

MATERIAL INNOVATION INSTITUTE

FINANCIAL STATEMENTS

December 31, 2020

CONTENTS

Independent Auditor's Report	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Material Innovation Institute
Napa, CA

We have audited the accompanying financial statements of Material Innovation Institute, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

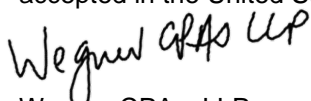
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Material Innovation Institute as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Wegner CPAs, LLP
New York, New York
September 28, 2021

MATERIAL INNOVATION INSTITUTE
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS	
Cash	\$ 265,488
Unconditional promises to give	200,000
Prepaid expenses	<u>4,698</u>
Total assets	<u><u>\$ 470,186</u></u>
LIABILITIES	
Deferred revenue	\$ 15,000
NET ASSETS	
Without donor restrictions	155,186
With donor restrictions	<u>300,000</u>
Total net assets	<u>455,186</u>
Total liabilities and net assets	<u><u>\$ 470,186</u></u>

See accompanying notes.

MATERIAL INNOVATION INSTITUTE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Grants and contributions	\$ 290,282	\$ 300,000	\$ 590,282
Program service revenue	61,596	-	61,596
Total revenues	351,878	300,000	651,878
EXPENSES			
Program services	145,323	-	145,323
Management and general	21,270	-	21,270
Fundraising	30,099	-	30,099
Total expenses	196,692	-	196,692
Change in net assets	155,186	300,000	455,186
Net assets at beginning of year	-	-	-
Net assets at end of year	<u>\$ 155,186</u>	<u>\$ 300,000</u>	<u>\$ 455,186</u>

See accompanying notes.

MATERIAL INNOVATION INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total Expenses
Professional fees	\$ 140,330	\$ 19,972	\$ 29,886	\$ 190,188
Office supplies and expenses	2,985	558	187	3,730
Other expenses	1,737	690	9	2,436
Travel	271	50	17	338
Total expenses	\$ 145,323	\$ 21,270	\$ 30,099	\$ 196,692

See accompanying notes.

MATERIAL INNOVATION INSTITUTE
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 455,186
Adjustments to reconcile change in net assets to net change in cash	
Increase in assets	
Unconditional promises to give	(200,000)
Prepaid expenses	(4,698)
Increase in liabilities	
Deferred revenue	<u>15,000</u>
Net change in cash	265,488
Cash at beginning of year	<u>-</u>
Cash at end of year	<u><u>\$ 265,488</u></u>

See accompanying notes.

MATERIAL INNOVATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Material Innovation Institute (MII) is a non-profit organization incorporated in the state of Delaware in 2019. MII's mission is to transform the materials industry and solve the enormous environmental challenges it faces. MII fast-tracks this process by accelerating the development of next-gen materials that are high-performance, animal-free, and more sustainable for the fashion, automotive, and home goods industries. MII's team works to advance this next-gen materials industry by providing vital expertise and bringing together all key players along the path from concept to commercialization.

Promises to Give

Conditional promises to give are not recognized in the financial statements until conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due dates.

Grants and Contributions

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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.

Revenue Recognition

Program service revenues consist of professional services rendered to other organizations and companies. Revenues generated from these services are generally recognized evenly over the course of the contract term during which the services are provided to the customer. Payments received in advance of services performed are recorded as deferred revenues.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

MATERIAL INNOVATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional management fees, which are allocated on the basis of time and effort, and office supplies and expenses, travel, and other expenses, which are allocated based on professional management fee allocations. All other expenses are directly allocated to the program or supporting activity.

Program Expenses – Material Innovation Institute works to identify and assist companies and technologies in building and improving materials that can replace animal-derived materials (e.g., leather, reptile skin, etc.) in the fashion, automotive, and home goods industries. Material Innovation Institute also works to identify potential relationships between investors and companies and technology in order to obtain the funding necessary to make animal-alternative materials more accessible and engages in contracts with brands to assist in increasing their alternative material cache and addressing how the materials can be used.

Management and General – Includes the activities necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities, and perform other administrative functions.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and others.

Income Tax Status

Material Innovation Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management’s Review

Management has evaluated subsequent events through September 28, 2021, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS

Material Innovation Institute maintains its cash balances at one financial institution located in Napa, CA. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, Material Innovation Institute’s uninsured cash balances total approximately \$14,000.

Material Innovation Institute had two donors who in combination accounted for approximately 51% of the total contributions for the year ended December 31, 2020.

Material Innovation Institute had two customers who in combination accounted for approximately 91% of the total program service revenues for the year ended December 31, 2020.

MATERIAL INNOVATION INSTITUTE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

All unconditional promises to give at December 31, 2020 were receivable in less than one year. Management has determined that no allowance for uncollectible promises to give was necessary at December 31, 2020.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020:

Hiring of Materials Scientist	\$ 200,000
Hiring of Director of Innovation	<u>100,000</u>
Net assets with donor restrictions	<u><u>\$ 300,000</u></u>

NOTE 5 – LIQUIDITY AND AVAILABILITY

The following reflects Material Innovation Institute's financial assets as of December 31, 2020, reduced by amounts not available for general expenditures within one year because of donor-imposed restrictions. The financial assets available for general expenditures within one year of the statement of financial position date include the following:

Cash	\$ 265,488
Unconditional promises to give	<u>200,000</u>
Financial assets, at year-end	465,488
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	<u>(300,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 165,488</u></u>

As part of Material Innovation Institute's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that come due.

NOTE 6 – COVID 19 CONSIDERATIONS

Material Innovation Institute's operations were affected and may continue to be affected by the ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on Material Innovation Institute is uncertain; however, it may result in a material adverse impact on Material Innovation Institute's assets, revenues, and expenses. Possible effects may include, but are not limited to, disruption to Material Innovation Institute's donors and revenues and limitations on providing Material Innovation Institute's program services due to restrictions and regulations