

MOTHERS OUT FRONT, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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MOTHERS OUT FRONT, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

Mission Statement

Mothers Out Front is building a diverse national movement of mothers, grandmothers, and other caregivers dedicated to averting catastrophic climate change. Our goal is to convince elected officials and business leaders to work aggressively for a swift, complete, and just transition away from fossil fuels to clean and renewable energy. We believe such a transition is needed to protect our children and grandchildren -- and we know it can't happen without a groundswell of public pressure.

MOTHERS OUT FRONT, INC
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Information for 2015)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mothers Out Front, Inc.
Cambridge, Massachusetts

We have audited the accompanying financial statements of Mothers Out Front, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and 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.

Auditors' 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 of 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 Organization'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 Organization'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 Out Front, Inc. as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Mothers Out Front, Inc.

Report on Summarized Comparative Information

We have previously audited Mothers Out Front, Inc.'s fiscal year 2015 financial statements, and our report dated March 3, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
May 1, 2017

MOTHERS OUT FRONT, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash	\$ 1,244,885	\$ 855,985
Accounts Receivable	1,050	5,025
Pledges Receivable	58,681	57,605
Grants Receivable, Current	95,000	-
Prepaid Expenses	5,110	259
Total Current Assets	<u>1,404,726</u>	<u>918,874</u>
<u>OTHER ASSETS:</u>		
Grants Receivable, Non-Current	<u>50,000</u>	<u>-</u>
Total Other Assets	<u>50,000</u>	<u>-</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,454,726</u>	<u>\$ 918,874</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 46,647	\$ 11,824
Accrued Payroll and Related Costs	<u>32,372</u>	<u>43,393</u>
Total Current Liabilities	<u>79,019</u>	<u>55,217</u>
<u>TOTAL LIABILITIES</u>	<u>79,019</u>	<u>55,217</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets	1,272,957	607,074
Temporarily Restricted Net Assets	<u>102,750</u>	<u>256,583</u>
Total Net Assets	<u>1,375,707</u>	<u>863,657</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,454,726</u>	<u>\$ 918,874</u>

MOTHERS OUT FRONT, INC

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Totals for 2015)

<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2016</u>	<u>2015</u>
<i>Support and Revenues:</i>				
Grants and Contributions	\$ 1,360,812	\$ 132,550	\$ 1,493,362	\$ 1,522,295
Fund Raising Event Proceeds	115,521	-	115,521	45,885
Less: Cost of Direct Benefits to Donors	(18,909)	-	(18,909)	(7,157)
Program Revenue	15,251	-	15,251	22,350
Donated Goods and Services	-	-	-	5,000
Other Income	1,186	-	1,186	2,417
Total Support and Revenues	<u>1,473,861</u>	<u>132,550</u>	<u>1,606,411</u>	<u>1,590,790</u>
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	<u>286,383</u>	<u>(286,383)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,760,244</u>	<u>(153,833)</u>	<u>1,606,411</u>	<u>1,590,790</u>
 <u>EXPENSES:</u>				
Program Services	836,934	-	836,934	548,719
Administrative	146,389	-	146,389	133,002
Fund Raising	<u>111,038</u>	<u>-</u>	<u>111,038</u>	<u>103,994</u>
<u>TOTAL EXPENSES</u>	<u>1,094,361</u>	<u>-</u>	<u>1,094,361</u>	<u>785,715</u>
<u>CHANGE IN NET ASSETS</u>	<u>665,883</u>	<u>(153,833)</u>	<u>512,050</u>	<u>805,075</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>607,074</u>	<u>256,583</u>	<u>863,657</u>	<u>58,582</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,272,957</u>	<u>\$ 102,750</u>	<u>\$ 1,375,707</u>	<u>\$ 863,657</u>

MOTHERS OUT FRONT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Summarized Comparative Totals for 2015)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2016</u>	<u>2015</u>
Salaries	\$ 493,789	\$ 75,244	\$ 47,689	\$ 616,722	\$ 523,191
Payroll Taxes	43,356	6,607	4,187	54,150	46,361
Employee Benefits	54,371	3,399	8,415	66,185	38,707
Fellowship Expenses	16,000	-	-	16,000	7,500
Contracted Services and Professional Fees	110,406	52,609	33,004	196,019	85,795
Grants to Partners	60,000	-	-	60,000	21,113
Meeting and Event Expenses	23,145	-	19,746	42,891	22,284
Insurance	2,974	233	129	3,336	3,543
Office Expenses	8,582	8,257	15,192	32,031	24,648
Travel	21,431	-	1,576	23,007	12,808
Professional Development	1,215	-	-	1,215	4,972
Occupancy	<u>1,665</u>	<u>40</u>	<u>9</u>	<u>1,714</u>	<u>1,950</u>
Total Functional Expenses	836,934	146,389	129,947	1,113,270	792,872
Cost of Direct Benefits to Donors	<u>-</u>	<u>-</u>	<u>(18,909)</u>	<u>(18,909)</u>	<u>(7,157)</u>
Total Expenses Per Statement of Activities	<u>\$ 836,934</u>	<u>\$ 146,389</u>	<u>\$ 111,038</u>	<u>\$ 1,094,361</u>	<u>\$ 785,715</u>

MOTHERS OUT FRONT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
<i>Change in Net Assets</i>	\$ 512,050	\$ 805,075
Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:		
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable	3,975	(5,025)
Pledges Receivable	(1,076)	(57,605)
Grants Receivable, Current	(95,000)	-
Prepaid Expenses	(4,851)	452
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	34,823	1,527
Accrued Payroll and Related Costs	(11,021)	26,107
<i>(Increase) Decrease in Other Assets:</i>		
Grants Receivable, Non-Current	(50,000)	-
Net Adjustment	<u>(123,150)</u>	<u>(34,544)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>388,900</u>	<u>770,531</u>
<u>NET INCREASE IN CASH BALANCES</u>	<u>388,900</u>	<u>770,531</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>855,985</u>	<u>85,454</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 1,244,885</u>	<u>\$ 855,985</u>

MOTHERS OUT FRONT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

NOTE 1 ORGANIZATION

Mothers Out Front, Inc. (“MOF”, “Mothers Out Front” or the “Organization”) was incorporated on May 27, 2014 under Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code effective May 27, 2014. Mothers Out Front, Inc. is not classified as a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes. The Organization is primarily funded through individual and foundation donations and grants.

NOTE 2 PROGRAM SERVICES

Mothers Out Front, founded in February 2013, is building a diverse national movement of mothers, grandmothers, and other caregivers dedicated to averting catastrophic climate change. Our goal is to convince elected officials and business leaders to work aggressively for a swift, complete, and just transition away from fossil fuels to clean and renewable energy. We believe such a transition is needed to protect our children and grandchildren – and we know it can't happen without a groundswell of public pressure.

To date, many of the efforts to build a movement to counter climate change have focused on honing the message, combining focus groups and polling with sophisticated communications and marketing strategies to galvanize targeted segments of American society. Although some of these efforts have generated high-profile campaigns reaching millions of people, they have mostly failed to generate the deep commitment to meaningful change – that willingness to make personal sacrifice, dedicate hours of volunteer time, perhaps even get arrested – that is the backbone of successful social movements.

Drawing on what has worked in successful social movements in the past, Mothers Out Front brings mothers together in warm, informal "house parties" held in private homes and public meeting spaces, where they learn about the science and the urgency of the climate crisis, share personal stories, and talk about the power of mothers, working together, to bring about social change. We then provide them with the training and support they need to form all-volunteer Community Organizing Teams (COTs), which pursue change at the individual, household and statewide levels. Community Organizing Team members come together to learn, strategize, meet with elected and business leaders, testify at hearings, and plan and show up at rallies and other events. Simultaneously, they grow our numbers – and our power – by hosting more house parties and generating new community teams.

Our desire to protect our children inspires our work, but our relationships with each other sustain it, resulting in extraordinary commitment, as our recent analysis has shown. In Massachusetts and New York, Virginia and other states, our 500+ actively participating volunteers now contribute on average 1.6 hours per week, or collectively over 40,000 hours a year, to Mothers Out Front activities – a commitment that far exceeds the average time put in by members of most other civic organizations. This is the powerful army we need to continue to build to prevent catastrophic climate change.

MOTHERS OUT FRONT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues and gains are recognized in the period in which they become due and expenses and losses are recognized in the period in which the liability is incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as presented below:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization may include funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, MOF did not have any assets of this nature.

MOTHERS OUT FRONT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 3 (Continued)

Receivables:

Accounts Receivable represent amounts due from energy companies under the Organization's "Switch to Clean Energy" program.

Grants Receivable and *Pledges Receivable* represent amounts which are due from individual donors and foundations which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. As of December 31, 2016, all non-current receivables are due in 2018.

Management periodically reviews specific receivables to determine if any balances are uncollectible. Management believes that all receivables are fully collectible and therefore, they have not been reduced by an allowance for uncollectible amounts. If receivables are determined to be uncollectible in subsequent periods, a provision will be recorded at that time. For the years ended December 31, 2016 and 2015, there were no losses on uncollectible receivables.

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition:

For the years presented, program revenue consists primarily of energy referral fees from a select group of clean energy providers. Per the terms of the agreements, the providers will pay a referral fee to MOF for every customer, who through MOF, switches their personal energy consumption from fossil-based fuels to the provider's alternative renewable energy options. MOF receives "switch" reports that detail the amount of referral fees that have been earned and recognizes these amount as receivable until the provider remits the payment.

MOTHERS OUT FRONT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 3 (Continued)

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of donated goods and services which require a specialized skill and which would have otherwise been purchased by the Organization, are recognized on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses. There were no donated goods or services which met the recognition criteria for the year ended December 31, 2016. For the year ended December 31, 2015, *Donated Goods and Services* represents a video donated for their website valued at \$5,000. Although the Organization receives a significant amount of donated services from unpaid volunteers, these donations did not meet the recognition criteria and have not been recorded in the accompanying financial statements.

Grants to Partners:

During each of the years presented, the Organization made a grant to another nonprofit organization. The Organization's policy is to record grants to partners as an expense and payable at the time an unconditional commitment is made. Conditional commitments are not recognized in the financial statements until the conditions upon which they depend are substantially met.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using payroll and time usage formulas.

Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, indirect costs of fund raising events, distribution of materials and other similar projects related to the procurement of funds.

Reclassifications:

Certain amounts in the prior year summarized comparative information have been reclassified to conform to the current year presentation. Reclassifications made to the summarized comparative information have no impact on total net assets or changes in net assets.

MOTHERS OUT FRONT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016 and 2015, temporarily restricted net assets included unexpended contributions temporarily restricted by donors for the following purposes:

<u>Nature of Restriction</u>	<u>2016</u>	<u>2015</u>
Virginia Climate Change Mobilization	\$ 15,000	\$ 62,000
Virginia Expansion Project	10,000	25,000
Digital Organizing	9,000	-
New York Organizing	18,750	11,250
Time Restricted	<u>50,000</u>	<u>158,333</u>
Total	<u>\$102,750</u>	<u>\$256,583</u>

During the years presented, net assets released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes, by the passage of time or by the occurrence of events specified by the donors were as follows:

<u>Nature of Restriction</u>	<u>2016</u>	<u>2015</u>
Virginia Climate Change Mobilization	\$ 62,000	\$ -
Virginia Expansion Project	35,000	-
Digital Organizing	11,000	-
New York Organizing	20,050	3,750
Time Restrictions Lapsed	<u>158,333</u>	<u>66,667</u>
Total	<u>\$286,383</u>	<u>\$70,417</u>

NOTE 5 SPECIAL FUND RAISING EVENTS

Each year, MOF hosts a major fundraising luncheon in Massachusetts. In 2016, a cocktail event was also hosted in Boston to raise funds and awareness about MOF's work on gas leaks. The results of the fund raising events are summarized below:

	<u>2016</u>	<u>2015</u>
Sponsorships and Contributions	\$105,621	\$26,385
Ticket Sales	<u>9,900</u>	<u>19,500</u>
Total Proceeds	115,521	45,885
Less: Direct Event Costs	<u>(18,909)</u>	<u>(7,157)</u>
Net Event Proceeds	<u>\$ 96,612</u>	<u>\$38,728</u>

MOTHERS OUT FRONT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Summarized Comparative Information for 2015)

(Continued)

NOTE 6 CONCENTRATIONS

Cash:

The Organization is subject to concentrations in credit risk relating to cash balances. Cash deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. As of December 31, 2016 and 2015, cash balances in excess of the FDIC limit were \$998,693 and \$609,625; however, the Organization has not experienced any losses on uninsured cash balances and Management considers credit risk on cash to be low.

Revenue:

For the year ended December 31, 2015, 35% of the Organization’s total support and revenue was received through grants from a fiscal sponsor used by MOF until their exempt status was received in April 2015.

Receivables:

As of December 31, 2016 and 2015, amounts due from one donor accounted for 56% and 40%, respectively, of total receivables.

NOTE 7 GRANT COMMITMENTS

During the years presented, the Organization was party to a memorandum of understanding with El Puente de Williamsburg, Inc. (a nonprofit organization) whereby MOF will grant funding of \$80,000 in support of a joint project. Funding was conditional upon a quarterly report reflecting properly spent funds. For the year ended December 31, 2015, \$20,000 had been awarded under this agreement and \$60,000 was conditional upon the above criteria. The remaining conditional portion was awarded in full during 2016 *(See Note 8)*.

NOTE 8 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through May 1, 2017, the date which the financial statements were available for issue, and noted the following event which met the recognition or disclosure criteria:

Grant Commitments:

In February 2017, MOF renewed their grant with El Puente de Williamsburg, Inc. for an additional twelve month period. The grant had a retroactive start date of October 1, 2016 and a \$40,000 payment was made in February 2017, which represented a portion of the grant for the fourth quarter of 2016 and the first quarter of 2017. Consistent with the original MOU, each quarterly payment is conditional upon a quarterly report reflecting properly spent funds; therefore, the February 2017 grant payment was considered a conditional commitment as of December 31, 2016 and is not included as a liability in these financial statements.