

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

Audited Financial Statements

December 31, 2025 and 2024

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NOTIFICATION TO THIRD PARTY USERS OF THIS REPORT

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MOTHERS’ MILK BANK NORTHEAST, INC.
(A Not-for-Profit Organization)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mothers' Milk Bank Northeast, Inc.
(A Not-for-Profit Organization)

Opinion

We have audited the accompanying financial statements of **Mothers' Milk Bank Northeast, Inc.** (A Not-for-Profit Organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, 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 **Mothers' Milk Bank Northeast, Inc.** as of December 31, 2025 and 2024, 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 **Mothers' Milk Bank Northeast, Inc.** 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 **Mothers' Milk Bank Northeast, Inc.**'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.
- 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 Northeast, Inc.**'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 Northeast, Inc.**'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.

GRAY, GRAY & GRAY, LLP

Gray, Gray & Gray, LLP

Canton, MA
August 18, 2026

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,552,288	\$ 952,870
Accounts receivable	411,949	323,912
Inventories	137,876	132,004
Prepaid expenses	104,974	73,157
TOTAL CURRENT ASSETS	2,207,087	1,481,943
PROPERTY AND EQUIPMENT, NET	112,712	41,372
OTHER ASSETS		
Right-of-use assets, operating leases	515,155	141,709
TOTAL ASSETS	\$ 2,834,954	\$ 1,665,024

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 242,486	\$ 178,427
Current portion of operating lease liability	173,647	144,871
TOTAL CURRENT LIABILITIES	416,133	323,298
LONG-TERM LIABILITIES		
Operating lease liability, net of current portion	342,486	-
NET ASSETS		
Without donor restrictions	1,816,155	1,236,610
With donor restrictions	260,180	105,116
TOTAL NET ASSETS	2,076,335	1,341,726
TOTAL LIABILITIES AND NET ASSETS	\$ 2,834,954	\$ 1,665,024

The accompanying notes are an integral part of these financial statements.

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Milk processing sales	\$ 3,764,698	\$ -	\$ 3,764,698	\$ 3,019,373	\$ -	\$ 3,019,373
Grants and contributions	256,878	249,316	506,194	190,636	43,681	234,317
Administrative fees Income	37,707	-	37,707	2,258	-	2,258
Investment income, net	27,079	-	27,079	22,722	-	22,722
In-kind donations	10,725	-	10,725	-	-	-
Net assets released from restriction	94,252	(94,252)	-	69,791	(69,791)	-
TOTAL SUPPORT AND REVENUE	4,191,339	155,064	4,346,403	3,304,780	(26,110)	3,278,670
OPERATING EXPENSES						
Program services	2,942,812	-	2,942,812	2,646,638	-	2,646,638
Management and general	579,114	-	579,114	536,090	-	536,090
Fundraising	89,868	-	89,868	94,285	-	94,285
TOTAL OPERATING EXPENSES	3,611,794	-	3,611,794	3,277,013	-	3,277,013
CHANGES IN NET ASSETS	579,545	155,064	734,609	27,767	(26,110)	1,657
NET ASSETS AT BEGINNING OF YEAR	1,236,610	105,116	1,341,726	1,208,843	131,226	1,340,069
NET ASSETS AT END OF YEAR	\$ 1,816,155	\$ 260,180	\$ 2,076,335	\$ 1,236,610	\$ 105,116	\$ 1,341,726

The accompanying notes are an integral part of these financial statements.

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Cost of sales - milk processing	\$ 1,622,638	\$ -	\$ -	\$ 1,622,638
Salaries and related expenses	669,722	397,550	80,652	1,147,924
Advertising	-	13,822	-	13,822
Bad debt expense	2,655	-	-	2,655
Community support	69,258	-	-	69,258
Depreciation and amortization	7,802	3,229	-	11,031
Dues and subscriptions	23,594	139	-	23,733
Information technology	-	17,131	-	17,131
Insurance	24,824	7,512	327	32,663
Laboratory expense	153,503	-	-	153,503
Occupancy	204,439	61,539	2,676	268,654
Office expense	55,064	41,088	6,132	102,284
Professional fees	96,619	34,680	-	131,299
Travel and meals	12,694	2,424	81	15,199
TOTAL EXPENSES	<u>\$ 2,942,812</u>	<u>\$ 579,114</u>	<u>\$ 89,868</u>	<u>\$ 3,611,794</u>

The accompanying notes are an integral part of these financial statements.

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Cost of sales - milk processing	\$ 1,384,327	\$ -	\$ -	\$ 1,384,327
Salaries and related expenses	644,815	376,567	90,370	1,111,752
Advertising	-	12,447	-	12,447
Bad debt expense	35,097	-	-	35,097
Community support	57,020	-	-	57,020
Depreciation and amortization	13,178	2,507	-	15,685
Dues and subscriptions	25,430	-	-	25,430
Information technology	-	15,269	-	15,269
Insurance	25,747	7,792	339	33,878
Laboratory expense	123,738	-	-	123,738
Occupancy	201,693	60,281	2,621	264,595
Office expense	45,848	28,371	915	75,134
Professional fees	84,495	31,109	-	115,604
Travel and meals	5,250	1,747	40	7,037
TOTAL EXPENSES	<u>\$ 2,646,638</u>	<u>\$ 536,090</u>	<u>\$ 94,285</u>	<u>\$ 3,277,013</u>

The accompanying notes are an integral part of these financial statements.

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 734,609	\$ 1,657
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,031	15,685
Amortization of right-of-use assets	173,236	166,833
Changes in operating assets and liabilities:		
Accounts receivables	(88,037)	174,504
Inventory	(5,872)	(45,561)
Prepaid expenses	(31,817)	(983)
Payments on lease liability	(175,420)	(170,628)
Accounts payable and accrued expenses	64,059	66,197
NET CASH PROVIDED BY OPERATING ACTIVITIES	681,789	207,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(82,371)	(13,897)
NET CASH USED BY INVESTING ACTIVITIES	(82,371)	(13,897)
NET INCREASE IN CASH AND CASH EQUIVALENTS	599,418	193,807
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	952,870	759,063
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,552,288	\$ 952,870
SUPPLEMENTAL DISCLOSURES:		
Right-of-use asset obtained in exchange for new operating lease liability	\$ 544,553	\$ -

The accompanying notes are an integral part of these financial statements.

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

Mothers' Milk Bank Northeast, Inc. (the "Organization"), (formerly known as Mothers' Milk Bank of New England, Inc.) was formed in the Commonwealth of Massachusetts as a non-profit corporation in 2006. The organization is accredited by the Human Milk Banking Association of North America ("HMBANA") and is regulated by the Food and Drug Administration (FDA) as well as local and state health departments. The Organization's mission centers around the belief that every baby deserves the chance to thrive. Mothers' Milk Bank Northeast supports family and community health and provides equitable access to safe, lifesaving pasteurized donor human milk.

Milk donations from medically screened and approved milk donors are bottled, pasteurized, and then independently tested before the milk is distributed to hospitals and families. The generosity of our milk donors enables us to provide 1.5 million feedings to infants each year.

The organization serves 100+ hospitals throughout the northeast United States. Pasteurized and screened donor milk from this accredited milk bank is used by physicians to feed premature and medically fragile babies when maternal milk is not available. For these high-risk infants, human milk is the safest source of nutrition to guard against further (sometimes life-threatening) medical complications. Over 90% of hospital neonatal intensive care units across the US rely on donor milk as a critical medical resource. The vast majority of these hospitals obtain safely screened milk from HMBANA accredited nonprofit milk banks. It is estimated that every \$1 spent on donor milk results in up to \$37 in health care savings.

Donor milk is also used to support full-term infant nutrition, primarily as lactation support for families choosing to breastfeed but requiring short-term supplementation in the initial stages. The use of donor milk, instead of formula, as a supplement, improves breastfeeding rates. Successful breastfeeding results in significant maternal and infant health benefits including lower rates of certain cancers, SIDS, asthma, diabetes, obesity, celiac disease and more.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") to ensure the statements of financial position, and the related statements of activities, functional expenses, and cash flows are consistently reported. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification ("ASC").

Basis of Accounting: The Organization's financial statements have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the financial statements follows.

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Financial Statement Presentation: Financial statement presentation follows FASB ASC 958, "*Not-for-Profit Entities*". Under ASC 958, the Organization is required to report information regarding its net assets, revenue, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets having no donor-imposed restrictions on their use and are immediately available for general operations.

Net Assets With Donor Restrictions - Net assets that arise from contributions with donor-imposed restrictions on their use for a specific purpose or for a specific time period or held in perpetuity.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Organization considers all highly liquid financial instruments with original maturities of three months or less, when purchased, to be cash equivalents. During the course of the normal business cycle, the Organization may, at times, maintain cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000.

Accounts Receivable: Accounts receivable are reported at the amount management expects to collect from outstanding balances. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment typically within 90 days from the invoice date.

At each balance sheet date, the Organization recognizes an expected allowance for credit losses. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. Management believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. Management determined no allowance for credit losses was needed at December 31, 2025 and 2024.

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization writes off receivables when there is information that indicates the customer is facing significant financial difficulty and there is no possibility of recovery. If amounts previously written off are subsequently collected, the recovery is credited to the allowance for credit losses and does not impact the income statement in the period of recovery. The expected credit losses recorded during the years ended December 31, 2025 and 2024 amounted to \$2,655 and \$33,033, respectively. The total write-offs charged against the allowance during the years ended December 31, 2025 and 2024 amounted to \$2,655 and \$33,033, respectively.

Concentrations of Credit Risks: Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the number of entities which comprise the balances at December 31, 2025 and 2024.

Inventories: Inventories are valued at the lower of cost or net realizable value, determined by the first-in, first-out (FIFO) method. Inventories consist of processed milk, milk bottles and packaging material.

Property and Equipment: Investments in property and equipment are recorded at cost and include expenditures for improvements which substantially increase the useful lives of these assets. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are expensed as incurred. Depreciation of property and equipment is calculated on accelerated methods over an asset's estimated useful life. The Organization capitalizes and depreciates items costing more than \$2,500. Upon disposition of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in the statement of activities.

Revenue Recognition: Milk Processing - The Organization applies the provisions of FASB ASC 606-10, *"Revenue from Contracts with Customers"*, and all related appropriate guidance. The Organization recognizes revenue under the core principle of this guidance to depict the transfer of promised goods or services to the Organization's customers in an amount reflecting the consideration the Organization expects to be entitled in exchange for those products or services. In order to achieve this principal, revenues are recognized based upon a five-step model, which involves: (1) identifying contracts with customers, (2) identifying performance obligations within those contracts, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue upon satisfaction of those performance obligations. The Organization's revenue is recognized upon satisfaction of performance obligations, which generally occurs at a point in time, as milk is shipped to customers.

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period received, pledged, or notification of a beneficial interest is received. Conditional promises to give, which are those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of property and equipment and other long-lived assets are also reported as revenue and net assets without donor restrictions, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions depending upon the condition(s) stipulated by the donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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 restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as without donor restrictions in the year received.

In-Kind Contributions: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind revenue and a corresponding expense in an amount approximating the estimated fair value of the goods. The Organization received \$10,725 of donated goods and services for the year ended December 31, 2025. The Organization did not receive donated goods and services for the year ended December 31, 2024.

Significant Vendors: In 2025 and 2024, 100% of the Organization's supply of bottle inventory (200ml, 100ml, and 50ml) and 100% of the bottle cap inventory were obtained from a single source. While alternative sources of supply are available, any disruption of this source could have at least a temporary adverse effect on the Organization's results of operations.

Advertising: The Organization expenses advertising costs as incurred.

Shipping and Freight: The Organization considers all shipping and freight to be fulfillment activities and not a separate performance activity. Included in cost of sales – milk processing is total shipping and freight expense for the years ended December 31, 2025 and 2024 was \$14,172 and \$12,316, respectively.

MOTHERS’ MILK BANK NORTHEAST, INC.
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Commitments: The Organization accounts for lease commitments in conformity with the requirements of FASB ASC 842, “*Leases*” which, among other things, requires a lessee to classify a lease as either an operating or financing lease, and to recognize a lease liability and a right-of-use asset for these leases on the statement of financial position.

The Organization has elected to use a risk-free rate as the discount rate for its operating leases.

Functional Allocation of Expenses: The Organization allocates its expenses on a functional basis among its 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, while other expenses are allocated based on management's systematic and rational policy as follows:

<u>Expense</u>	<u>Method of allocation</u>
Salaries and related expenses	Time and effort
Occupancy	Square footage
Insurance	Square footage
Depreciation	Nature of expense

Income Taxes: The Organization operates as a publicly supported tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, and accordingly, is exempt from federal income taxes on related income.

The Organization is also exempt from Massachusetts income tax under Massachusetts General Law Chapter 180.

The Organization is required to recognize the financial statement’s impact of a tax position unless it is more likely than not that the position will not be sustained upon examination. If applicable, the Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

The tax years subsequent to 2022 are open and subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. However, the Organization is not currently under audit, nor has the Organization been contacted by either of these jurisdictions.

Based on the evaluation of the Organization’s tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2025 and 2024.

MOTHERS' MILK BANK NORTHEAST, INC.
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS

NOTE 3: LIQUIDITY AND AVAILABILITY

Financial assets available within one year of the statement of financial position date for general expenditure at December 31, 2025 consisted of the following:

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 1,552,288	\$ 952,870
Accounts receivable	<u>411,949</u>	<u>323,912</u>
Financial assets, at year-end	1,964,237	1,276,782
Less: net assets with donor restrictions	260,180	105,116
Less: board-designated funds	<u>350,000</u>	<u>250,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,354,057</u>	<u>\$ 921,666</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4: INVENTORIES

Inventory consisted of the following at December 31:

	2025	2024
Packing accessories	\$ 118,859	\$ 117,370
Processed milk	<u>19,017</u>	<u>14,634</u>
	<u>\$ 137,876</u>	<u>\$ 132,004</u>

MOTHERS' MILK BANK NORTHEAST, INC.
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following for the years ended December 31:

	2025	2024
Leasehold Improvements	\$ 38,575	\$ 19,070
Equipment	183,414	168,275
Construction in Progress	<u>47,727</u>	<u>-</u>
	269,716	187,345
Less: accumulated depreciation	<u>157,004</u>	<u>145,973</u>
	<u><u>\$ 112,712</u></u>	<u><u>\$ 41,372</u></u>

Depreciation expense for the year ended December 31, 2025 and 2024 amounted to \$11,031 and \$15,685, respectively.

NOTE 6: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization sells processed milk to individuals and hospitals. Revenue from these contracts is recognized when control of the product is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for this product. Revenue from contracts with customers totaled \$3,764,698 and \$3,019,373 for the years ended December 31, 2025 and 2024, respectively.

Contract assets arise when the Organization performs services or delivers products but has not yet billed the customer. Contract liabilities represent payments received in advance of the associated services being performed or products being shipped. The opening and closing balances of accounts receivables, contract assets, and contract liabilities from contracts with customers are as follows:

	Accounts Receivable	Contract Assets	Contract Liabilities
Balance at December 31, 2025	<u><u>\$ 411,949</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Balance at December 31, 2024	<u><u>\$ 323,912</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

MOTHERS' MILK BANK NORTHEAST, INC.

(A Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

NOTE 6: REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The Organization evaluated the following economic factors that affect the nature, timing, and uncertainties of its revenue and cash flows:

Customer Type, Geographic Location, and Contract Type - Revenue is primarily generated from selling processed milk to individuals and hospitals in the Northeastern United States. Occasionally, raw milk and processed milk will be sold to other milk banks in the United States. The Organization's only contracts with customers are for the sale of product.

Description of the Organization's Performance Obligations with Customers - The Organization typically satisfies performance obligations at the point in time in which the control of the products is transferred, which typically occurs upon shipping. Payment for products sold by the Organization is typically due within 30 to 45 days after the invoice is set.

NOTE 7: EMPLOYEE BENEFIT PLAN

The Organization has established a Savings Incentive Match Plan for Employees Individual Retirement Account ("SIMPLE IRA"). The SIMPLE IRA retirement plan is a tax deferred employer provided retirement plan that allows employees to set aside money and invest it to grow for retirement.

All employees who have completed two quarters of service and are working thirty hours or more per week are eligible to participate. The Organization matches employees' contributions up to 3% per annum. The Organization contributed \$24,259 and \$20,693 to the plan for the years ended December 31, 2025 and 2024, respectively.

NOTE 8: LEASING ACTIVITIES

The Organization has an operating lease agreement for the rental of its office facilities in Newton, Massachusetts with a term that initially expired on October 31, 2025. The lease was extended from November 1, 2025 and is ending on October 31, 2028. For the operating lease, the discount rate was 2.20% for 2025 and was 2.04% for 2024 and the average remaining lease term was 34 months and 10 months at December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, operating lease expense amounted to \$176,371 and \$171,390. The lease also requires the Organization to pay their proportionate share of common area maintenance charges as well rent escalations (variable costs), which amounted to \$7,000 and \$10,831 for the years ended December 31, 2025 and 2024, respectively. The lease expense including variable costs amounted to \$183,370 and \$182,221 for the years ended December 31, 2025 and 2024, respectively, which is included in the occupancy cost on the statement of functional expenses.

MOTHERS' MILK BANK NORTHEAST, INC.
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NOTE 8: LEASING ACTIVITIES (CONTINUED)

The Organization's maturity of the operating lease liability as of December 31, 2025, is as follows:

<u>Years Ending December 31,</u>	
2026	\$ 182,925
2027	188,380
2028	160,772
Less: amount representing interest	<u>(15,944)</u>
Present value of minimum payments	516,133
Less: current portion of operating lease liability	<u>(173,647)</u>
	<u><u>\$ 342,486</u></u>

NOTE 9: NET ASSETS

Net assets without donor restrictions consisted of the following at December 31:

	2025	2024
Property and equipment	\$ 112,712	\$ 41,372
Board-designated	350,000	250,000
Operating	<u>1,353,443</u>	<u>945,238</u>
	<u><u>\$ 1,816,155</u></u>	<u><u>\$ 1,236,610</u></u>

Property and equipment – represents the value of buildings and equipment, net of depreciation, used in the Organization's operations.

Board-designated – represents funds set aside by the Board of Directors for strategic purposes in support of capital investments. These funds may only be used with the approval of the Board of Directors.

Operating – represents discretionary funds available for carrying on the operating activities of the Organization.

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NOTE 9: NET ASSETS (CONTINUED)

Net assets with donor restrictions consisted of the following at December 31:

	2025	2024
Maternal Health Equity Program	\$ 4,275	\$ 61,435
Operations equipment and optimization	69,650	-
Equitable access for Donor Milk	8,300	-
Supporting the GIFT Program	15,382	-
Supporting Maine families	2,000	-
Bereaved Parent Program	3,074	5,200
Cultural Competency and Translation Services	3,515	6,655
Capital Improvements	<u>153,984</u>	<u>31,826</u>
	<u>\$ 260,180</u>	<u>\$ 105,116</u>

NOTE 10: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for potential disclosure or recognition through August 18, 2026, the date the financial statements were available to be issued and has determined there are no subsequent events to be reported.