provides retirement benefits to its employees through a 401(k) plan covering all full-time employees. m2m I currently pays up to 5% of each employee's gross wages. Contributions to the Plan during the years ended December 31, 2018 and 2017 totaled \$75,994 and \$76,084, respectively.

8. CONCENTRATION OF REVENUE

Approximately 27% and 38%, respectively of m2m I's revenue for the years ended December 31, 2018 and 2017, respectively, was derived from grants awarded by one donor.

MOTHERS2MOTHERS INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

8. CONCENTRATION OF REVENUE (Continued)

m2m I has no reason to believe that the relationship with this donor will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect m2m I's ability to finance ongoing operations.

9. TRANSACTIONS WITH MOTHER2MOTHERS SOUTH AFRICA (M2M SA)

During the years ended December 31, 2018 and 2017, m2m I was involved in several transactions with mothers2mothers South Africa (m2m SA), an affiliated organization that shares the same CEO as m2m I. During 2018 and 2017, m2m I earned \$1,272,103 and \$920,970, respectively, for technical and professional services revenue from m2m SA. During the year ended December 31, 2018 m2m I donated \$299,398 to m2m SA (no donation was made during the year ended December 31, 2017).

m2m I awarded \$2,294,470 and \$1,906,154 in sub-awards to m2m SA during the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, there was a net amount due from m2m SA totaling \$395,750 and \$293,092, respectively.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, m2m I has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market m2m I has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value.

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Exchange traded funds and closed end funds* - A marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund, and trades like a common stock on a stock exchange. Valued at the closing price reported on the active market in which the individual securities are traded.

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**NOTES TO FINANCIAL STATEMENTS
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10. FAIR VALUE MEASUREMENT (Continued)

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by m2m I's are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the m2m I's are deemed to be actively traded.
- *Corporate fixed income* - The fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *U.S. Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, m2m I's investments as of December 31, 2018:

Asset Class:	Level 1	Level 2	Level 3	Total December 31, 2018
Equities	\$ 349,339	\$ -	\$ -	\$ 349,339
Exchange traded funds and closed end funds	159,110	-	-	159,110
Mutual funds	46,184	-	-	46,184
Corporate fixed income	-	347,532	-	347,532
Government securities	-	50,975	-	50,975
TOTAL	\$ 554,633	\$ 398,507	\$ -	\$ 953,140

The table below summarizes, by level within the fair value hierarchy, m2m I's investments as of December 31, 2017:

Asset Class:	Level 1	Level 2	Level 3	Total December 31, 2017
Equities	\$ 392,993	\$ -	\$ -	\$ 392,993
Exchange traded funds and closed end funds	166,547	-	-	166,547
Mutual funds	87,488	-	-	87,488
Corporate fixed income	-	370,087	-	370,087
TOTAL	\$ 647,028	\$ 370,087	\$ -	\$ 1,017,115

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2018 and 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

11. SUBSEQUENT EVENTS

In preparing these financial statements, m2m I has evaluated events and transactions for potential recognition or disclosure through December 5, 2019, the date the financial statements were issued.