

THE MARYLAND FOOD BANK, INC.
FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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	12-25

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, 2025 and 2024, 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, 2025 and 2024, 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 opinion.

Independent Auditor's Report (Continued)

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Maryland Food Bank, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditor's Report (Continued)

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Maryland Food Bank, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Maryland Food Bank, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
November 18, 2025

THE MARYLAND FOOD BANK, INC.
Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,876,173	\$ 5,685,148
Investments	25,495,768	25,993,581
Accounts receivable, net	785,797	657,980
Grants and pledges receivable, current	3,485,680	3,201,000
Inventories	4,473,668	4,106,104
Prepaid expenses and other assets	369,354	486,373
Total Current Assets	<u>44,486,440</u>	<u>40,130,186</u>
Property		
Land, buildings, and improvements	23,111,137	22,922,843
Automotive equipment	2,128,399	1,927,931
Furniture and fixtures	2,240,694	2,155,292
Warehouse equipment	2,993,691	2,697,580
Technology and computers	1,778,979	-0-
Finance lease right-of-use assets	2,998,917	2,816,536
Construction in progress	569,023	1,081,170
Total Cost	<u>35,820,840</u>	<u>33,601,352</u>
Less: Accumulated depreciation and amortization	<u>14,287,352</u>	<u>12,595,891</u>
Net Property	<u>21,533,488</u>	<u>21,005,461</u>
Other Assets		
Other assets, restricted	297,385	296,110
Pledge receivable, noncurrent	144,286	381,433
Operating lease right-of-use assets	2,503,747	2,709,226
Total Other Assets	<u>2,945,418</u>	<u>3,386,769</u>
Total Assets	<u><u>\$ 68,965,346</u></u>	<u><u>\$ 64,522,416</u></u>

	<u>2025</u>	<u>2024</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 6,184,083	\$ 4,342,665
Current maturities of finance lease liabilities	471,585	430,000
Current maturities of operating lease liabilities	310,776	249,001
Total Current Liabilities	<u>6,966,444</u>	<u>5,021,666</u>
Non-Current Liabilities		
Finance lease liabilities, net of current maturities	1,557,583	1,489,388
Operating lease liabilities, net of current maturities	2,331,402	2,531,885
Deferred compensation payable	297,385	296,110
Total Non-Current Liabilities	<u>4,186,370</u>	<u>4,317,383</u>
Total Liabilities	<u>11,152,814</u>	<u>9,339,049</u>
Commitments and Contingencies (Notes 7, 12, 13 and 15)		
Net Assets		
Without donor restrictions		
General operations	51,289,441	49,423,972
Board designated	4,313,325	3,921,607
Total Without Donor Restrictions	<u>55,602,766</u>	<u>53,345,579</u>
With donor restrictions	2,209,766	1,837,788
Total Net Assets	<u>57,812,532</u>	<u>55,183,367</u>
Total Liabilities and Net Assets	<u><u>\$ 68,965,346</u></u>	<u><u>\$ 64,522,416</u></u>

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

THE MARYLAND FOOD BANK, INC.
Statements of Activities
Years Ended June 30, 2025 and 2024

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Grants and contributions - other	\$ 25,486,829	\$ 18,390,979	\$ 43,877,808
Grants and contributions - in-kind	50,040,470	-0-	50,040,470
Grants for meals	1,820,277	-0-	1,820,277
Total	<u>77,347,576</u>	<u>18,390,979</u>	<u>95,738,555</u>
Revenue			
Program fees	2,232,109	-0-	2,232,109
Sales to agencies and others, net	7,940,655	-0-	7,940,655
Net investment return	1,838,740	-0-	1,838,740
Other revenue	23,290	-0-	23,290
Total	<u>12,034,794</u>	<u>-0-</u>	<u>12,034,794</u>
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	<u>18,019,001</u>	<u>(18,019,001)</u>	<u>-0-</u>
Total Support and Revenue	<u>107,401,371</u>	<u>371,978</u>	<u>107,773,349</u>
Expenses			
Program services	<u>93,951,555</u>	<u>-0-</u>	<u>93,951,555</u>
Supporting services			
Management and general	5,535,832	-0-	5,535,832
Fundraising	5,656,797	-0-	5,656,797
Total Supporting Services	<u>11,192,629</u>	<u>-0-</u>	<u>11,192,629</u>
Total Expenses	<u>105,144,184</u>	<u>-0-</u>	<u>105,144,184</u>
Change in Net Assets	<u>2,257,187</u>	<u>371,978</u>	<u>2,629,165</u>
Net Assets at Beginning of Year	<u>53,345,579</u>	<u>1,837,788</u>	<u>55,183,367</u>
Net Assets at End of Year	<u>\$ 55,602,766</u>	<u>\$ 2,209,766</u>	<u>\$ 57,812,532</u>

2024

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 23,672,406	\$ 13,810,721	\$ 37,483,127	\$ 6,394,681
49,831,077	-0-	49,831,077	209,393
1,625,650	-0-	1,625,650	194,627
75,129,133	13,810,721	88,939,854	6,798,701
2,486,933	-0-	2,486,933	(254,824)
8,779,850	-0-	8,779,850	(839,195)
1,659,764	-0-	1,659,764	178,976
15,332	-0-	15,332	7,958
12,941,879	-0-	12,941,879	(907,085)
18,909,627	(18,909,627)	-0-	-0-
106,980,639	(5,098,906)	101,881,733	5,891,616
90,735,339	-0-	90,735,339	3,216,216
4,031,034	-0-	4,031,034	1,504,798
5,107,704	-0-	5,107,704	549,093
9,138,738	-0-	9,138,738	2,053,891
99,874,077	-0-	99,874,077	5,270,107
7,106,562	(5,098,906)	2,007,656	621,509
46,239,017	6,936,694	53,175,711	2,007,656
\$ 53,345,579	\$ 1,837,788	\$ 55,183,367	\$ 2,629,165

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

THE MARYLAND FOOD BANK, INC.
Statements of Functional Expenses
Years Ended June 30, 2025 and 2024

	2025			
	Program Services	Management and General	Fundraising	Total
Program Food Costs				
Value of donated goods distributed	\$ 49,290,892	\$ -0-	\$ -0-	\$ 49,290,892
Cost of purchased goods	22,085,257	-0-	-0-	22,085,257
Processing and other costs	2,635	-0-	-0-	2,635
Total Program Food Costs	71,378,784	-0-	-0-	71,378,784
Personnel Expenses				
Salaries and wages	8,713,058	2,162,619	1,949,090	12,824,767
Payroll taxes and benefits	2,382,123	707,742	456,583	3,546,448
Contract labor	775,258	633,793	8,000	1,417,051
Total Personnel Expenses	11,870,439	3,504,154	2,413,673	17,788,266
Partner and programmatic support	2,907,854	-0-	-0-	2,907,854
Professional fees	951,800	1,346,756	842,242	3,140,798
Printing, postage and supplies	426,833	24,901	1,192,443	1,644,177
Depreciation and amortization	1,949,134	117,668	3,337	2,070,139
Transportation expense	1,183,920	3,128	-0-	1,187,048
Repairs and maintenance	1,285,067	-0-	637	1,285,704
Occupancy costs	854,736	22,330	6,606	883,672
Computers, copiers and licensing	538,722	342,094	161,323	1,042,139
Marketing and public relations	55,589	-0-	651,206	706,795
Gift processing and credit card fees	50,146	-0-	368,584	418,730
Interest expense	72,951	-0-	-0-	72,951
Insurance expense	50,507	101,701	-0-	152,208
Travel	176,630	12,270	745	189,645
Provision for credit losses	-0-	13,927	-0-	13,927
Other expenses	198,443	46,903	16,001	261,347
Total Expenses	\$ 93,951,555	\$ 5,535,832	\$ 5,656,797	\$ 105,144,184

2024

Program Services	Management and General	Fundraising	Total	Increase (Decrease)
\$ 50,553,822	\$ -0-	\$ -0-	\$ 50,553,822	\$ (1,262,930)
20,202,407	-0-	-0-	20,202,407	1,882,850
5,504	-0-	-0-	5,504	(2,869)
70,761,733	-0-	-0-	70,761,733	617,051
7,664,411	1,688,678	1,563,144	10,916,233	1,908,534
2,395,175	640,000	419,284	3,454,459	91,989
418,555	251,155	-0-	669,710	747,341
10,478,141	2,579,833	1,982,428	15,040,402	2,747,864
3,458,969	-0-	-0-	3,458,969	(551,115)
196,135	817,615	827,052	1,840,802	1,299,996
432,399	13,485	1,274,687	1,720,571	(76,394)
1,572,829	19,781	9,451	1,602,061	468,078
1,279,828	-0-	552	1,280,380	(93,332)
1,006,571	-0-	-0-	1,006,571	279,133
862,070	31,290	11,675	905,035	(21,363)
313,403	217,368	139,779	670,550	371,589
7,901	7,771	533,459	549,131	157,664
61,331	-0-	286,655	347,986	70,744
60,612	184,213	-0-	244,825	(171,874)
45,005	108,149	-0-	153,154	(946)
95,236	6,302	4,473	106,011	83,634
118	10,317	-0-	10,435	3,492
103,058	34,910	37,493	175,461	85,886
\$ 90,735,339	\$ 4,031,034	\$ 5,107,704	\$ 99,874,077	\$ 5,270,107

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

THE MARYLAND FOOD BANK, INC.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,629,165	\$ 2,007,656
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investments	(533,473)	(500,619)
Realized gains on sale of investments	(132,134)	(161,577)
Noncash contributions - donated stock	(473,454)	(519,804)
Provision for credit losses	13,927	10,435
Depreciation and amortization	2,070,139	1,602,061
Noncash interest expense	-0-	35,555
Changes in operating assets and liabilities:		
Accounts receivable	(141,744)	86,716
Grants and pledges receivable	(47,533)	(692,118)
Inventories	(367,564)	488,932
Prepaid expenses and other assets	117,019	(166,066)
Operating lease right-of-use assets	330,031	390,896
Accounts payable and accrued expenses	1,985,162	1,256,371
Deferred revenue	-0-	(332,534)
Operating lease liabilities	(263,260)	(252,280)
Net Cash Provided by Operating Activities	<u>5,186,281</u>	<u>3,253,624</u>
Cash Flows from Investing Activities		
Purchases of investments	(3,989,382)	(671,518)
Proceeds from sale of investments and donated stock	5,626,256	1,981,023
Purchases of property	(2,180,384)	(2,780,981)
Net Cash Used in Investing Activities	<u>(543,510)</u>	<u>(1,471,476)</u>
Cash Flows from Financing Activities		
Payments on mortgage payable	-0-	(2,549,147)
Payments on finance lease liabilities	(451,746)	(343,056)
Net Cash Used in Financing Activities	<u>(451,746)</u>	<u>(2,892,203)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,191,025	(1,110,055)
Cash and Cash Equivalents at Beginning of Year	5,685,148	6,795,203
Cash and Cash Equivalents at End of Year	<u>\$ 9,876,173</u>	<u>\$ 5,685,148</u>

	<u>2025</u>	<u>2024</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ 72,951</u>	<u>\$ 209,270</u>
Operating cash flows for amounts paid included in the measurement of lease liabilities	<u>\$ 367,453</u>	<u>\$ 362,716</u>
Noncash Operating Activities:		
Right-of-use assets acquired under operating leases	<u>\$ 124,552</u>	<u>\$ 2,793,397</u>
Noncash Investing and Financing Activities:		
Purchases of property	\$ 2,598,166	\$ 3,765,938
Change in property-related accounts payable and accrued expenses	143,744	358,054
Less: Property acquired through finance leases	<u>(561,526)</u>	<u>(1,343,011)</u>
Net cash paid for property purchases (included in cash flows from investing activities)	<u>\$ 2,180,384</u>	<u>\$ 2,780,981</u>

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

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, inventory received and distributed was valued at \$1.97 and \$1.93 per pound, respectively. Commencing on July 1, 2025, the receipt of inventory of food donated is valued at \$1.90 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
Technology and computers	3 - 15 years
Finance lease right-of-use assets	5 - 7 years

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, 2025 and 2024.

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.

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 Bank 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 at the point in time when earned. Unconditional grants and contributions are recognized in the year the grants and contributions are pledged and/or received. Conditional grants are recognized as revenue at the point in time when the related expenditures are incurred or when all conditions of the grant have been substantially met.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

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

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 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, 2025 and 2024.

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 or square footage.

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, 2025 and 2024. 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.

Subsequent Events: In preparing these financial statements, the Food Bank has evaluated events and transactions for the potential recognition or disclosure through November 18, 2025, the date the financial statements were available to be issued. During the period July 1, 2025 through November 18, 2025, the Food Bank did not have any material subsequent events that required recognition or disclosure.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

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:

	2025	2024
Cash and cash equivalents	\$ 9,876,173	\$ 5,685,148
Investments	25,495,768	25,993,581
Accounts receivable, net	785,797	657,980
Grants and pledges receivable	3,485,680	3,201,000
Less: Board designated net assets	(4,313,325)	(3,921,607)
Less: Net assets with donor restrictions	(2,209,766)	(1,837,788)
Financial Assets Available for General Expenditure	<u>\$ 33,120,327</u>	<u>\$ 29,778,314</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 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, 2025 and 2024 were \$4,313,325 and \$3,921,607, respectively.

The Food Bank has undesignated 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, 2025 and 2024 was \$21,182,443 and \$22,071,974, 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.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 3: Investments and Fair Value Measurement (Continued)

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 tables below present the balances of investments measured at fair value on a recurring basis by level within the fair value hierarchy, as of June 30, 2025 and 2024:

	2025			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents held for investment	\$ 2,057,965	\$ 2,057,965	\$ -0-	\$ -0-
U.S Treasury obligations	10,339,895	-0-	10,339,895	-0-
Corporate bonds	5,900,600	-0-	5,900,600	-0-
Municipal bonds	1,776,566	-0-	1,776,566	-0-
Foreign bonds	135,544	-0-	135,544	-0-
Mutual funds:				
Fixed income funds	2,920,772	2,920,772	-0-	-0-
Equity funds	1,423,457	1,423,457	-0-	-0-
International funds	940,969	940,969	-0-	-0-
Total Investments	<u>\$ 25,495,768</u>	<u>\$ 7,343,163</u>	<u>\$ 18,152,605</u>	<u>\$ -0-</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 3: Investments and Fair Value Measurement (Continued)

	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	<u>\$ 25,993,581</u>	<u>\$ 5,936,423</u>	<u>\$ 20,057,158</u>	<u>\$ -0-</u>

Net investment return, as reported on the statements of activities for the years ended June 30, 2025 and 2024, is comprised of the following:

	2025	2024
Interest and dividend income	\$ 1,225,673	\$ 1,059,368
Net unrealized gains	533,473	500,619
Net realized gains	132,134	161,577
Investment fees	(52,540)	(61,800)
Net Investment Return	<u>\$ 1,838,740</u>	<u>\$ 1,659,764</u>

Note 4: Accounts Receivable

Accounts receivable consists of the following at June 30, 2025, 2024 and 2023:

	2025	2024	2023
Food agencies and others	\$ 504,910	\$ 613,934	\$ 534,489
Miscellaneous	284,578	46,577	225,957
Accounts receivable	789,488	660,511	760,446
Less: Allowance for credit losses	3,691	2,531	5,315
Accounts receivable, net	<u>\$ 785,797</u>	<u>\$ 657,980</u>	<u>\$ 755,131</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 4: Accounts Receivable (Continued)

The allowance for credit losses was composed of the following at June 30, 2025, 2024 and 2023:

	2025	2024	2023
Balance at beginning of year	\$ 2,531	\$ 5,315	\$ -0-
Provision for credit losses	13,927	10,435	5,315
Write-offs	(12,767)	(18,534)	-0-
Recoveries	-0-	5,315	-0-
Balance at end of year	<u>\$ 3,691</u>	<u>\$ 2,531</u>	<u>\$ 5,315</u>

Note 5: Grants and Pledges Receivable

Grants and pledges receivable as of June 30, 2025 and 2024 consisted of the following:

	2025	2024
Pledges receivable in less than one year	\$ 495,000	\$ 470,000
Pledges receivable in one to five years	150,000	405,000
Total pledges receivable	645,000	875,000
Present value discount (3.96% - 4.71%)	(5,714)	(23,567)
Net pledges receivable	639,286	851,433
Grants receivable in less than one year	2,990,680	2,731,000
Total Grants and Pledges Receivable	<u>\$ 3,629,966</u>	<u>\$ 3,582,433</u>
Current portion	\$ 3,485,680	\$ 3,201,000
Long term portion	144,286	381,433
	<u>\$ 3,629,966</u>	<u>\$ 3,582,433</u>

Note 6: Inventories

Inventories of donated and purchased food as of June 30, 2025 and 2024 consisted of the following:

	2025	2024
Donated	\$ 1,102,517	\$ 1,548,794
Purchased	2,090,885	2,020,168
USDA	1,280,266	537,142
Total Inventories	<u>\$ 4,473,668</u>	<u>\$ 4,106,104</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024, the interest rate was 6.50% and 7.00%, respectively. The LOC is secured by a deed of trust on the Food Banks facility and personal property located in Baltimore County, Maryland and requires compliance with certain financial covenants as described in the agreement. Total draws on the line of credit during the years ended June 30, 2025 and 2024 were \$-0- and \$3,000,000, respectively. As of June 30, 2025 and 2024, there were no outstanding borrowings on the LOC.

Interest expense incurred on the LOC was \$-0- and \$56,000, respectively, for the years ended June 30, 2025 and 2024.

Note 8: Mortgage Payable

The Food Bank had a \$6,560,000 promissory note with Sandy Spring. During the year ended June 30, 2024, the Food Bank repaid the mortgage in full.

Interest expense incurred on the mortgage payable was \$92,658 for the year ended June 30, 2024. Amortization of the deferred financing costs was \$35,555 for the year ended June 30, 2024, which has been grouped with interest expense on the statements of functional expenses.

Note 9: Leases

Finance Leases: The Food Bank leases various vehicles and equipment under noncancelable finance lease agreements which expire between September 2025 and March 2032. The finance leases require monthly payments ranging between \$999 and \$3,149.

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 2028 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 MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 9: Leases (Continued)

The Food Bank recorded finance and operating lease right-of-use assets and liabilities as follows during the years ended June 30, 2025 and 2024:

	2025	2024
Finance leases:		
Right-of-use assets - new	\$ 561,526	\$ 1,343,011
Operating leases:		
Right-of-use assets - new	124,552	2,793,397
Total right-of-use assets	<u>\$ 686,078</u>	<u>\$ 4,136,408</u>

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 Food Banks's total lease expense for the years ended June 30, 2025 and 2024 is as follows:

	2025	2024
Operating leases:		
Fixed lease costs - warehouse	\$ 392,258	\$ 458,587
Short-term lease costs - equipment	112,084	210,710
Fixed lease costs - equipment	41,967	42,745
Short-term lease costs - warehouse	26,061	30,758
Variable lease costs - warehouse	-0-	13,130
Variable lease costs - equipment	12,324	6,206
	<u>584,694</u>	<u>762,136</u>
Finance leases:		
Amortization of finance right-of-use assets	465,883	355,491
Interest on finance leases	72,951	60,612
	<u>538,834</u>	<u>416,103</u>
Total lease expense	<u>\$ 1,123,528</u>	<u>\$ 1,178,239</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 9: Leases (Continued)

As of June 30, 2025 and 2024, the right-of-use assets and lease liabilities related to finance and operating leases were as follows:

	2025	2024
Finance right-of-use lease assets, net	\$ 1,975,575	\$ 1,879,932
Operating lease right-of-use assets	2,503,747	2,709,226
Total right-of-use assets	<u>\$ 4,479,322</u>	<u>\$ 4,589,158</u>
Finance lease liabilities:		
Current maturities of finance lease liabilities	\$ 471,585	\$ 430,000
Finance lease liabilities, net of current maturities	1,557,583	1,489,388
Total finance lease liabilities	<u>2,029,168</u>	<u>1,919,388</u>
Operating lease liabilities:		
Current maturities of operating lease liabilities	310,776	249,001
Operating lease liabilities, net of current maturities	2,331,402	2,531,885
Total operating lease liabilities	<u>2,642,178</u>	<u>2,780,886</u>
Total lease liabilities	<u>\$ 4,671,346</u>	<u>\$ 4,700,274</u>

Other finance and operating lease details as of June 30, 2025 and 2024 are as follows:

	2025	2024
Finance leases:		
Weighted average remaining lease term in years	4.63	4.86
Weighted average discount rate	4.04%	4.17%
Operating leases:		
Weighted average remaining lease term in years	7.58	8.71
Weighted average discount rate	3.85%	3.83%

As of June 30, 2025, future minimum lease payments under finance and operating leases are as follows:

	Finance	Operating
Year ending June 30:		
2026	\$ 542,714	\$ 406,632
2027	509,793	418,370
2028	441,772	389,078
2029	356,493	330,576
2030	246,017	343,787
Thereafter	125,433	1,182,089
Total	2,222,222	3,070,532
Less: Amount representing interest	193,054	428,354
Present value of future minimum lease payments	<u>\$ 2,029,168</u>	<u>\$ 2,642,178</u>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024. The balance of the board designated fund was \$4,313,325 and \$3,921,607 as of June 30, 2025 and 2024, respectively.

Net Assets with Donor Restrictions:

The Food Bank has several donor restricted funds, which may be fully expended but only for the purpose established by the respective donors. Net assets with donor restrictions were available for the following purposes as of June 30, 2025:

	Year Ended June 30, 2025			
	Balance at June 30, 2024	Contributions	Released From Restrictions	Balance at June 30, 2025
Food distribution	\$ 611,543	\$ 6,367,169	\$ (6,462,095)	\$ 516,617
Capital projects	240,000	328,800	(160,000)	408,800
Programs	205,207	6,784,822	(6,473,984)	516,045
Technology	50,000	4,250,000	(4,300,000)	-0-
Other	731,038	660,188	(622,922)	768,304
	<u>\$ 1,837,788</u>	<u>\$ 18,390,979</u>	<u>\$ (18,019,001)</u>	<u>\$ 2,209,766</u>

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>

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 11: In-Kind Contributions

During the years ended June 30, 2025 and 2024, the Food Bank received in-kind contributions as follows:

	2025	2024
Food	\$ 49,606,188	\$ 49,771,429
Commodities	434,282	35,648
Event rental space	-0-	24,000
Total in-kind contributions	<u>\$ 50,040,470</u>	<u>\$ 49,831,077</u>

Note 12: Retirement Plan

Effective October 1, 2024, the Food Bank established a 401(k) retirement plan. The plan includes a safe harbor provision requiring the Food Bank to contribute 3% of compensation, as defined in the plan document, for all eligible employees. In addition, the Food Bank may make discretionary matching contributions of up to 5% of eligible employees' compensation. To qualify for matching contributions, employees must be at least 18 years of age and have completed one year of service, as defined in the plan document.

The Food Bank's 403(b) plan was frozen as of September 30, 2024. At that time, all plan assets were either rolled over into the new 401(k) plan, distributed to participants, or transferred to the custody of Lincoln Financial Group.

Employer contributions to retirement plans totaled \$686,475 and \$572,121 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024 was \$297,385 and \$296,110, respectively, which has been invested in a separate income-bearing account, that is included in other assets, restricted on the statements of financial position.

THE MARYLAND FOOD BANK, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 14: Conditional Grants

The Food Bank has received conditional grants from various entities in the amount of \$26,622,959 which can only be earned by incurring certain qualifying expenses under the respective grant programs. As of June 30, 2025, the Food Bank has earned \$24,599,209 of these grants which have been recognized as revenue. The outstanding balance of these conditional grants was \$2,023,750 as of June 30, 2025, which will be recognized as revenue when the conditions of the grants 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.

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 \$1,288,007 (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.

Economic Uncertainty: In early 2025, the President of the United States signed several Executive Orders related to federal funding of certain currently funded programs, tariffs and other government initiatives. It is not possible to fully quantify the effect these Executive Orders, the interpretation or administration of such Executive Orders, or any other initiatives on the Food Bank's operations and financial status. Accordingly, there is no assurance that these orders and initiatives will not adversely affect the Organization's financial operations, business operations and cash flows.

