

**Audited Financial Statements**

**MOTHERS2MOTHERS UNITED STATES, INC.**

**Los Angeles California**

**December 31, 2020 and 2019**

**AUDITED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

**The Board of Directors**  
**mothers2mothers United States, Inc.**  
**Los Angeles, California**

We have audited the accompanying financial statements of mothers2mothers United States, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities and changes in net assets, statement of functional expenses, and statement of cash flows 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 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of mothers2mothers United States, 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.

### ***Prior Period Financial Statements***

The financial statements of mothers2mothers United States, Inc. as of December 31, 2019, were audited by other auditors whose report dated November 13, 2020, expressed an unmodified opinion on those statements.

*CST GROUP, CPAs, PC*

September 15, 2021

**mothers2mothers United States, Inc.**

**STATEMENTS OF FINANCIAL POSITION - ASSETS, LIABILITIES AND NET ASSETS**  
as of December 31

	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,884,802	\$ 2,306,004
Investments	2,893,332	1,146,794
Grants and contributions receivable	70,702	401,128
Prepaid expenses	21,535	13,349
	<b>4,870,371</b>	<b>3,867,275</b>
<b>OTHER ASSETS</b>		
Deposits	4,000	5,200
	<b>\$ 4,874,371</b>	<b>\$ 3,872,475</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 298,052	\$ 548,329
Due to affiliates	126,728	224,591
	<b>424,780</b>	<b>772,920</b>
<b>LONG-TERM LIABILITIES</b>		
PPP loan	273,665	0
<b>NET ASSETS</b>		
Without donor restrictions	2,370,125	939,300
With donor restrictions	1,805,801	2,160,255
	<b>4,175,926</b>	<b>3,099,555</b>
	<b>\$ 4,874,371</b>	<b>\$ 3,872,475</b>

See notes to financial statements.

**mothers2mothers United States, Inc.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
for Year Ended December 31, 2020**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions:			
Corporate and foundation grants	\$ 2,342,588	\$ 2,057,665	\$ 4,400,253
Individual and private foundations	706,391	0	706,391
Net assets released from donor restrictions	2,412,119	(2,412,119)	0
Total grants and contributions	<b>5,461,098</b>	<b>( 354,454)</b>	<b>5,106,644</b>
Investment income, net	160,694	0	160,694
Contracts from affiliates	1,330,425	0	1,330,425
Total revenue and support	<b>6,952,217</b>	<b>( 354,454)</b>	<b>6,597,763</b>
<b>EXPENSES</b>			
Program services	3,866,622	0	3,866,622
Supporting services:			
Management and general	203,316	0	203,316
Fundraising	1,435,330	0	1,435,330
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,638,646</b>	<b>0</b>	<b>1,638,646</b>
<b>TOTAL EXPENSES</b>	<b>5,505,268</b>	<b>0</b>	<b>5,505,268</b>
<b>Changes in net assets before other income (expenses)</b>	<b>1,446,949</b>	<b>( 354,454)</b>	<b>1,092,495</b>
<b>OTHER INCOME (EXPENSE)</b>			
Foreign exchange loss	( 16,124)	0	( 16,124)
<b>CHANGE IN NET ASSETS</b>	<b>1,430,825</b>	<b>( 354,454)</b>	<b>1,076,371</b>
NET ASSETS, beginning of year	939,300	2,160,255	3,099,555
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,370,125</b>	<b>\$ 1,805,801</b>	<b>\$ 4,175,926</b>

See notes to financial statements.

**mothers2mothers United States, Inc.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
for Year Ended December 31, 2019**

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions:			
Corporate and foundation grants	\$ 1,899,530	\$ 1,966,849	\$ 3,866,379
Individual and private contributions	578,009	0	578,009
Net assets released from donor restrictions	2,219,561	(2,219,561)	0
Total grants and contributions	<b>4,697,100</b>	<b>( 252,712)</b>	<b>4,444,388</b>
Investment income, net	186,641	0	186,641
Contracts from affiliates	1,238,986	0	1,238,986
Total revenue and support	<b>6,122,727</b>	<b>( 252,712)</b>	<b>5,870,015</b>
<b>EXPENSES</b>			
Program services	4,501,824	0	4,501,824
Supporting services:			
Management and general	295,276	0	295,276
Fundraising	893,255	0	893,255
TOTAL SUPPORTING SERVICES	<b>1,188,531</b>	<b>0</b>	<b>1,188,531</b>
TOTAL EXPENSES	<b>5,690,355</b>	<b>0</b>	<b>5,690,355</b>
Changes in net assets before other income (expense)	<b>432,372</b>	<b>( 252,712)</b>	<b>179,660</b>
<b>OTHER INCOME (EXPENSE)</b>			
Foreign exchange loss	( 174)	0	( 174)
CHANGE IN NET ASSETS	<b>432,198</b>	<b>( 252,712)</b>	<b>179,486</b>
NET ASSETS, beginning of year	507,102	2,412,967	2,920,069
NET ASSETS, END OF YEAR	<b>\$ 939,300</b>	<b>\$ 2,160,255</b>	<b>\$ 3,099,555</b>

See notes to financial statements.

**mothers2mothers United States, Inc.**

**STATEMENTS OF FUNCTIONAL EXPENSES  
for Year Ended December 31, 2020**

	<b>Programs Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
Grants, contracts and direct assistance	\$ 2,337,581	\$ 0	\$ 199,800	\$ 199,800	\$ 2,537,381
Salaries and wages	981,013	161,830	643,036	804,866	1,785,879
Fringe benefits	489,998	( 81,866)	269,027	187,161	677,159
Professional fees	55,068	83,407	66,783	150,190	205,258
Supplies	0	0	4,663	4,663	4,663
Communication expenses	50	49	10,379	10,428	10,478
Occupancy expenses	225	0	67,951	67,951	68,176
Printing and Duplicating	0	0	220	220	220
Travel	1,636	815	4,886	5,701	7,337
Conferences, conventions, meetings	0	0	74,594	74,594	74,594
Insurance	0	12,716	1,596	14,312	14,312
Learning and development	1,051	7,162	640	7,802	8,853
Other expenses	0	19,203	91,755	110,958	110,958
	<u>\$ 3,866,622</u>	<u>\$ 203,316</u>	<u>\$ 1,435,330</u>	<u>\$ 1,638,646</u>	<u>\$ 5,505,268</u>

See notes to financial statements.

mothers2mothers United States, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES  
for Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Grants, contracts and direct assistance	\$ 3,009,618	\$ 0	\$ 0	\$ 0	\$ 3,009,618
Salaries and wages	930,474	126,261	463,845	590,106	1,520,580
Fringe benefits	438,469	58,042	213,229	271,271	709,740
Professional fees	72,976	48,097	49,320	97,417	170,393
Supplies	0	85	13,468	13,553	13,553
Communication expenses	924	1,757	4,861	6,618	7,542
Occupancy expenses	0	0	67,941	67,941	67,941
Travel	33,590	28,930	43,932	72,862	106,452
Conferences, conventions, meetings	3,000	0	33,523	33,523	36,523
Insurance	0	9,387	767	10,154	10,154
Learning and development	5,824	6,298	0	6,298	12,122
Other expenses	6,949	16,419	2,369	18,788	25,737
	<u>\$ 4,501,824</u>	<u>\$ 295,276</u>	<u>\$ 893,255</u>	<u>\$ 1,188,531</u>	<u>\$ 5,690,355</u>

See notes to financial statements.



mothers2mothers United States, Inc.

STATEMENTS OF CASH FLOWS  
for Years Ended December 31

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,076,371	\$ 179,486
Changes to net assets not affecting cash:		
Unrealized gain on investments	( 128,604)	( 154,080)
Realized gain on sale of investments	( 6,403)	( 11,723)
Decrease (increase) in:		
Grants and contributions receivable	330,426	395,026
Prepaid expenses	( 8,186)	( 9,349)
Deposits	1,200	0
Increase (decrease) in:		
Accounts payable and accrued liabilities	(250,278)	34,355
Due to/from affiliates	( 97,863)	620,341
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>916,663</b>	<b>1,054,056</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases of investments	(1,611,530)	( 27,851)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,611,530)</b>	<b>( 27,851)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	273,665	0
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>273,665</b>	<b>0</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>( 421,202)</b>	<b>1,026,205</b>
Cash and cash equivalents, beginning of the year	2,306,004	1,279,799
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,884,802</b>	<b>\$ 2,306,004</b>

See notes to financial statements.

## NOTE A - ORGANIZATION

mothers2mothers United States, Inc. (the Organization) 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. The Organization commenced operations in July 2009 and its one of several separate but affiliated organizations located in different countries. The Organization provides an innovative mentoring program offering comprehensive support for HIV positive pregnant women and new mothers.

On November 20, 2020, the Organization changed its name from Mothers2Mothers International, Inc. to mothers2mothers United States, Inc.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ***Basis of Accounting***

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when obligations are incurred.

### ***Basis of Presentation***

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

### ***Cash and Cash Equivalents***

The Organization considers all unrestricted highly liquid investments with an initial maturity 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, the Organization 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 paid to external investment advisors, in the statements of activities and changes in net assets.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements. Investment policies and guidelines consider liquidity and risk for each pool of assets and attempt to diversify asset classes to mitigate those risks.

***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.

***Revenue***

The Organization analyzes each transaction to determine if it is non-reciprocal (contribution) or reciprocal (exchange).

***Grants and contributions***

Grants and contributions are recognized in the appropriate category of net assets in the period received. For grants and contributions that are determined to be non-reciprocal transactions under the contribution rules, revenue is recognized upon notification of the gift or award. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grants and contributions that are unconditional but that have donor restrictions are recognized as "with donor restrictions" and then reclassified to "without donor restrictions" upon satisfaction of the donor-imposed restrictions. Funds received for which restrictions have not been met are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions that contain a right of return and a barrier are determined to be conditional in nature. Revenue is recognized when the conditions are satisfied.

***Exchange transactions***

The Organization has one contract with mothers2mothers South Africa (m2m SA) that is considered an exchange transaction (see Note K).

Items classified as exchange transactions follow ASU 2014-09, Revenue from Contracts with Customers ("Topic 606"). Topic 606 provides for a five-step model for recognizing revenue from contracts with customers as follows: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation.

Revenue is measured based on a consideration specified in a contract with a customer. The Organization recognizes revenue when it satisfies a performance obligation over a period of time as the services are provided. The Organization's contracts generally contain one performance obligation. The transaction price is the amount of consideration expected to be received in exchange for transferring goods and services to the customer. When a contract has a single performance obligation, the entire transaction price is attributed to that performance obligation. Because the Organization has the right to invoice its customer in amounts that correspond directly with the value of performance to date, disclosure of further information about remaining performance obligations under service contracts is not required.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Functional allocation of expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization 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.

***Advertising Costs***

The Organization recognizes advertising expense as incurred in conformity with generally accepted accounting principles. Total advertising and marketing costs were \$59,998 and \$13,355 for the years ended December 31, 2020 and 2019.

***Foreign currency***

The U.S. dollar is the functional currency of the Organization. Transactions in other currencies are translated into dollars at the rates of exchange in effect during the month of the transaction. 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***

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Net income from unrelated business sources is subject to federal income taxes; however, the Organization had no unrelated business income for the years ended December 31, 2020 and 2019. The tax records from the Organization generally remain open for three years from the date of filing for income tax examinations.

Under the provisions of Statement of Financial Accounting Standards ASC Topic 740, *Income Taxes* (ASC 740), the Organization is required to disclose unrecognized tax benefits. Management has evaluated the effect of the guidance provide by ASC 740 and all other tax positions that could have a significant effect on the financial statement and determined that the Organization had no uncertain tax positions at December 31, 2020 and 2019 that required disclosure or recognition.

***Use of Estimates***

The preparation of financial statements prepared in conformity with U.S. generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Fair Value Reporting***

Unless disclosed otherwise, the Organization estimates that the fair value of all financial and non-financial instruments at December 31, 2020 does not differ materially from the aggregate carrying values recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***New Accounting Pronouncements Adopted in 2019***

During 2019, the Organization early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. The Organization adopted the ASU using a modified prospective basis.

***Recent Accounting Pronouncements Not Yet Adopted***

In February 2016, the FASB issued guidance related to leasing for both the lessees and the lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record the ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The standard can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment, with certain practical expedients available. The Organization will evaluate the effect that adoption of this new standard will have on the financial statements.

***Reclassifications***

Certain amounts reported in the 2019 financial statements have been reclassified to conform with the 2020 presentation. These reclassifications had no effect on the reported total change in net assets.

**NOTE C - INVESTMENTS**

Investments, recorded at fair value, are comprised of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equities	\$ 797,821	\$ 546,100
Exchange traded funds and closed end funds	143,845	129,464
Mutual funds	1,573,369	68,663
Corporate fixed income	351,337	351,043
Government securities	<u>26,960</u>	<u>51,524</u>
<b>Totals</b>	<b><u>\$ 2,893,332</u></b>	<b><u>\$ 1,146,794</u></b>

NOTES TO FINANCIAL STATEMENTS  
for Years Ended December 31, 2020 and 2019

**NOTE C - INVESTMENTS (continued)**

Investment income for the years ended December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 39,816	\$ 31,649
Realized gain	6,403	11,723
Unrealized gain	128,604	154,080
Investment management fees	<u>( 14,129)</u>	<u>( 10,811)</u>
<b>Totals</b>	<b><u>\$ 160,694</u></b>	<b><u>\$ 186,641</u></b>

**NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Organization's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the assets or liabilities.

The following paragraphs offer a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

**NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**Equities**

These funds are valued at the closing price reported on the active market on which the individual security is 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. These funds are valued at the closing price reported on the active market in which the individual securities are traded.

**Mutual funds**

These funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization 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 Organization 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**

These funds are valued at the closing price reported on the active market in which the individual securities are traded.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 797,821	\$ 797,821	\$ 0	\$ 0
Exchange traded funds and closed end funds	143,845	143,845	0	0
Mutual funds	1,573,369	1,573,369	0	0
Corporate fixed income	351,337	0	351,337	0
Government securities	<u>26,960</u>	<u>0</u>	<u>26,960</u>	<u>0</u>
	<b><u>\$ 2,893,332</u></b>	<b><u>\$ 2,515,035</u></b>	<b><u>\$ 378,297</u></b>	<b><u>\$ 0</u></b>

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 546,100	\$ 546,100	\$ 0	\$ 0
Exchange traded funds and closed end funds	129,464	129,464	0	0
Mutual funds	68,663	68,663	0	0
Corporate fixed income	351,043	0	351,043	0
Government securities	<u>51,524</u>	<u>0</u>	<u>51,524</u>	<u>0</u>
	<b><u>\$ 1,146,794</u></b>	<b><u>\$ 744,227</u></b>	<b><u>\$ 402,567</u></b>	<b><u>\$ 0</u></b>

**mothers2mothers United States, Inc.**

**NOTES TO FINANCIAL STATEMENTS  
for Years Ended December 31, 2020 and 2019**

**NOTE E - GRANTS AND CONTRIBUTIONS RECEIVABLE**

As of December 31, 2020 and 2019, contributors to the Organization have made written unconditional promises to give totaling \$0 and \$401,128, respectively. Grants and contribution payments are due as follows at December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Less than one year	\$ 70,702	\$ 401,128
Total	<b><u>\$ 70,702</u></b>	<b><u>\$ 401,128</u></b>

As of December 31, 2020 and 2019, contributors to the Organization have made written conditional promises to give totaling \$1,500,000 and \$0, respectively, for establishing and/or advancing specific programs.

**NOTE F - RESTRICTIONS/LIMITATIONS ON NET ASSETS**

Net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Subject to expenditure for specified purpose:		
Bickerstaff Family Foundation	\$ 480,486	\$ 529,342
BARR Foundation	1,123	1,123
Caterpillar	50,000	0
Chevron USA Inc.	105,786	105,786
Conrad N. Hilton Foundation	9,730	213,305
Elizabeth Taylor AIDS Foundation	19,472	19,472
Gilead Foundation	130,332	177,968
Global Giving	37,794	0
Imago Dei Fund	30,872	13,461
Johnson and Johnson Services, Inc.	724,850	743,359
m2m SA	13,659	13,659
Medtronic	98,917	150,000
Segal Family Foundation	78,153	78,153
Stephen Lewis Foundation	12,125	12,125
Vodafone	10,000	0
Wallace Global Fund	2,502	2,502
Subject to passage of time:		
Imago Dei Fund	<u>0</u>	<u>100,000</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 1,805,801</u></b>	<b><u>\$ 2,160,255</u></b>



**mothers2mothers United States, Inc.**

**NOTES TO FINANCIAL STATEMENTS  
for Years Ended December 31, 2020 and 2019**

**NOTE F - RESTRICTIONS/LIMITATIONS ON NET ASSETS (continued)**

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 during the years ended December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Purpose restrictions accomplished:		
Bickerstaff Family Foundation	\$ 658,856	\$ 395,318
Conrad N. Hilton Foundation	213,575	734,563
Elizabeth Taylor AIDS Foundation	0	19,210
Gilead Foundation	147,636	23,955
Global Giving	37,206	0
Imago Dei Fund	( 2,411)	3,388
Johnson and Johnson Services, Inc.	918,509	913,231
Medtronic	288,748	0
Skoll Foundation	50,000	0
Segal Family Foundation	0	29,896
Passage of time:		
Imago Dei Fund	100,000	100,000
<b>Total net assets released from donor restrictions</b>	<b><u>\$ 2,412,119</u></b>	<b><u>\$ 2,219,561</u></b>

**NOTE G - LIQUIDITY AND AVAILABILITY**

The following represents the Organization's financial assets at December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 1,884,802	\$ 2,306,004
Investments	2,893,332	1,146,794
Grants and contributions receivable	70,702	401,128
Subtotal financial assets	4,848,836	3,853,926
Less: donor restricted funds	(1,805,801)	(2,060,255)
Financial assets available to meet general expenditures within one year	<b><u>\$ 3,043,035</u></b>	<b><u>\$ 1,793,671</u></b>

The Organization's has a policy to structure its financial assets to be available and liquid as its obligations become due.

**NOTE H - LEASE COMMITMENTS**

The Organization leases office space in Los Angeles, California, under a month-to-month lease.

The Organization also leases office space in New York. The lease agreement commenced August 27, 2018 with an original expiration date of September 1, 2019. The original lease agreement requires a monthly payment of \$4,000. The lease agreement was extended through January 31, 2021. Monthly rent payments for the period September 1, 2019 through January 31, 2021 are \$4,100 per month. The lease can be terminated by either party with 45 days' notice.

Future minimum lease payments under all office leases are as follows:

<u>For Year Ending December 31,</u>	
2021	\$ 4,100
Thereafter	<u>0</u>
	<b><u>\$ 4,100</u></b>

Rent expense for the years ended December 31, 2020 and 2019 was \$66,378 and \$65,169, respectively and is included in occupancy on the statement of functional expenses.

**NOTE I - RETIREMENT PLAN**

The Organization adopted a retirement plan during 2016 that provides retirement benefits to its employees through a 401(k) plan covering eligible employees. Contributions to the Plan were discretionary. Effective January 1, 2020, the Organization elected a provision for a mandatory safe harbor non-elective contribution in the amount of 5% of eligible employee compensation. Contributions to the Plan during the years ended December 31, 2020 and 2019 totaled \$102,659 and \$86,877, respectively.

**NOTE J - CONCENTRATION OF REVENUE**

Approximately 37% and 42% of the Organization's revenue (excluding revenue from m2m SA) for the years ended December 31, 2020 and 2019, respectively, was derived from grants awarded by two donors. The Organization has no reason to believe that the relationship with these donors 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) could adversely affect the Organization's ability to finance ongoing operations.

**NOTE K - RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2020 and 2019, the Organization was involved in several transactions with mothers2mothers South Africa (m2m SA) and mothers2mothers UK (m2m UK), affiliated organization that shares the same CEO as the Organization.

**NOTE K - RELATED PARTY TRANSACTIONS (continued)**

During years ended December 31, 2020 and 2019, the Organization earned \$1,330,425 and \$1,238,986, respectively, for technical and professional services revenue from m2m SA. During the years ended December 31, 2020 and 2019, the Organization donated \$199,800 and \$150,000, respectively, to m2m SA. The Organization awarded \$2,337,582 and \$2,859,618 in sub-awards to m2m SA during the years ended December 31, 2020 and 2019, respectively.

During years ended December 31, 2020 and 2019, the Organization incurred expenses of \$89,472 and \$0, respectively, for technical and professional services provided by m2m UK. The amounts are included in other expenses on the statements of functional expenses. As of December 31, 2020 and 2019, there was a net amount due to affiliates totaling \$126,728 and \$224,591, respectively.

**NOTE L - PPP LOAN**

In April 2020, the Organization received loan proceeds in the amount of \$273,665 under the Paycheck Protection Program ("PPP.") The loan is eligible for certain forgiveness subject to the SBA's rules. The loan bears interest at 1.00% per annum and is payable over 18 months. Borrower payments on all PPP loans are deferred until the date the SBA approves the forgiveness application or if the borrower does not apply for forgiveness, 10 months after the end of the borrower's covered period. As of December 31, 2020, the Organization owed \$273,665 on the loan. Subsequent to year-end, the PPP loan was fully forgiven by the SBA.

**NOTE M - ACCOUNTING CHANGE**

In connection with its tax equalization benefit policy, the Organization accrued estimated liabilities to certain employees eligible for the benefit. As a result of completion of certain tax filings in 2020 by an eligible employee, the Organization reduced its original estimate. The effect of this change was to decrease accrued expenses and decrease fringe benefits expense and reduce the change in net assets for 2020 by approximately \$240,000.

**NOTE N - SUBSEQUENT EVENTS**

The Organization's management has evaluated subsequent events and transactions for potential recognition through September 15, 2021, which is the date the financial statements were available to be issued.

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. The Organization's management is actively monitoring the situation. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year ended December 31, 2020.

To help mitigate the risks associated with the current economic uncertainty, in February 2021 the Corporation received a second loan through the Small Business Administration's Payroll Protection Program in the amount of \$335,595. The loan accrues interest at 1% per annum and is payable over 18 months, beginning 10 months after the borrower's covered period. This loan is eligible for certain forgiveness and modification subject to SBA's rules.