

**THE MARYLAND FOOD BANK, INC.
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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 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 19, 2024

THE MARYLAND FOOD BANK, INC.
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,685,148	\$ 6,795,203
Investments	25,993,581	26,121,086
Accounts receivable, net	657,980	755,131
Grants and pledges receivable, current	3,201,000	2,521,979
Inventories	4,106,104	4,595,036
Prepaid expenses and other assets	486,373	320,307
Total Current Assets	<u>40,130,186</u>	<u>41,108,742</u>
Property		
Land, building, and improvements	22,922,843	16,391,138
Automotive equipment	1,927,931	2,233,196
Furniture and fixtures	2,155,292	1,853,379
Warehouse equipment	2,697,580	2,381,613
Finance lease right-of-use assets	2,816,536	1,473,526
Construction in progress	1,081,170	6,264,023
Total Cost	<u>33,601,352</u>	<u>30,596,875</u>
Less: Accumulated depreciation and amortization	12,595,891	11,755,291
Net Property	<u>21,005,461</u>	<u>18,841,584</u>
Other Assets		
Other assets, restricted	296,110	293,786
Pledge receivable, noncurrent	381,433	368,336
Operating lease right-of-use assets	2,709,226	306,725
Total Other Assets	<u>3,386,769</u>	<u>968,847</u>
Total Assets	<u><u>\$ 64,522,416</u></u>	<u><u>\$ 60,919,173</u></u>

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,342,665	\$ 3,444,348
Deferred revenue	-0-	332,534
Current maturities of mortgage payable	-0-	319,724
Current maturities of finance lease liabilities	430,000	232,476
Current maturities of operating lease liabilities	249,001	108,556
Total Current Liabilities	<u>5,021,666</u>	<u>4,437,638</u>
Non-Current Liabilities		
Mortgage payable, net of current maturities	-0-	2,193,868
Finance lease liabilities, net of current maturities	1,489,388	686,957
Operating lease liabilities, net of current maturities	2,531,885	131,213
Deferred compensation payable	296,110	293,786
Total Non-Current Liabilities	<u>4,317,383</u>	<u>3,305,824</u>
Total Liabilities	<u>9,339,049</u>	<u>7,743,462</u>
Commitments and Contingencies (Notes 7, 12, 13 and 15)		
Net Assets		
Without donor restrictions		
General operations	49,423,972	42,703,073
Board designated	3,921,607	3,535,944
Total Without Donor Restrictions	<u>53,345,579</u>	<u>46,239,017</u>
With donor restrictions	1,837,788	6,936,694
Total Net Assets	<u>55,183,367</u>	<u>53,175,711</u>
Total Liabilities and Net Assets	<u>\$ 64,522,416</u>	<u>\$ 60,919,173</u>

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

THE MARYLAND FOOD BANK, INC.
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Grants and contributions - other	\$ 23,672,406	\$ 13,810,721	\$ 37,483,127
Grants and contributions - in-kind	49,831,077	-0-	49,831,077
Grants for meals	1,625,650	-0-	1,625,650
	<hr/>		
Total	75,129,133	13,810,721	88,939,854
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Revenue			
Program fees	2,486,933	-0-	2,486,933
Sales to agencies and others, net	8,779,461	-0-	8,779,461
Shared maintenance	389	-0-	389
Loss on disposal of property	-0-	-0-	-0-
Net investment return	1,659,764	-0-	1,659,764
Other revenue	15,332	-0-	15,332
Total	12,941,879	-0-	12,941,879
	<hr/>		
Net Assets Released from Restrictions			
Satisfaction of program restrictions	18,909,627	(18,909,627)	-0-
	<hr/>		
Total Support and Revenue	106,980,639	(5,098,906)	101,881,733
	<hr/>		
Expenses			
Program services	90,735,339	-0-	90,735,339
Supporting services			
Management and general	4,031,034	-0-	4,031,034
Fundraising	5,107,704	-0-	5,107,704
Total Supporting Services	9,138,738	-0-	9,138,738
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Total Expenses	99,874,077	-0-	99,874,077
	<hr/>		
Change in Net Assets	7,106,562	(5,098,906)	2,007,656
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Net Assets at Beginning of Year	46,239,017	6,936,694	53,175,711
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Net Assets at End of Year	\$ 53,345,579	\$ 1,837,788	\$ 55,183,367
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2023

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 21,380,566	\$ 15,046,189	\$ 36,426,755	\$ 1,056,372
44,891,858	-0-	44,891,858	4,939,219
817,004	-0-	817,004	808,646
67,089,428	15,046,189	82,135,617	6,804,237
3,428,826	-0-	3,428,826	(941,893)
3,945,799	-0-	3,945,799	4,833,662
5,946	-0-	5,946	(5,557)
(927,300)	-0-	(927,300)	927,300
699,506	-0-	699,506	960,258
14,467	-0-	14,467	865
7,167,244	-0-	7,167,244	5,774,635
14,454,014	(14,454,014)	-0-	-0-
88,710,686	592,175	89,302,861	12,578,872
85,832,911	-0-	85,832,911	4,902,428
3,389,219	-0-	3,389,219	641,815
4,559,446	-0-	4,559,446	548,258
7,948,665	-0-	7,948,665	1,190,073
93,781,576	-0-	93,781,576	6,092,501
(5,070,890)	592,175	(4,478,715)	6,486,371
51,309,907	6,344,519	57,654,426	(4,478,715)
\$ 46,239,017	\$ 6,936,694	\$ 53,175,711	\$ 2,007,656

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

THE MARYLAND FOOD BANK, INC.
Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	2024			
	Program Services	Manage- ment and General	Fundraising	Total
Program Food Costs				
Value of donated goods distributed	\$ 50,553,822	\$ -0-	\$ -0-	\$ 50,553,822
Cost of purchased goods	20,202,407	-0-	-0-	20,202,407
Processing and other costs	5,504	-0-	-0-	5,504
Total Program Food Costs	<u>70,761,733</u>	<u>-0-</u>	<u>-0-</u>	<u>70,761,733</u>
Personnel Expenses				
Salaries and wages	7,664,411	1,688,678	1,563,144	10,916,233
Payroll taxes and benefits	2,395,175	640,000	419,284	3,454,459
Contract labor	418,555	251,155	-0-	669,710
Total Personnel Expenses	<u>10,478,141</u>	<u>2,579,833</u>	<u>1,982,428</u>	<u>15,040,402</u>
Partner and programmatic support	3,458,969	-0-	-0-	3,458,969
Professional fees	196,135	817,615	827,052	1,840,802
Printing, postage and supplies	432,399	13,485	1,274,687	1,720,571
Depreciation and amortization	1,572,829	19,781	9,451	1,602,061
Transportation expense	1,279,828	-0-	552	1,280,380
Repairs and maintenance	1,006,571	-0-	-0-	1,006,571
Occupancy costs	862,070	31,290	11,675	905,035
Computers, copiers and licensing	313,403	217,368	139,779	670,550
Marketing and public relations	7,901	7,771	533,459	549,131
Gift processing and credit card fees	61,331	-0-	286,655	347,986
Interest expense	60,612	184,213	-0-	244,825
Insurance expense	45,005	108,149	-0-	153,154
Travel	95,236	6,302	4,473	106,011
Provision for credit losses	118	10,317	-0-	10,435
Other expenses	103,058	34,910	37,493	175,461
Total Expenses	<u>\$ 90,735,339</u>	<u>\$ 4,031,034</u>	<u>\$ 5,107,704</u>	<u>\$ 99,874,077</u>

2023

Program Services	Management and General	Fundraising	Total	Increase (Decrease)
\$ 43,663,923	\$ -0-	\$ -0-	\$ 43,663,923	\$ 6,889,899
23,948,718	-0-	-0-	23,948,718	(3,746,311)
213,360	-0-	-0-	213,360	(207,856)
67,826,001	-0-	-0-	67,826,001	2,935,732
7,610,100	1,464,611	1,504,757	10,579,468	336,765
2,146,192	642,170	374,007	3,162,369	292,090
310,568	146,520	-0-	457,088	212,622
10,066,860	2,253,301	1,878,764	14,198,925	841,477
2,951,781	-0-	-0-	2,951,781	507,188
171,283	678,031	753,948	1,603,262	237,540
408,636	10,226	1,026,407	1,445,269	275,302
1,173,577	36,689	18,452	1,228,718	373,343
1,166,368	20	-0-	1,166,388	113,992
776,187	-0-	-0-	776,187	230,384
839,268	19,117	11,936	870,321	34,714
249,905	149,382	128,547	527,834	142,716
5,988	963	404,025	410,976	138,155
16,790	20	298,011	314,821	33,165
30,370	120,672	-0-	151,042	93,783
34,142	107,115	-0-	141,257	11,897
68,149	1,119	4,753	74,021	31,990
5,315	-0-	-0-	5,315	5,120
42,291	12,564	34,603	89,458	86,003
\$ 85,832,911	\$ 3,389,219	\$ 4,559,446	\$ 93,781,576	\$ 6,092,501

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

THE MARYLAND FOOD BANK, INC.
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,007,656	\$ (4,478,715)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gains on investments	(500,619)	(29,648)
Realized gains on sale of investments	(161,577)	(143,479)
Noncash contributions - donated stock	(519,804)	(383,718)
Provision for credit losses	10,435	5,315
Depreciation and amortization	1,602,061	1,228,718
Loss on disposal of property	-0-	927,300
Noncash interest expense	35,555	5,140
Changes in operating assets and liabilities:		
Accounts receivable	86,716	(345,821)
Grants and pledges receivable	(692,118)	(511,368)
Inventories	488,932	(711,539)
Prepaid expenses and other assets	(166,066)	(77,170)
Operating lease right-of-use assets	390,896	348,630
Accounts payable and accrued expenses	1,256,371	505,138
Deferred revenue	(332,534)	175,303
Operating lease liabilities	(252,280)	(307,436)
Net Cash Provided by (Used in) Operating Activities	<u>3,253,624</u>	<u>(3,793,350)</u>
Cash Flows from Investing Activities		
Purchases of investments	(671,518)	(2,111,140)
Proceeds from sale of investments and donated stock	1,981,023	4,536,112
Purchases of property	(2,780,981)	(3,149,092)
Proceeds from disposal of property	-0-	8,170
Net Cash Used in Investing Activities	<u>(1,471,476)</u>	<u>(715,950)</u>
Cash Flows from Financing Activities		
Payments on mortgage payable	(2,549,147)	(311,629)
Payments on finance lease liabilities	(343,056)	(258,684)
Net Cash Used in Financing Activities	<u>(2,892,203)</u>	<u>(570,313)</u>
Net Decrease in Cash and Cash Equivalents	(1,110,055)	(5,079,613)
Cash and Cash Equivalents at Beginning of Year	<u>6,795,203</u>	<u>11,874,816</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,685,148</u>	<u>\$ 6,795,203</u>

	<u>2024</u>	<u>2023</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ 209,270</u>	<u>\$ 145,902</u>
Operating cash flows for amounts paid included in the measurement of lease liabilities	<u>\$ 362,716</u>	<u>\$ 317,850</u>
Noncash Operating Activities:		
Right-of-use assets acquired under operating leases	\$ 2,793,397	\$ 655,354
Less: Prepaid rent included in prepaid expenses and other assets	<u>-0-</u>	<u>(108,150)</u>
Lease liabilities acquired under operating leases	<u>\$ 2,793,397</u>	<u>\$ 547,204</u>
Noncash Investing and Financing Activities:		
Purchases of property	\$ 3,765,938	\$ 3,578,199
Change in property-related accounts payable and accrued expenses	358,054	(144,138)
Less: Property acquired through finance leases	<u>(1,343,011)</u>	<u>(284,969)</u>
Net cash paid for property purchases (included in cash flows from investing activities)	<u>\$ 2,780,981</u>	<u>\$ 3,149,092</u>

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

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

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 estimate made for credit losses. The Food Bank provides for credit losses based on anticipated collection losses. Estimated credit losses are determined from a review of outstanding receivables, historical collection experience with individual accounts and payor sources, existing economic conditions and supportable forecasts of future events. Receivables are written off by management when, in their determination, all collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when received. The Food Bank does not require collateral or other security to support accounts receivable.

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, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, inventory received and distributed was valued at \$1.93 and \$1.92 per pound, respectively. Commencing on July 1, 2024, the receipt of inventory of food donated is valued at \$1.97 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
Finance lease right-of-use assets	5 - 7 years

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

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

The Food Bank reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future of discounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. There was no impairment of long-lived assets recognized during the years ended June 30, 2024 and 2023.

Leases: The Food Bank determines if an arrangement is a lease at the inception of the contract. As of the lease commencement date, each lease is evaluated to determine if it will be classified as an operating or finance lease. Leases with terms of 12 months or less are considered short-term leases and lease assets and liabilities are not recognized. Lease terms include the noncancellable portion of the leases and reasonably certain renewal periods, termination options and purchase options. The Food Bank accounts for lease and non-lease components as a single lease. The Food Bank uses the risk-free interest rate when the rate implicit in the lease is not available. Variable lease payments that cannot be determined at the commencement of the lease such as increases in the lease payments based on changes in index rates or usage are not included in the lease assets or liabilities.

Deferred Financing Costs: The deferred financing costs represented costs incurred to secure debt financing (see Note 8) which were being amortized over the life of the respective debt instrument utilizing the straight-line method. Deferred financing costs were fully amortized during the current year when the debt instrument was paid in full. Deferred financing costs as of June 30, 2024 and 2023 are as follows:

	2024	2023
Deferred financing costs	\$ -0-	\$ 54,595
Accumulated amortization	-0-	(19,040)
	<u>\$ -0-</u>	<u>\$ 35,555</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.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

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

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 restrictions 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 donated food, donated commodities, donated rent 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.)

Donated commodities, which include goods and equipment and are included in other expenses in the statements of functional expenses, are 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.

Donated rent, which is included in other expenses in the statements of functional expenses, is recorded at its estimated fair value based on the estimated rental price provided by the donor and is utilized in the Food Bank's fundraising 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, 2024 and 2023.

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, 2024 and 2023. 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.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

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

Recently Adopted Accounting Standard: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses*, (ASC 326), which significantly changed how entities will measure credit losses for most financial assets. The most significant change is a shift from the incurred loss model to the expected loss model for estimating the allowance for credit losses. Under this standard, disclosures are required to provide the financial statement users with information for analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Food Bank that are subject to guidance in ASC 326 are accounts receivable. The Food Bank adopted the new credit loss standard effective as of July 1, 2023. The impact of the adoption was not material to the financial statements and primarily resulted in new disclosures only.

Subsequent Events: In preparing these financial statements, the Food Bank has evaluated events and transactions for the potential recognition or disclosure through November 19, 2024, the date the financial statements were available to be issued. During the period July 1, 2024 through November 19, 2024, the Food Bank did not have any material subsequent events 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:

	2024	2023
Cash and cash equivalents	\$ 5,685,148	\$ 6,795,203
Investments	25,993,581	26,121,086
Accounts receivable, net	657,980	755,131
Grants and pledges receivable	3,201,000	2,521,979
Less: Board designated net assets	(3,921,607)	(3,535,944)
Less: Net assets with donor restrictions	(1,837,788)	(6,936,694)
Financial Assets Available for General Expenditure	\$ 29,778,314	\$ 25,720,761

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 7).

The Board of Directors of the Food Bank has designated investments as a reserve for specified future needs as discussed in Note 10. 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, 2024 and 2023 were \$3,921,607 and \$3,535,944, 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, 2024 and 2023 was \$22,071,974 and \$22,585,142, 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.

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
June 30, 2024 and 2023

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, 2024 and 2023:

	2024			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents held for investment	\$ 1,195,449	\$ 1,195,449	\$ -0-	\$ -0-
U.S Treasury obligations	11,551,568	-0-	11,551,568	-0-
Corporate bonds	5,629,105	-0-	5,629,105	-0-
Municipal bonds	2,583,740	-0-	2,583,740	-0-
Foreign bonds	292,745	-0-	292,745	-0-
Mutual funds:				
Fixed income funds	2,624,809	2,624,809	-0-	-0-
Equity funds	1,144,147	1,144,147	-0-	-0-
International funds	972,018	972,018	-0-	-0-
Total Investments	\$ 25,993,581	\$ 5,936,423	\$ 20,057,158	\$ -0-

	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-

Net investment return, as reported on the statements of activities for the years ended June 30, 2024 and 2023, is comprised of the following:

	2024	2023
Interest and dividend income	\$ 1,059,368	\$ 580,727
Net unrealized gains	500,619	29,648
Net realized gains	161,577	143,479
Investment fees	(61,800)	(54,348)
Net Investment Return	\$ 1,659,764	\$ 699,506

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

Note 4: Accounts Receivable

Accounts receivable consists of the following at June 30, 2024, 2023 and 2022:

	2024	2023	2022
Food agencies and others	\$ 613,934	\$ 534,489	\$ 182,942
Miscellaneous	46,577	225,957	231,683
Accounts receivable	660,511	760,446	414,625
Less: Allowance for credit losses	2,531	5,315	-0-
Accounts receivable, net	<u>\$ 657,980</u>	<u>\$ 755,131</u>	<u>\$ 414,625</u>

The allowance for credit losses was composed of the following at June 30, 2024, 2023 and 2022:

	2024	2023	2022
Balance at beginning of year	\$ 5,315	\$ -0-	\$ -0-
Provision for credit losses	10,435	5,315	-0-
Write-offs	(18,534)	-0-	-0-
Recovers	5,315	-0-	-0-
Balance at end of year	<u>\$ 2,531</u>	<u>\$ 5,315</u>	<u>\$ -0-</u>

Note 5: Grants and Pledges Receivable

Grants and pledges receivable as of June 30, 2024 and 2023 consisted of the following:

	2024	2023
Pledges receivable in less than one year	\$ 470,000	\$ 582,746
Pledges receivable in one to five years	405,000	390,000
Total pledges receivable	875,000	972,746
Present value discount (4.71% - 5.09%)	(23,567)	(31,152)
Net pledges receivable	<u>851,433</u>	<u>941,594</u>
Grants receivable in less than one year	\$ 2,731,000	\$ 1,939,233
Pledges receivable in one to five years	-0-	10,000
Total grants receivable	2,731,000	1,949,233
Present value discount (5.40%)	-0-	(512)
Net grants receivable	<u>2,731,000</u>	<u>1,948,721</u>
Total Grants and Pledges Receivable	<u>\$ 3,582,433</u>	<u>\$ 2,890,315</u>
Current portion	\$ 3,201,000	\$ 2,521,979
Long term portion	381,433	368,336
	<u>\$ 3,582,433</u>	<u>\$ 2,890,315</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

Note 6: Inventories

Inventories of donated and purchased food as of June 30, 2024 and 2023 consisted of the following:

	2024	2023
Donated	\$ 1,548,794	\$ 1,852,067
Purchased	2,020,168	1,726,706
USDA	537,142	1,016,263
Total Inventories	<u>\$ 4,106,104</u>	<u>\$ 4,595,036</u>

Note 7: Line of Credit

The Food Bank has a \$3,000,000 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 31, 2026. The interest rate is the greater of 6.5% or the Prime Rate minus 1.5% and is payable monthly. As of June 30, 2024 and 2023, the interest rate was 7.00% and 6.75%, respectively. The LOC requires the same financial covenants as the mortgage payable (see Note 8). Total draws on the line of credit during the years ended June 30, 2024 and 2023 were \$3,000,000 and \$-0-, respectively. As of June 30, 2024 and 2023, there were no outstanding borrowings on the LOC.

Interest expense incurred on the LOC was \$56,000 and \$-0-, respectively, for the years ended June 30, 2024 and 2023.

Note 8: Mortgage Payable

The Food Bank had a \$6,560,000 promissory note with Sandy Spring. The note was 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 had a fixed interest rate of 4.19% and required monthly principal and interest payments of \$35,597 until the note matured on April 1, 2033, with a scheduled balloon payment of \$3,475,573. The amended agreement also removed the financial covenants but required 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, 2024, the Food Bank repaid the mortgage in full. Mortgage payable as of June 30, 2024 and 2023 are as follows:

	2024	2023
Mortgage payable	\$ -0-	\$ 2,549,147
Less: Unamortized deferred financing costs	-0-	(35,555)
Mortgage Payable, Net	<u>\$ -0-</u>	<u>\$ 2,513,592</u>

Interest expense incurred on the mortgage payable was \$92,658 and \$115,532 for the years ended June 30, 2024 and 2023, respectively. Amortization of the deferred financing costs was \$35,555 and \$5,140 for the years ended June 30, 2024 and 2023, respectively, which has been grouped with interest expense on the statements of functional expenses.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

Note 9: Leases

Finance Leases: The Food Bank leases various vehicles and equipment under noncancelable finance lease agreements which expire between December 2024 and October 2030. The finance leases require monthly payments ranging between \$999 and \$2,869.

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 February 2025 and August 2033.

Office Equipment Leases: The Food Bank leases various office equipment under noncancellable operating lease agreements which expire between October 2026 and August 2030.

The Food Bank recorded finance and operating lease right-of-use assets and liabilities as follows during the years ended June 30, 2024 and 2023:

	2024	2023
Finance leases:		
Right-of-use assets - new	\$ 1,343,011	\$ 284,969
Right-of-use assets - accounting adoption	-0-	2,338,486
Less: Accumulated amortization	-0-	1,451,164
	1,343,011	1,172,291
Operating leases:		
Right-of-use assets - new	2,793,397	-0-
Right-of-use assets - accounting adoption	-0-	655,354
	2,793,397	655,354
Total right-of-use assets	\$ 4,136,408	\$ 1,827,645

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

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

Note 9: Leases (Continued)

The Food Banks's total lease expense for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Operating leases:		
Fixed lease costs - warehouse	\$ 458,587	\$ 328,480
Short-term lease costs - equipment	210,710	195,085
Fixed lease costs - equipment	42,745	30,570
Short-term lease costs - warehouse	30,758	146,818
Variable lease costs - warehouse	13,130	27,139
Variable lease costs - equipment	6,206	1,062
	<u>762,136</u>	<u>729,154</u>
Finance leases:		
Amortization of finance right-of-use assets	355,491	210,143
Interest on finance leases	60,612	30,370
	<u>416,103</u>	<u>240,513</u>
Total lease expense	<u>\$ 1,178,239</u>	<u>\$ 1,698,821</u>

As of June 30, 2024 and 2023, the right-of-use assets and lease liabilities related to finance and operating leases were as follows:

	<u>2024</u>	<u>2023</u>
Finance right-of-use lease assets, net	\$ 1,879,932	\$ 892,412
Operating lease right-of-use assets	<u>2,709,226</u>	<u>306,725</u>
Total right-of-use assets	<u>\$ 4,589,158</u>	<u>\$ 1,199,137</u>
Finance lease liabilities:		
Current maturities of finance lease liabilities	\$ 430,000	\$ 232,476
Finance lease liabilities, net of current maturities	<u>1,489,388</u>	<u>686,957</u>
Total finance lease liabilities	<u>1,919,388</u>	<u>919,433</u>
Operating lease liabilities:		
Current maturities of operating lease liabilities	249,001	108,556
Operating lease liabilities, net of current maturities	<u>2,531,885</u>	<u>131,213</u>
Total operating lease liabilities	<u>2,780,886</u>	<u>239,769</u>
Total lease liabilities	<u>\$ 4,700,274</u>	<u>\$ 1,159,202</u>

Other finance lease details as of June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Finance leases:		
Weighted average remaining lease term in years	4.86	4.64
Weighted average discount rate	4.17%	3.45%
Operating leases:		
Weighted average remaining lease term in years	8.71	3.12
Weighted average discount rate	3.83%	3.63%

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

Note 9: Leases (Continued)

As of June 30, 2024, future minimum lease payments under finance and operating leases are as follows:

	Finance	Operating
Year ending June 30:		
2025	\$ 499,355	\$ 351,129
2026	441,350	362,960
2027	408,429	374,698
2028	340,408	359,964
2029	255,129	330,576
Thereafter	172,573	1,525,876
Total	2,117,244	3,305,203
Less: Amount representing interest	197,856	524,317
Present value of future minimum lease payments	\$ 1,919,388	\$ 2,780,886

Note 10: 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, 2024 and 2023. The balance of the board designated fund was \$3,921,607 and \$3,535,944 as of June 30, 2024 and 2023, respectively.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

Note 10: 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, 2024:

	Year Ended June 30, 2024			
	Balance at June 30, 2023	Contributions	Released From Restrictions	Balance at June 30, 2024
Food distribution	\$ 228,546	\$ 4,650,845	\$ (4,267,848)	\$ 611,543
Capital projects	5,492,246	30,000	(5,282,246)	240,000
Programs	302,179	5,751,013	(5,847,985)	205,207
Technology	13,878	50,000	(13,878)	50,000
Other	899,845	3,328,863	(3,497,670)	731,038
	<u>\$ 6,936,694</u>	<u>\$ 13,810,721</u>	<u>\$ (18,909,627)</u>	<u>\$ 1,837,788</u>

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>

Note 11: In-Kind Contributions

During the years ended June 30, 2024 and 2023, the Food Bank received in-kind contributions as follows:

	2024	2023
Food	\$ 49,771,429	\$ 44,891,858
Commodities	35,648	-0-
Event rental space	24,000	-0-
Total in-kind contributions	<u>\$ 49,831,077</u>	<u>\$ 44,891,858</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

Note 12: Retirement Plan

The Food Bank's 403(b) 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, 2024 and 2023 were \$572,121 and \$563,589, respectively.

Subsequent to year end, the Food Bank terminated the 403(b) plan. A new 401(k) plan was created with an effective date of October 1, 2024, and all current employees had the option to rollover their current balances into the new 401(k) plan. Costs related to the transition to the new 401(k) plan were \$124,490, and this amount is included in payroll taxes and benefits on the statements of functional expenses and included in accounts payable and accrued expenses on the statements of financial position as of June 30, 2024.

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, 2024 and 2023 was \$296,110 and \$293,786, 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 \$29,914,284 which can only be earned by incurring certain qualifying expenses under the respective grant programs. As of June 30, 2024, the Food Bank has earned \$24,012,019 of these grants which have been recognized as revenue. The outstanding balance of these conditional grants was \$5,407,965 as of June 30, 2024, which will be recognized as revenue when the conditions of the grant have been met.

Note 15: Certain Significant Risks and Uncertainties

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 uses ICS to sweep funds daily into deposit accounts at other ICS Network banks in amounts below \$250,000, the standard FDIC insurance maximum. As a result, the Food Bank has access to FDIC insurance coverage for its full cash balance up to \$184 million dollars, as insured by the FDIC. The Food Bank has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2024 and 2023

Note 15: Certain Significant Risks and Uncertainties (Continued)

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.

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 \$1,184,000 (Minimum Attachment Point - MAP) during the plan year, which represents all claims under the specific deductible. The stop-loss for any individual claim is \$100,000 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.

