

THE MARYLAND FOOD BANK, INC.
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page Numbers</u>
Independent Auditor's Report.....	1-3
Statements of Financial Position	4-5
Statements of Activities	6-7
Statements of Functional Expenses.....	8-9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-28

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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, The Maryland Food Bank, Inc. adopted Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

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 and *Government 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 1, 2023

THE MARYLAND FOOD BANK, INC.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,795,203	\$ 11,874,816
Investments	26,121,086	27,989,213
Accounts receivable, net	755,131	414,625
Grants and pledges receivable, current	2,521,979	2,182,010
Inventories	4,595,036	3,883,497
Prepaid expenses and other assets	320,307	351,287
Total Current Assets	<u>41,108,742</u>	<u>46,695,448</u>
Property		
Land, building, and improvements	16,391,138	17,757,651
Automotive equipment	2,233,196	3,615,381
Furniture and fixtures	1,853,379	2,203,621
Warehouse equipment	2,381,613	2,425,016
Finance lease right-of-use assets	1,473,526	-0-
Construction in progress	6,264,023	3,634,612
Total Cost	<u>30,596,875</u>	<u>29,636,281</u>
Less: Accumulated depreciation and amortization	11,755,291	12,208,708
Net Property	<u>18,841,584</u>	<u>17,427,573</u>
Other Assets		
Other assets, restricted	293,786	311,601
Pledge receivable, noncurrent	368,336	196,937
Operating lease right-of-use assets	306,725	-0-
Total Other Assets	<u>968,847</u>	<u>508,538</u>
Total Assets	<u><u>\$ 60,919,173</u></u>	<u><u>\$ 64,631,559</u></u>

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,444,348	\$ 2,795,072
Deferred revenue	332,534	157,231
Current maturities of mortgage payable	319,724	307,858
Current maturities of finance lease liabilities	232,476	237,034
Current maturities of operating lease liabilities	108,556	-0-
Total Current Liabilities	<u>4,437,638</u>	<u>3,497,195</u>
Non-Current Liabilities		
Mortgage payable, net of current maturities	2,193,868	2,512,223
Finance lease liabilities, net of current maturities	686,957	656,114
Operating lease liabilities, net of current maturities	131,213	-0-
Deferred compensation payable	293,786	311,601
Total Non-Current Liabilities	<u>3,305,824</u>	<u>3,479,938</u>
Total Liabilities	<u>7,743,462</u>	<u>6,977,133</u>
Commitments and Contingencies (Notes 6, 7, 8, 10, 12, 13 and 15)		
Net Assets		
Without donor restrictions		
General operations	42,703,073	47,990,476
Board designated	3,535,944	3,319,431
Total Without Donor Restrictions	<u>46,239,017</u>	<u>51,309,907</u>
With donor restrictions	6,936,694	6,344,519
Total Net Assets	<u>53,175,711</u>	<u>57,654,426</u>
Total Liabilities and Net Assets	<u>\$ 60,919,173</u>	<u>\$ 64,631,559</u>

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

THE MARYLAND FOOD BANK, INC.
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Grants and contributions - other	\$ 21,380,566	\$ 15,046,189	\$ 36,426,755
Grants and contributions - in-kind	44,891,858	-0-	44,891,858
Grants for meals	817,004	-0-	817,004
	<hr/>		
Total	67,089,428	15,046,189	82,135,617
	<hr/>		
Revenue			
Program fees	3,428,826	-0-	3,428,826
Sales to agencies and others, net	3,945,799	-0-	3,945,799
Shared maintenance	5,946	-0-	5,946
Loss on disposal of property	(927,300)	-0-	(927,300)
Net investment return	699,506	-0-	699,506
Other revenue	14,467	-0-	14,467
Total	7,167,244	-0-	7,167,244
	<hr/>		
Net Assets Released from Restrictions			
Satisfaction of program restrictions	14,454,014	(14,454,014)	-0-
	<hr/>		
Total Support and Revenue	88,710,686	592,175	89,302,861
	<hr/>		
Expenses			
Program services	85,832,911	-0-	85,832,911
Supporting services			
Management and general	3,389,219	-0-	3,389,219
Fundraising	4,559,446	-0-	4,559,446
Total Supporting Services	7,948,665	-0-	7,948,665
	<hr/>		
Total Expenses	93,781,576	-0-	93,781,576
	<hr/>		
Change in Net Assets	(5,070,890)	592,175	(4,478,715)
	<hr/>		
Net Assets at Beginning of Year	51,309,907	6,344,519	57,654,426
	<hr/>		
Net Assets at End of Year	\$ 46,239,017	\$ 6,936,694	\$ 53,175,711
	<hr/>		

2022

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 23,492,694	\$ 12,855,889	\$ 36,348,583	\$ 78,172
35,491,289	-0-	35,491,289	9,400,569
681,202	-0-	681,202	135,802
<u>59,665,185</u>	<u>12,855,889</u>	<u>72,521,074</u>	<u>9,614,543</u>
3,425,457	-0-	3,425,457	3,369
1,629,785	-0-	1,629,785	2,316,014
24,065	-0-	24,065	(18,119)
(8,422)	-0-	(8,422)	(918,878)
(724,268)	-0-	(724,268)	1,423,774
38,409	-0-	38,409	(23,942)
<u>4,385,026</u>	<u>-0-</u>	<u>4,385,026</u>	<u>2,782,218</u>
<u>14,225,217</u>	<u>(14,225,217)</u>	<u>-0-</u>	<u>-0-</u>
<u>78,275,428</u>	<u>(1,369,328)</u>	<u>76,906,100</u>	<u>12,396,761</u>
<u>75,397,008</u>	<u>-0-</u>	<u>75,397,008</u>	<u>10,435,903</u>
3,303,021	-0-	3,303,021	86,198
4,997,107	-0-	4,997,107	(437,661)
<u>8,300,128</u>	<u>-0-</u>	<u>8,300,128</u>	<u>(351,463)</u>
<u>83,697,136</u>	<u>-0-</u>	<u>83,697,136</u>	<u>10,084,440</u>
(5,421,708)	(1,369,328)	(6,791,036)	2,312,321
<u>56,731,615</u>	<u>7,713,847</u>	<u>64,445,462</u>	<u>(6,791,036)</u>
<u>\$ 51,309,907</u>	<u>\$ 6,344,519</u>	<u>\$ 57,654,426</u>	<u>\$ (4,478,715)</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, 2023 and 2022

	2023			
	Program Services	Manage- ment and General	Fundraising	Total
Program Food Costs				
Value of donated goods distributed	\$ 43,663,923	\$ -0-	\$ -0-	\$ 43,663,923
Cost of purchased goods	23,948,718	-0-	-0-	23,948,718
Processing and other costs	213,360	-0-	-0-	213,360
Total Program Food Costs	<u>67,826,001</u>	<u>-0-</u>	<u>-0-</u>	<u>67,826,001</u>
Personnel Expenses				
Salaries and wages	7,610,100	1,464,611	1,504,757	10,579,468
Payroll taxes and benefits	2,146,192	642,170	374,007	3,162,369
Contract labor	310,568	146,520	-0-	457,088
Total Personnel Expenses	<u>10,066,860</u>	<u>2,253,301</u>	<u>1,878,764</u>	<u>14,198,925</u>
Partner and programmatic support	2,951,781	-0-	-0-	2,951,781
Professional fees	171,283	678,031	753,948	1,603,262
Printing, postage and supplies	408,636	10,226	1,026,407	1,445,269
Depreciation and amortization	1,173,577	36,689	18,452	1,228,718
Transportation expense	1,166,368	20	-0-	1,166,388
Repairs and maintenance	776,187	-0-	-0-	776,187
Occupancy costs	839,268	19,117	11,936	870,321
Computers, copiers and licensing	249,905	149,382	128,547	527,834
Marketing and public relations	5,988	963	404,025	410,976
Gift processing and credit card fees	16,790	20	298,011	314,821
Interest expense	30,370	120,672	-0-	151,042
Insurance expense	34,142	107,115	-0-	141,257
Travel	68,149	1,119	4,753	74,021
Provision for bad debts	5,315	-0-	-0-	5,315
Other expenses	42,291	12,564	34,603	89,458
Total Expenses	<u>\$ 85,832,911</u>	<u>\$ 3,389,219</u>	<u>\$ 4,559,446</u>	<u>\$ 93,781,576</u>

2022

Program Services	Manage- ment and General	Fundraising	Total	Increase (Decrease)
\$ 36,453,271	\$ -0-	\$ -0-	\$ 36,453,271	\$ 7,210,652
20,663,999	-0-	-0-	20,663,999	3,284,719
321,797	-0-	-0-	321,797	(108,437)
<u>57,439,067</u>	<u>-0-</u>	<u>-0-</u>	<u>57,439,067</u>	<u>10,386,934</u>
7,452,616	1,371,056	1,621,491	10,445,163	134,305
2,072,878	538,823	368,452	2,980,153	182,216
222,491	249,587	18,520	490,598	(33,510)
<u>9,747,985</u>	<u>2,159,466</u>	<u>2,008,463</u>	<u>13,915,914</u>	<u>283,011</u>
2,764,848	-0-	-0-	2,764,848	186,933
212,890	499,244	777,495	1,489,629	113,633
388,608	10,488	1,300,250	1,699,346	(254,077)
1,151,129	44,094	40,810	1,236,033	(7,315)
1,062,137	-0-	-0-	1,062,137	104,251
946,582	-0-	9,279	955,861	(179,674)
1,153,087	25,499	12,269	1,190,855	(320,534)
256,485	201,700	145,136	603,321	(75,487)
161,708	253	367,552	529,513	(118,537)
1,165	-0-	319,453	320,618	(5,797)
26,340	235,348	-0-	261,688	(110,646)
5,130	103,107	-0-	108,237	33,020
32,539	3,329	1,884	37,752	36,269
-0-	-0-	-0-	-0-	5,315
<u>47,308</u>	<u>20,493</u>	<u>14,516</u>	<u>82,317</u>	<u>7,141</u>
<u>\$ 75,397,008</u>	<u>\$ 3,303,021</u>	<u>\$ 4,997,107</u>	<u>\$ 83,697,136</u>	<u>\$ 10,084,440</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (4,478,715)	\$ (6,791,036)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized losses (gains) on investments	(29,648)	1,033,681
Realized gains on sale of investments	(143,479)	(178,807)
Noncash contributions - donated stock	(383,718)	(319,753)
Provision for bad debts	5,315	-0-
Depreciation and amortization	1,228,718	1,236,033
Loss on disposal of property	927,300	8,422
Noncash interest expense	5,140	3,785
Changes in operating assets and liabilities:		
Accounts receivable	(345,821)	27,894
Grants and pledges receivable	(511,368)	(7,359)
Inventories	(711,539)	4,402,015
Prepaid expenses and other assets	(77,170)	(51,090)
Operating lease right-of-use assets	348,630	-0-
Accounts payable and accrued expenses	505,138	54,650
Deferred revenue	175,303	(706,193)
Operating lease liabilities	(307,436)	-0-
Net Cash Used in Operating Activities	<u>(3,793,350)</u>	<u>(1,287,758)</u>
Cash Flows from Investing Activities		
Purchases of investments	(2,111,140)	(25,129,551)
Proceeds from sale of investments and donated stock	4,536,112	318,696
Purchase of property	(3,149,092)	(3,221,298)
Proceeds from sale of property	8,170	2,500
Net Cash Used in Investing Activities	<u>(715,950)</u>	<u>(28,029,653)</u>
Cash Flows from Financing Activities		
Payments on mortgage payable	(311,629)	(3,195,600)
Payments on finance lease liabilities	(258,684)	(285,324)
Net Cash Used in Financing Activities	<u>(570,313)</u>	<u>(3,480,924)</u>
Net Decrease in Cash and Cash Equivalents	(5,079,613)	(32,798,335)
Cash and Cash Equivalents at Beginning of Year	<u>11,874,816</u>	<u>44,673,151</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 6,795,203</u></u>	<u><u>\$ 11,874,816</u></u>

	<u>2023</u>	<u>2022</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ 145,902</u>	<u>\$ 257,903</u>
Operating cash flows for amounts paid included in the measurement of lease liabilities	<u>\$ 317,850</u>	<u>\$ -0-</u>
Noncash Operating Activities:		
Right-of-use assets acquired under operating leases	\$ 655,354	\$ -0-
Less: Prepaid rent included in prepaid expenses and other assets	(108,150)	-0-
Lease liabilities acquired under operating leases	<u>\$ 547,204</u>	<u>\$ -0-</u>
Noncash Investing and Financing Activities:		
Acquisitions of property	\$ 3,578,199	\$ 3,877,862
Less: Property acquisitions included in accounts payable and accrued expenses, net	(144,138)	(142,971)
Less: Property acquired through finance leases	<u>(284,969)</u>	<u>(513,593)</u>
Net cash paid for property acquisitions (included in cash flows from investing activities)	<u>\$ 3,149,092</u>	<u>\$ 3,221,298</u>

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

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

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 donated 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. The allowance for doubtful accounts was \$5,315 and \$-0- as of June 30, 2023 and 2022, respectively.

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, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, inventory received and distributed was valued at \$1.92 and \$1.79 per pound, respectively. Commencing on July 1, 2023, the receipt of inventory of food donated is valued at \$1.93 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, 2023 and 2022

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, 2023 and 2022 are as follows:

	2023	2022
Deferred financing costs	\$ 54,595	\$ 54,595
Accumulated amortization	(19,040)	(13,900)
	<u>\$ 35,555</u>	<u>\$ 40,695</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 where management can utilize a portion annually to support various Food Book programs and initiatives, and to provide a fund that is available for discretionary use by the Board.

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, shared maintenance and net investment return. Sales to agencies, program fees, shared maintenance 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.

Grants and Contributions - In-Kind: Grants and contributions - in-kind is composed of both donated food and donated services.

Donated food is reflected as in-kind grants and contributions in the accompanying financial statements at their estimated fair value at the date of receipt and are utilized in the Food Bank's program services. (See Note 1 - Inventories for fair value determination.)

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

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

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, 2023 and 2022.

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. Costs 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, 2023 and 2022. 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 Adopted Accounting Standard: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842), which was 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-of-use asset (ROU) 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 any payments to be made in lease option periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The ROU assets will be amortized over the term of the lease and the lease liabilities will be reduced by lease payments. The Food Bank adopted the new lease standard effective as of July 1, 2022.

The Food Bank evaluates each contract and determines if an arrangement contains a lease at the inception of a contract. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage are not included in the ROU assets or lease liabilities. These are expensed as incurred. The Food Bank has elected not to record short-term leases with initial contract terms of 12 months or less on the statements of financial position. The Food Bank accounts for lease components and non-lease components as a single lease component. The Food Bank records below-market lease contracts based on actual lease payments made excluding their fair value. Below-market lease payments for the year ended June 30, 2023 were \$1. Prior to the adoption of ASC 842, below-market lease payments for the year ended June 30, 2022 were \$1. The Food Bank has elected to use the risk-free rate to discount the lease payments for all classes of ROU assets.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

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

As part of adoption of the new lease standard, the Food Bank has elected the following practical expedients: a) The Food Bank has not reevaluated expiring or existing leases to determine lease classification, b) The Food Bank has not reevaluated whether expired or existing contracts are or contain a lease, and c) The Food Bank has not reassessed initial direct costs for an existing lease.

Recently Issued Accounting Pronouncement: The FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*, (ASC 326), which is effective for fiscal years beginning after December 15, 2022. This ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable reportable forecasts. The new guidance affects trade receivables and any other financial asset not excluded from the scope that have the contractual right to receive cash. The Food Bank has elected not to early adopt this standard and will assess the future impact of credit losses on the financial statements.

Reclassifications: Certain amounts previously reported in the 2022 financial statements have been reclassified to conform to the financial statement presentation for the year ended June 30, 2023.

Subsequent Events: In preparing these financial statements, the Food Bank has evaluated events and transactions for the potential recognition or disclosure through November 1, 2023, the date the financial statements were available to be issued. During the period July 1, 2023 through November 1, 2023, the Food Bank did not have any material subsequent events, other than those discussed in Notes 6 and 8, that required recognition or disclosure.

Note 2: Liquidity and Availability of Funds

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:

	2023	2022
Cash and cash equivalents	\$ 6,795,203	\$ 11,874,816
Investments	26,121,086	27,989,213
Accounts receivable, net	755,131	414,625
Grants and pledges receivable	2,521,979	2,182,010
Less: Board designated net assets	(3,535,944)	(3,319,431)
Less: Net assets with donor restrictions	(6,936,694)	(6,344,519)
Financial Assets Available for General Expenditure	<u>\$ 25,720,761</u>	<u>\$ 32,796,714</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. The Food Bank has a \$3,000,000 available operating line of credit to provide additional liquidity (as further discussed in Note 6).

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Liquidity and Availability of Funds (Continued)

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, 2023 and 2022 were \$3,535,944 and \$3,319,431, respectively.

The Food Bank has unrestricted investment accounts with an accredited advisor that invests excess liquidity in fixed income securities, cash and cash equivalents. The balance in these accounts as of June 30, 2023 and 2022 was \$22,585,142 and \$24,669,782, 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.

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 approximates 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.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 3: Investments and Fair Value Measurement (Continued)

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, 2023 and 2022:

	2023			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents held for investment	\$ 1,873,510	\$ 1,873,510	\$ -0-	\$ -0-
U.S Treasury obligations	9,348,193	-0-	9,348,193	-0-
Corporate bonds	5,310,648	-0-	5,310,648	-0-
Municipal bonds	4,716,346	-0-	4,716,346	-0-
Foreign bonds	474,379	-0-	474,379	-0-
Mutual funds:				
Fixed income funds	2,972,659	2,972,659	-0-	-0-
Equity funds	908,417	908,417	-0-	-0-
International funds	516,934	516,934	-0-	-0-
Total Investments	\$ 26,121,086	\$ 6,271,520	\$ 19,849,566	\$ -0-
	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:				
Fixed income funds	2,904,354	2,904,354	-0-	-0-
Equity funds	1,243,029	1,243,029	-0-	-0-
International funds	477,337	477,337	-0-	-0-
Total Investments	\$ 27,989,213	\$ 8,012,267	\$ 19,976,946	\$ -0-

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 3: Investments and Fair Value Measurement (Continued)

Net investment return, as reported on the statements of activities for the years ended June 30, 2023 and 2022, is comprised of the following:

	2023	2022
Interest and dividend income	\$ 580,727	\$ 156,096
Net unrealized gains (losses)	29,648	(1,033,681)
Net realized gains	143,479	178,807
Investment fees	(54,348)	(25,490)
Net Investment Return	<u>\$ 699,506</u>	<u>\$ (724,268)</u>

Note 4: Grants and Pledges Receivable

Grants and pledges receivable as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Pledges receivable in less than one year	\$ 582,746	\$ 1,337,580
Pledges receivable in one to five years	390,000	202,746
Total pledges receivable	972,746	1,540,326
Present value discount (2.92% - 5.40%)	(31,152)	(5,809)
Net pledges receivable	<u>941,594</u>	<u>1,534,517</u>
Grants receivable in less than one year	\$ 1,939,233	\$ 844,430
Pledges receivable in one to five years	10,000	-0-
Total grants receivable	1,949,233	844,430
Present value discount (5.40%)	(512)	-0-
Net grants receivable	<u>1,948,721</u>	<u>844,430</u>
Total Grants and Pledges Receivable	<u>\$ 2,890,315</u>	<u>\$ 2,378,947</u>
Current portion	\$ 2,521,979	\$ 2,182,010
Long term portion	368,336	196,937
	<u>\$ 2,890,315</u>	<u>\$ 2,378,947</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 5: Inventories

Inventories of donated and purchased food as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Donated	\$ 1,852,067	\$ 1,131,807
Purchased	1,726,706	2,242,851
USDA	1,016,263	508,839
Total Inventories	<u>\$ 4,595,036</u>	<u>\$ 3,883,497</u>

Note 6: Line of Credit

The Food Bank had 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 through May 2023. In May 2023, the Food Bank entered into a modification agreement with Sandy Spring to increase the LOC to \$3,000,000. No other modifications were made to the LOC agreement. The monthly interest rate is the greater of 1.6% or the Prime Rate minus 1.5%, payable monthly. As of June 30, 2023 and 2022, the interest rate was 6.75% and 3.25%, 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, 2023 and 2022, there were no outstanding borrowings on the LOC.

Subsequent to year end (October 2023), the Food Bank drew down \$3,000,000 on the LOC to support the seasonality of grant funded activities while the Food Bank awaits reimbursement.

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, 2023 and 2022 are as follows:

	2023	2022
Mortgage payable	\$ 2,549,147	\$ 2,860,776
Less: Unamortized deferred financing costs	(35,555)	(40,695)
Mortgage Payable, Net	<u>\$ 2,513,592</u>	<u>\$ 2,820,081</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 7: Mortgage Payable (Continued)

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
2024	\$ 324,864	\$ (5,140)	\$ 319,724
2025	339,215	(5,140)	334,075
2026	353,909	(5,140)	348,769
2027	369,240	(5,140)	364,100
2028	401,918	(5,140)	396,778
Thereafter	760,001	(9,855)	750,146
Total	<u>\$ 2,549,147</u>	<u>\$ (35,555)</u>	<u>\$ 2,513,592</u>

Interest expense incurred on the mortgage payable was \$115,532 and \$231,563 for the years ended June 30, 2023 and 2022, respectively. Amortization of the deferred financing costs was \$5,140 and \$3,785 for the years ended June 30, 2023 and 2022, respectively, which has been grouped with interest expense on the statements of functional expenses.

Note 8: Leases

Financing Leases: The Food Bank leases various vehicles under noncancelable finance lease agreements which expire between December 2024 and February 2030. The finance leases require monthly payments ranging between \$999 and \$2,428.

Upon the adoption of ASC 842, the Food Bank recorded finance right-of-use assets of \$2,338,486, net of accumulated amortization of \$1,451,164, which are being amortized over the life of the leases and off-setting finance leases liabilities of \$893,148, effective July 1, 2022. During the year ended June 30, 2023, the Food Bank entered into three new finance lease agreements. As a result, the Food Bank recorded finance right-of-use assets of \$284,969, which are being amortized over the life of the leases and off-setting finance lease liabilities of \$284,969.

The Food Banks's total finance lease expense for the year ended June 30, 2023 was as follows:

Amortization of finance right-of-use assets	\$ 210,143
Interest expense	<u>30,370</u>
Total finance lease expense	<u><u>\$ 240,513</u></u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 8: Leases (Continued)

As of June 30, 2023, the right-of-use assets and lease liabilities related to finance leases are as follows:

Finance right-of-use lease assets, net	<u>\$ 892,412</u>
Finance lease liabilities:	
Current maturities of finance lease liabilities	\$ 232,476
Finance lease liabilities, net of current maturities	<u>686,957</u>
Total finance lease liabilities	<u>\$ 919,433</u>

Other finance lease details are as follows:

Other information:	
Weighted average remaining lease term in years	4.64
Weighted average discount rate	3.45%

Prior to the adoption of ASC 842, total assets acquired under capital leases of \$2,338,486 were included in vehicles on the statements of financial position. Total accumulated amortization was \$1,451,164 as of June 30, 2022. Total interest expense incurred on the capital lease obligations was \$26,340 for the year ended June 30, 2022.

As described in Note 1, the accounting for capital leases was not substantially different than the accounting for finance leases under ASC 842, therefore, the Food Bank has reclassified capital lease obligations on the statements of financial position as of June 30, 2022 as finance lease liabilities for comparison purposes.

As of June 30, 2023, future minimum lease payments under finance leases are as follows:

Year ending June 30:	
2024	\$ 259,083
2025	228,051
2026	170,046
2027	155,061
2028	99,852
Thereafter	<u>73,502</u>
Total	985,595
Less: Amount representing interest (0.41% - 8.46%)	<u>(66,162)</u>
Present value of future minimum lease payments	<u>\$ 919,433</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 8: Leases (Continued)

Operating Leases

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 Leases: The Food Bank leases various offsite warehouse spaces under noncancellable operating lease agreements which expire between September 2023 and January 2025. Upon the adoption of ASC 842, the Food Bank recorded right-of-use assets of \$461,450, which are being expensed over the life of the leases and off-setting lease liabilities of \$461,450 as of July 1, 2022.

Office Equipment Leases: The Food Bank leases various office equipment under noncancellable operating lease agreements which expire between July 2023 and August 2030. Upon the adoption of ASC 842, the Food Bank recorded right-of-use assets of \$193,504, which are being amortized over the life of the leases and off-setting lease liabilities of \$193,504 as of July 1, 2022.

While all lease agreements provide for minimum lease payments, some include variable payments based on the Food Bank's proportional share of operating expenses of the landlord (warehouse leases) or output of the underlying leased assets (equipment leases). Variable payments are not determinable at the lease commencement and are not included in the measurement of the right-of-use assets and liabilities.

A short-term lease is defined as a lease with a term of less than 1 year or month-to-month arrangements and extensions, that are required to support the Food Bank's operational seasonality and temporary needs.

Total warehouse lease (rent) expense is included in occupancy costs on the statements of functional expenses. Total office equipment lease (rent) expense is included in computers, copiers and licensing on the statements of functional expenses.

The Food Bank's total lease expense for the year ended June 30, 2023 was as follows:

Fixed lease costs - warehouse	\$ 328,480
Short-term lease costs - equipment	195,085
Short-term lease costs - warehouse	146,818
Fixed lease costs - equipment	30,570
Variable lease costs - warehouse	27,139
Variable lease costs - equipment	1,062
	<hr/>
Total lease expense	<u>\$ 729,154</u>

Prior to the adoption of ASC 842, the Food Bank's total rent expense for the year ended June 30, 2022 was as follows:

Fixed rent costs - warehouse	\$ 586,787
Short-term rent costs - warehouse	243,670
Variable rent costs - warehouse	42,080
	<hr/>
Total lease expense	<u>\$ 872,537</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 8: Leases (Continued)

As of June 30, 2023, the right-of-use assets and lease liabilities related to operating leases were as follows:

Operating lease right-of-use assets	<u>\$ 306,725</u>
Operating lease liabilities:	
Current maturities of operating lease liabilities	\$ 108,556
Operating lease liabilities, net of current maturities	<u>131,213</u>
Total operating lease liabilities	<u>\$ 239,769</u>

Other operating lease details are as follows:

Other information:	
Weighted average remaining lease term in years	3.12
Weighted average discount rate	3.63%

As of June 30, 2023, future minimum lease payments under operating leases are as follows:

Year ending June 30:	
2024	\$ 114,571
2025	41,973
2026	41,973
2027	41,413
2028	13,911
Thereafter	<u>601</u>
Total	254,442
Less: Amount representing interest (2.80% - 3.99%)	<u>(14,673)</u>
Present value of future minimum lease payments	<u>\$ 239,769</u>

Subsequent Leases: Subsequent to year end, the Food Bank entered into two new operating lease agreements to lease warehouse space in Halethorpe, Maryland.

The first lease is effective July 1, 2023 and expires in August 2033. The operating lease agreement requires monthly lease payments which are subject to a 4% annual escalation clause and provides for variable lease payments which are based on the Food Bank's proportional share of operating expenses.

The second lease is effective September 1, 2023 and expires in June 2028. The Food Bank has the option to extend the operating lease for one additional five-year term. The operating lease agreement requires monthly lease payments which are subject to a 2% annual escalation clause and provides for variable lease payments which are based on the Food Bank's proportional share of operating expenses.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 8: Leases (Continued)

As of June 30, 2023, future minimum lease payments under subsequent operating leases are as follows:

Year ending June 30:	
2024	\$ 293,389
2025	309,156
2026	320,987
2027	332,732
2028	346,052
Thereafter	<u>1,855,852</u>
Total	3,458,168
Less: Amount representing interest (3.81% - 4.31%)	<u>(620,295)</u>
Present value of future minimum lease payments	<u><u>\$ 2,837,873</u></u>

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 provide an investment vehicle where management can utilize a portion annually to support various Food Bank programs and initiatives and to provide a fund that is available for discretionary use by the Board. The Board has designated specific investment accounts to hold these funds. Investment income earned on these accounts is to be added to the board designated fund balance. Management has the discretion to withdrawal annually up to 5% of the prior fiscal year end valuation to support Food Bank programs and initiatives with certain approval protocols. The Board has the discretion to transfer funds from the board designated fund to the Food Bank's operating accounts as it deems necessary with two-thirds approval of the full Board. There were no withdrawals for the years ended June 30, 2023 and 2022. The balance of the board designated fund was \$3,535,944 and \$3,319,431 as of June 30, 2023 and 2022, respectively.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 9: Net Assets (Continued)

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, 2023:

	Year Ended June 30, 2023			
	Balance at June 30, 2022	Contributions	Released From Restrictions	Balance at June 30, 2023
Capital projects	\$ 3,870,438	\$ 2,094,357	\$ (472,549)	\$ 5,492,246
Programs	545,028	5,009,164	(5,252,013)	302,179
Food distribution	637,847	6,206,553	(6,615,854)	228,546
Technology	8,501	125,000	(119,623)	13,878
Other	1,282,705	1,611,115	(1,993,975)	899,845
	<u>\$ 6,344,519</u>	<u>\$ 15,046,189</u>	<u>\$ (14,454,014)</u>	<u>\$ 6,936,694</u>

Net assets with donor restrictions were available for the following purposes as of June 30, 2022:

	Year Ended June 30, 2022			
	Balance at June 30, 2021	Contributions	Released From Restrictions	Balance at June 30, 2022
Capital projects	\$ 815,359	\$ 3,130,959	\$ (75,880)	\$ 3,870,438
Food distribution	5,687,737	1,881,652	(6,931,542)	637,847
Programs	460,213	5,422,148	(5,337,333)	545,028
Technology	-0-	125,000	(116,499)	8,501
Other	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>

Note 10: Commitments

Construction Contract: The Food Bank has entered into construction contracts related to a renovation project at the Halethorpe facility. This project includes expansion and renovation of the culinary training kitchen, classroom and computer lab as well as the build out of additional office and meeting space to support the Food Bank's mission and overall strategic growth. The total amount of these contracts is \$4,888,489, of which \$4,396,469 has been incurred through June 30, 2023.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 11: In-Kind Transactions

During the years ended June 30, 2023 and 2022, the Food Bank received and/or facilitated donated food valued at \$44,891,858 and \$35,491,289, 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's retirement plan 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, 2023 and 2022 were \$563,589 and \$489,295 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, 2023 and 2022 was \$293,786 and \$311,601 respectively, which has been invested in a separate income-bearing account, that is 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 \$19,661,093, which can only be earned by incurring certain qualifying expenses under the respective grant programs. As of June 30, 2023, the Food Bank has earned \$19,328,559 of these grants which have been recognized as revenue. The outstanding balance of these conditional grants was \$332,534 as of June 30, 2023, which will be recognized as revenue when the conditions of the grant have been met.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2023 and 2022

Note 15: Other Matters

Uninsured Balances: 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 \$1,292,005 (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.

