

**THE MARYLAND FOOD BANK, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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## **Independent Auditor's Report**

To the Board of Directors  
The Maryland Food Bank, Inc.

We have audited the accompanying financial statements of The Maryland Food Bank, Inc., a nonprofit corporation, which comprise the statements of financial position as of June 30, 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.

### **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 audits. We conducted our audits 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.

**Independent Auditor's Report (Continued)**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Maryland Food Bank, Inc. as of June 30, 2020 and 2019, 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.

*Gross, Mendelsohn & Associates, P.A.*

Baltimore, Maryland  
November 2, 2021

**THE MARYLAND FOOD BANK, INC.**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 44,673,151	\$ 26,358,269
Investments	3,713,479	3,091,562
Accounts receivable	765,753	897,200
Grants receivable	1,416,363	2,240,506
Pledges receivable, current	566,743	801,870
Inventories	8,285,512	6,215,930
Prepaid expenses and other assets	300,197	124,543
Total Current Assets	<u>59,721,198</u>	<u>39,729,880</u>
<b>Property</b>		
Land, building, and improvements	17,742,651	17,672,588
Automotive equipment	3,123,708	3,189,938
Furniture and fixtures	2,053,962	1,994,194
Warehouse equipment	2,354,840	1,894,003
Construction in progress	785,318	72,452
Total Cost	<u>26,060,479</u>	<u>24,823,175</u>
Less: Accumulated depreciation	11,263,813	10,304,481
Net Property	<u>14,796,666</u>	<u>14,518,694</u>
<b>Other Assets</b>		
Other assets, restricted	357,370	351,270
Pledge receivable, noncurrent	65,248	168,530
Total Other Assets	<u>422,618</u>	<u>519,800</u>
<b>Total Assets</b>	<u><u>\$ 74,940,482</u></u>	<u><u>\$ 54,768,374</u></u>

	<u>2021</u>	<u>2020</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,597,451	\$ 3,581,492
Current deferred revenue	589,999	5,086,818
Current maturities of capital lease obligations	253,278	265,701
Current maturities of mortgage payable	169,427	162,235
Total Current Liabilities	<u>3,610,155</u>	<u>9,096,246</u>
<b>Non-Current Liabilities</b>		
Mortgage payable, net of current maturities	5,842,469	6,011,895
Capital lease obligations, net of current maturities	411,601	536,855
Deferred revenue, net of current	273,425	-0-
Deferred compensation payable	357,370	351,270
Paycheck protection program loan	-0-	1,526,987
Total Non-Current Liabilities	<u>6,884,865</u>	<u>8,427,007</u>
<b>Total Liabilities</b>	<u>10,495,020</u>	<u>17,523,253</u>
<b>Commitments and Contingencies</b> (Notes 10, 12, 13 and 15)		
<b>Net Assets</b>		
Without donor restrictions		
General operations	53,018,136	32,958,771
Board designated	3,713,479	3,091,562
Total Without Donor Restrictions	<u>56,731,615</u>	<u>36,050,333</u>
With donor restrictions	7,713,847	1,194,788
Total Net Assets	<u>64,445,462</u>	<u>37,245,121</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 74,940,482</u>	<u>\$ 54,768,374</u>

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

**THE MARYLAND FOOD BANK, INC.**  
**Statements of Activities**  
**Years Ended June 30, 2021 and 2020**

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Support			
Grants and contributions - in-kind	\$ 65,035,437	\$ -0-	\$ 65,035,437
Grants and contributions - other	47,817,532	16,708,699	64,526,231
Grants for meals	1,960,679	-0-	1,960,679
	<hr/>		
Total	114,813,648	16,708,699	131,522,347
	<hr/>		
Revenue			
Sales to agencies, net	8,897,077	-0-	8,897,077
Special events, net of direct benefits to donors	-0-	-0-	-0-
Program fees	2,620,846	-0-	2,620,846
Shared maintenance	106,101	-0-	106,101
Delivery income	-0-	-0-	-0-
Net investment return	621,918	-0-	621,918
Gain on disposal of property	41,450	-0-	41,450
Other revenue	55,993	-0-	55,993
Total	12,343,385	-0-	12,343,385
	<hr/>		
Net Assets Released from Restrictions			
Satisfaction of program restrictions	10,189,640	(10,189,640)	-0-
	<hr/>		
Total Support and Revenue	137,346,673	6,519,059	143,865,732
	<hr/>		
<b>Expenses</b>			
Program services	108,742,872	-0-	108,742,872
Supporting services			
Management and general	3,051,425	-0-	3,051,425
Fundraising	4,871,094	-0-	4,871,094
Total Supporting Services	7,922,519	-0-	7,922,519
	<hr/>		
Total Expenses	116,665,391	-0-	116,665,391
	<hr/>		
<b>Change in Net Assets</b>	<b>20,681,282</b>	<b>6,519,059</b>	<b>27,200,341</b>
	<hr/>		
<b>Net Assets at Beginning of Year</b>	<b>36,050,333</b>	<b>1,194,788</b>	<b>37,245,121</b>
	<hr/>		
<b>Net Assets at End of Year</b>	<b>\$ 56,731,615</b>	<b>\$ 7,713,847</b>	<b>\$ 64,445,462</b>
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**2020**

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 55,647,391	\$ -0-	\$ 55,647,391	\$ 9,388,046
34,076,366	2,955,054	37,031,420	27,494,811
1,499,280	-0-	1,499,280	461,399
91,223,037	2,955,054	94,178,091	37,344,256
3,807,747	-0-	3,807,747	5,089,330
740,450	220,000	960,450	(960,450)
1,383,561	-0-	1,383,561	1,237,285
316,426	-0-	316,426	(210,325)
6,800	-0-	6,800	(6,800)
88,604	-0-	88,604	533,314
2,191	-0-	2,191	39,259
23,539	-0-	23,539	32,454
6,369,318	220,000	6,589,318	5,754,067
4,526,545	(4,526,545)	-0-	-0-
102,118,900	(1,351,491)	100,767,409	43,098,323
76,697,152	-0-	76,697,152	32,045,720
2,323,781	-0-	2,323,781	727,644
4,111,471	-0-	4,111,471	759,623
6,435,252	-0-	6,435,252	1,487,267
83,132,404	-0-	83,132,404	33,532,987
18,986,496	(1,351,491)	17,635,005	9,565,336
17,063,837	2,546,279	19,610,116	17,635,005
<u>\$ 36,050,333</u>	<u>\$ 1,194,788</u>	<u>\$ 37,245,121</u>	<u>\$ 27,200,341</u>

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



**THE MARYLAND FOOD BANK, INC.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2021 and 2020**

	2021			
	Program Services	Manage- ment and General	Fundraising	Total
<b>Program Food Costs</b>				
Value of donated goods distributed	\$ 65,449,768	\$ -0-	\$ -0-	\$ 65,449,768
Cost of purchased goods	26,233,899	-0-	-0-	26,233,899
Processing and other costs	325,374	-0-	-0-	325,374
Total Program Food Costs	<u>92,009,041</u>	<u>-0-</u>	<u>-0-</u>	<u>92,009,041</u>
<b>Personnel Expenses</b>				
Salaries and wages	6,614,915	1,254,972	1,661,913	9,531,800
Payroll taxes and benefits	1,902,314	429,316	341,063	2,672,693
Contract labor	568,428	104,504	-0-	672,932
Total Personnel Expenses	<u>9,085,657</u>	<u>1,788,792</u>	<u>2,002,976</u>	<u>12,877,425</u>
Partner and programmatic support	2,973,636	-0-	-0-	2,973,636
Printing, postage and supplies	442,616	11,656	1,152,557	1,606,829
Professional fees	325,308	542,387	641,621	1,509,316
Depreciation	1,077,181	32,838	61,773	1,171,792
Repairs and maintenance	1,017,002	701	1,815	1,019,518
Transportation expense	851,742	-0-	-0-	851,742
Occupancy costs	712,641	29,466	10,428	752,535
Gift processing and credit card fees	7,382	-0-	524,587	531,969
Computers, copiers and licensing	130,427	265,965	78,397	474,789
Marketing and public relations	39,970	547	327,080	367,597
Interest expense	34,312	279,953	-0-	314,265
Other expenses	34,051	99,120	20,640	153,811
Bad debt expense	1,906	-0-	49,220	51,126
Total Expenses	<u>108,742,872</u>	<u>3,051,425</u>	<u>4,871,094</u>	<u>116,665,391</u>
Less: Cost of direct benefits to donors	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses Reported on the Statement of Activities	<u>\$ 108,742,872</u>	<u>\$ 3,051,425</u>	<u>\$ 4,871,094</u>	<u>\$ 116,665,391</u>

**2020**

<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Increase (Decrease)</b>
\$ 54,984,170	\$ -0-	\$ -0-	\$ 54,984,170	\$ 10,465,598
10,444,951	-0-	-0-	10,444,951	15,788,948
78,577	-0-	-0-	78,577	246,797
<u>65,507,698</u>	<u>-0-</u>	<u>-0-</u>	<u>65,507,698</u>	<u>26,501,343</u>
4,851,155	1,181,531	1,334,648	7,367,334	2,164,466
1,608,016	363,318	288,376	2,259,710	412,983
227,843	10,324	-0-	238,167	434,765
<u>6,687,014</u>	<u>1,555,173</u>	<u>1,623,024</u>	<u>9,865,211</u>	<u>3,012,214</u>
1,341,453	-0-	-0-	1,341,453	1,632,183
209,211	9,424	953,338	1,171,973	434,856
109,342	169,561	620,685	899,588	609,728
1,008,827	32,881	61,800	1,103,508	68,284
760,162	4,717	859	765,738	253,780
523,068	1,892	-0-	524,960	326,782
327,487	28,920	10,290	366,697	385,838
15,787	-0-	334,895	350,682	181,287
65,206	121,666	74,030	260,902	213,887
30,389	307	512,658	543,354	(175,757)
29,818	283,491	-0-	313,309	956
80,887	115,749	114,758	311,394	(157,583)
803	-0-	-0-	803	50,323
<u>76,697,152</u>	<u>2,323,781</u>	<u>4,306,337</u>	<u>83,327,270</u>	<u>33,338,121</u>
<u>-0-</u>	<u>-0-</u>	<u>(194,866)</u>	<u>(194,866)</u>	<u>194,866</u>
<u>\$ 76,697,152</u>	<u>\$ 2,323,781</u>	<u>\$ 4,111,471</u>	<u>\$ 83,132,404</u>	<u>\$ 33,532,987</u>

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

**THE MARYLAND FOOD BANK, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 27,200,341	\$ 17,635,005
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized losses (gains) on investments	(8,314)	122,203
Realized gains on sale of investments	(605,809)	(153,678)
Noncash contributions - investments	(870,430)	(204,102)
Provision for bad debts	51,126	803
Depreciation and amortization	1,175,578	1,106,597
Gains on sale of property	(41,450)	(2,191)
Changes in operating assets and liabilities:		
Accounts receivable	80,321	(456,798)
Grants receivable	824,143	(410,310)
Pledges receivable	338,409	94,408
Inventories	(2,069,582)	(3,217,536)
Prepaid expenses and other assets	(175,654)	70,340
Accounts payable and accrued expenses	(1,109,032)	1,835,056
Deferred revenue	(4,223,394)	5,018,470
Net Cash Provided by Operating Activities	<u>20,566,253</u>	<u>21,438,267</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(4,119)	(6,390)
Proceeds from sale of investments	866,755	152,838
Purchase of property	(1,178,541)	(570,352)
Proceeds from sale of property	41,450	9,000
Net Cash Used in Investing Activities	<u>(274,455)</u>	<u>(414,904)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease obligations	(283,908)	(249,688)
Payments on mortgages payable	(166,021)	(155,469)
Payments of deferred financing costs	-0-	(15,725)
Proceeds from (repayment of) Paycheck Protection Program loan	(1,526,987)	1,526,987
Net Cash Provided by (Used in) Financing Activities	<u>(1,976,916)</u>	<u>1,106,105</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>18,314,882</b>	<b>22,129,468</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b><u>26,358,269</u></b>	<b><u>4,228,801</u></b>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 44,673,151</u></b>	<b><u>\$ 26,358,269</u></b>

	<u>2021</u>	<u>2020</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	<u>\$ 310,479</u>	<u>\$ 309,886</u>
<b>Noncash Investing and Financing Activities</b>		
Acquisition of property	\$ 1,449,764	\$ 719,940
Less: Property acquisitions included in accounts payable	(124,991)	-0-
Less: Property acquired through capital leases	<u>(146,232)</u>	<u>(149,588)</u>
Net cash paid for property	<u>\$ 1,178,541</u>	<u>\$ 570,352</u>

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

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies**

The Maryland Food Bank, Inc. (the Food Bank) is a nonprofit hunger-relief organization, dedicated to feeding people, strengthening communities, and ending hunger for more Marylanders. The Food Bank is currently an affiliate of Feeding America, the nation's leading domestic hunger-relief charity. Incorporated in the State of Maryland on June 14, 1978, the Food Bank became the first organization of its kind on the East Coast when it commenced operations the following year. Partnering with manufacturers, wholesalers, retailers and other sources that provide donated food, the Food Bank feeds hungry Marylanders through a network of thousands of community partners across 21 counties and Baltimore City. These organizations make shared maintenance payments to the Food Bank based on the amount of food they receive and the Food Bank also receives value-added fees on food that they process. Through its purchased food program, the Food Bank purchases supplemental food items and distributes them at cost, plus a modest mark-up to qualifying organizations. The Food Bank also stores and distributes U.S. Department of Agriculture (USDA) commodities under an agreement with the Maryland Department of Human Services for The Emergency Food Assistance Program (TEFAP). As part of this program, the Food Bank receives, stores and distributes this food through a statewide network of qualified feeding organizations.

The accounting and reporting policies of the Food Bank conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents: The Food Bank classifies all investments, except those held in the investment portfolio, which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents.

Accounts Receivable: Accounts receivables, which are from program services, are carried at cost less an allowance for doubtful accounts. The Food Bank provides for doubtful accounts based on anticipated collection losses. The estimated losses are determined from historical collection experience and a review of outstanding receivables. Delinquent receivables are written off by management when, in their determination, all reasonable collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when received. Management has not recorded an allowance for doubtful accounts as of June 30, 2021 and 2020, since in the opinion of management all outstanding accounts receivable are collectible.

Pledges Receivable: Unconditional promises to give are recorded as pledges receivable and recognized as revenue in the period received. Unconditional promises to give in a future period are discounted to their net present value at the time the revenue is recorded. Provision is made for uncollectible pledges based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding pledges receivable. Pledges receivable are written off by management when, in their determination, all appropriate collection efforts have been taken. The Food Bank has not recorded an allowance for uncollectible pledges as of June 30, 2021 and 2020, since in the opinion of management all outstanding pledges receivable are collectible.

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Grants Receivable and Deferred Revenue: Conditional grants are earned and recognized as revenue when the Food Bank has incurred related expenditures, which are reimbursable in accordance with specific grant requirements. Grants earned but not yet received are recorded as grants receivable on the statements of financial position. Grant proceeds received in advance are recorded as deferred revenue until they are earned.

Investments: Investments with readily determinable fair values are reported at fair value in the statements of financial position. Investments whose fair values are not readily available are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses on investments for the year are reported in the statements of activities as net investment return.

Inventories: Inventories of food that have been purchased for the food distribution program, but which have not been distributed, are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Inventories of food contributed by donors are valued at the approximate wholesale value which is determined annually by Feeding America.

For purposes of valuing food donated to and distributed by the Food Bank during the year, the Food Bank uses the average wholesale value determined annually by Feeding America in effect at the beginning of the year. For the years ended June 30, 2021 and 2020, inventory received and distributed was valued at \$1.74 and \$1.62 per pound, respectively. Commencing on July 1, 2021 and 2020, the receipt of inventory of food donated is valued at \$1.79 and \$1.74 per pound, respectively, based on the most current average wholesale value determined by Feeding America.

For purposes of valuing USDA commodities received and distributed under the agreement with DHR, the Food Bank uses the value as determined by USDA received with the shipment.

Property: Property is stated at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. It is the Food Bank's policy to capitalize all property acquisitions in excess of \$2,500 having useful lives greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10 - 40 years
Automobile equipment	5 - 7 years
Furniture and fixtures	3 - 20 years
Warehouse equipment	4 - 15 years

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Deferred Financing Costs: The deferred financing costs represent costs incurred to secure debt financing (see Note 7) which are being amortized over the life of the respective debt instrument utilizing the straight-line method. Deferred financing costs as of June 30, 2021 and 2020 are as follows:

	2021	2020
Deferred financing costs	\$ 54,595	\$ 54,595
Accumulated amortization	(10,115)	(6,328)
	\$ 44,480	\$ 48,267

Net Assets: Net assets, revenue, support, gains and losses are classified 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 available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve for future debt service, capital acquisitions and working capital.

*Net Assets with Donor Restrictions:* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: The Food Bank derives revenue primarily from grants, contributions, sales to agencies, program fees, delivery income and net investment return. Sales to agencies, program fees, delivery income and investment income are recognized as revenue when earned. Unconditional grants and contributions are recognized in the year the grants and contributions are pledged and/or received. Conditional grants are earned and recognized as revenue in proportion to the related expenditures incurred or when all conditions of the grant have been substantially met. Grants and contributions earned but not yet received are recorded as pledges or grants receivable. Grant proceeds received in advance and not yet earned are recorded as deferred revenue.

Contributions: Contributions received are recorded without donor restrictions or with donor restriction support depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities.

Donated Materials: Donated materials are reflected in the accompanying financial statements at their estimated fair value at date of receipt.

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Contributed Services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Food Bank. There were no donated services that qualified for recognition during the years ended June 30, 2021 and 2020.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Cost that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates of time and effort, square footage or other criteria.

Income Taxes: The Food Bank has been recognized by the Internal Revenue Service (IRS) as an organization exempt from income taxes under Internal Revenue Code (IRC) §501(c)(3). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Food Bank had no unrelated business income for the years ended June 30, 2021 and 2020. Accordingly, no provision for income taxes is reflected in these financial statements. The Food Bank's federal exempt organization tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

Reclassification: Certain amounts previously reported in the financial statements for the year ended June 30, 2020 have been reclassified to conform to the financial statement presentation for the year ended June 30, 2021.

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain exercise and option to extend the lease or not to exercise an option to terminate the lease. The assets will be depreciated, and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact of leases on the financial statements.

Subsequent Events: In preparing these financial statements, the Food Bank has evaluated events and transactions for the potential recognition or disclosure through November 2, 2021, the date the financial statements were available to be issued. During the period July 1, 2021 through November 2, 2021, the Food Bank did not have any other material recognizable subsequent events.



**THE MARYLAND FOOD BANK, INC.**  
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**Note 2: Liquidity**

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	2021	2020
Cash and cash equivalents	\$ 44,673,151	\$ 26,358,269
Accounts receivable	765,753	897,200
Grants receivable	1,416,363	2,240,506
Pledges receivable	566,743	801,870
Less: Capital campaign pledge receivables	(2,000)	(15,000)
Less: Cash held for the capital campaign	(412,479)	(640,193)
Less: Cash held for capital projects	(82,325)	-0-
Financial Assets Available for General Expenditure	<u>\$ 46,925,206</u>	<u>\$ 29,642,652</u>

The Food Bank manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. In the event of an unanticipated liquidity need, the Food Bank also could draw upon a \$1,750,000 available operating line of credit (as further discussed in Note 6).

The Board of Directors of the Food Bank have designated investments as a reserve for specified future needs as discussed in Note 9. Even though there is no intent of the governing board to remove the designation, they could make these amounts available, as necessary. The amounts designated and not included within the liquidity calculation as of June 30, 2021 and 2020 were \$3,713,479 and \$3,091,562, respectively.

**Note 3: Investments and Fair Value Measurement**

Generally Accepted Accounting Principles (GAAP) establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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**Notes to Financial Statements**  
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**Note 3: Investments and Fair Value Measurement (Continued)**

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Food Bank include the following:

Cash and Cash Equivalents (Money Market Funds): Valued at original cost, which equals fair value.

Mutual Funds: Valued at the last sales price reported on the active market in which the individual fund is traded.

In determining the appropriate levels, the Food Bank performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The tables below present the balances of investments measured at fair value on a recurring basis by level within the hierarchy, as of June 30, 2021 and 2020:

	2021			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents held for investment	\$ 77,669	\$ 77,669	\$ -0-	\$ -0-
Mutual funds:				
Equity funds	1,591,621	1,591,621	-0-	-0-
Fixed Income funds	1,505,688	1,505,688	-0-	-0-
International funds	538,501	538,501	-0-	-0-
<b>Total Investments</b>	<b>\$ 3,713,479</b>	<b>\$ 3,713,479</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
	2020			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents held for investment	\$ 122,372	\$ 122,372	\$ -0-	\$ -0-
Mutual funds:				
Equity funds	1,246,179	1,246,179	-0-	-0-
Fixed Income funds	1,346,290	1,346,290	-0-	-0-
International funds	376,721	376,721	-0-	-0-
<b>Total Investments</b>	<b>\$ 3,091,562</b>	<b>\$ 3,091,562</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
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**Note 3: Investments and Fair Value Measurement (Continued)**

Net investment return, as reported on the statements of activities for the years ended June 30, 2021 and 2020, is comprised of the following:

	2021	2020
Interest and dividend income	\$ 24,505	\$ 72,122
Net unrealized gains (losses)	8,314	(122,203)
Net realized gains	605,809	153,678
Investment fees	(16,710)	(14,993)
Net Investment Return	<u>\$ 621,918</u>	<u>\$ 88,604</u>

**Note 4: Pledges Receivable**

Pledges receivable as of June 30, 2021 and 2020 consisted of the following unconditional promises to give:

	2021	2020
Receivable in less than one year	\$ 566,743	\$ 801,870
Receivable in one to five years	65,493	169,056
Total pledge receivable	<u>632,236</u>	<u>970,926</u>
Present value discount (3%)	(245)	(526)
Net pledges receivable	<u>\$ 631,991</u>	<u>\$ 970,400</u>
Current portion	\$ 566,743	\$ 801,870
Long term portion	<u>65,248</u>	<u>168,530</u>
	<u>\$ 631,991</u>	<u>\$ 970,400</u>

**THE MARYLAND FOOD BANK, INC.**  
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**Note 5: Inventories**

Inventories of donated and purchased food as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Baltimore:		
Donated	\$ 1,304,386	\$ 1,767,693
TEFAP	1,248,969	1,104,894
Out on consignment (at cost)	998	4,570
Purchased (at cost)	5,476,527	2,959,520
	<u>8,030,880</u>	<u>5,836,677</u>
Salisbury:		
Donated	140,063	154,379
TEFAP	4,265	67,274
Purchased (at cost)	110,304	145,879
	<u>254,632</u>	<u>367,532</u>
Hagerstown:		
Donated	-0-	11,721
	<u>-0-</u>	<u>11,721</u>
Total Inventories	<u>\$ 8,285,512</u>	<u>\$ 6,215,930</u>

**Note 6: Line of Credit**

The Food Bank has a \$1,750,000 revolving line of credit (LOC) agreement with Sandy Spring Bank (Sandy Spring), for the purpose of purchasing bulk food products and for other operating needs. Prior to February 2020, borrowings under the LOC were subject to interest at prime rate plus 1.5%, payable monthly. Effective February 2020, the annual interest rate changed to the greater of 1.6% or the Prime Rate minus 1.5%, payable monthly. As of June 30, 2021 and 2020, the interest rate was 1.75%. The LOC matures on February 28, 2022 and requires the same financial covenants as the mortgage payable (see Note 7). As of June 30, 2021 and 2020, there were no outstanding borrowings on the LOC.

**Note 7: Mortgage Payable**

The Food Bank has a \$6,560,000 promissory note with Sandy Spring. The note is secured by a deed of trust on the Food Bank's facility and personal property located in Baltimore County, Maryland and required compliance with certain financial covenants as described in the note agreement. The note had a fixed interest rate of 4.49%. Commencing in April 2018, monthly principal and interest payments of \$36,658 were required until the note matures on April 1, 2033, with a balloon payment of \$3,551,676. The note can be prepaid at any time subject to a fee, starting at 3% of the amount prepaid and decreasing over specific timeframes until April 2028, at which time the note may be prepaid without premium or penalty.

The promissory note was amended in February 2020. The amended note has a fixed interest rate of 4.19% and requires monthly principal and interest payments of \$35,597 until the note matures on April 1, 2033, with a balloon payment of \$3,475,573. The amended agreement also removed the financial covenants but requires the Food Bank to maintain a principal balance of zero dollars on the LOC for at least thirty consecutive days.

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
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**Note 7: Mortgage Payable (Continued)**

Mortgage payable as of June 30, 2021 and 2020 are as follows:

	2021	2020
Mortgage Payable	\$ 6,056,376	\$ 6,222,397
Less: Unamortized deferred financing costs	(44,480)	(48,267)
Mortgage Payable, Net	\$ 6,011,896	\$ 6,174,130

The aggregate annual maturities of the mortgage payable and the annual amortization of unamortized deferred financing costs are as follows:

Year Ending June 30:	Mortgage Payable	Deferred Financing Costs	Total
2022	\$ 173,213	\$ (3,786)	\$ 169,427
2023	180,716	(3,786)	176,930
2024	187,884	(3,786)	184,098
2025	196,683	(3,786)	192,897
2026	205,203	(3,786)	201,417
Thereafter	5,112,677	(25,550)	5,087,127
Total	\$ 6,056,376	\$ (44,480)	\$ 6,011,896

Interest expense incurred on the mortgage payable was \$261,142 and \$280,182 for the years ended June 30, 2021 and 2020, respectively.

**Note 8: Paycheck Protection Program Loan**

The Food Bank applied for and received funds in the amount of \$1,526,987 under the Paycheck Protection Program (PPP) which was created as a result of the coronavirus pandemic. The proceeds were considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during a period of eight-weeks to 24-weeks, commencing on the date of the loan agreement (April 28, 2020). Any portion of this loan that did not qualify for forgiveness was subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an eighteen-month period commencing on November 28, 2020 with a maturity date of April 28, 2022. However, the repayment of principal period was extended until 10 months after the end of the period of eight-weeks to 24-weeks. The Food Bank decided to forego the application for forgiveness and repaid the loan described above during the year ended June 30, 2021. Interest expense incurred on this loan was \$15,019 for the year ended June 30, 2021.

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**Note 9: Net Assets**

Net Assets without Donor Restrictions:

Net assets without donor restrictions for general operations - consists of the resources and obligations related to the daily operations of the Food Bank.

The Board of Directors (the Board) of the Food Bank has established a board designated fund. The purpose of the board designated fund is to support debt service for two years, establish an emergency fund for major equipment failure and create a three-month working capital reserve in compliance with Feeding America standards. The Board designated specific investment accounts to hold the board designated funds. Investment income earned on these accounts is to be added to the board designated fund balance. Withdrawals from the board designated fund must be approved by the Board. The Board authorized no withdrawals for the years ended June 30, 2021 and 2020. The balance of the board designated fund was \$3,713,479 and \$3,091,562 as of June 30, 2021 and 2020, respectively.

Net Assets with Donor Restrictions:

The Food Bank has several donor restricted funds, which may be fully expended but only for the purpose established by the respective donors. Net assets with donor restrictions were available for the following purposes as of June 30, 2021 and 2020:

	Year Ended June 30, 2021			
	Balance at June 30, 2020	Contributions	Released From Restrictions	Balance at June 30, 2021
Food distribution	\$ 230,528	\$ 14,772,120	\$ (8,532,741)	\$ 6,469,907
Capital campaign	655,193	-0-	(240,714)	414,479
Technology	169,963	7,500	(177,463)	-0-
Youth programs	139,104	1,350,927	(742,895)	747,136
Capital projects	-0-	578,152	(495,827)	82,325
	<u>\$ 1,194,788</u>	<u>\$ 16,708,699</u>	<u>\$ (10,189,640)</u>	<u>\$ 7,713,847</u>
	Year Ended June 30, 2020			
	Balance at June 30, 2019	Contributions	Released From Restrictions	Balance at June 30, 2020
Food distribution	\$ 1,351,355	\$ 1,422,119	\$ (2,542,946)	\$ 230,528
Capital campaign	706,897	310,775	(362,479)	655,193
Youth programs	282,802	1,140,353	(1,284,051)	139,104
Technology	153,667	138,000	(121,704)	169,963
Capital projects	51,558	163,807	(215,365)	-0-
	<u>\$ 2,546,279</u>	<u>\$ 3,175,054</u>	<u>\$ (4,526,545)</u>	<u>\$ 1,194,788</u>

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
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**Note 10: Commitments**

Land Lease: The Food Bank leases land in Salisbury, Maryland from Wicomico County, Maryland for \$1 per year, under a lease agreement that expires on July 31, 2040.

Warehouse Lease Obligations: The Food Bank has lease agreements to lease various offsite warehouse spaces that expire at various dates through August 31, 2022. In addition to the monthly rent for these warehouses, all three leases also require as additional rent, the Food Bank's proportional share of operating expenses of the landlord, as defined in the lease agreement. Future minimum annual rental payments due under these leases, summarized by year, are as follows:

Year Ending June 30:	
2022	\$ 311,127
2023	26,373
	<u>337,500</u>
	\$ <u>337,500</u>

Capital Lease Obligations: The Food Bank leases eighteen trucks having a combined cost of \$2,080,971 under noncancelable capital lease agreements. Amortization of the cost of the leased equipment is included in depreciation. Accumulated amortization of all leased equipment as of June 30, 2021 and 2020 was \$1,431,956 and \$1,237,519, respectively.

As of June 30, 2021, future minimum lease payments under the capital lease obligations, summarized by year are as follows:

Year Ending June 30:	
2022	\$ 276,975
2023	175,385
2024	120,816
2025	89,172
2026	31,779
Thereafter	<u>22,787</u>
Total minimum lease payments remaining	716,914
Less: Amount representing interest (1.835% to 8.455%)	<u>(52,035)</u>
Present value of future minimum lease payments	664,879
Less: Current maturities of capital lease obligations	<u>(253,278)</u>
Long term portion of capital lease obligations	<u>\$ 411,601</u>

Interest expense incurred on the capital lease obligations was \$34,312 and \$29,484 for the years ended June 30, 2021 and 2020, respectively.

Construction Contract: The Food Bank entered into an architectural design contract related to the Food Works program areas expansion, including the kitchen expansion and office relocation. The total amount of this contract, including change orders, is \$316,784, of which \$272,367 has been incurred through June 30, 2021. Subsequent to year end, the Food Bank entered into a construction contract related to this project in the amount of \$4,315,291 on August 8, 2021. No costs were incurred on this new contract as of June 30, 2021.

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
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**Note 11: In-Kind Transactions**

During the years ended June 30, 2021 and 2020, the Food Bank received and/or facilitated donated food valued at \$65,035,437 and \$55,647,391, respectively.

Various businesses have donated goods and services to support the Food Bank's programs and fundraising events. The Food Bank also receives contributions of fixed assets on a periodic basis. The fair values of these items have been included in total support and revenue and expenses in the statements of activities.

A substantial number of volunteers have donated significant amounts of time to the Food Bank's programs, but since the value of such services does not meet the criteria for recognition of contributed services, no amounts have been recorded in the financial statements.

**Note 12: Retirement Plan**

The Food Bank sponsors a salary reduction retirement plan that qualifies under Section 403(b) of the IRC and covers all employees. There are no required employee deferrals and contributions by the Food Bank are made at the discretion of the Board of Directors. The Board has chosen to have the Food Bank make a safe harbor employer contribution to the plan of 3% of each eligible employee's compensation regardless of whether an employee makes an elective deferral to the plan. In addition, the Food Bank may make matching contributions at a specified percentage of the eligible employees' compensation, but no more than 5%. Total employer contributions for the years ended June 30, 2021 and 2020 were \$384,088 and \$377,138, respectively.

**Note 13: Deferred Compensation and Assets Held in Trust**

The Food Bank has an IRC Section 457(b) deferred compensation plan (the 457 Plan) that covers certain current and former management personnel. Under the terms of the 457 Plan, the Food Bank may defer compensation for eligible participants on an annual basis by funding the 457 Plan. The maximum annual funding cannot exceed the lesser of the maximum amount allowed by the IRC or 100% of the eligible participant's includable compensation. There is a provision for limited catch-up funding as described in the plan documents.

Participants of the 457 Plan are entitled to receive their deferred compensation amount, plus investment income on such amounts, upon severance from employment, as defined in the plan documents. The deferred compensation balance under the 457 Plan at June 30, 2021 and 2020 was \$357,370 and \$323,094, respectively, which has been invested in a separate income-bearing account, that have been included in other assets, restricted on the statements of financial position.

The Food Bank has also established a deferred incentive plan (the Incentive Plan), which is intended to be an ineligible deferred compensation plan as described in IRC Section 457(f). The Incentive Plan has been established to provide incentive and retention awards for achievement in meeting individual and employer goals and objectives for a select group of management or highly compensated employees. The deferred compensation balance under the Incentive Plan at June 30, 2020 was \$28,176, which has been invested in a separate income-bearing account, that have been included in other assets, restricted on the statements of financial position. The incentive plan was terminated in July 2020.



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**Note 14: Conditional Grants**

The Food Bank has received conditional grants from various entities in the amount of \$7,946,630, which can only be earned by incurring certain qualifying expenses under the respective grant programs. As of June 30, 2021, the Food Bank has earned \$7,083,196 of these grants which have been recognized as revenue during the year ended June 30, 2021. The outstanding balance of these conditional grants was \$863,424 as of June 30, 2021, which will be recognized as revenue when the conditions of the grant have been met.

**Note 15: Other Matters**

Cash and Cash Equivalents: The Food Bank maintains its cash balances at various financial institutions. Periodically during the year, the Food Bank's cash balances may exceed federally insured limits. The Food Bank has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Investment Risk: The Food Bank invests in professionally managed portfolio that may contain money market funds, mutual funds and other investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Grant Requirements: In 2004, the Food Bank requested and received a significant grant for capital improvements to its Baltimore County, Maryland location from a local foundation. As part of this grant agreement, the Food Bank agreed to certain conditions as specified in the grant agreement, including the following: the Food Bank shall not sell, transfer, mortgage, or further encumber the land and/or improvements of this facility without the prior written consent from the Foundation. The Food Bank requested and received a waiver from the foundation in order to enter into the \$6,560,000 mortgage described in Note 7.

Health Insurance Plan: The Food Bank maintains a self-funded health insurance plan covering its eligible employees. Under the plan, the Food Bank reimburses the plan administrator for the sum of the claim charges paid by the plan administrator. As part of this plan, the maximum claims liability is currently \$1,106,386 (Minimum Attachment Point - MAP) during the plan year, which represents all claims under the specific deductible. The stop-loss for any individual claim is \$60,000 per year, with certain exceptions as described in the plan document. Once the individual reaches the specific deductible, the Food Bank's liability ends. Once aggregate claims reach the MAP, the Food Bank's liability also ends for the plan year.

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, has had far reaching social, economic and financial impacts on the country. At this time, the pandemic continues and the long term impact on the operations and the financial status of the Food Bank cannot be determined.

