



MOTHERS'
MILK BANK
CALIFORNIA

MOTHERS' MILK BANK

Financial Statements
With Independent Auditor's Report

June 30, 2025 and 2024

MOTHERS' MILK BANK

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mothers' Milk Bank
San Jose, California

Opinion

We have audited the accompanying financial statements of Mothers' Milk Bank, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and 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 Mothers' Milk Bank as of June 30, 2025 and 2024, and the changes in net assets 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 Mothers' Milk Bank 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 Mothers' Milk Bank ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Mothers' Milk Bank
San Jose, California

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 Mothers' Milk Bank'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 Mothers' Milk Bank'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.

Capin Crouse LLC

Ontario, California
December 12, 2025

MOTHERS' MILK BANK

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS:		
Cash and cash equivalents	\$ 1,152,305	\$ 381,323
Investments	2,264,813	2,153,560
Accounts receivable	776,393	851,035
Allowance for credit losses	(57,962)	(70,202)
Prepaid expenses	91,258	40,105
Operating lease right-of-use asset	361,176	511,013
Property and equipment, net	158,364	311,007
Total Assets	\$ 4,746,347	\$ 4,177,841
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 163,466	\$ 186,120
Accrued expenses	161,757	147,588
Operating lease obligation	372,069	522,617
Total liabilities	697,292	856,325
Net assets:		
Without donor restrictions	3,855,939	3,321,516
With donor restrictions	193,116	-
Total net assets	4,049,055	3,321,516
Total Liabilities and Net Assets	\$ 4,746,347	\$ 4,177,841

See notes to financial statements

MOTHERS' MILK BANK

Statements of Activities

Year Ended June 30,

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Fees for services	\$ 5,930,369	\$ -	\$ 5,930,369	\$ 5,251,876	\$ -	\$ 5,251,876
Investment income, net	177,523	-	177,523	273,917	-	273,917
Contributions and grants	81,195	203,116	284,311	84,708	-	84,708
Net assets released from restrictions	10,000	(10,000)	-	6,304	(6,304)	-
Total Support, Revenue, and Reclassifications	6,199,087	193,116	6,392,203	5,616,805	(6,304)	5,610,501
EXPENSES:						
Program services	4,557,539	-	4,557,539	4,597,790	-	4,597,790
Management and general	1,019,336	-	1,019,336	815,654	-	815,654
Fundraising	87,789	-	87,789	60,284	-	60,284
Total Expenses	5,664,664	-	5,664,664	5,473,728	-	5,473,728
Change in Net Assets	534,423	193,116	727,539	143,077	(6,304)	136,773
Net Assets, Beginning of Year	3,321,516	-	3,321,516	3,178,439	6,304	3,184,743
Net Assets, End of Year	\$ 3,855,939	\$ 193,116	\$ 4,049,055	\$ 3,321,516	\$ -	\$ 3,321,516

See notes to financial statements

MOTHERS' MILK BANK

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 727,539	\$ 136,773
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	170,779	168,465
Non-cash lease expense	(711)	5,667
Net realized and unrealized gain on investments	(116,169)	(141,197)
Changes in:		
Accounts receivable, net	62,402	(226,944)
Prepaid expenses	(51,153)	37,497
Accounts payable	(22,654)	34,826
Accrued expenses	14,169	32,449
Net Cash Provided by Operating Activities	784,202	47,536
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	1,450,717	213,641
Purchases of investments	(1,376,377)	-
Purchases of property and equipment	(18,136)	(137,121)
Reinvested dividends and interest	(69,424)	(132,720)
Net Cash Used by Investing Activities	(13,220)	(56,200)
Net Change in Cash and Cash Equivalents	770,982	(8,664)
Cash and Cash Equivalents, Beginning of Year	381,323	389,987
Cash and Cash Equivalents, End of Year	\$ 1,152,305	\$ 381,323

See notes to financial statements

MOTHERS' MILK BANK

Notes to Financial Statements

June 30, 2025 and 2024

1. NATURE OF THE ORGANIZATION:

Mothers' Milk Bank (MMB), previously the San Jose Mothers' Milk Bank, is a California nonprofit corporation organized in 1974. MMB provides human breast milk for premature infants with fragile medical needs. Due to the nature of MMB, they are classified as a non-profit tissue bank. MMB collects excess breast milk from volunteer mothers, stores the milk to preserve the nutritional value, and processes the milk to remove bacteria and viruses that could harm the babies that receive the milk.

MMB is also a member of the Human Milk Banking Association of North America (HMBANA). MMB's standard of processing donated breast milk are the basis of operation for all milk banking organizations. MMB is registered as a tissue bank in both California and Maryland and is also registered with the Food and Drug Administration (FDA).

MISSION STATEMENT

MMB is a pioneering nonprofit dedicated to providing screened, donated human milk to vulnerable infants. Since 1974, MMB has collected, pasteurized, and distributed safe breast milk to hospitals and families nationwide. Our efforts have resulted in the distribution of 16 million ounces of human donor milk, enough to fill seven swimming pools with this vital nutrient. Supported by a dedicated community of nearly 25,000 milk donors, MMB California supports thousands of families during their times of greatest need.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

USE OF ESTIMATES

The financial statements for MMB have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to depreciation of property and equipment, allocation of functional expenditures, and fair value of investments.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of ninety days or less. As of June 30, 2025 and 2024, MMB's cash balances exceeded federally insured limits by approximately \$867,000 and \$15,000, respectively.

INVESTMENTS

Investments consist of mutual funds held at market value based on quoted market prices, which are Level 1 of the fair value hierarchy. Any unrealized or realized gains or losses are included within investment income without donor restriction on the statement of activities and are reported in the month it is earned.

MOTHERS' MILK BANK

Notes to Financial Statements

June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at estimated net realizable value. Credit is extended to customers as part of the normal course of business. The policy for determining when an account is past due or delinquent is when the account is over 90 days or more past due. Allowances for credit losses reflects the expected future credit losses over the life of the financial asset. The allowance for credit losses is established on prior and forecasted collection experience, as well as current and future economic factors that, in management's judgement, could influence the ability of account receivable debtors to repay the amounts per the credit terms. MMB does not accrue interest on delinquent receivables and accounts are written off when all methods to collect have been exhausted. Accounts receivable at June 30, 2023 was approximately \$636,700.

PROPERTY AND EQUIPMENT, NET

All acquisitions of property and equipment in excess of \$1,000 are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Useful lives range from five through thirty years.

OPERATING LEASE-RIGHT-OF-USE ASSETS AND OBLIGATIONS

Some of MMB's contracts contain the right to control the use of property or assets and are therefore considered leases. MMB records right-of-use assets and lease obligations on the statements of financial position for the rights and obligations created by leases with initial terms of more than twelve months. MMB has elected to not separate lease and non-lease components.

NET ASSETS

The net assets of MMB are reported in the following two classes:

Net assets without donor restrictions are those resources currently available for operations and those designated by the board of directors.

Net assets with donor restrictions are those resources which are stipulated by donors for specific programs or projects.

MOTHERS' MILK BANK

Notes to Financial Statements

June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Fees for service relate to the sale of milk and related shipping revenue. Revenue is recognized at the point in time when the sale occurs, which is when goods are delivered to the customer.

Contributions and grants are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions and grants are considered as without donor restrictions use unless specifically restricted by the donor.

Expenses are recognized when incurred in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when costs are incurred. The costs of providing program services and supporting activities have been summarized on a functional basis. Costs of staffing related expenses, including salaries and benefits, were allocated on estimates of time and effort. Occupancy expenses, including depreciation, were allocated based on estimated facility usage in each functional category. Other expenses are directly allocated to the appropriate functional category based on the coding of the general ledger accounts.

MOTHERS' MILK BANK

Notes to Financial Statements

June 30, 2025 and 2024

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

MMB maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as MMB's expenditures come due. The following reflects MMB's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	June 30,	
	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 1,152,305	\$ 381,323
Investments	2,264,813	2,153,560
Accounts receivable, net	718,431	780,833
Total financial assets	<u>4,135,549</u>	<u>3,315,716</u>
Less those unavailable for general expenditure within one year, due to:		
Donor restricted funds not expected to be spent within one year	<u>(65,116)</u>	<u>-</u>
Financial assets available to meet general cash expenditures within one year	<u>\$ 4,070,433</u>	<u>\$ 3,315,716</u>

MMB's donor-restricted amounts are limited to use for programs and specific purposes which are ongoing, major, and central to its annual operations; therefore, net assets with donor restrictions of \$128,000 are considered available for general expenditure within one year. MMB structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management monitors cash flows closely through board meetings and detailed financial analysis.

MOTHERS' MILK BANK

Notes to Financial Statements

June 30, 2025 and 2024

4. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net, consist of:

	June 30,	
	2025	2024
Leasehold improvements	\$ 931,924	\$ 923,374
Furniture and equipment	376,576	366,990
Vehicles	41,645	41,645
	<u>1,350,145</u>	<u>1,332,009</u>
Less accumulated depreciation	<u>(1,191,781)</u>	<u>(1,021,002)</u>
	<u>\$ 158,364</u>	<u>\$ 311,007</u>

5. OPERATING LEASE- RIGHT OF USE ASSET AND OBLIGATION:

MMB leases office space under a noncancelable operating lease expiring in September 2027. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms. The lease requires monthly payments, which increase on an annual basis, ranging from \$13,764 to \$14,453 per month.

	June 30,	
	2025	2024
Operating lease right-of-use asset	\$ 361,176	\$ 511,013
Operating lease obligation	\$ 372,069	\$ 522,617
Operating lease costs	\$ 168,590	\$ 168,590
Cash paid for lease	\$ 169,301	\$ 162,922
Weighted-average discount rate	4.12%	4.12%
Weighted-average remaining lease term	2.15	3.04

MOTHERS' MILK BANK

Notes to Financial Statements

June 30, 2025 and 2024

5. OPERATING LEASE- RIGHT OF USE ASSET AND OBLIGATION, continued:

Future minimum lease payments required under the operating lease that have an initial or remaining non-cancelable lease term in excess of one year are:

<u>Year Ending June 30,</u>	
2026	\$ 173,430
2027	173,430
2028	43,359
	<u>390,219</u>
Less: imputed interest	<u>(18,150)</u>
	<u>\$ 372,069</u>

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Technology upgrades	\$ 144,116	\$ -
Capital projects	49,000	-
	<u>\$ 193,116</u>	<u>\$ -</u>

MOTHERS' MILK BANK

Notes to Financial Statements

June 30, 2025 and 2024

7. FUNCTIONAL ALLOCATION OF EXPENSES:

The following table presents expenses by both their nature and function for the year ended June 30, 2025:

	Program Services	Supporting Activities:		Total
		Management and General	Fundraising	
Salaries, benefits, and payroll taxes	\$ 2,205,820	\$ 185,574	\$ 57,595	\$ 2,448,989
Program supplies	808,333	6,098	-	814,431
Professional fees and contracted services	312,394	414,041	22,845	749,280
Shipping and delivery	650,298	1,033	-	651,331
Occupancy	148,644	52,433	-	201,077
Depreciation	135,820	34,959	-	170,779
Education and outreach	143,029	-	-	143,029
Dues, subscriptions, and fees	33,898	107,890	338	142,126
Office expenses	22,818	64,873	4,309	92,000
Provision for credit losses	77,135	-	-	77,135
Travel	2,381	68,120	1,660	72,161
Insurance	-	42,313	176	42,489
Other expenses	16,969	22,283	-	39,252
Event registration fees	-	19,719	866	20,585
	\$ 4,557,539	\$ 1,019,336	\$ 87,789	\$ 5,664,664

MOTHERS' MILK BANK

Notes to Financial Statements

June 30, 2025 and 2024

7. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

The following table presents expenses by both their nature and function for the year ended June 30, 2024:

	Program Services	Supporting Activities:		Total
		Management and General	Fundraising	
Salaries, benefits, and payroll taxes	\$ 2,087,367	\$ 192,685	\$ 52,144	\$ 2,332,196
Program supplies	813,146	27	-	813,173
Professional fees and contracted services	461,603	173,637	7,949	643,189
Shipping and delivery	711,997	189	-	712,186
Occupancy	152,204	48,450	-	200,654
Depreciation	135,033	33,432	-	168,465
Education and outreach	83,232	-	-	83,232
Dues, subscriptions, and fees	29,583	73,141	191	102,915
Office expenses	69,470	45,083	-	114,553
Provision for credit losses	-	158,655	-	158,655
Travel	25,840	33,940	-	59,780
Insurance	-	40,044	-	40,044
Other expenses	11,210	13,799	-	25,009
Event registration fees	17,105	2,572	-	19,677
	<u>\$ 4,597,790</u>	<u>\$ 815,654</u>	<u>\$ 60,284</u>	<u>\$ 5,473,728</u>

8. RETIREMENT PLAN:

MMB maintains a 403(b) retirement plan (the Plan). Employees are eligible to participate upon meeting the eligibility requirements described in the Plan document. MMB provides contributions of 2% of an eligible employee's compensation. Total employer contributions made by MMB during the years ended June 30, 2025 and 2024, were approximately \$44,000 and \$32,000, respectively.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 12, 2025, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.