

**THE MARYLAND FOOD BANK, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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## **Independent Auditor's Report**

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

### **Opinion**

We have audited the accompanying financial statements of The Maryland Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 present fairly, in all material respects, the financial position of The Maryland Food Bank, Inc. as of June 30, 2022 and 2021, 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 The Maryland Food Bank, Inc. 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 opinions.

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Maryland Food Bank, 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.

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

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

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 The Maryland Food Bank, 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 The Maryland Food Bank, 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.

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

Baltimore, Maryland  
November 2, 2022

**THE MARYLAND FOOD BANK, INC.**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 11,874,816	\$ 44,673,151
Investments	27,989,213	3,713,479
Accounts receivable	414,625	442,519
Grants and pledges receivable, current	2,182,010	2,306,340
Inventories	3,883,497	8,285,512
Prepaid expenses and other assets	351,287	300,197
Total Current Assets	<u>46,695,448</u>	<u>59,721,198</u>
<b>Property</b>		
Land, building, and improvements	17,757,651	17,742,651
Automotive equipment	3,615,381	3,123,708
Furniture and fixtures	2,203,621	2,053,962
Warehouse equipment	2,425,016	2,354,840
Construction in progress	3,634,612	785,318
Total Cost	<u>29,636,281</u>	<u>26,060,479</u>
Less: Accumulated depreciation	12,208,708	11,263,813
Net Property	<u>17,427,573</u>	<u>14,796,666</u>
<b>Other Assets</b>		
Other assets, restricted	311,601	357,370
Pledge receivable, noncurrent	196,937	65,248
Total Other Assets	<u>508,538</u>	<u>422,618</u>
<b>Total Assets</b>	<u><u>\$ 64,631,559</u></u>	<u><u>\$ 74,940,482</u></u>

	<u>2022</u>	<u>2021</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,795,072	\$ 2,597,451
Current maturities of mortgage payable	307,858	169,427
Current maturities of capital lease obligations	237,034	253,278
Current deferred revenue	157,231	589,999
Total Current Liabilities	<u>3,497,195</u>	<u>3,610,155</u>
<b>Non-Current Liabilities</b>		
Mortgage payable, net of current maturities	2,512,223	5,842,469
Capital lease obligations, net of current maturities	656,114	411,601
Deferred revenue, net of current	-0-	273,425
Deferred compensation payable	311,601	357,370
Total Non-Current Liabilities	<u>3,479,938</u>	<u>6,884,865</u>
<b>Total Liabilities</b>	<u>6,977,133</u>	<u>10,495,020</u>
<b>Commitments and Contingencies</b> (Notes 10, 12, 13 and 15)		
<b>Net Assets</b>		
Without donor restrictions		
General operations	47,990,476	53,018,136
Board designated	3,319,431	3,713,479
Total Without Donor Restrictions	<u>51,309,907</u>	<u>56,731,615</u>
With donor restrictions	6,344,519	7,713,847
Total Net Assets	<u>57,654,426</u>	<u>64,445,462</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 64,631,559</u>	<u>\$ 74,940,482</u>

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

**THE MARYLAND FOOD BANK, INC.**  
**Statements of Activities**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Support			
Grants and contributions - other	\$ 23,492,694	\$ 12,855,889	\$ 36,348,583
Grants and contributions - in-kind	35,491,289	-0-	35,491,289
Grants for meals	681,202	-0-	681,202
	<hr/>		
Total	59,665,185	12,855,889	72,521,074
	<hr/>		
Revenue			
Program fees	3,425,457	-0-	3,425,457
Sales to agencies and others, net	1,629,785	-0-	1,629,785
Shared maintenance	24,065	-0-	24,065
Gain (loss) on disposal of property	(8,422)	-0-	(8,422)
Net investment return	(724,268)	-0-	(724,268)
Other revenue	38,409	-0-	38,409
Total	4,385,026	-0-	4,385,026
	<hr/>		
Net Assets Released from Restrictions			
Satisfaction of program restrictions	14,225,217	(14,225,217)	-0-
	<hr/>		
Total Support and Revenue	78,275,428	(1,369,328)	76,906,100
	<hr/>		
<b>Expenses</b>			
Program services	75,367,017	-0-	75,367,017
Supporting services			
Management and general	3,303,024	-0-	3,303,024
Fundraising	5,027,095	-0-	5,027,095
Total Supporting Services	8,330,119	-0-	8,330,119
	<hr/>		
Total Expenses	83,697,136	-0-	83,697,136
	<hr/>		
<b>Change in Net Assets</b>	(5,421,708)	(1,369,328)	(6,791,036)
	<hr/>		
<b>Net Assets at Beginning of Year</b>	56,731,615	7,713,847	64,445,462
	<hr/>		
<b>Net Assets at End of Year</b>	\$ 51,309,907	\$ 6,344,519	\$ 57,654,426
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**2021**

<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Increase (Decrease)</b>
\$ 47,817,532	\$ 16,708,699	\$ 64,526,231	\$ (28,177,648)
65,035,437	-0-	65,035,437	(29,544,148)
1,231,178	-0-	1,231,178	(549,976)
<u>114,084,147</u>	<u>16,708,699</u>	<u>130,792,846</u>	<u>(58,271,772)</u>
3,350,347	-0-	3,350,347	75,110
8,897,077	-0-	8,897,077	(7,267,292)
106,101	-0-	106,101	(82,036)
41,450	-0-	41,450	(49,872)
621,918	-0-	621,918	(1,346,186)
55,993	-0-	55,993	(17,584)
<u>13,072,886</u>	<u>-0-</u>	<u>13,072,886</u>	<u>(8,687,860)</u>
<u>10,189,640</u>	<u>(10,189,640)</u>	<u>-0-</u>	<u>-0-</u>
<u>137,346,673</u>	<u>6,519,059</u>	<u>143,865,732</u>	<u>(66,959,632)</u>
<u>108,973,567</u>	<u>-0-</u>	<u>108,973,567</u>	<u>(33,606,550)</u>
3,041,021	-0-	3,041,021	262,003
4,650,803	-0-	4,650,803	376,292
7,691,824	-0-	7,691,824	638,295
<u>116,665,391</u>	<u>-0-</u>	<u>116,665,391</u>	<u>(32,968,255)</u>
20,681,282	6,519,059	27,200,341	(33,991,377)
36,050,333	1,194,788	37,245,121	27,200,341
<u>\$ 56,731,615</u>	<u>\$ 7,713,847</u>	<u>\$ 64,445,462</u>	<u>\$ (6,791,036)</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, 2022 and 2021**

	<b>2022</b>			
	<b>Program Services</b>	<b>Manage- ment and General</b>	<b>Fundraising</b>	<b>Total</b>
<b>Program Food Costs</b>				
Value of donated goods distributed	\$ 36,453,271	\$ -0-	\$ -0-	\$ 36,453,271
Cost of purchased goods	20,663,999	-0-	-0-	20,663,999
Processing and other costs	321,797	-0-	-0-	321,797
Total Program Food Costs	<u>57,439,067</u>	<u>-0-</u>	<u>-0-</u>	<u>57,439,067</u>
<b>Personnel Expenses</b>				
Salaries and wages	7,452,616	1,371,056	1,621,491	10,445,163
Payroll taxes and benefits	2,043,961	538,823	397,369	2,980,153
Contract labor	222,491	249,587	18,520	490,598
Total Personnel Expenses	<u>9,719,068</u>	<u>2,159,466</u>	<u>2,037,380</u>	<u>13,915,914</u>
Partner and programmatic support	2,753,029	-0-	-0-	2,753,029
Printing, postage and supplies	388,608	10,488	1,300,250	1,699,346
Professional fees	212,890	499,244	777,495	1,489,629
Depreciation	1,151,129	44,094	40,810	1,236,033
Occupancy costs	1,153,087	25,499	12,269	1,190,855
Transportation expense	1,062,137	-0-	-0-	1,062,137
Repairs and maintenance	945,520	-0-	10,341	955,861
Computers, copiers and licensing	256,475	201,700	145,146	603,321
Marketing and public relations	161,708	253	367,552	529,513
Gift processing and credit card fees	1,165	-0-	319,453	320,618
Interest expense	26,340	235,348	-0-	261,688
Bad debt expense	-0-	-0-	-0-	-0-
Other expenses	96,794	126,932	16,399	240,125
Total Expenses	<u>\$ 75,367,017</u>	<u>\$ 3,303,024</u>	<u>\$ 5,027,095</u>	<u>\$ 83,697,136</u>

**2021**

<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Increase (Decrease)</b>
\$ 65,449,768	\$ -0-	\$ -0-	\$ 65,449,768	\$ (28,996,497)
26,233,899	-0-	-0-	26,233,899	(5,569,900)
325,374	-0-	-0-	325,374	(3,577)
92,009,041	-0-	-0-	92,009,041	(34,569,974)
6,803,877	1,254,972	1,472,951	9,531,800	913,363
1,918,852	418,936	334,905	2,672,693	307,460
568,428	104,504	-0-	672,932	(182,334)
9,291,157	1,778,412	1,807,856	12,877,425	1,038,489
2,973,636	-0-	-0-	2,973,636	(220,607)
442,616	11,656	1,152,557	1,606,829	92,517
326,123	542,388	640,805	1,509,316	(19,687)
1,077,181	32,838	61,773	1,171,792	64,241
712,641	29,466	10,428	752,535	438,320
851,742	-0-	-0-	851,742	210,395
1,017,002	701	1,815	1,019,518	(63,657)
130,307	265,965	78,517	474,789	128,532
39,970	547	327,080	367,597	161,916
7,382	-0-	524,587	531,969	(211,351)
34,312	279,953	-0-	314,265	(52,577)
26,406	-0-	24,720	51,126	(51,126)
34,051	99,095	20,665	153,811	86,314
<u>\$ 108,973,567</u>	<u>\$ 3,041,021</u>	<u>\$ 4,650,803</u>	<u>\$ 116,665,391</u>	<u>\$ (32,968,255)</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (6,791,036)	\$ 27,200,341
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized losses (gains) on investments	1,033,681	(8,314)
Realized gains on sale of investments	(178,807)	(605,809)
Noncash contributions - donated stock	(319,753)	(870,430)
Provision for bad debts	-0-	51,126
Depreciation and amortization	1,239,818	1,175,577
Losses (gains) on sale of property	8,422	(41,450)
Changes in operating assets and liabilities:		
Accounts receivable	27,894	80,322
Grants and pledges receivable	(7,359)	1,162,552
Inventories	4,402,015	(2,069,582)
Prepaid expenses and other assets	(51,090)	(175,654)
Accounts payable and accrued expenses	54,650	(1,109,032)
Deferred revenue	(706,193)	(4,223,394)
Net Cash Provided by (Used in) Operating Activities	<u>(1,287,758)</u>	<u>20,566,253</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(25,129,551)	(4,119)
Proceeds from sale of investments and donated stock	318,696	866,755
Purchase of property	(3,221,298)	(1,178,541)
Proceeds from sale of property	2,500	41,450
Net Cash Used in Investing Activities	<u>(28,029,653)</u>	<u>(274,455)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease obligations	(285,324)	(283,908)
Payments on mortgage payable	(3,195,600)	(166,021)
Repayment of Paycheck Protection Program loan	-0-	(1,526,987)
Net Cash Used in Financing Activities	<u>(3,480,924)</u>	<u>(1,976,916)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(32,798,335)</b>	<b>18,314,882</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>44,673,151</b>	<b>26,358,269</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 11,874,816</u></b>	<b><u>\$ 44,673,151</u></b>

	<u>2022</u>	<u>2021</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	<u>\$ 257,903</u>	<u>\$ 310,479</u>
<b>Noncash Investing and Financing Activities</b>		
Acquisition of property	<b>\$ 3,877,862</b>	<b>\$ 1,449,764</b>
Less: Property acquisitions included in accounts payable, net	<b>(142,971)</b>	<b>(124,991)</b>
Less: Property acquired through capital leases	<b>(513,593)</b>	<b>(146,232)</b>
Net cash paid for property	<u><b>\$ 3,221,298</b></u>	<u><b>\$ 1,178,541</b></u>

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

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**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 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 generally 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 (DHS) 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, 2022 and 2021, since in the opinion of management all outstanding accounts receivable are collectible.

Grants and Pledges Receivable and Deferred Revenue:

*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. Conditional grant proceeds received in advance are recorded as deferred revenue until they are earned.

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

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

*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, 2022 and 2021, since in the opinion of management all outstanding pledges receivable are collectible.

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. Cash and money market funds held by investment custodians are not included in cash and cash equivalents but are reported as investments.

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, 2022 and 2021, inventory received and distributed was valued at \$1.79 and \$1.74 per pound, respectively. Commencing on July 1, 2022, the receipt of inventory of food donated is valued at \$1.92 per pound, 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 DHS, 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, 2022 and 2021**

**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, 2022 and 2021 are as follows:

	2022	2021
Deferred financing costs	\$ 54,595	\$ 54,595
Accumulated amortization	(13,900)	(10,115)
	<u>\$ 40,695</u>	<u>\$ 44,480</u>

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. The Food Bank does not have any donor restrictions that are perpetual in nature.

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.

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.

Gifts-in-Kind (Donated Food): Donated food is reflected in the accompanying financial statements at their estimated fair value at the date of receipt and are utilized in its program services. (See Note 1 - Inventories for fair value determination.)



**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

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

Gifts-in-Kind (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, 2022 and 2021.

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, 2022 and 2021. 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.

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.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which is effective for fiscal years beginning after June 15, 2021. This ASU requires that contributed nonfinancial assets be reported as a separate line item in the statement of operations and changes in net assets, as well as disclose the disaggregation of the contributed nonfinancial assets recognized by type, whether they are monetized or utilized during the reporting period, and if utilized, the programs or other activities in which these contributed nonfinancial assets were used. Management has adopted and implemented this standard.

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

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

Subsequent Events: In preparing these financial statements, the Food Bank has evaluated events and transactions for the potential recognition or disclosure through November 2, 2022, the date the financial statements were available to be issued. During the period July 1, 2022 through November 2, 2022, the Food Bank did not have any material subsequent events that required recognition or disclosure.

**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:

	2022	2021
Cash and cash equivalents	\$ 11,874,816	\$ 44,673,151
Investments	27,989,213	3,713,479
Accounts receivable	414,625	442,519
Grants and pledges receivable	2,182,010	2,306,340
Less board designated net assets	(3,319,431)	(3,713,479)
Less: Net assets with donor restrictions	(6,344,519)	(7,713,847)
Financial Assets Available for General Expenditure	\$ 32,796,714	\$ 39,708,163

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. The Food Bank has a \$1,750,000 available operating line of credit to provide additional liquidity (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, 2022 and 2021 were \$3,319,431 and \$3,713,479, respectively.

The Food Bank has an investment account with an accredited advisor that invests excess liquidity in fixed income securities, cash and cash equivalents. The balance in this account as of June 30, 2022 and June 30, 2021 was \$24,669,782 and \$-0-, 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).

**Note 3: Investments and Fair Value Measurement (Continued)**

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.

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.

U.S. Treasury Obligations, Foreign Bonds, Corporate Bonds and Municipal Bonds: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

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

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, 2022 and 2021:

	2022			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents held for investment	\$ 3,387,547	\$ 3,387,547	\$ -0-	\$ -0-
U.S Treasury obligations	10,100,552	-0-	10,100,552	-0-
Corporate Bonds	5,191,860	-0-	5,191,860	-0-
Municipal Bonds	4,048,096	-0-	4,048,096	-0-
Foreign Bonds	636,438	-0-	636,438	-0-
Mutual funds:				
Equity funds	1,243,029	1,243,029	-0-	-0-
Fixed Income funds	2,904,354	2,904,354	-0-	-0-
International funds	477,337	477,337	-0-	-0-
<b>Total Investments</b>	<b>\$ 27,989,213</b>	<b>\$ 8,012,267</b>	<b>\$ 19,976,946</b>	<b>\$ -0-</b>

  

	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>

Net investment return, as reported on the statements of activities for the years ended June 30, 2022 and 2021, is comprised of the following:

	2022	2021
Interest and dividend income	\$ 156,096	\$ 24,505
Net unrealized gains (losses)	(1,033,681)	8,314
Net realized gains	178,807	605,809
Investment fees	(25,490)	(16,710)
<b>Net Investment Return</b>	<b>\$ (724,268)</b>	<b>\$ 621,918</b>

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
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**Note 4: Grants and Pledges Receivable**

Grants and pledges receivable as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Pledges receivable in less than one year	\$ 1,337,580	\$ 566,743
Pledges receivable in one to five years	202,746	65,493
Total pledges receivable	1,540,326	632,236
Present value discount (3%)	(5,809)	(245)
Net pledges receivable	1,534,517	631,991
Grants receivable	844,430	1,739,597
Total Grants and Pledges Receivable	<u>\$ 2,378,947</u>	<u>\$ 2,371,588</u>
Current portion	\$ 2,182,010	\$ 2,306,340
Long term portion	196,937	65,248
	<u>\$ 2,378,947</u>	<u>\$ 2,371,588</u>

**Note 5: Inventories**

Inventories of donated and purchased food as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Donated	\$ 1,131,807	\$ 1,444,449
USDA	508,839	1,253,235
Purchased	2,242,851	5,587,828
Total Inventories	<u>\$ 3,883,497</u>	<u>\$ 8,285,512</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. The monthly interest rate is the greater of 1.6% or the Prime Rate minus 1.5%, payable monthly. As of June 30, 2022 and 2021, the interest rate was 3.25% and 1.75%, respectively. The LOC matures on May 31, 2024 and requires the same financial covenants as the mortgage payable (see Note 7). As of June 30, 2022 and 2021, there were no outstanding borrowings on the LOC.

**THE MARYLAND FOOD BANK, INC.**  
**Notes to Financial Statements**  
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**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 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 scheduled 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. During the year ended June 30, 2022, in addition to the required monthly payments, the Food Bank paid an additional \$3,000,000 in principal payments. As a result, the amortization of the mortgage payable was updated to reflect the extra pay down and a balloon payment will no longer be required in 2033. Mortgage payable as of June 30, 2022 and 2021 are as follows:

	2022	2021
Mortgage payable	\$ 2,860,776	\$ 6,056,376
Less: Unamortized deferred financing costs	(40,695)	(44,480)
Mortgage Payable, Net	<u>\$ 2,820,081</u>	<u>\$ 6,011,896</u>

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

Year Ending June 30:	Principal Payments	Deferred Financing Costs	Total
2023	\$ 311,643	\$ (3,785)	\$ 307,858
2024	324,864	(3,785)	321,079
2025	339,215	(3,785)	335,430
2026	353,909	(3,785)	350,124
2027	369,240	(3,786)	365,454
Thereafter	1,161,905	(21,769)	1,140,136
Total	<u>\$ 2,860,776</u>	<u>\$ (40,695)</u>	<u>\$ 2,820,081</u>

Interest expense incurred on the mortgage payable was \$231,563 and \$261,142 for the years ended June 30, 2022 and 2021, respectively. Amortization of the deferred financing costs was \$3,785 for both years ended June 30, 2022 and 2021, which has been grouped with interest expense on the statements of functional expenses.

**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 Food Bank 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.

**THE MARYLAND FOOD BANK, INC.**  
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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, 2022 and 2021. The balance of the board designated fund was \$3,319,431 and \$3,713,479 as of June 30, 2022 and 2021, 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, 2022 and 2021:

	Year Ended June 30, 2022			
	Balance at June 30, 2021	Contributions	Released From Restrictions	Balance at June 30, 2022
Food distribution Programs	\$ 5,687,737	\$ 1,881,652	\$ (6,931,542)	\$ 637,847
Capital projects	460,213	5,422,148	(5,337,333)	545,028
Technology	815,359	3,130,959	(75,880)	3,870,438
Other	-0-	125,000	(116,499)	8,501
	750,538	2,296,130	(1,763,963)	1,282,705
	<u>\$ 7,713,847</u>	<u>\$ 12,855,889</u>	<u>\$ (14,225,217)</u>	<u>\$ 6,344,519</u>
	Year Ended June 30, 2021			
	Balance at June 30, 2020	Contributions	Released From Restrictions	Balance at June 30, 2021
Food distribution Programs	\$ 84,088	\$ 9,673,312	\$ (4,069,663)	\$ 5,687,737
Capital projects	91,493	5,094,246	(4,725,526)	460,213
Technology	655,193	893,051	(732,885)	815,359
Other	169,964	-0-	(169,964)	-0-
	194,050	1,048,090	(491,602)	750,538
	<u>\$ 1,194,788</u>	<u>\$ 16,708,699</u>	<u>\$ (10,189,640)</u>	<u>\$ 7,713,847</u>

**THE MARYLAND FOOD BANK, INC.**  
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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 February 14, 2025. In addition to the monthly rent for these warehouses, all four 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:	
2023	\$ 354,052
2024	113,420
2025	<u>28,267</u>
	<u>\$ 495,739</u>

Total rent expense incurred on these warehouse lease obligations was \$540,000 and \$371,000 for the years ended June 30, 2022 and 2021, respectively.

Capital Lease Obligations: The Food Bank leases twenty-one vehicles having a combined cost of \$2,338,486 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, 2022 and 2021 was \$1,451,164 and \$1,431,956, respectively.

As of June 30, 2022, future minimum lease payments under the capital lease obligations, summarized by year are as follows:

Year Ending June 30:	
2023	\$ 260,537
2024	205,968
2025	174,324
2026	116,931
2027	101,946
Thereafter	<u>93,502</u>
Total minimum lease payments remaining	953,208
Less: Amount representing interest (1.835% to 8.455%)	<u>(60,060)</u>
Present value of future minimum lease payments	893,148
Less: Current maturities of capital lease obligations	<u>(237,034)</u>
Long term portion of capital lease obligations	<u>\$ 656,114</u>

Interest expense incurred on the capital lease obligations was \$26,340 and \$34,312 for the years ended June 30, 2022 and 2021, respectively.

Construction Contract: The Food Bank has entered into construction contracts related to a project to renovate the Food Works program, kitchen and training facility. The total amount of these contracts is \$4,815,433, of which \$2,913,520 has been incurred through June 30, 2022.



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

During the years ended June 30, 2022 and 2021, the Food Bank received and/or facilitated donated food valued at \$35,491,289 and \$65,035,437, respectively.

Various businesses have periodically donated goods and services to support the Food Bank's programs. The Food Bank may also receive contributions of fixed assets on a periodic basis. The fair values of these items would be included in grants and contributions - in-kind 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 has a safe-harbor provision where the Food Bank is required to contribute 3% of each eligible employee's compensation, as defined in the plan document. The Food Bank may also make matching contributions at a specified percentage of the eligible employees' compensation, but no more than 5%. To receive a match, an eligible employee must be 18 years of age and have completed one year of service, as defined in the agreement. Total employer contributions for the years ended June 30, 2022 and 2021 were \$489,295 and \$397,420, 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, 2022 and 2021 was \$311,601 and \$357,370, 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.

**Note 14: Conditional Grants**

The Food Bank has received conditional grants from various entities in the amount of \$996,031, which can only be earned by incurring certain qualifying expenses under the respective grant programs. As of June 30, 2022, the Food Bank has earned \$838,801 of these grants which have been recognized as revenue during the year ended June 30, 2022. The outstanding balance of these conditional grants was \$157,231 as of June 30, 2022, which will be recognized as revenue when the conditions of the grant have been met.

**THE MARYLAND FOOD BANK, INC.**  
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**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, fixed income securities 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 \$1,424,408 (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.

