

Audited Financial Statements

MOTHERS2MOTHERS UNITED STATES, INC.

Los Angeles, California

December 31, 2022 and 2021

AUDITED FINANCIAL STATEMENTS

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CPAs AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of mothers2mothers United States, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, statements of functional expenses, and statements of cash flows for the years 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 mothers2mothers United States, Inc. as of December 31, 2022 and 2021, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 mothers2mothers United States, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 mothers2mothers United States, 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 mothers2mothers United States, 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 mothers2mothers United States, Inc., 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.

CST GROUP, CPAs, PC

August 21, 2023

mothers2mothers United States, Inc.

STATEMENTS OF FINANCIAL POSITION
as of December 31

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,050,697	\$ 25,763,069
Investments	26,833,222	4,595,479
Grants and contributions receivable	113,988	444,393
Prepaid expenses	<u>33,417</u>	<u>9,884</u>
	<u>\$ 30,031,324</u>	<u>\$ 30,812,825</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 253,998	\$ 172,405
Due to affiliates	<u>1,937,703</u>	<u>72,569</u>
	2,191,701	244,974
NET ASSETS		
Without donor restrictions	26,079,162	27,747,373
With donor restrictions	<u>1,760,461</u>	<u>2,820,478</u>
	<u>27,839,623</u>	<u>30,567,851</u>
	<u>\$ 30,031,324</u>	<u>\$ 30,812,825</u>

See notes to financial statements.

mothers2mothers United States, Inc.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
for Year Ended December 31, 2022**

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions:			
Corporate and foundation grants	\$ 1,616,155	\$ 1,366,941	\$ 2,983,096
Individual and private foundations	564,224	0	564,224
Net assets released from donor restrictions	2,426,958	(2,426,958)	0
Total grants and contributions	4,607,337	(1,060,017)	3,547,320
Investment loss, net	(1,348,214)	0	(1,348,214)
Contracts from affiliates	1,271,036	0	1,271,036
TOTAL REVENUE AND SUPPORT	4,530,159	(1,060,017)	3,470,142
EXPENSES			
Program services	4,200,531	0	4,200,531
Supporting services:			
Management and general	445,565	0	445,565
Fundraising	1,554,879	0	1,554,879
TOTAL SUPPORTING SERVICES	2,000,444	0	2,000,444
TOTAL EXPENSES	6,200,975	0	6,200,975
Changes in net assets before other income (expenses)	(1,670,816)	(1,060,017)	(2,730,833)
OTHER INCOME (EXPENSE)			
Other income	3,830	0	3,830
Foreign exchange loss	(1,225)	0	(1,225)
	2,605	0	2,605
CHANGE IN NET ASSETS	(1,668,211)	(1,060,017)	(2,728,228)
NET ASSETS, beginning of year	27,747,373	2,820,478	30,567,851
NET ASSETS, END OF YEAR	\$ 26,079,162	\$ 1,760,461	\$ 27,839,623

See notes to financial statements.

mothers2mothers United States, Inc.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
for Year Ended December 31, 2021**

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions:			
Corporate and foundation grants	\$ 25,816,259	\$ 3,181,968	\$ 28,998,227
Individual and private foundations	828,732	0	828,732
Net assets released from donor restrictions	2,167,291	(2,167,291)	0
Total grants and contributions	28,812,282	1,014,677	29,826,959
Investment income, net	226,745	0	226,745
Contracts from affiliates	1,413,717	0	1,413,717
TOTAL REVENUE AND SUPPORT	30,452,744	1,014,677	31,467,421
EXPENSES			
Program services	3,657,068	0	3,657,068
Supporting services:			
Management and general	297,879	0	297,879
Fundraising	1,729,843	0	1,729,843
TOTAL SUPPORTING SERVICES	2,027,722	0	2,027,722
TOTAL EXPENSES	5,684,790	0	5,684,790
Changes in net assets before other income (expense)	24,767,954	1,014,677	25,782,631
OTHER INCOME (EXPENSE)			
PPP loan forgiveness income	609,260	0	609,260
Other income	1,500	0	1,500
Foreign exchange loss	(1,466)	0	(1,466)
	609,294	0	609,294
CHANGE IN NET ASSETS	25,377,248	1,014,677	26,391,925
NET ASSETS, beginning of year	2,370,125	1,805,801	4,175,926
NET ASSETS, END OF YEAR	\$ 27,747,373	\$ 2,820,478	\$ 30,567,851

See notes to financial statements.

mothers2mothers United States, Inc.

STATEMENT OF FUNCTIONAL EXPENSES
for Year Ended December 31, 2022

	<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	\$ 2,813,677	\$ 1,698	\$ 200,001	\$ 201,699	\$ 3,015,376
Salaries and wages	888,035	231,889	615,242	847,131	1,735,166
Fringe benefits	428,065	106,600	282,665	389,265	817,330
Professional fees	40,210	52,364	215,275	267,639	307,849
Conferences, conventions, meetings	507	1,780	135,287	137,067	137,574
Travel	151	27,596	50,829	78,425	78,576
Communication expenses	28,293	0	5,552	5,552	33,845
Other expenses	0	6,149	15,816	21,965	21,965
Occupancy expenses	1,125	0	19,923	19,923	21,048
Insurance	468	12,916	1,808	14,724	15,192
Learning and development	0	4,573	5,324	9,897	9,897
Printing and duplicating	0	0	3,011	3,011	3,011
Computer maintenance	0	0	2,232	2,232	2,232
Supplies	0	0	1,914	1,914	1,914
	<u>\$ 4,200,531</u>	<u>\$ 445,565</u>	<u>\$ 1,554,879</u>	<u>\$ 2,000,444</u>	<u>\$ 6,200,975</u>

See notes to financial statements.

mothers2mothers United States, Inc.

STATEMENT OF FUNCTIONAL EXPENSES
for Year Ended December 31, 2021

	<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	\$ 2,176,231	\$ 0	\$ 199,793	\$ 199,793	\$ 2,376,024
Salaries and wages	967,822	188,429	779,282	967,711	1,935,533
Fringe benefits	432,525	(13,379)	361,039	347,660	780,185
Professional fees	53,672	73,192	181,025	254,217	307,889
Conferences, conventions, meetings	180	0	138,184	138,184	138,364
Travel	883	16,769	20,119	36,888	37,771
Communication expenses	22,250	0	5,622	5,622	27,872
Occupancy expenses	1,575	0	21,874	21,874	23,449
Other expenses	167	11,776	6,864	18,640	18,807
Insurance	0	13,942	1,834	15,776	15,776
Learning and development	0	6,932	6,151	13,083	13,083
Supplies	1,763	218	3,944	4,162	5,925
Computer maintenance	0	0	3,597	3,597	3,597
Printing and duplicating	0	0	515	515	515
	<u>\$ 3,657,068</u>	<u>\$ 297,879</u>	<u>\$ 1,729,843</u>	<u>\$ 2,027,722</u>	<u>\$ 5,684,790</u>

See notes to financial statements.

mothers2mothers United States, Inc.

**STATEMENTS OF CASH FLOWS
for Years Ended December 31**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,728,228)	\$ 26,391,925
Changes to net assets not affecting cash:		
Unrealized loss (gain) on investments	1,263,564	(140,296)
Realized loss (gain) on sale of investments	401,747	(37,464)
Decrease (increase) in:		
Grants and contributions receivable	330,405	(373,691)
Prepaid expenses	(23,533)	11,651
Deposits	0	4,000
Increase (decrease) in:		
Accounts payable and accrued liabilities	81,593	(125,647)
Due to/from affiliates	1,865,134	(54,159)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,190,682	25,676,319
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(23,903,054)	(1,524,387)
NET CASH USED BY INVESTING ACTIVITIES	(23,903,054)	(1,524,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	0	(273,665)
NET CASH USED BY FINANCING ACTIVITIES	0	(273,665)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,712,372)	23,878,267
Cash and cash equivalents, beginning of the year	25,763,069	1,884,802
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,050,697</u>	<u>\$ 25,763,069</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

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.

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

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.

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

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 \$29,073 and \$75,343 for the years ended December 31, 2022 and 2021.

Leases

The Organization leases certain office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the statements of financial position, except for leases with an initial term of 12 months or less are not recorded on the statements of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The lease for which the Organization is a lessee is a short-term lease.

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, 2022 and 2021. 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, 2022 and 2021 that required disclosure or recognition.

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022 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.

New Accounting Pronouncements Adopted in 2022

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities 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 Organization elected to adopt these ASUs effective January 1, 2022, and the Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. The adoption did not have a material impact on the Organization's statement of financial position or statement of activities.

NOTE C - INVESTMENTS

Investments, recorded at fair value, are comprised of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Equities	\$ 8,050,975	\$ 1,981,207
Exchange traded funds and closed end funds	1,101,856	327,796
Mutual funds	9,033,126	1,944,675
Corporate fixed income	5,596,200	315,675
Government securities	<u>3,051,065</u>	<u>26,126</u>
Totals	<u>\$ 26,833,222</u>	<u>\$ 4,595,479</u>

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

NOTE C - INVESTMENTS (continued)

Investment income (loss) for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 486,997	\$ 80,030
Realized gain (loss)	(401,747)	37,464
Unrealized gain (loss)	(1,263,564)	140,296
Investment management fees	<u>(169,900)</u>	<u>(31,045)</u>
Totals	<u>\$ (1,348,214)</u>	<u>\$ 226,745</u>

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, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

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, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 8,050,975	\$ 8,050,975	\$ 0	\$ 0
Exchange traded funds and closed end funds	1,101,856	1,101,856	0	0
Mutual funds	9,033,126	9,033,126	0	0
Corporate fixed income	5,596,200	0	5,596,200	0
Government securities	<u>3,051,065</u>	<u>0</u>	<u>3,051,065</u>	<u>0</u>
Investments at fair value	<u>\$ 26,833,222</u>	<u>\$ 18,185,957</u>	<u>\$ 8,647,265</u>	<u>\$ 0</u>

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, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 1,981,207	\$ 1,981,207	\$ 0	\$ 0
Exchange traded funds and closed end funds	327,796	327,796	0	0
Mutual funds	1,944,675	1,944,675	0	0
Corporate fixed income	315,675	0	315,675	0
Government securities	<u>26,126</u>	<u>0</u>	<u>26,126</u>	<u>0</u>
Investments at fair value	<u>\$ 4,595,479</u>	<u>\$ 4,253,678</u>	<u>\$ 341,801</u>	<u>\$ 0</u>

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

NOTE E - GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2022 and 2021, contributors to the Organization have made written unconditional promises to give totaling \$0 and \$380,000, respectively. Grants and contribution payments are due as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 113,988	\$ 444,393
Total	<u>\$ 113,988</u>	<u>\$ 444,393</u>

As of December 31, 2022 and 2021, contributors to the Organization have made written conditional promises to give totaling \$153,753 and \$544,933, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
BARR Foundation	\$ 1,123	\$ 1,123
Bickerstaff Family Foundation	21,530	4,291
Caterpillar	7,288	7,288
Chevron USA Inc.	105,786	105,786
Conrad N. Hilton Foundation	124,280	137,161
Elizabeth Taylor AIDS Foundation	19,472	19,472
Gilead Foundation	136,933	335,386
Global Giving	8,609	53,952
Imago Dei Fund	1,673	30,872
Johnson and Johnson Services, Inc.	399,256	794,259
m2m SA	13,659	13,659
McAlee's	7,041	9,233
Merck & Co. Inc.	721,022	825,216
Pfizer Foundation	100,000	0
Segal Family Foundation	78,153	78,153
Stephen Lewis Foundation	12,125	12,125
Vodafone	9	10,000
Wallace Global Fund	2,502	2,502
Subject to passage of time:		
Conrad N. Hilton Foundation	<u>0</u>	<u>380,000</u>
Total net assets with donor restrictions	<u>\$ 1,760,461</u>	<u>\$ 2,820,478</u>

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Bickerstaff Family Foundation	\$ (17,238)	\$ 476,195
Caterpillar	0	42,712
Conrad N. Hilton Foundation	12,881	242,570
Gilead Foundation	273,453	238,432
Global Giving	45,344	(16,159)
Imago Dei Fund	29,199	0
Johnson and Johnson Services, Inc.	1,195,002	780,591
McAlees	2,191	767
Medtronic	0	273,093
Merck & Co. Inc.	496,135	129,090
Vodafone	9,991	0
Passage of time:		
Conrad N. Hilton Foundation	<u>380,000</u>	<u>0</u>
Total net assets released from donor restrictions	<u>\$ 2,426,958</u>	<u>\$ 2,167,291</u>

NOTE G - LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,050,697	\$ 25,763,069
Investments	26,833,222	4,595,479
Grants and contributions receivable	<u>113,988</u>	<u>444,393</u>
Subtotal financial assets	29,997,907	30,802,941
Less: donor restricted funds	<u>(1,760,461)</u>	<u>(2,820,478)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 28,237,446</u>	<u>\$ 27,982,463</u>

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

NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021

NOTE H - LEASE COMMITMENTS

The organization has one short-term lease for office space located in Los Angeles, California. The lease is month-to-month with a monthly rent payment of \$1,444. The organization has no long-term leases as of December 31, 2022.

Lease expense for the years ended December 31, 2022 and 2021 was \$17,257 and \$19,773, 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, 2022 and 2021 totaled \$101,632 and \$115,653, respectively.

NOTE J - CONCENTRATION OF REVENUE

Approximately 51% and 86% of the Organization's revenue (excluding revenue from m2m SA) for the years ended December 31, 2022 and 2021, was derived from grants awarded by three donors, respectively. During 2021, the Organization received a contribution of \$24,000,000 from one donor. No future promises to give from this donor have been made. Excluding the largest donation, the Organization's revenue from the second and third largest donors in 2021 was approximately 27% of the Organization's revenue. 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, 2022 and 2021, 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.

During the years ended December 31, 2022 and 2021, the Organization earned \$1,271,036 and \$1,413,717, respectively, for technical and professional services revenue from m2m SA. During the years ended December 31, 2022 and 2021, the Organization donated \$200,001 and \$199,793, respectively, to m2m SA. The Organization awarded \$2,813,677 and \$2,176,231 in sub-awards to m2m SA during the years ended December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, the Organization incurred expenses of \$144,907 and \$95,234, respectively, for technical and professional services provided by m2m UK and for reimbursement of program expenses.

As of December 31, 2022 and 2021, there was a net amount due to affiliates totaling \$1,937,703 and \$72,569, respectively.

**NOTES TO FINANCIAL STATEMENTS
for Years Ended December 31, 2022 and 2021**

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. On January 6, 2021, the PPP loan was fully forgiven by the SBA.

In February 2021, the Organization received loan proceeds in the amount of \$335,595 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. On December 21, 2021, 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 2021 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 2021 by approximately \$100,000.

NOTE N - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events and transactions for potential recognition through August 21, 2023, which is the date the financial statements were available to be issued.