

Audited Financial Statements



mothers' milk bank

June 30, 2023

Quigley & Miron

San Jose Mothers' Milk Bank
Audited Financial Statements
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Independent Auditor's Report

Board of Directors
San Jose Mothers' Milk Bank
San Jose, California

Opinion

We have audited the accompanying financial statements of San Jose Mothers' Milk Bank (Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 June 30, 2023, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. 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 for one year after the date that the financial statements are 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 GAAS 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

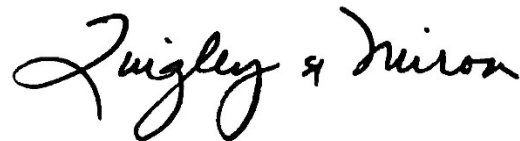
In performing an audit in accordance with GAAS, we:

- 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 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.

Report on Comparative Information

We have previously audited San Jose Mothers' Milk Bank's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Campbell, California
May 4, 2024

San Jose Mothers' Milk Bank
Statement of Financial Position
June 30, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 389,987	\$ 747,791
Investments—Note 3	2,093,284	1,937,177
Accounts receivable—Note 4	636,689	416,614
Prepaid expenses	77,602	91,805
Operating lease right-of-use asset—Note 8	155,751	
Property and equipment, net—Note 5	342,351	427,349
	<u>3,695,664</u>	<u>3,620,736</u>
Total Assets	\$ 3,695,664	\$ 3,620,736
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 151,294	\$ 59,290
Salaries and employee benefits payable	115,139	107,203
Operating lease liability—Note 8	303,112	
	<u>569,545</u>	<u>166,493</u>
Total Liabilities	569,545	166,493
Net Assets		
Without donor restrictions	3,119,815	3,422,243
With donor restrictions—Note 9	6,304	32,000
	<u>3,126,119</u>	<u>3,454,243</u>
Total Net Assets	3,126,119	3,454,243
Total Liabilities and Net Assets	\$ 3,695,664	\$ 3,620,736

See notes to financial statements.

San Jose Mothers' Milk Bank
Statement of Activities
Year Ended June 30, 2023
(with comparative totals for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Operating Activities				
Revenue and Public Support				
Fees for services	\$ 4,380,636	\$	\$ 4,380,636	\$ 3,686,805
Government grants	25,000		25,000	32,000
PPP grant—Note 6				260,344
Contributions and grants	14,494	5,000	19,494	13,616
Interest and dividends—Note 3	128,212		128,212	163,478
Net assets released from restrictions	30,696	(30,696)		
Total Revenue, Public Support, and Releases from Restrictions	4,579,038	(25,696)	4,553,342	4,156,243
Expenses				
Milk bank services	4,251,258		4,251,258	3,541,492
Management and administration	446,522		446,522	430,659
Fund development	73,488		73,488	91,844
Total Expenses	4,771,268		4,771,268	4,063,995
Change in Net Assets from Operations	(192,230)	(25,696)	(217,926)	92,248
Nonoperating Activities				
Investment return, net—Note 3	54,420		54,420	(436,733)
Total Nonoperating Activities	54,420		54,420	(436,733)
Change in Net Assets	(137,810)	(25,696)	(163,506)	(344,485)
Net Assets at Beginning of Year	3,422,243	32,000	3,454,243	3,798,728
Cumulative effect of adoption of ASU 2016-02, Leases—Note 8	(164,618)		(164,618)	
Net Assets at End of Year	\$ 3,119,815	\$ 6,304	\$ 3,126,119	\$ 3,454,243

See notes to financial statements.

San Jose Mothers' Milk Bank
Statement of Functional Expenses
Year Ended June 30, 2023
(with comparative totals for 2022)

	Milk Bank Services	Management and Admin- istration	Fund Development	2023 Total	2022 Total
Salaries	\$ 1,332,205	\$ 175,020	\$ 61,048	\$ 1,568,273	\$ 1,484,908
Employee benefits	194,104	19,528	5,767	219,399	214,089
Payroll taxes	106,182	10,095	2,734	119,011	116,816
Total Personnel Expenses	1,632,491	204,643	69,549	1,906,683	1,815,813
Program supplies	797,384			797,384	584,546
Shipping and delivery	675,425			675,425	562,784
Donor blood and blood testing	338,398			338,398	233,238
Office expenses	242,840	42,175		285,015	163,981
Occupancy	117,608	24,869		142,477	133,353
Depreciation	105,147	21,496		126,643	124,586
Contracted services	115,225	3,590		118,815	69,899
Advertising and promotion	74,262			74,262	102,813
Merchant fees		59,420	271	59,691	52,604
Telephone	42,448	5,577	1,945	49,970	54,828
Travel	35,620	6,923	1,723	44,266	26,930
Professional fees and services		43,603		43,603	42,240
Insurance		33,914		33,914	31,452
Dues and subscriptions	28,553	312		28,865	21,253
Event registration fees	28,062			28,062	32,095
Equipment rent and maintenance	17,795			17,795	10,767
Other expenses					810
Total Expenses	\$ 4,251,258	\$ 446,522	\$ 73,488	\$ 4,771,268	\$ 4,063,992

See notes to financial statements.

San Jose Mothers' Milk Bank
Statement of Cash Flows
Year Ended June 30, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (163,506)	\$ (344,485)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	126,643	124,586
Noncash lease expenses	685,651	
Investment (gains) losses	(54,650)	436,503
Changes in operating assets and liabilities:		
Accounts receivable	(220,075)	38,258
Accrued interest receivable		547
Prepaid expenses	14,203	(36,992)
Accounts payable and accrued expenses	92,004	(44,044)
Salaries and employee benefits payable	7,936	(56,421)
PPP advance		(260,344)
Operating lease liability	(702,908)	
Net Cash Used in Operating Activities	(214,702)	(142,392)
Cash Flows from Investing Activities		
Purchases of property and equipment	(41,645)	(10,177)
Purchases of investments	(101,457)	(79,428)
Net Cash Used in Investing Activities	(143,102)	(89,605)
Net Decrease in Cash and Cash Equivalents	(357,804)	(231,997)
Cash and Cash Equivalents at Beginning of Year	747,791	979,788
Cash and Cash Equivalents at End of Year	\$ 389,987	\$ 747,791

See notes to financial statements.

San Jose Mothers' Milk Bank
Notes to Financial Statements
June 30, 2023
(with comparative totals for 2022)

Note 1—Organization and Summary of Significant Accounting Policies

Organization—San Jose Mothers' Milk Bank (Organization), established in 1974 in San Jose, California, is a 501(c)(3) non-profit tissue bank providing safe and processed breast milk for babies and others who are under the care of a health care professional. The Organization collects excess breast milk from volunteer breastfeeding mothers, stores the breast milk for optimal nutritional value, processes the breast milk to remove viruses and bacteria that may cause illness and distributes the donor human milk to hospitals and families. As a charter member of the Human Milk Banking Association of North America (HMBANA), the Organization's standards of processing donated breast milk are the basis of operation for all milk banking organizations. The Organization is licensed as a Tissue Bank in California and Maryland and is registered with the Food and Drug Administration (FDA).

The Organization continued offering virtual milk drives throughout the year to provide community partners the ability to promote milk donations and give milk donors the ability to donate from the safety and comfort of their own home. Other programs include Black Infant Health Programs, WIC Services, and hospital-based services as populations need. The Organization continues to work with community partners, physicians, and hospitals to increase the awareness of milk donation and the health benefits of pasteurized donor milk. Breast pump services continue to rise throughout California and the Organization continues to expand services beyond the State of California to assure babies who need donor milk have access.

Programs include Black Infant Health programs, WIC services, and hospital-based services as populations need. Milk drives were also included in Medical professional conferences as a teaching tool for physicians. Organizationally, San Jose Mothers' Milk Bank expanded marketing and public relations of the milk bank, social media and laboratory services this year. Breast pump services are expanding throughout California and continue to rise in distribution as more hospitals and clinics are becoming baby friendly. Additionally, marketing and public relations activities are in progress with the new marketing manager. The Organization is now expanding our services beyond the state of California to assure babies who need donor milk have access.

During the fiscal year ended June 30, 2023, Mothers' Milk Bank prioritized expanding its processing and pasteurizing facilities for donor human milk to meet the growing demand of infants in need. This increase in need prompted a surge in generosity, with 5,274 donor applicants contributing 1,544,335 ounces of raw milk. Leveraging our expanded lab and processing capabilities, we efficiently processed the donated breast milk into 1,338,222 ounces of ready raw milk, of which 1,148,598 ounces were shipped to communities in need across the country. This collaborative effort underscored both the organization's unwavering commitment to nurturing infants in need and the community's steadfast dedication to making a meaningful impact.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Organization and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

San Jose Mothers' Milk Bank
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of the Organization to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of providing safe and processed breast milk for babies and others and related fees for service, and interest and dividends earned on investments. Nonoperating activities are limited to investment return and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2023 or 2022. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Recently Adopted Accounting Principle—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. This standard is applicable to leases with terms exceeding 12 months and requires lessees to recognize the assets and related liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. The Organization adopted ASU 2016-02 and its related amendments using a modified retrospective approach as of July 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling \$258,271, and an operating lease liability totaling \$302,112. The Organization elected to adopt the transition relief provisions from ASU 2018-11 as of July 1, 2022 for the year ended June 30, 2023, without restating any prior year amounts or disclosures.

Cash and Cash Equivalents—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—Investments are valued at fair market value. Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category. Interest and dividend income earned on investments is recognized when received and is reported as interest and dividends under revenue and public support in the statement of activities.

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Property and Equipment—Property and equipment is stated at cost if purchased, or fair value at the time of donation if contributed. Property and equipment is depreciated on a straight-line basis over its estimated useful life, ranging from three to ten years. Purchases of equipment in excess of \$1,000 are capitalized.

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables.

The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Such cash balances may exceed FDIC insurance limits during the normal course of business.

Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. At times, such balances are in excess of the SIPC coverage limits.

While the Organization is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, the Organization's management has assessed the credit risk associated with its cash deposits and investments at June 30, 2023 and 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 10), the potential related impact cannot be reasonably estimated at this time.

Accounts receivable at June 30, 2023 and 2022 are due primarily from medical organizations and individuals well-known to the Organization, with favorable past payment histories. Management of the Organization has assessed the credit risk associated with these accounts receivable and has determined that an allowance for potential uncollectible amounts is not necessary.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Fees for Services—Revenues derived from fees for services are recognized at the time services are provided.

In-Kind Contributions—The Organization records the value of donated materials and services at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization receives in-kind contributions of breast milk from countless mothers, without which the Organization could not carry out its mission. However, these contributions are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards. The Organization did not receive any in-kind contributions during the years ended June 30, 2023 and 2022.

San Jose Mothers' Milk Bank
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Functional Expenses—The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the milk bank services and supporting services benefitted. Salaries, employee benefits, payroll taxes, and travel are allocated on the basis of estimates of time and effort. Occupancy and depreciation are allocated on the basis of square footage. All other functional expenses are charged directly to the program or supporting service benefitted.

Advertising Expense—Advertising costs are expensed as incurred and amounted to \$74,262 and \$102,813 for the years ended June 30, 2023 and 2022, respectively.

Statement of Cash Flows—The Organization paid no income taxes and no interest expense during the years ended June 30, 2023 and 2022.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Totals for 2022—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Note 2—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet one year of operating expenses (approximately \$3,000,000).

The following represents the availability and liquidity of the Organization's financial assets at June 30, 2023 and 2022 to cover operating expenses for the next fiscal year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, net of donor restrictions	\$ 383,683	\$ 715,791
Investments	2,093,284	1,937,177
Accounts receivable	636,689	416,614
Current Availability of Financial Assets	<u>\$ 3,113,656</u>	<u>\$ 3,069,582</u>

Note 3—Investments and Fair Value Measurements

In determining the fair value of assets and liabilities, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.

San Jose Mothers' Milk Bank
Notes to Financial Statements—Continued

Note 3—Investments and Fair Value Measurements—Continued

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no assets or liabilities classified at NAV as a practical expedient during the years ended June 30, 2023 and 2022.

Investments measured on a recurring basis at June 30, 2023 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds	\$ 2,093,284	\$ 2,093,284	\$	\$
Totals	<u>\$ 2,093,284</u>	<u>\$ 2,093,284</u>	<u>\$</u>	<u>\$</u>

Investments measured on a recurring basis at June 30, 2022 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds	\$ 1,937,177	\$ 1,937,177	\$	\$
Totals	<u>\$ 1,937,177</u>	<u>\$ 1,937,177</u>	<u>\$</u>	<u>\$</u>

Investment return for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Unrealized investment gains (losses)	\$ 54,650	\$ (436,503)
Investment management fees	(230)	(230)
Investment Return, Net	54,420	(436,733)
Interest and dividends	128,212	163,478
Total Return on Investment	<u>\$ 182,632</u>	<u>\$ (273,255)</u>

Note 4—Accounts Receivable

Accounts receivable at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Hospitals	\$ 366,910	\$ 260,240
Individuals	269,779	156,374
Total Accounts Receivable	<u>\$ 636,689</u>	<u>\$ 416,614</u>

San Jose Mothers' Milk Bank
Notes to Financial Statements—Continued

Note 5—Property and Equipment, Net

Net property and equipment at June 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 813,906	\$ 813,906
Equipment	335,376	335,376
Vehicle	41,645	
Computer equipment	11,462	11,462
	<u>1,202,389</u>	<u>1,160,744</u>
Less accumulated depreciation	(860,038)	(733,395)
Property and Equipment, Net	<u>\$ 342,351</u>	<u>\$ 427,349</u>

For the years ended June 30, 2023 and 2022 depreciation expense totaled \$126,643 and \$124,586, respectively.

Note 6—PPP Grant

On February 24, 2021, the Organization received a Paycheck Protection Program (PPP) advance for \$260,344 from the U.S. Small Business Administration (SBA). The advance is designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic to keep their workers on the payroll. The Organization recorded \$260,344 in PPP grant revenue upon receipt of the forgiveness letter from the SBA received during the year ended June 30, 2022.

Note 7—Retirement Plan

The Organization has a simple IRA (Plan) covering all eligible employees who receive at least \$5,000 of compensation. Each participant may elect to contribute up to the maximum limit allowed by federal law. During the years ended June 30, 2023 and 2022, the Organization elected to make a 2% non-matching contribution to eligible employees. Employer contributions for the years ended June 30, 2023 and 2022 totaled \$24,021 and \$28,439, respectively.

Note 8—Operating Lease Liability

In May 2015, the Organization entered into a 10-year lease agreement for new office space to house their entire operations, and in June 2018 signed an expansion for additional office and freezer space. Total occupancy expense related to the lease amounted to \$142,477 and \$133,353 for the years ended June 30, 2023 and 2022, respectively. With the adoption of ASU 2016-02, an operating lease right-of-use asset and an offsetting operating lease liability was recorded in relation to these leases, using a discount rate of 1% per year, amounting to \$1,006,020. At June 30, 2023, the operating lease right-of-use asset and related operating lease liability amounted to \$155,751 and \$303,112, respectively.

San Jose Mothers' Milk Bank
Notes to Financial Statements—Continued

Note 8—Operating Lease Liability—Continued

Future minimum annual rental commitments by year for this lease are as follows:

<u>Year Ending June 30,</u>		
2024	\$	154,823
2025		<u>151,408</u>
	Gross Rental Payments	306,231
Less effect of discounting at 1%		<u>(3,119)</u>
	Operating Lease Liability	<u>\$ 303,112</u>

Note 9—Net Assets with Donor Restrictions

Net assets with donor restrictions for the year June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Milk for specified purpose	\$ 6,304	\$ 32,000
Total Net Assets with Donor Restrictions	<u>\$ 6,304</u>	<u>\$ 32,000</u>

Net assets released from donor restrictions for the year ended June 30, 2023 consisted of amounts restricted to milk for specified purpose and amounted to \$30,696. There were no assets released from restriction during the year ended June 30, 2022.

Note 10 – Risks and Uncertainties

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As noted in Note 1, the Organization maintains cash and cash equivalents and investment balances in excess of federally-insured limits. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

Note 11—Subsequent Events

Subsequent events were evaluated by management through May 4, 2024, which is the date the financial statements were available to be issued, and it was concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.