

**MARYLAND FOOD CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF MARYLAND)
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2025**

MARYLAND FOOD CENTER AUTHORITY
JUNE 30, 2025
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1 – 3
REQUIRED SUPPLEMENTARY INFORMATION	
• Management’s Discussion and Analysis	4 – 12
BASIC FINANCIAL STATEMENTS	
• Statement of Net Position	13 – 14
• Statement of Revenues, Expenses and Changes in Net Position	15
• Statement of Cash Flows	16
NOTES TO FINANCIAL STATEMENTS	17 – 30
REQUIRED SUPPLEMENTARY INFORMATION	
• Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions	31
SUPPLEMENTARY INFORMATION	
• Schedule of Operating Revenue and Expenses	32
• Combining Schedule of Revenues and Expenses	33

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Maryland Food Center Authority
Jessup, Maryland

Opinion

We have audited the accompanying financial statements of the Maryland Food Center Authority (the Authority), which comprise the statement of net position as of June 30, 2025, and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2025, and the changes in its net position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 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 and *Government 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, including omissions, 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.

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 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 Authority'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability and schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

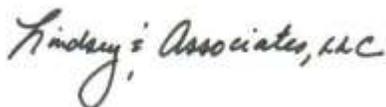
basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Operating Revenue and Expenses and the Combining Schedule of Revenues, Expenses and Changes in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining schedule of revenues, expenses and changes in net position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



September 25, 2025

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

The Maryland Food Center Authority (the Authority or MFCA), an independent state agency, is pleased to present the financial statements for the fiscal year ended June 30, 2025. The Authority’s mission is to develop, own, operate, improve, and maintain real estate projects that provide economical, sanitary and modern facilities for food distribution in the State of Maryland.

The following discussion and analysis of the financial performance of the Authority provides an overview of the Authority’s financial activities for the fiscal years ended June 30, 2025 and 2024. This section should be read in conjunction with the Authority’s basic financial statements and related notes, which follow this discussion.

The financial statements include three sections:

- **Core financial statements** – Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.
- **Notes** – supporting detail and required disclosures.
- **Supplementary schedules** – including a Schedule of Revenues and Expenses (excluding pension and GASB 87 lease entries) and a combining schedule showing results by facility and function.

The Proprietary Fund Financial Statements

Statement of Net Position

The Authority’s Statement of Net Position presents the assets and deferred outflows, liabilities and deferred inflows, and the net position of the Authority as of June 30, 2025. The Statement of Net Position provides the reader with a financial picture of the Authority’s assets (current and noncurrent) and deferred outflows, liabilities (current and noncurrent) and deferred inflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) of the Authority at the end of the fiscal year.

The Statement of Net Position allows the reader to determine the assets available for the continuing operations of the Authority. The reader is also able to determine what cash and cash equivalents are available and the amounts owed to and by the Authority. The purpose of the Statement of Net Position is to show the reader what is available for the future needs of the Authority.

The net position is divided into three categories. The first category, “net investment in capital assets,” reflects the Authority’s investment in real estate, furniture and fixtures, and equipment net of accumulated depreciation. The second category is net assets restricted for a specific purpose. The Authority has set aside funds to be used for the produce market expansion project in conjunction with the \$10,000,000 that has been authorized by the State of Maryland and the \$1,000,000 that we have received from the Howard County Government. The final category, “unrestricted,” is available funds held in the Maryland General Fund.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

The Authority's activities are all business-type activities.

Business-type activities – The Authority collects rent and entrance fees from tenants and customers to cover most of the costs of the services it provides. This report covers the activities at the Maryland Food Center Authority tenanted facilities – such as the Maryland Wholesale Produce Market and the Maryland Market Center – as well as MFCA-developed properties, capital improvement projects and administrative services.

You should consider other non-financial factors, such as the location of Maryland Food Center to other major food distribution facilities, inflation, and interest of food businesses looking to move into the Maryland Food Center in your assessment of the Authority's health.

CONDENSED FINANCIAL INFORMATION

Summary Statements of Net Position

The following table provides data as of June 30, 2025 and 2024:

	2025	2024	Variance
Assets and deferred outflows			
Current assets	\$ 12,572,290	\$ 10,297,405	\$ 2,274,885
Current receivables	1,855,125	1,084,894	770,231
Current lease receivables	2,395,607	2,245,956	149,651
Noncurrent lease receivables	23,054,532	24,399,328	(1,344,796)
Other noncurrent assets	2,251	11,966	(9,715)
Net capital assets	23,210,655	24,011,304	(800,649)
Deferred outflows related to pension	862,184	842,426	19,758
Total assets and deferred outflows	<u>\$ 63,952,644</u>	<u>\$ 62,893,279</u>	<u>\$ 1,059,365</u>
Liabilities, deferred inflows and net position			
Liabilities			
Current liabilities	1,679,779	586,294	1,093,485
Noncurrent liabilities	4,333,150	3,429,534	903,616
Deferred inflows related to pension and lease receivables	19,678,525	21,654,717	(1,976,192)
Total liabilities and deferred inflows	<u>25,691,454</u>	<u>25,670,545</u>	<u>20,909</u>
NET POSITION			
Net investment in capital assets	23,210,655	24,011,304	(800,649)
Restricted	2,500,000	2,500,000	-
Unrestricted	12,550,535	10,711,430	1,839,105
TOTAL NET POSITION	<u>38,261,190</u>	<u>37,222,734</u>	<u>1,038,456</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 63,952,644</u>	<u>\$ 62,893,279</u>	<u>\$ 1,059,365</u>

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

The \$2,274,885 increase in Current Assets is attributable to an increase in Cash and Cash Equivalents. The increase in Cash and Cash Equivalents is primarily due to several large ongoing capital improvement projects that remained in the development stage during this fiscal year. The complex nature of these improvements has required extensive planning including coordination with local government, tenants, and other State government partners. A substantial expenditure attributable to these projects is expected in FY 26. These projects also coincided with a change in Authority leadership. The former Executive Director retired at the end of March 2025. The new Executive Director joined the Authority on August 13, 2025. An acting Executive Director was in place for the interim period. Key decisions were reserved for the incoming Executive Director to ensure the capital improvements align with the Executive Director's vision for the Authority.

The \$770,231 increase in Current Receivables is primarily attributable to the reclassification of a \$1,000,000 grant received from Howard County to Unearned Revenue. This reclassification also accounts for the \$1,093,485 increase in Current Liabilities.

The \$800,649 decrease in Net Capital Assets is primarily due to annual depreciation expense of \$1,274,146 offset by equipment acquisitions of \$365,625 and construction in progress of \$108,038.

GASB 87, *Leases*, requires the Authority to account for leases with a term greater than one year as the financing of the right to use the tenant space. The three balance sheet accounts used for GASB 87 are Current Lease Receivables, Noncurrent Lease Receivables and Deferred Inflow of Lease Receivables. During the fiscal year ending June 30, 2025, Current Lease Receivables increased \$149,651, Noncurrent Lease Receivables decreased \$1,344,796, and Deferred Inflow of Lease Receivables decreased \$1,458,160. As the lease matures, the balances in the Noncurrent Lease Receivables and the Deferred Inflow of Lease Receivables will decrease and the Current Lease Receivable will increase.

The increase of \$903,616 in Noncurrent Liabilities is primarily attributable to an increase in the Authority's proportionate share of the State of Maryland net pension liability.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Summary Statements of Revenue, Expenses and Changes in Net Position

The following table provides comparative data for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>Variance</u>
Operating Revenues			
Rental revenue/lease interest/direct finance lease	\$ 4,123,038	\$ 4,114,650	\$ 8,388
Service expense reimbursement revenue	<u>2,478,647</u>	<u>2,303,262</u>	<u>175,385</u>
Total Operating Revenues	<u>6,601,685</u>	<u>6,417,912</u>	<u>183,773</u>
Operating Expenses			
Operating expenses	3,972,639	3,384,453	588,186
Service reimbursement expenses	<u>2,478,647</u>	<u>2,303,262</u>	<u>175,385</u>
Total Operating Expenses	<u>6,451,286</u>	<u>5,687,715</u>	<u>763,571</u>
Operating income	150,399	730,197	(579,798)
Nonoperating revenue and expenses	<u>888,057</u>	<u>898,977</u>	<u>(10,920)</u>
Change in net position	<u>1,038,456</u>	<u>1,629,174</u>	<u>(590,718)</u>
Total Revenue	\$ 7,489,742	\$ 7,316,889	\$ 172,853
Total Expenses	<u>6,451,286</u>	<u>5,687,715</u>	<u>763,571</u>
Total Change in Net Position	<u>1,038,456</u>	<u>1,629,174</u>	<u>(590,718)</u>

The changes in net position are based on the activity that is presented on the Statement of Revenue, Expenses, and Changes in Net Position.

The Statement of Revenue, Expenses, and Changes in Net Position presents the revenue and expenses for the Authority during fiscal year 2025. The revenue and expenses are presented in operating and non-operating categories.

The year over year change between the fiscal year 2025 Statement of Revenue, Expenses, and Changes in Net Position and the fiscal year 2024 Statement of Revenue, Expenses and Changes in Net Position was (\$590,718).

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

The following information explains the variance in net position:

Operating Revenue

Service Expense Reimbursements represent the operating costs of the facility. The Authority does not collect Service Expense Reimbursement revenue in excess of Service Expense Reimbursement expenses therefore, Service Expense Reimbursement income and expense, when combined, equal zero.

Operating Expenses

Service Expense Reimbursements represent the operating costs of the facility. The Authority does not collect Service Expense Reimbursement revenue in excess of Service Expense Reimbursement expenses therefore, Service Expense Reimbursement income and expense, when combined, equal zero.

Service Expense Reimbursement Expense increased by \$175,385. This increase is primarily attributable to increased salaries, wages, and related costs due to employee merit and cost of living increases.

The \$588,187 increase in Operating Expenses is primarily attributable to the following:

- \$141,697 increase in Salaries, wages, and related costs due to employee merit and cost of living increases.
- \$211,949 in Bad debt expense is due to uncollectible receivables from a former tenant in FY2025.
- \$196,142 increase in Contractual services expense is primarily attributable to the \$100,000 litigation settlement and \$68,371 increase in the Authority's share of expenses for vacant units at the Maryland Market Center.

Operating Income decreased by \$579,798. This decrease is primarily attributable to the increase in operating expenses mentioned above.

Cash Flows

The Statement of Cash Flows presents detailed information about the activities involving cash, and the statement is broken down into four sections. The first section of the statement relates to the operating cash flows and shows the net cash used for operations; the second relates to the cash flows resulting from investing activities; the third relates to cash flow from capital and related financing activities; and the fourth reconciles the net cash used to the operating income on the Statement of Revenue, Expenses, and Changes in Net Position.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Below is a comparison of the Statement of Cash Flows for the fiscal years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash flows from:		
Operating activities	\$ 1,860,325	\$ 1,621,378
Investing activities	888,223	899,208
Capital and related financing activities	<u>(473,663)</u>	<u>(389,939)</u>
Net change in Cash and Cash Equivalents	2,274,885	2,130,647
Cash and Cash Equivalents - Beginning of Year	10,296,827	8,166,180
Cash and Cash Equivalents - End of Year	<u>\$ 12,571,812</u>	<u>\$ 10,296,827</u>

Budget Comparison

The Authority does not budget for revenue. The Authority's actual operating expenses for the year ended June 30, 2025 were \$492,167 less than the final budget for operating expense.

A comparison of the original budget, final budget, and actual results for the year ended June 30, 2025 is shown below:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual;</u>	<u>Variance</u>
Operating Expenses				
Salaries, wages and related costs	\$ 3,349,497	\$ 3,661,997	\$ 3,480,755	\$ 181,242
Depreciation	80,000	100,000	93,383	6,617
Contractual services	811,080	824,629	675,717	148,912
Taxes	330,000	330,000	326,959	3,041
Bad debt	-	-	211,949	(211,949)
Fuel and utilities	137,500	147,500	162,014	(14,514)
Vehicle operation	303,663	304,019	148,264	155,755
Technical and special fees	108,514	100,052	76,232	23,820
Fixed charges	31,738	56,607	49,131	7,476
Communication	54,250	47,500	28,955	18,545
Supplies and materials	92,300	92,600	50,022	42,578
Equipment and charges	75,400	75,400	16,198	59,202
Travel	<u>79,550</u>	<u>79,550</u>	<u>8,108</u>	<u>71,442</u>
Total assets and deferred outflows	<u>\$ 5,453,492</u>	<u>\$ 5,819,854</u>	<u>\$ 5,327,687</u>	<u>\$ 492,167</u>
Capital depreciation budget	1,501,347	1,290,913		
Capital improvement expense FY25	<u>(1,366,325)</u>	<u>(1,366,325)</u>		
	<u>\$ 135,022</u>	<u>\$ (75,412)</u>		

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

For comparison purposes, the Depreciation expense shown in the budget comparison excludes depreciation for building and building improvements. The positive operating expense variance of \$492,168 is comprised of the following:

- Salaries, Wages, and Related Costs – \$181,242 favorable variance is primarily due to the Executive Director position being vacant for three months and there were two security guard positions that were not filled.
- Contractual Services - \$148,912 favorable variance is primarily due to fewer repairs needed in fiscal year 2025.
- Bad Debt Expense – (\$211,949) unfavorable variance - the MFCA does not budget for bad debt expense.
- Vehicle Operation - \$155,755 favorable variance is primarily due to fewer repairs needed in fiscal year 2025 and the deferral of two large equipment purchases, a dump truck and a trash truck and packer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2025, and 2024, the Authority had capital assets of \$50,498,273 and \$50,025,850, accumulated depreciation of \$27,287,618 and \$26,014,546, for net capital assets of \$23,210,655 and \$24,011,304, respectively. Net capital assets decreased \$800,649 from the prior year. The decrease is primarily due to accumulated depreciation.

Major additions (those greater than \$50,000) to capital assets during the year ended June 30, 2025 are listed below:

Gale Force Sweeper	\$214,130
Skid Steer	52,485
Ford F350	<u>62,519</u>
Total	\$329,134

The Authority had no debt as of FY2025.

ECONOMIC FACTORS

The Authority’s primary operations consist of leasing real estate to wholesale food tenants, as well as related commercial users. These activities continue to provide a stable source of revenue to fund facility operations, maintenance, and improvements.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

Maryland Market Center (MMC)

The MMC leases expire on June 30, 2027, or June 30, 2029, depending on the lease term selected by the tenant at lease inception. As of June 30, 2025, the occupancy rate was 76.5%. The vacant units are currently undergoing renovation, and a waitlist exists for each unit. The Authority expects that MMC will be fully leased by June 30, 2026.

Maryland Wholesale Produce Market (MWPM)

The MWPM leases expire on June 30, 2027, or June 30, 2029, depending on the lease term selected by the tenant at lease inception. As of June 30, 2025, the occupancy rate was 100%.

Truck Parking Lot

On April 1, 2019, the Authority entered a lease for the trailer parking facility located on 4.2888 acres of Authority-owned land. The initial lease term was four years, with two, two-year renewal options. Monthly rent is adjusted annually in accordance with the Consumer Price Index (CPI). The current monthly rent is \$10,433. During fiscal year 2025, the tenant exercised the last renewal option extending the term of the lease to March 31, 2027.

Anaerobic Digester

In the first quarter of 2018, the MFCA Board of Directors and the Maryland Board of Public Works approved a 10-year ground lease with BTS Biogas, LLC (assigned to MORF I, Inc. on April 29, 2020) to construct an anaerobic digester on 5.5 acres of Authority-owned land located on Oceano Avenue. The anaerobic digester converts compostable waste into energy through microbial processes.

The ground lease provides for monthly rent of \$11,044 during the initial five-year period. Rent is payable on the first day of each month. Beginning on the fifth anniversary of the lease's effective date, and every five years thereafter, rent is adjusted based on the cumulative, compounded change in CPI for the preceding five years. The current monthly rent is \$13,499. Originally expiring March 27, 2028, the ground lease was extended in August 2023 through the exercise of two 10-year renewal options, extending the term to February 26, 2048.

Maryland Market Center Ground Leases

On November 1, 2019, the Maryland Food Center Authority entered a Ground Lease for a portion of the land located in the Maryland Market Center. This Ground Lease was approved by the MFCA Board of Directors and the Maryland Board of Public Works.

The terms of the 75-year ground lease require monthly payments of \$17,917 per month, or \$215,000 per year which started November 1, 2018, rent will increase by 5% every five years. As of November 1, 2023 the monthly ground rent was increased to \$18,813. The ground lease contains a buy-out option after twenty years which the Authority reasonably expects to be exercised, so this lease is now presented as a finance sale lease.

**MARYLAND FOOD CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

On January 19, 2021, the Maryland Food Center Authority entered into a Ground Lease for a portion of the land located in the Maryland Market Center. This Ground Lease was approved by the MFCA Board of Directors and the Maryland Board of Public Works.

The terms of the ground lease require monthly payments of \$0 for the first six months, \$18,750 for August 2021 to January 2022, and \$37,500 per month, or \$450,000 per year, thereafter rent will increase 5% every five years, and ends January 31, 2096. The ground lease contains a buy-out option after twenty years; however, the Authority does not reasonably expect the buy-out to be exercised at this time.

Capital and Facilities

The Authority continues to monitor infrastructure needs to ensure facilities meet modern safety and operational standards.

Notable capital improvement projects projected to begin during fiscal year 2026 are:

The Authority is renovating eight units at the Maryland Market Center. The work commenced on July 9, 2025 with an expected completion date of January 24, 2026. The total budget for the project is approximately \$2,000,000.

The Authority expects to begin work on a Stream Restoration project with a total budget of approximately \$1,000,000.

On September 19, 2025, the Authority issued an invitation to bid on a multi-phased project to expand, enclose, and prepare the rear dock of the Maryland Wholesale Produce Market for cold chain compliance.

External Considerations

Rising labor, transportation, and utility costs may affect tenants' operations, which in turn could impact facility use and occupancy levels. The Authority continues to monitor these conditions to anticipate and address potential impacts.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the users of these financial statements with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, please contact the Authority's Executive Director at 7801 Oceano Avenue, Jessup, Maryland 20794.

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 12,571,812
Accounts receivable	1,855,125
Lease receivable - current portion	2,368,349
Accounts receivable - finance sale - current portion	27,258
Prepaid expenses	478
Total Current Assets	16,823,022

Noncurrent Assets

Lease receivable	18,805,788
Accrued interest - lease receivable	84,829
Accounts receivable - finance sale	4,163,915
Nondepreciable capital assets	6,587,503
Depreciable capital assets, net	16,623,152
<i>Total Capital Assets</i>	23,210,655
Subscription-based IT assets	2,251
<i>Total Noncurrent Assets</i>	46,267,438

TOTAL ASSETS	63,090,460
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DEFERRED OUTFLOWS OF RESOURCES	862,184
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 63,952,644
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The accompanying notes to these financial statements are an integral part of this statement.

MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2025

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 359,492
Accrued payroll and related taxes	173,550
Unearned revenue	1,003,996
Accrued compensated absences, current portion	120,691
Accrued workers' compensation, current portion	22,050
Total Current Liabilities	1,679,779

Non-Current Liabilities

Accrued compensated absences	205,074
Accrued workers' compensation	124,950
Subscription liability	2,358
Tenant deposits	212,544
Net pension liability	3,788,224
Total Non-Current Liabilities	4,333,150

TOTAL LIABILITIES	6,012,929
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DEFERRED INFLOWS OF RESOURCES

Pensions	16,761
Lease receivable	19,661,764
	19,678,525

NET POSITION

Net investment in capital assets	23,210,655
Restricted	2,500,000
Unrestricted	12,550,535
TOTAL NET POSITION	38,261,190

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 63,952,644
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The accompanying notes to these financial statements are an integral part of this statement.

**MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

Operating Revenues	
Rental revenue and charges for services	\$ 5,211,100
Lease interest revenue	1,052,129
Direct finance lease interest revenue	199,754
Other income	138,702
Total Operating Revenues	<u>6,601,685</u>
Operating Expenses	
Salaries, wages, and related costs	\$ 3,480,755
Depreciation	1,274,146
Contractual services	675,717
Taxes	326,959
Bad debt	211,949
Fuel and utilities	162,014
Vehicle operation	91,100
Technical and special fees	76,232
Fixed charges	49,131
Communication	28,955
Supplies and materials	50,022
Equipment charges	16,198
Travel	8,108
Total Operating Expenses	<u>6,451,286</u>
Operating Income	150,399
Non-Operating Revenues (Expenses)	
Loss on sale of equipment	(166)
Loss on termination of lease	(29,587)
Interest income on funds held in general fund	917,810
Total Non-Operating Revenues (Expenses)	<u>888,057</u>
Change in Net Position	1,038,456
Net Position, beginning of the year	<u>37,222,734</u>
Net Position, end of the year	<u><u>\$ 38,261,190</u></u>

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

**MARYLAND FOOD CENTER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

Cash flows from operating activities	
Receipts from customers	\$ 6,567,864
Payments to suppliers	(1,138,014)
Payments to employees and related	(3,569,525)
Net cash provided (used) by operating activities	<u>1,860,325</u>
Cash flows from investing activities	
Loss on termination of lease	(29,587)
Interest received	917,810
Net cash provided by investing activities	<u>888,223</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(473,663)
Net cash provided (used) by capital and related financing activities	<u>(473,663)</u>
Net increase (decrease) in cash and cash equivalents	2,274,885
Cash and cash equivalents at beginning of year	10,296,927
Cash and cash equivalents at end of year	<u>\$ 12,571,812</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 150,399
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Effects of non-cash items:	
Depreciation expense	1,274,146
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows:	
Decrease/(increase) in accounts receivable	(770,231)
Decrease/(increase) in lease receivable - current portion	(148,389)
Decrease/(increase) in accounts receivable - finance sale - current portion	(1,262)
Decrease/(increase) in lease receivable	1,321,465
Decrease/(increase) in accrued interest - lease receivable	(3,927)
Decrease/(increase) in accounts receivable - finance sale - long term	27,258
Decrease/(increase) in subscription-based IT assets	9,715
Decrease/(increase) in deferred outflows related to pension	(19,758)
Increase/(decrease) in accounts payable & accrued liabilities	232,345
Increase/(decrease) in accrued payroll and related taxes	18,921
Increase/(decrease) in unearned revenue	999,696
Increase/(decrease) in accrued compensated absences	(12,007)
Increase/(decrease) in accrued workers' compensation	(53,000)
Increase/(decrease) in subscription liability	(9,386)
Increase/(decrease) in tenant deposits	(1,533)
Increase/(decrease) in net pension liability	822,065
Increase/(decrease) in deferred inflows - pensions	(518,032)
Increase/(decrease) in deferred inflows lease receivable	<u>(1,458,160)</u>
Cash provided (used) by operating activities	<u>\$ 1,860,325</u>

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

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – ORGANIZATION

Maryland Food Center Authority (the “Authority” or “MFCA”), an instrumentality and component unit of the State of Maryland, was created as a body corporate and politic of the State of Maryland by the Greater Baltimore Consolidated Wholesale Food Market Authority Act, effective June 1, 1967, under Chapter 145 of the 1967 Laws of Maryland. The Authority has statewide jurisdiction to promote the welfare of Marylanders by undertaking real estate development and management activities that facilitate wholesale food industry activity in the public interest. The Authority is involved with planning and developing regional food industry facilities, including a 400-acre specialized industrial park known as the Maryland Food Center in Jessup, Maryland. The Authority owns and manages property at the Maryland Food Center, including the Maryland Wholesale Produce Market and the Maryland Market Center, formerly known as Maryland Wholesale Seafood Market. The Authority's wholesale markets provide a commercial arena for competing businesses to deliver vital food services throughout the region, under the management of a publicly accountable state agency. The Authority also owns, and redeveloped, the Rock Hall Clam House in Rock Hall, Maryland, which it leases to local watermen and waterman-related industries. The executive board of the Authority is comprised of 12 members, including the State Comptroller, the Secretary of Agriculture, the Secretary of General Services, the Director of Agricultural Extension for the State of Maryland who is Dean of the College of Agriculture and Natural Resources at the University of Maryland, and private citizens appointed by the Governor.

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Authority’s financial statements are reported on the accrual basis of accounting and the economic resources measurement focus as specified by the Governmental Accounting Standards Board requirements for an enterprise fund.

Cash and Cash Equivalents

The Authority considers all cash on deposit with the State of Maryland’s treasury to be cash equivalents as well as all highly liquid investments with original maturities of three months or less at the time of purchase.

Capital Assets and Depreciation

Capital expenditures greater than \$1,000, with an estimated useful life greater than one year, are capitalized. Capital assets (excluding subscription IT assets) are recorded at historical cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Building	15 to 50 Years
Capital Improvements	10 to 40 Years
Equipment	3 to 10 Years

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription-Based Information Technology Arrangements

MFCA has noncancelable subscription IT arrangements (similar to a lease) for the right to use information technology hardware and software (subscription IT arrangements).

For subscription IT arrangements with a maximum possible term of 12 months or less at commencement, MFCA recognizes expense based on the provisions of the subscription IT arrangement. For all other subscription IT arrangements (i.e. those that are not short-term) MFCA recognizes a subscription IT liability, and an intangible subscription IT asset.

Measurement of Subscription IT Amounts

At subscription commencement, MFCA initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized into expense on a straight-line basis over the subscription term.

Key Estimates and Judgments

Key estimates and judgments include how the MFCA determines (1) the discount rate it uses to calculate the present value of the expected subscription payments, (2) subscription term, and (3) subscription payments.

- MFCA generally uses its estimated incremental borrowing rate as the discount rate for subscription IT arrangements unless the rate that the vendor charges is known. MFCA's incremental borrowing rate for subscription IT arrangements is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the subscription payments under similar terms at the commencement or remeasurement date.
- The subscription term includes the non-cancelable period of the subscription IT arrangement, plus any additional periods covered by either an MFCA or vendor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both MFCA and the vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the subscription term.

Remeasurement of Subscription Amounts

MFCA monitors changes in circumstances that may require remeasurement of a subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the subscription IT liability, the liability is remeasured and a corresponding adjustment is made to the subscription IT asset.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Expenses

Operating revenue consists primarily of rent and entrance fees. Revenue is recognized when earned. Rent received in advance of recognition is recorded as unearned revenue. Operating expenses consist primarily of costs that are incurred to maintain normal operations. Non-Operating revenue and expenses are not derived from operations and include interest income and gain and loss on sale of assets.

Compensated Absences

Authority employees are granted annual leave in varying amounts depending on tenure. Employees may carry over up to 75 days of annual leave at the end of the calendar year and will be compensated for unused leave when employees leave the Authority's service. However, an employee whose employment is terminated for unlawful behavior or for gross misconduct may forfeit all unused annual leave and all compensation for unused annual leave. Employees earn 15 days of sick leave per year. The estimated liability for vested vacation is recorded as a liability and charged to expense.

Accounts Receivable

Accounts receivable are uncollateralized obligations which generally require payment within 30 days from the invoice date. As of June 30, 2025, the Authority considered all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, the Authority reports a liability of its proportionate share of the net pension liability of the Maryland State Employees' Retirement System on the basis reported by the system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Deferred Inflows and Deferred outflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

The Authority recognized deferred inflows related to its net pension liability and lease receivables; a deferred outflow is reported related to its net pension liability.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash on Hand

As of June 30, 2025, petty cash on-hand totaled \$3,000, and gate receipts not yet deposited totaled \$700, for total cash on hand of \$3,700.

Deposits

As of June 30, 2025, the carrying amount of the Authority's deposits at the bank balance was \$12,568,102. The deposits of the Authority were not exposed to custodial credit risk as of June 30, 2025, because the Authority's deposits are pooled with the state's funds under the custody of the state treasurer. Collateral must be at least 102% of the book value and must be delivered to the state treasurer's custodian for safekeeping.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets, Nondepreciable					
Land	\$ 1,228,688	\$ -	\$ -	\$ -	\$ 1,228,688
Land held for development	2,227,404	-	-	-	2,227,404
Construction in progress	3,023,373	108,038	-	-	3,131,411
Total Capital Assets, Nondepreciable	6,479,465	108,038	-	-	6,587,503
Capital Assets, Depreciable					
Building and Improvements					
Henry Hein building and other	1,043,647	-	-	-	1,043,647
Wholesale Produce Market	20,664,227	9,675	-	-	20,673,902
Maryland Market Center	14,903,916	10,560	-	-	14,914,476
Storm water management pond	208,847	-	-	-	208,847
Truck wash	1,147,856	-	-	-	1,147,856
Cross dock	2,512,479	-	-	-	2,512,479
Rock Hall Clam House	1,177,403	-	-	-	1,177,403
Total building and improvements	41,658,375	20,235	-	-	41,678,610
Equipment - administrative	392,740	16,257	(1,243)	-	407,754
Equipment - produce and seafood	1,495,270	329,133	-	-	1,824,403
Total Capital Assets	50,025,850	473,663	(1,243)	-	50,498,270
Accumulated Depreciation					
Buildings and improvements	(24,514,115)	(1,205,154)	-	-	(25,719,269)
Equipment - administrative	(198,231)	(17,652)	1,077	-	(214,806)
Equipment - produce and seafood	(1,302,200)	(51,340)	-	-	(1,353,540)
Total Accumulated Depreciation	(26,014,546)	(1,274,146)	1,077	-	(27,287,615)
Total Capital Assets, Net	\$ 24,011,304	\$ (800,483)	\$ (166)	\$ -	\$ 23,210,655

The Authority owns approximately 14 acres which may be used for future development that is consistent with the Authority's mission. This land is recorded at cost and is included in land held for development.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2025 are as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Compensated absences	\$ 337,772	\$ -	\$ (12,007)	\$ 325,765	\$ 120,691
Workers' compensation	200,000	105,159	(158,159)	147,000	22,050
Tenant deposits	214,077	-	(1,533)	212,544	-
Net pension liability	2,966,159	822,065	-	3,788,224	-
Subscription liabilities	11,744	-	(9,386)	2,358	-
	<u>\$ 3,729,752</u>	<u>\$ 927,224</u>	<u>\$ (181,085)</u>	<u>\$ 4,475,891</u>	<u>\$ 142,741</u>

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters. The MFCA is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities, and certain employee health benefits. All funds, agencies, and authorities of the state participate in the Self-Insurance Program (the Program). The Program allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency, or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State of Maryland (the State) as a whole and makes provisions for catastrophic losses. For all insurance coverage except workers' compensation, the Authority has no liability for additional claims as of June 30, 2025. As of June 30, 2025, the State allocated a liability for workers' compensation claims to the Authority in the amount of \$147,000.

The program creates a total risk and cost sharing pool for all participants. In the event that the risk pool falls into a deficit that cannot be satisfied by transfers from the risk pool's capital and surplus accounts, the risk pool shall determine a method to fund the deficit. The Program could assess an additional premium to each participant, including the Authority. The Authority's management believes that an additional premium to fund a deficit would not be material. The Authority's premiums for fiscal years 2025 and 2024 were \$52,372 and \$32,606, respectively.

The following is the detail of Authority's activity for workers' compensation liability for the fiscal years ended June 30, 2025:

	2025
Beginning of year liability	\$ 200,000
Claims	105,159
Claim payments	(158,159)
End of year liability	<u>\$ 147,000</u>

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – RISK MANAGEMENT (CONTINUED)

A more complete description of the MFCA’s risk management program can be found in the State’s Annual Comprehensive Financial Report (ACFR). The ACFR may be obtained by writing to the State Comptroller, P.O. Box 466, Annapolis, Maryland 21404-0466.

NOTE 7 – LEASES

The Authority owns the Maryland Wholesale Produce Market, the Maryland Market Center, a tractor trailer parking facility and Rock Hall Clam House. The Authority also owns land at the Maryland Market Center that is leased under long-term ground leases. The Authority, acting as lessor, leases segregated units to area food or food-related businesses under long-term, non- cancellable lease agreements.

The leases expire at various dates through 2096 and provide renewal options ranging from 2 to 10 years. During the year ended June 30, 2025, the Authority recognized \$4,403,297 and \$1,052,129 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The future minimum lease payments to be received under the lease agreements are as follows:

June 30,	Principal	Interest	Total
2026	\$ 2,368,349	\$ 945,693	\$ 3,210,354
2027	2,454,781	830,654	3,182,923
2028	1,032,154	751,365	1,606,684
2029	1,082,264	701,255	1,606,684
2030	103,307	674,957	1,606,684
thereafter	16,013,677	33,456,668	47,710,184
Total	<u>\$ 23,054,532</u>	<u>\$ 37,360,592</u>	<u>\$ 58,923,513</u>

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 – RETIREMENT PLAN

Certain employees of the Authority are provided with pensions through the Employees' Retirement System of the State of Maryland (ERS), a cost-sharing multiemployer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of ERS to the MSRPS Board of Trustees. MSRPS prepares a separate Annual Comprehensive Financial Report (ACFR), which is publicly available and can be obtained at:

[Annual Comprehensive Financial Report | ACFR](#)

Benefits Provided

Funding Policy

The Authority's required contribution is based upon a percentage of covered payroll based on the State's allocation of its annual cost. The entry age normal cost method is the actuarial cost method used. Both the Authority and covered employees are required by State statute to contribute to the ERS. The employees contribute 7% of compensation, as defined, based on the participant's plan. The Authority made its required contribution during the fiscal year ended June 30, 2025 of \$443,082.

A member of the Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's the member's highest three-consecutive year average final salary (AFC) multiplied by the number of years of accumulated creditable service.

An individual, who is a member of the Employees' Retirement System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62 with specified years of eligibility service or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the Employees' Retirement System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the Employees' Retirement System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Employees' Retirement System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Employees' Retirement System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Employees' Retirement System.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Benefits Provided (Continued)

Funding Policy (Continued)

Exceptions to these benefit formulas apply to members of the Employees' Retirement System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement

A member of the Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for the Employees' Retirement System member is 30%.

An individual, who is a member of the Employees' Retirement System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Employees' Retirement System is 42%. An individual who becomes a member of the Employees' Retirement System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Employees' Retirement System is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after five years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating five years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 – RETIREMENT PLAN (CONTINUED)

Contributions

The Article sets contribution requirements of the active employees, and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The Authority’s contractually required contribution rate for ERS for the year ended June 30, 2025 was \$443,082, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2025, the Authority reported a liability of \$3,788,224 for its proportionate share of the ERS net pension liability. The ERS net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the ERS net pension liability was based on the Authority’s share of contributions to the pension plan relative to the contributions of all participating government units, actuarially determined.

As of June 30, 2024, the Authority’s proportion for ERS was 0.01% compared to 0.01% percentage as of June 30, 2023.

For the year ended June 30, 2025, the Authority recognized pension expense of \$284,275 and is included in Salaries, wages, and related costs. As of June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 118,159	\$ -
Net difference between project and actual earnings on pension plan investments	-	5,861
Net difference between actual and expected experience	300,943	-
Change in proportion	-	10,900
Contributions subsequent to the measurement date	443,082	-
Total	\$ 862,184	\$ 16,761

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 – RETIREMENT PLAN (CONTINUED)

As of June 30, 2025, \$443,082 was reported as deferred outflow of resources related to the Authority’s contributions subsequent to the measurement date that will be recognized as a reduction of the Authority’s net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS will be recognized in pension expense over the next five years.

Information Included in the MSRPS Financial Statements

The key assumptions used to perform the June 30, 2024, pension liability calculation was as follows:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.25% General, 2.75% Wage.
Salary Increase	2.75% to 11.25%.
Discount Rate	6.80% in 2024 and 2023
Investment Rate of Return	6.80% in 2024 and 2023
Mortality	RP-2014 Mortality Tables with Generational Mortality Projections Using Scale MP- 2014, Calibrated to MSRPS experience

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at:

www.sra.state.md.us/Agency/Downloads/ACFR/.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Authority’s proportionate share of the ERS net pension liability calculated using the discount rate of 6.80% is \$3,788,224. Additionally, the Authority’s proportionate share of the ERS net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) is \$5,505,596 or 1-percentage-point higher (7.80%) is \$2,356,673.

Members of the State Retirement and Pension System of Maryland (the State System) and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (the Plan), which is administered by the Secretary of the Department of Budget and Management (Secretary). The Plan is a single- employer, cost sharing defined benefit healthcare plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug, and dental insurance benefits to eligible state employees, retirees and their dependents. The State does not distinguish employees by employer/State agency. Instead, the State allocates the postemployment health care costs to all participating employers.

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

The Authority's employees are members of the State Employee and Retiree Health and Welfare Benefits Program (the Plan). For members hired before July 1, 2011, members may enroll and participate in the health benefits options if the retiree ended State service with at least 10 years of creditable service within five years before the age at which a vested retirement allowance would begin or if the retiree ended State service with at least 16 years of creditable service or to retire directly from State service with at least five years of creditable service.

For members hired on or after July 1, 2011, they are required to have completed at least 25 years of creditable service, retired directly from State service with at least 10 years of creditable service, or ended State service with at least 10 years of creditable service within five years before the age at which a vested retirement allowance normally would begin.

Funding Policy

The contribution requirements of Plan members are established by the Secretary. The State subsidizes approximately 50% to 85% of covered medical, dental, prescription, and hospitalization costs, depending on the type of insurance plan. Costs for the postretirement benefits are for State retirees and primarily funded by the State. The State does not distinguish employees by employer/State agency. The State did not allocate postemployment health care costs to participating employers and as a result did not require a contribution from the Authority. As such, the State has elected to maintain the entire net OPEB liability as a liability of the general fund of the State and has not allocated any balances to State entities including the Authority.

A separate actuarial valuation is not performed by the Authority. The Authority's only obligation to the Plan is its required annual contribution. The Authority contributed \$165,036 to the retirees' postemployment benefits for the fiscal year ended June 30, 2025, which was based on the retiree's current health insurance premiums. As of June 30, 2025, the state of Maryland did not allocate the net postemployment liability and, as such, the Authority is not required to record a liability.

Financial information for the State of Plan is included in the State of Maryland ACFR, which can be obtained from the Comptroller of Maryland, Louis L. Goldstein Treasury Building, Annapolis, Maryland 21404. The report can also be found at the following link:

<https://www.marylandcomptroller.gov/content/dam/mdcomp/md/reports/financial/acfr2024.pdf>

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 – DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code 457. The Plan is offered through the State. The Plan, available to all State employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan is accounted for by the State of Maryland. Investments are managed by the Plan’s third-party administrator under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. The State has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. A more complete description of the State’s deferred compensation plans may be found in the State’s ACFR.

NOTE 11 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

MFCA has noncancelable subscription arrangements for the right to use various information technology hardware and software (subscription IT arrangements).

Subscription IT assets

A summary of subscription IT asset activity during the year ended June 30, 2025, is as follows:

	Beginning Balances	Additions	Reductions	Ending Balances
Subscription IT assets	\$ 29,146	\$ -	\$ -	\$ 29,146
Less: accumulated amortization	(17,180)	-	(9,715)	(26,895)
Subscription IT assets, net	\$ 11,966	\$ -	\$ (9,715)	\$ 2,251

Subscription IT liabilities

A summary of changes in the related subscription IT liabilities during the year ended June 30, 2025, is as follows:

	Beginning Balances	Additions	Reductions	Ending Balances
Subscription IT liabilities	\$ 11,744	\$ -	\$ (9,386)	\$ 2,358

MARYLAND FOOD CENTER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2025, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

MARYLAND FOOD CENTER AUTHORITY
June 30, 2025
*Schedule of Proportionate Share of Net Pension Liability
and Schedule of Pension Contributions*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the ERS net pension liability	0.010%	0.010%	0.010%	0.011%	0.012%	0.012%	0.012%	0.009%	0.009%
Proportionate share of the ERS net pension liability	\$ 3,788,224	\$ 2,966,159	\$ 2,247,425	\$ 1,763,582	\$ 1,763,582	\$ 2,240,654	\$ 2,290,570	\$ 1,913,294	\$ 2,024,355
Covered payroll	\$ 1,815,971	\$ 1,638,194	\$ 1,396,510	\$ 1,389,938	\$ 1,347,857	\$ 1,226,943	\$ 1,130,893	\$ 1,089,873	\$ 1,119,467
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	208.61%	181.06%	160.93%	126.88%	130.84%	182.62%	202.55%	175.55%	180.83%
Plan fiduciary net position as a percentage of the total pension liability	76.77%	76.77%	76.77%	66.29%	66.29%	67.98%	69.38%	65.79%	65.79%

SCHEDULE OF PENSION CONTRIBUTIONS

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution (ERS)	\$ 443,082	\$ 390,864	\$ 352,812	\$ 294,679	\$ 224,062	\$ 224,062	\$ 232,972	\$ 217,241	\$ 215,601
Contributions related to the contractually required contribution	<u>(443,082)</u>	<u>(390,864)</u>	<u>(352,812)</u>	<u>(294,679)</u>	<u>(224,062)</u>	<u>(224,062)</u>	<u>(232,972)</u>	<u>(217,241)</u>	<u>(215,601)</u>
Contribution deficiency (excess)	<u>-</u>								
Covered payroll	\$ 2,006,660	\$ 1,815,971	\$ 1,638,194	\$ 1,396,510	\$ 1,389,938	\$ 1,347,857	\$ 1,226,943	\$ 1,130,893	\$ 1,089,873
Contributions as a percentage of covered-employee payroll	22.08%	21.52%	21.54%	21.10%	16.12%	16.62%	18.99%	19.21%	19.78%

SUPPLEMENTARY INFORMATION

MARYLAND FOOD CENTER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2025
(SEE INDEPENDENT AUDITOR'S REPORT)

	GAAP Operating Income	Less - Non-Cash GAAP Adjustments	Adjusted Operating Income
Operating Revenues			
Rental revenue and charges for services	\$ 5,211,100	\$ 988,868	\$ 6,199,968
Lease interest revenue	1,052,129	(1,052,129)	-
Direct finance lease interest revenue	199,754	(199,754)	-
Other income	138,702	-	138,702
Total Operating Revenues	<u>6,601,685</u>	<u>(263,015)</u>	<u>6,338,670</u>
Operating Expenses			
Salaries, wages, and related costs	3,480,755	(284,275)	3,196,480
Depreciation	1,274,146	-	1,274,146
Contractual services	675,717	-	675,717
Taxes	326,959	-	326,959
Bad debt	211,949	-	211,949
Fuel and utilities	162,014	-	162,014
Vehicle operation	91,100	-	91,100
Technical and special fees	76,232	-	76,232
Fixed charges	49,131	-	49,131
Communication	28,955	-	28,955
Supplies and materials	50,022	-	50,022
Equipment charges	16,198	-	16,198
Travel	8,108	-	8,108
Total Operating Expenses	<u>6,451,286</u>	<u>(284,275)</u>	<u>6,167,011</u>
Operating Income	<u>\$ 150,399</u>	<u>\$ 21,260</u>	<u>\$ 171,659</u>

Note: The schedule only includes pension expense related to actual contributions to the plan. Pension expense related to the changes in deferred outflows and inflows of resources are not reflected in the schedule. This schedule also excludes the rent changes as a result of GASB87 and Adjusted Operating Income only includes monthly rent actually collected and related to the actual lease.

MARYLAND FOOD CENTER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2025
(SEE INDEPENDENT AUDITOR'S REPORT)

	Administrative Operating Accounts	Wholesale Produce Market Operating Accounts	Maryland Market Center Operating Accounts	Capital Improvements	Total
Operating Revenue					
Rental revenue and charges for services	\$ 2,686,218	\$ 1,060,957	\$ 656,121	\$ -	\$ 4,403,296
Lease interest revenue	1,052,129	-	-	-	1,052,129
Direct finance lease interest revenue	199,754	-	-	-	199,754
Entrance fees	-	615,519	128,042	-	743,561
Registration	-	10,035	4,360	-	14,395
Railroad	-	2,340	-	-	2,340
Miscellaneous	47,508	-	-	-	47,508
Other income	137,429	1,071	202	-	138,702
Total operating revenue	\$ 4,123,038	\$ 1,689,922	\$ 788,725	\$ -	\$ 6,601,685
Operating Expenses					
Salaries, wages, and related costs	1,751,764	1,180,175	548,816	-	3,480,755
Depreciation	17,651	38,473	12,868	1,205,154	1,274,146
Contractual services	188,413	216,278	130,759	140,267	675,717
Bad debt	211,949	-	-	-	211,949
Taxes	326,959	-	-	-	326,959
Fuel and utilities	35,866	103,343	22,805	-	162,014
Vehicle operation	2,632	65,248	23,220	-	91,100
Technical and special fees	40,418	18,154	17,660	-	76,232
Fixed charges	5,486	33,107	10,538	-	49,131
Communication	10,157	10,911	7,887	-	28,955
Supplies and materials	23,128	15,854	11,040	-	50,022
Equipment charges	6,504	7,121	2,573	-	16,198
Travel	6,291	1,258	559	-	8,108
Total Operating Expenses	2,627,218	1,689,922	788,725	1,345,421	6,451,286
Operating Income (Loss)	1,495,820	-	-	(1,345,421)	150,399
Nonoperating Revenue (Expense)					
Loss on sale of equipment	(166)	-	-	-	(166)
Loss on termination of lease	(29,587)	-	-	-	(29,587)
Interest income on funds held in general fund	917,810	-	-	-	917,810
Total Nonoperating Revenue (Expenses)	888,057	-	-	-	888,057
Net Income (Loss)	\$ 2,383,877	\$ -	\$ -	\$ (1,345,421)	\$ 1,038,456

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Maryland Food Center Authority
Jessup, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Maryland Food Center Authority (the “Authority”), which comprise the statement of net position as of June 30, 2025, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 25, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

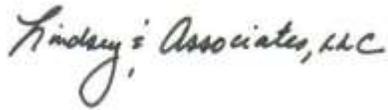
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Timothy J. Associates, LLC".

September 25, 2025