



Financial Statements  
June 30, 2017 and 2016

# Mothers Without Borders

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## Independent Auditor's Report

The Board of Directors  
Mothers Without Borders  
American Fork, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of Mothers Without Borders (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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 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 Mothers Without Borders as of June 30, 2017 and 2016, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Salt Lake City, Utah  
February 8, 2018

Mothers Without Borders  
 Statements of Financial Position  
 June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 216,526	\$ 164,596
Investments	16,771	10,132
Prepaid expenses and other	15,782	1,898
Property and equipment, net	575,282	459,238
Total assets	\$ 824,361	\$ 635,864
Liabilities and Net Assets		
Accounts payable	\$ 40,638	\$ 500
Accrued expenses and other liabilities	42,826	39,564
Deferred revenue	126,049	44,625
Total liabilities	209,513	84,689
Net Assets		
Unrestricted	614,848	488,894
Temporarily restricted	-	62,281
Total net assets	614,848	551,175
Total liabilities and net assets	\$ 824,361	\$ 635,864

Mothers Without Borders  
Statement of Activities  
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions	\$ 334,606	\$ -	\$ 334,606
Expedition revenues	285,598	-	285,598
In-kind contributions - materials and services	119,937	-	119,937
In-kind contributions - investments	4,679	-	4,679
Net investment return	2,018	-	2,018
Other revenue	-	-	-
Gross special events revenue	12,719	-	12,719
Less cost of direct benefits to donors	(3,353)	-	(3,353)
Net special events revenue	9,366	-	9,366
Net assets released from restrictions	62,281	(62,281)	-
Total revenue, support, and gains	<u>818,485</u>	<u>(62,281)</u>	<u>756,204</u>
Expenses			
Program services expenses	<u>576,077</u>	-	<u>576,077</u>
Supporting services expenses			
Management and general	55,375	-	55,375
Fundraising and development	61,079	-	61,079
Total supporting services expenses	<u>116,454</u>	-	<u>116,454</u>
Total expenses	<u>692,531</u>	-	<u>692,531</u>
Change in Net Assets	125,954	(62,281)	63,673
Net Assets, Beginning of Year	<u>488,894</u>	<u>62,281</u>	<u>551,175</u>
Net Assets, End of Year	<u>\$ 614,848</u>	<u>\$ -</u>	<u>\$ 614,848</u>

Mothers Without Borders  
Statement of Activities  
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions	\$ 261,374	\$ 154,082	\$ 415,456
Expedition revenues	209,174	-	209,174
In-kind contributions - materials and services	112,226	-	112,226
In-kind contributions - investments	5,360	-	5,360
Net investment return	(460)	-	(460)
Other revenue	9,824	-	9,824
Gross special events revenue	3,539	-	3,539
Less cost of direct benefits to donors	(2,174)	-	(2,174)
Net special events revenue	1,365	-	1,365
Net assets released from restrictions	91,801	(91,801)	-
Total revenue, support, and gains	<u>690,664</u>	<u>62,281</u>	<u>752,945</u>
Expenses			
Program services expenses	478,889	-	478,889
Supporting services expenses			
Management and general	71,383	-	71,383
Fundraising and development	9,376	-	9,376
Total supporting services expenses	<u>80,759</u>	<u>-</u>	<u>80,759</u>
Total expenses	<u>559,648</u>	<u>-</u>	<u>559,648</u>
Change in Net Assets	131,016	62,281	193,297
Net Assets, Beginning of Year	<u>357,878</u>	<u>-</u>	<u>357,878</u>
Net Assets, End of Year	<u>\$ 488,894</u>	<u>\$ 62,281</u>	<u>\$ 551,175</u>

Mothers Without Borders  
Statement of Functional Expenses  
Year Ended June 30, 2017

	Program Services	Management and General	Fundraising and Development	Total
Payroll and related costs	\$ 147,362	\$ 23,748	\$ 55,559	\$ 226,669
Professional services	299	17,641	-	17,940
Education	48,926	-	-	48,926
Automobile	11,766	2,556	-	14,322
Expedition	200,462	-	-	200,462
Occupancy costs	14,090	720	1,295	16,105
Supplies	113,948	1,270	1,838	117,056
Printing and postage	2,233	122	2,318	4,673
Telephone and internet	4,269	171	-	4,440
Travel	3,736	-	2,149	5,885
Insurance	297	-	-	297
Depreciation	22,662	2,518	-	25,180
Other	6,027	6,629	1,273	13,929
<b>Total expenses by function</b>	<b>576,077</b>	<b>55,375</b>	<b>64,432</b>	<b>695,884</b>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(3,353)	(3,353)
<b>Total expenses in the expense section on the statement of activities</b>	<b>\$ 576,077</b>	<b>\$ 55,375</b>	<b>\$ 61,079</b>	<b>\$ 692,531</b>

Mothers Without Borders  
Statement of Functional Expenses  
Year Ended June 30, 2016

	Program Services	Management and General	Fundraising and Development	Total
Payroll and related costs	\$ 123,505	\$ 41,495	\$ 8,155	\$ 173,155
Professional services	367	17,549	-	17,916
Education	33,102	-	-	33,102
Automobile	5,532	1,191	-	6,723
Expedition	165,515	-	-	165,515
Occupancy costs	14,281	720	1,775	16,776
Supplies	96,996	2,670	91	99,757
Printing and postage	1,561	126	847	2,534
Telephone and internet	5,420	144	-	5,564
Travel	5,093	-	64	5,157
Insurance	325	-	-	325
Depreciation	20,938	2,326	-	23,264
Other	6,254	5,162	618	12,034
Total expenses by function	478,889	71,383	11,550	561,822
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(2,174)	(2,174)
Total expenses in the expense section on the statement of activities	<u>\$ 478,889</u>	<u>\$ 71,383</u>	<u>\$ 9,376</u>	<u>\$ 559,648</u>



Mothers Without Borders  
Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 63,673	\$ 193,297
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	25,180	23,264
(Gain) loss on investments	(1,127)	630
Gain on sale of property and equipment	-	(428)
Donation of stock	(4,679)	(5,360)
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(13,884)	1,952
Accounts payable	40,138	(6,777)
Accrued expenses and other liabilities	3,262	(47,664)
Deferred revenue	81,424	11,945
Net Cash from Operating Activities	193,987	170,859
Investing Activities		
Purchases of property and equipment	(141,224)	(101,412)
Proceeds from sale of property and equipment	-	2,476
Purchases of investments	(11,037)	(5,670)
Proceeds from sale of investments	10,204	5,538
Net Cash used for Investing Activities	(142,057)	(99,068)
Net Change in Cash and Cash Equivalents	51,930	71,791
Cash and Cash Equivalents, Beginning of Year	164,596	92,805
Cash and Cash Equivalents, End of Year	\$ 216,526	\$ 164,596
Supplemental Disclosure of Non-cash Investing Activity		
Donation received of investments	\$ 4,679	\$ 5,360

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

Mothers Without Borders (we/our) is a nonprofit organization incorporated in 2000. Our mission is to nurture and care for orphaned and vulnerable children in Zambia, and give voice to the power of love. We accomplish our mission by developing communities, strengthening families, empowering women, protecting orphaned and vulnerable children and offering meaningful volunteer experiences. We are committed to ending the suffering and uncertainty of these often-forgotten children. We address the needs of the orphaned and vulnerable children in a holistic manner by implementing programs to meet their physical, emotional, social and educational needs.

### **Cash and Cash Equivalents**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, permanent endowment, or other long-term purposes are excluded from this definition.

### **Receivables and Credit Policies**

We record contributions receivable and unconditional promises to give expected to be collected within one year at net realizable value. Contributions expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectible contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions are written off when deemed uncollectible. At June 30, 2017 and 2016, we have not recorded any receivables or allowance.

### **Property and Equipment**

We record property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2017 and 2016.

## **Investments**

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

## **Net Assets**

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

*Unrestricted Net Assets* – Net assets available for use in general operations.

*Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by our Board of Directors.

We report contributions restricted by donors as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by our actions. The restrictions stipulate that resources be maintained permanently but permit us to expend the income generated in accordance with the provisions of the agreements. We did not have any permanently restricted net assets at June 30, 2017 and 2016.

## **Contributions and Revenue Recognition**

Revenue is recognized when earned. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

## **Expeditions and Deferred Revenue**

We record payments received from individuals who participate in humanitarian expeditions to Zambia as expedition revenues in the period during which the expeditions occur. Deferred revenue consists of payments received for expeditions that will occur in a future period and recognized upon completion of the excursion. The costs related to these expeditions is recorded as expedition expenses in the statement of functional expenses. Additionally, participants typically take suitcases full of essential supplies and other items for use in Zambia. The value of these donated items is recorded as in-kind contributions. The costs related to the donated supplies is recorded as supplies expense in the statement of functional expenses.

### **Donated Services and In-kind Contributions**

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed materials and professional services are recorded at fair value at the date of donation, or when services are received (Note 5).

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Income Tax Status**

Mothers Without Borders is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose. For the years ended June 30, 2017 and 2016, we have determined we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

We believe that we have appropriate support for any tax positions taken affecting our annual filing requirements, and as such, we do not have any uncertain tax positions that are material to the financial statements. We would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires us 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 revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### **Financial Instruments and Credit Risk**

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Investments are made by our management and board of directors who oversee the performance and monitor the investments. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

### **Foreign Currency**

The U.S. dollar is the functional currency for our operations in Zambia. As such, any gains and losses on the remeasurement into U.S. dollars of amounts denominated in foreign currency would be included in the current year change in net assets. Foreign currency transaction gains approximated \$0 and \$9,824 during the years ended June 30, 2017 and 2016, respectively.

### **Subsequent Events**

We have evaluated subsequent events through February 8, 2018, the date the financial statements were available to be issued.

### **Note 2 - Fair Value Measurements and Disclosures**

We report certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

All of our investment assets are classified within Level 1 because they are comprised of a specific stock and a money market fund with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2017:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual Funds	\$ 16,771	\$ 16,771	\$ -	\$ -
	<u>\$ 16,771</u>	<u>\$ 16,771</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis at June 30, 2016:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Stock	\$ 4,398	\$ 4,398	\$ -	\$ -
Mutual Funds	5,734	5,734	-	-
	<u>\$ 10,132</u>	<u>\$ 10,132</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 3 - Property and Equipment**

Property and equipment consists of the following at June 30, 2017 and 2016:

	2017	2016
Land	\$ 62,006	\$ 62,006
Buildings	494,994	316,394
Equipment	126,639	121,022
Vehicles	66,709	66,709
Construction in progress	-	42,993
	750,348	609,124
Less accumulated depreciation	(175,066)	(149,886)
	\$ 575,282	\$ 459,238

**Note 4 - Restricted Net Assets**

Temporarily restricted net assets at June 30, 2017 and 2016 consist of:

	2017	2016
Restricted by donors for		
Grinding Mill project	\$ -	\$ 19,865
Community School project	-	42,416
	\$ -	\$ 62,281

Temporarily restricted net assets at June 30, 2016 were released from restriction during the year ended June 30, 2017 due to their purpose restriction being satisfied.

**Note 5 - Donated Professional Materials and Services**

We received donated materials as follows during the years ended June 30, 2017 and 2016:

	Program Services	Management and General	Fundraising and Development	Total
<u>June 30, 2017</u>				
Expedition supplies	\$ 74,000	\$ -	\$ -	\$ 74,000
Airfare	41,469	-	-	41,469
Other	4,468	-	-	4,468
	<u>\$ 119,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,937</u>
	Program Services	Management and General	Fundraising and Development	Total
<u>June 30, 2016</u>				
Expedition supplies	\$ 74,000	\$ -	\$ -	\$ 74,000
Airfare	31,981	-	-	31,981
Occupancy cost	6,100	-	-	6,100
Other	145	-	-	145
	<u>\$ 112,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,226</u>

**Note 6 - Contingencies**

During the year ended June 30, 2016, we received a penalty notice from the Zambian Department of Labour for the late payment of certain payroll taxes. The late payment penalty notice assesses a penalty of approximately \$80,000, which is many times larger than the untimely remitted payroll tax amounts. We met with Zambian Department of Labour officials who represented that the penalty was not expected to be paid and that they had no intentions to pursue collection of such penalty amount. We believe that the likelihood of having to pay any portion of the penalty is remote and accordingly, we have not accrued any costs related to this penalty. To date, no collection efforts have been initiated by the Zambian Department of Labour nor have we received any additional notices. We believe the matter is closed, but in the improbable case that collection efforts were to be initiated, we would vigorously defend ourselves against the amount of the assessment.



**Note 7 - Related Party Transactions**

During the years ended June 30, 2017 and 2016, we paid a total of \$6,000 and \$500, respectively, to our executive director for the rental of office space which had an estimated fair market rental value of \$6,000 for the years ended June 30, 2017 and 2016, respectively. The value of the rent amount above the actual amount paid has been recorded as an in-kind contribution and occupancy expense in the statements of activities.

For the years ended June 30, 2017 and 2016 we received contributions totaling \$59,287 and \$119,859, respectively, from members of our Board of Directors to help fund the general operations of the organization. This funding represents 10.3% and 28.4% of total contributions received during the years ended June 30, 2017 and 2016, respectively. The contributions consist of the following:

	2017	2016
Donations	\$ 50,330	\$ 114,166
Expedition Revenue	8,957	5,693
	\$ 59,287	\$ 119,859