

MINNESOTA MILK BANK FOR BABIES

FINANCIAL STATEMENTS

**Years Ended
December 31, 2024 and 2023**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position as of December 31, 2024 and 2023	3
Statements of Activities for the years ended December 31, 2024 and 2023	4 - 5
Statements of Functional Expenses for the years ended December 31, 2024 and 2023	6 - 7
Statements of Cash Flows for the years ended December 31, 2024 and 2023	8
Notes to Financial Statements	9 - 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Minnesota Milk Bank for Babies

Opinion

We have audited the accompanying financial statements of Minnesota Milk Bank for Babies (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, 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 the Organization as of December 31, 2024 and 2023, 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.

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 the Organization 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 the 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 the Organization'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.

INDEPENDENT AUDITOR'S REPORT
PAGE 2 OF 2

- 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 the Organization'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 the Organization'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.

Myslajek Kemp & Spencer, Ltd.

Minneapolis, Minnesota
June 4, 2025

MINNESOTA MILK BANK FOR BABIES

STATEMENTS OF FINANCIAL POSITION

As of December 31,

	ASSETS	
	2024	2023
Current assets		
Cash and cash equivalents	\$ 896,235	\$ 870,802
Receivables	134,703	134,514
Inventory, net	180,389	89,968
Prepaid expenses and other current assets	14,443	18,966
Total current assets	1,225,770	1,114,250
Right of use lease asset	778,073	839,200
Property and equipment, net	304,439	160,163
Total assets	<u>\$ 2,308,282</u>	<u>\$ 2,113,613</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 42,962	\$ 39,993
Accrued payroll	21,714	18,870
Current portion of operating lease liability	40,200	43,616
Total current liabilities	104,876	102,479
Long-term portion of operating lease liability	755,656	795,856
Total liabilities	860,532	898,335
Net assets		
Net assets - without donor restrictions	1,447,750	1,215,278
Net assets - with donor restrictions	-	-
Total net assets	1,447,750	1,215,278
Total liabilities and net assets	<u>\$ 2,308,282</u>	<u>\$ 2,113,613</u>

See accompanying notes to financial statements.

MINNESOTA MILK BANK FOR BABIES

STATEMENTS OF ACTIVITIES

Year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and grants	\$ 80,361.0	\$ 10,000	\$ 90,361
Gifts in kind	425,835	-	425,835
Product revenue	1,105,387	-	1,105,387
Other income	10,391	-	10,391
Total revenues, gains, and other support	1,621,974	10,000	1,631,974
EXPENSES			
Program services	1,163,564	-	1,163,564
Management and general	235,938	-	235,938
Total expenses	1,399,502	-	1,399,502
NET ASSETS RELEASED FROM RESTRICTIONS			
Release of purpose restrictions	10,000	(10,000)	-
Change in net assets	232,472	-	232,472
Net assets - beginning of year	1,215,278	-	1,215,278
Net assets - end of year	<u>\$ 1,447,750</u>	<u>\$ -</u>	<u>\$ 1,447,750</u>

See accompanying notes to financial statements.

MINNESOTA MILK BANK FOR BABIES

STATEMENTS OF ACTIVITIES

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions and grants	\$ 334,397	\$ -	\$ 334,397
Gifts in kind	303,852	-	303,852
Product revenue	871,411	-	871,411
Other income	2,342	-	2,342
Total revenues, gains, and other support	1,512,002	-	1,512,002
EXPENSES			
Program services	874,470	-	874,470
Management and general	189,646	-	189,646
Total expenses	1,064,116	-	1,064,116
NET ASSETS RELEASED FROM RESTRICTIONS			
Release of purpose restrictions	-	-	-
Change in net assets	447,886	-	447,886
Net assets - beginning of year	767,392	-	767,392
Net assets - end of year	<u>\$ 1,215,278</u>	<u>\$ -</u>	<u>\$ 1,215,278</u>

See accompanying notes to financial statements.

MINNESOTA MILK BANK FOR BABIES

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2024

	Program	Management and General	Total
Salaries, wages, and contract labor	\$ 410,678	\$ 102,669	\$ 513,347
Payroll taxes	30,046	7,512	37,558
Bank charges and fees	-	4,725	4,725
Depreciation	48,839	5,426	54,265
Gain on disposal of property and equipment	1,079	-	1,079
Cost of sales	97,748	-	97,748
Donor expenses	57,873	-	57,873
Professional services	28,563	66,903	95,466
Dues and subscriptions	-	8,392	8,392
Insurance	4,711	4,710	9,421
Interest	-	197	197
Bad debt	424	-	424
Office and facility supplies	5,723	5,723	11,446
IT and software	14,447	6,191	20,638
Production expenses	179,301	-	179,301
Staff and board expenses	6,941	6,940	13,881
Fundraising	7,794	-	7,794
Rent	120,491	13,388	133,879
Moving Expenses	120,452	-	120,452
Utilities	28,454	3,162	31,616
Total	<u>\$ 1,163,564</u>	<u>\$ 235,938</u>	<u>\$ 1,399,502</u>

See accompanying notes to financial statements.

MINNESOTA MILK BANK FOR BABIES

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2023

	Program	Management and General	Total
Salaries, wages, and contract labor	\$ 413,398	\$ 103,350	\$ 516,748
Payroll taxes	28,137	7,034	35,171
Bank charges and fees	-	5,657	5,657
Depreciation	25,561	2,685	28,246
Cost of sales	106,918	-	106,918
Donor expenses	42,837	-	42,837
Professional services	15,608	36,419	52,027
Dues and subscriptions	-	8,798	8,798
Insurance	4,282	4,282	8,564
Office and facility supplies	2,163	2,163	4,326
IT and software	13,363	5,727	19,090
Production expenses	125,761	-	125,761
Staff and board expenses	5,488	5,487	10,975
Fundraising	18,557	-	18,557
Rent	53,254	5,917	59,171
Utilities	19,143	2,127	21,270
Total	<u>\$ 874,470</u>	<u>\$ 189,646</u>	<u>\$ 1,064,116</u>

See accompanying notes to financial statements.

MINNESOTA MILK BANK FOR BABIES

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Changes in net assets	\$ 232,472	\$ 447,886
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	54,265	28,246
Loss on disposal of property and equipment	1,079	-
Non-cash lease expense	17,511	(771)
(Increase) decrease in assets:		
Receivables	(189)	(52,311)
Insurance receivable	-	7,800
Inventory	(90,421)	5,701
Prepaid expenses and other current assets	4,523	(14,838)
Increase (decrease) in liabilities:		
Accounts payable	2,969	11,741
Accrued payroll	2,844	18,870
Accrued expenses	-	(7,800)
	<u>225,053</u>	<u>444,524</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(199,620)</u>	<u>(39,250)</u>
	(199,620)	(39,250)
Cash flows from financing activities		
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	25,433	405,274
Cash and cash equivalents - beginning of year	<u>870,802</u>	<u>465,528</u>
Cash and cash equivalents - end of year	<u><u>\$ 896,235</u></u>	<u><u>\$ 870,802</u></u>

See accompanying notes to financial statements.

MINNESOTA MILK BANK FOR BABIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 – Summary of Significant Accounting Policies

Organization Background

Minnesota Milk Bank for Babies (the “Organization”) was incorporated on August 13, 2012, under the Minnesota Nonprofit Corporation Act. The mission of the Organization is to improve infant health outcomes by ensuring that medically vulnerable babies in Minnesota and the Upper Midwest have access to safely pasteurized life-giving donor human milk when mother’s milk is unavailable or in low supply. The Organization’s programs are supported primarily by milk donations and pasteurized milk revenues.

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 with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

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.

Estimates

The presentation of the financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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. The Organization’s significant estimate is the valuation of donated milk as a gift in kind.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. The Organization’s federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. The Organization is no longer subject to such examinations for years before 2021. The Organization has evaluated its tax positions for uncertainty and has no unrecognized tax matters that are required to be disclosed.

Support and Revenue Recognition

The accompanying financial statements are prepared on the accrual basis of accounting. Revenue and the related assets are recognized when earned rather than when received, and expenses are recognized when incurred rather than when the obligation is paid. Contribution and grants are recognized as revenue when they are received or unconditionally pledged. All contributions and grants are available for unrestricted use unless specifically restricted by the donor.

MINNESOTA MILK BANK FOR BABIES

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

Product revenues contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer. Customers make purchases by submitting orders for milk directly to the Organization. The milk is shipped via same day or next day delivery and the customer is charged for the cost of the delivery. Control of the milk transfers to the customer at the time it is delivered.

Minnesota Milk Bank for Babies recognizes revenue for the shipping fees net of amounts paid to shipping providers.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash accounts which, at various times, may exceed the federally insured limits of \$250,000 per depositor. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risks.

Receivables

Receivables consist primarily of amounts due from hospitals. The Organization does not accrue interest on past due accounts receivable. An allowance for credit losses is established based on expected losses. Expected losses are estimated by reviewing individual accounts, considering aging, financial condition of the debtor, recent payment history, current and forecast economic conditions and other relevant factors. As of December 31, 2024 and 2023, the allowance for credit loss was \$0.

Inventory

Inventory consists of raw milk donated as a gift-in-kind, work in process inventory, and finished goods, which consist of fully pasteurized milk ready to be sold. The Organization values raw milk donations at the estimated fair value in the period received and work in process and finished goods inventory at the lower of weighted-average cost or net realizable value.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Maintenance, repairs, and minor renewals are expensed as incurred. Property and equipment sold, retired or otherwise disposed of is removed from the asset and related accumulated depreciation accounts and any resulting gains or losses are reflected in operations.

Depreciation is computed using the double-declining method over the estimated useful lives of five to fifteen years for equipment and using the straight-line method over thirty-nine years for leasehold improvements.

Donated Materials

Contributions of donated non-cash assets are recorded at estimated fair value in the period received. Contributions of donated materials, that would typically need to be purchased if not provided by donation, are recorded at estimated fair value in the period received. Raw milk was the only type of donated material in 2024 and 2023.

Date of Management's Review

Management has evaluated subsequent events through June 4, 2025, the date which the financial statements were available to be issued.

NOTE 2 - Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its operating needs and program disbursements and maintains a policy of structuring its financial assets to be available as its general expenditures come due.

MINNESOTA MILK BANK FOR BABIES

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

The following table reflects the Organization's financial assets as of December 31, 2024 and 2023, reduced by amounts that are not available to meet general expenditures due to donor restrictions. In the event the need arises to utilize the board designated operating reserve, the reserve could be drawn upon through board resolution.

Details for the assets available for the Organization's use are as follows for the years ended December 31:

	2024	2023
Cash	\$ 739,924	\$ 770,206
Cash equivalents and short term investments	156,311	100,596
	<u>896,235</u>	<u>870,802</u>
Less: funds with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 896,235</u>	<u>\$ 870,802</u>

NOTE 3 – Fair Value Measurements

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under authoritative guidance are described below:

- 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 observable inputs other than quoted market prices in active markets for identical assets and liabilities.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash equivalents consist of the following as of December 31, 2024 and 2023:

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 156,311	\$ -	\$ -	\$ 156,311
	<u>\$ 156,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,311</u>
	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 100,596	\$ -	\$ -	\$ 100,596
	<u>\$ 100,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,596</u>

MINNESOTA MILK BANK FOR BABIES

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

The Organization is required to report its fair value measurements in one of the three levels, which are based on the ability to observe marketplace inputs to valuation techniques. The Organization uses the following ways to determine the fair value of its investments:

Money market funds – Measured at fair value as they trade in an active market using quoted market prices.

NOTE 4 – Property and Equipment

The components of property and equipment are as follows as of December 31:

	2024	2023
Equipment	\$ 320,210	\$ 159,335
Office equipment	69,442	5,223
Leasehold improvements	27,346	27,346
Construction in progress	-	38,492
	<u>416,998</u>	<u>230,396</u>
Less: Accumulated depreciation	<u>(112,559)</u>	<u>(70,233)</u>
Property and equipment, net	<u>\$ 304,439</u>	<u>\$ 160,163</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$54,265 and \$28,246, respectively.

NOTE 5 – Line of Credit

During 2024, the Organization renewed an ongoing line of credit agreement with a financial institution. The line is secured by their security instruments. The Organization can borrow up to \$115,000 and interest is determined based on the Wall Street Journal Prime rate plus 1.00%. The outstanding balance was \$0 as of December 31, 2024 and 2023. The line of credit is scheduled to mature on July 31, 2025.

NOTE 6 – Leases

The Organization had a contract to lease office and warehouse space in Golden Valley, Minnesota. The operating lease commenced August 1, 2018 and terminated on March 31, 2024. The lease called for escalating monthly rent payments due on the first day of each month ranging from \$2,800 to \$3,246.

The Organization also had a lease for additional space in the same Golden Valley building. The operating lease commenced June 1, 2021 and terminated on March 31, 2024. The lease called for escalating monthly rent payments due on the first day of each month ranging from \$985 to \$1,025.

The Organization entered into a lease for a new office and warehouse in Roseville, Minnesota in December 2023. The operating lease commenced March 1, 2024 and terminates on May 31, 2034. The lease calls for escalating monthly rent payments ranging from \$8,575 to \$12,691.

Rent expense totaled \$133,879 and \$63,449 for the years ended December 31, 2024 and 2023, respectively.

MINNESOTA MILK BANK FOR BABIES

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2024 and 2023:

	2024	2023
Weighted average remaining lease term	9.42 years	10.18 years
Weighted average discount rate	8.50%	8.47%

As of December 31, 2024, future minimum lease payments under these operating leases were as follows:

Year	Amount
2025	\$ 106,330
2026	110,609
2027	115,003
2028	119,576
2029	124,346
Thereafter	611,847
Total lease payments	1,187,711
Less: interest	(391,855)
Present value lease payments	<u>\$ 795,856</u>

NOTE 7 – Concentrations, Commitments, and Contingencies

Major Customers

For the year ended December 31, 2024, the Organization's two largest customers by revenue represented 12% and 10%, of product revenue and 14% and 10% of accounts receivable, respectively.

For the year ended December 31, 2023, the Organization's two largest customers by revenue represented 14% and 11%, of product revenue and 13% and 6% of accounts receivable, respectively.