MATERIAL INNOVATION INSTITUTE
FINANCIAL STATEMENTS
December 31, 2021 and 2020
C O N T E N T S

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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 statements of financial position as of December 31, 2021 and 2020, 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 Material Innovation Institute as of December 31, 2021 and 2020, 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 Material Innovation Institute 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 Material Innovation Institute'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 Material Innovation Institute'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 Material Innovation Institute'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.

Wegner CPAs, LLP
New York, New York
August 12, 2022
# MATERIAL INNOVATION INSTITUTE
## STATEMENTS OF FINANCIAL POSITION
### December 31, 2021 and 2020

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 428,315</td>
<td>$ 265,488</td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>386,791</td>
<td>200,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>10,358</td>
<td>4,698</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 825,464</strong></td>
<td><strong>$ 470,186</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 53,584</td>
<td>$ -</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>11,720</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>15,267</td>
<td>15,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>80,571</strong></td>
<td><strong>15,000</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>273,315</td>
<td>155,186</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>471,578</td>
<td>300,000</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>744,893</strong></td>
<td><strong>455,186</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$ 825,464</strong></td>
<td><strong>$ 470,186</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.
MATERIAL INNOVATION INSTITUTE
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2021 and 2020

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>2021 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>$554,136</td>
<td>$370,000</td>
<td>$924,136</td>
</tr>
<tr>
<td>Program service revenue</td>
<td>54,535</td>
<td>-</td>
<td>54,535</td>
</tr>
<tr>
<td>Total revenues</td>
<td>608,671</td>
<td>370,000</td>
<td>978,671</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>466,263</td>
<td>-</td>
<td>466,263</td>
</tr>
<tr>
<td>Management and general</td>
<td>73,104</td>
<td>-</td>
<td>73,104</td>
</tr>
<tr>
<td>Fundraising</td>
<td>149,597</td>
<td>-</td>
<td>149,597</td>
</tr>
<tr>
<td>Total expenses</td>
<td>688,964</td>
<td>-</td>
<td>688,964</td>
</tr>
<tr>
<td><strong>NET ASSETS RELEASED FROM RESTRICTIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of purpose restrictions</td>
<td>198,422</td>
<td>(198,422)</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>118,129</td>
<td>171,578</td>
<td>289,707</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>155,186</td>
<td>300,000</td>
<td>455,186</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$273,315</td>
<td>$471,578</td>
<td>$744,893</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>2020 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>$290,282</td>
<td>$300,000</td>
<td>$590,282</td>
</tr>
<tr>
<td>Program service revenue</td>
<td>61,596</td>
<td>-</td>
<td>61,596</td>
</tr>
<tr>
<td>Total revenues</td>
<td>351,878</td>
<td>300,000</td>
<td>651,878</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>145,323</td>
<td>-</td>
<td>145,323</td>
</tr>
<tr>
<td>Management and general</td>
<td>21,270</td>
<td>-</td>
<td>21,270</td>
</tr>
<tr>
<td>Fundraising</td>
<td>30,099</td>
<td>-</td>
<td>30,099</td>
</tr>
<tr>
<td>Total expenses</td>
<td>196,692</td>
<td>-</td>
<td>196,692</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>155,186</td>
<td>300,000</td>
<td>455,186</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$155,186</td>
<td>$300,000</td>
<td>$455,186</td>
</tr>
</tbody>
</table>

See accompanying notes.
MATERIAL INNOVATION INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2021 and 2020

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fees</td>
<td>$233,366</td>
<td>$55,841</td>
<td>$125,315</td>
<td>$414,522</td>
</tr>
<tr>
<td>Personnel</td>
<td>$190,009</td>
<td>$11,624</td>
<td>$19,811</td>
<td>$221,444</td>
</tr>
<tr>
<td>Office supplies and expenses</td>
<td>$18,880</td>
<td>$2,461</td>
<td>$1,968</td>
<td>$23,309</td>
</tr>
<tr>
<td>Other expenses</td>
<td>$11,842</td>
<td>$2,434</td>
<td>$1,235</td>
<td>$15,511</td>
</tr>
<tr>
<td>Travel</td>
<td>$12,166</td>
<td>$744</td>
<td>$1,268</td>
<td>$14,178</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$466,263</strong></td>
<td><strong>$73,104</strong></td>
<td><strong>$149,597</strong></td>
<td><strong>$688,964</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fees</td>
<td>$140,330</td>
<td>$19,972</td>
<td>$29,886</td>
<td>$190,188</td>
</tr>
<tr>
<td>Office supplies and expenses</td>
<td>$2,985</td>
<td>$558</td>
<td>$187</td>
<td>$3,730</td>
</tr>
<tr>
<td>Other expenses</td>
<td>$1,737</td>
<td>$690</td>
<td>$9</td>
<td>$2,436</td>
</tr>
<tr>
<td>Travel</td>
<td>$271</td>
<td>$50</td>
<td>$17</td>
<td>$338</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$145,323</strong></td>
<td><strong>$21,270</strong></td>
<td><strong>$30,099</strong></td>
<td><strong>$196,692</strong></td>
</tr>
</tbody>
</table>

See accompanying notes.
### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$289,707</td>
<td>$455,186</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net change in cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>(186,791)</td>
<td>(200,000)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(5,660)</td>
<td>(4,698)</td>
</tr>
<tr>
<td>Increase in liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>53,584</td>
<td>-</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>11,720</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>267</td>
<td>15,000</td>
</tr>
<tr>
<td><strong>Net change in cash</strong></td>
<td>162,827</td>
<td>265,488</td>
</tr>
</tbody>
</table>

**Cash at beginning of year**

<table>
<thead>
<tr>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$265,488</td>
<td>-</td>
</tr>
</tbody>
</table>

**Cash at end of year**

<table>
<thead>
<tr>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$428,315</td>
<td>$265,488</td>
</tr>
</tbody>
</table>
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. MII’s primary support is derived from private and public contributions and from program service fees.

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 statements 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. Contract liabilities for the portion of service payments collected in advance are recorded as deferred revenue:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>$15,000</td>
<td>$-</td>
</tr>
<tr>
<td>End of year</td>
<td>15,267</td>
<td>15,000</td>
</tr>
</tbody>
</table>

MII does not have any significant financing components. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year.
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 August 12, 2022, 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, 2021 and 2020, Material Innovation Institute’s uninsured cash balances total approximately $177,000 and $14,000, respectively.
NOTE 2 – CONCENTRATIONS (continued)

Material Innovation Institute had three donors who in combination accounted for approximately 70% of the total contributions for the year ended December 31, 2021, and 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 83% of the total program service revenues for the year ended December 31, 2021, and two customers who in combination accounted for approximately 91% of the total program service revenues for the year ended December 31, 2020.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

All unconditional promises to give at December 31, 2021 and 2020 were receivable in less than one year. Management has determined that no allowance for uncollectible promises to give was necessary at December 31, 2021 and 2020.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021 and 2020:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiring of Materials Scientist</td>
<td>$101,578</td>
<td>$200,000</td>
</tr>
<tr>
<td>Hiring of Environmental Data Scientist</td>
<td>20,000</td>
<td>-</td>
</tr>
<tr>
<td>Hiring of Director of Innovation</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Future periods</td>
<td>350,000</td>
<td>-</td>
</tr>
<tr>
<td>Net assets with donor restrictions</td>
<td>$471,578</td>
<td>$300,000</td>
</tr>
</tbody>
</table>
NOTE 5 – LIQUIDITY AND AVAILABILITY

The following reflects Material Innovation Institute’s financial assets as of December 31, 2021 and 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 statements of financial position date include the following:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 428,315</td>
<td>$ 265,488</td>
</tr>
<tr>
<td>Unconditional promises to give</td>
<td>386,791</td>
<td>200,000</td>
</tr>
<tr>
<td>Financial assets, at year-end</td>
<td>815,106</td>
<td>465,488</td>
</tr>
<tr>
<td>Less those unavailable for general expenditures within one year, due to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted by donor with purpose restrictions</td>
<td>(121,578)</td>
<td>(300,000)</td>
</tr>
<tr>
<td>Financial assets available to meet cash needs for general expenditures within one year</td>
<td>$ 693,528</td>
<td>$ 165,488</td>
</tr>
</tbody>
</table>

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.