

Maryland Bankers Association

Consolidated Financial Report

December 31, 2024

Maryland Bankers Association, Inc. and Subsidiary

Contents

Independent Auditor’s Report	1
------------------------------------	---

Consolidated Financial Statements

Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Financial Statements.....	8

Supplementary Information

Consolidating Statement of Financial Position	16
Consolidating Statement of Activities	17
MBA General Fund - Statement of Activities	18
MBA Solutions - Statement of Income	19



Independent Auditor's Report

To the Audit Committee of the Board of Directors of
Maryland Bankers Association, Inc.
Annapolis, Maryland

Opinion

We have audited the accompanying consolidated financial statements of Maryland Bankers Association, Inc. (a nonprofit organization) and its subsidiary (the "Association"), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the six months then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2024, and the changes in its net assets and its cash flows for the six months 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. 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 Association 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 consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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, 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 consolidated financial statements.

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 consolidated 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 consolidated 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 Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CERTIFIED PUBLIC ACCOUNTANTS

Glen Allen, Virginia

DATE

Consolidated Financial Statements

Maryland Bankers Association, Inc. and Subsidiary

Consolidated Statement of Financial Position

December 31, 2024

ASSETS

Cash and cash equivalents	\$	460,740
Investments		614,402
Accounts receivable		32,927
Income taxes receivable		2,705
Prepaid expenses		44,907
Property and equipment, net		15,664
Retirement benefits		116,665
Right-of-use asset - operating lease		243,552
Deferred income taxes		3,154
	\$	1,534,716

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	51,292
Deferred revenue		464,147
Retirement liability		116,665
Operating lease liability		246,175
Total liabilities		878,279

NET ASSETS WITHOUT DONOR RESTRICTIONS

	656,437
\$	1,534,716

Maryland Bankers Association, Inc. and Subsidiary

Consolidated Statement of Activities

Six Months Ended December 31, 2024

REVENUE

Membership dues	\$ 639,836
Education and conference revenue	290,258
Product and endorsement revenue	53,115
Other revenue	31,833
Investment income, net	28,020
Royalties	14,785
Income tax benefit	5,859
Total revenue	<u>1,063,706</u>

OPERATING EXPENSES

Salaries and benefits	285,705
Education and conferences	199,214
Professional fees	167,657
Other operating expenses	98,609
Occupancy	55,772
Office expenses	43,489
Travel and education	27,521
Insurance	5,395
Depreciation	3,360
Meetings	1,910
Total operating expenses	<u>888,632</u>
Change in net assets - without donor restrictions	<u>175,074</u>

NET ASSETS

Net assets - without donor restrictions, beginning	481,363
Net assets - without donor restrictions, ending	<u><u>\$ 656,437</u></u>

Maryland Bankers Association, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Six Months Ended December 31, 2024

	Program Services		Support Services	Total Expenses
	Advocacy and Communication	Products and Services	Administrative	
Salaries and benefits	\$ 181,551	\$ 71,737	\$ 32,417	\$ 285,705
Education and conferences	-	199,214	-	199,214
Professional fees	157,747	9,910	-	167,657
Other operating expenses	65,244	23,205	10,160	98,609
Occupancy	35,440	14,004	6,328	55,772
Office expenses	24,458	14,664	4,367	43,489
Travel and education	17,488	6,910	3,123	27,521
Insurance	3,409	1,986	-	5,395
Depreciation	3,360	-	-	3,360
Meetings	829	1,081	-	1,910
	<u>\$ 489,526</u>	<u>\$ 342,711</u>	<u>\$ 56,395</u>	<u>\$ 888,632</u>

Maryland Bankers Association, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Six Months Ended December 31, 2024

OPERATING ACTIVITIES

Change in net assets	\$ 175,074
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:	
Depreciation	3,360
Amortization of right-of-use asset - operating lease	59,067
Realized gain on sale of investments	(14,628)
Net appreciation in the fair value of investments	(405)
Deferred income taxes	(3,154)
Changes in operating assets:	
Accounts receivable	90,659
Income taxes receivable	(2,705)
Prepaid expenses	5,380
Retirement benefits	(32,999)
Changes in operating liabilities:	
Accounts payable and accrued expenses	(135,462)
Deferred revenue	(322,833)
Retirement liability	2,999
Operating lease liability	(61,008)
Net cash and cash equivalents used in operating activities	<u>(236,655)</u>

INVESTING ACTIVITIES

Purchase of investments	(50,572)
Proceeds from the sale of investments	46,150
Net cash and cash equivalents used in investing activities	<u>(4,422)</u>
Net decrease in cash and cash equivalents	(241,077)

CASH AND CASH EQUIVALENTS

Beginning	701,817
Ending	<u><u>\$ 460,740</u></u>

Maryland Bankers Association, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024

Note 1 – Nature of Organization

Maryland Bankers Association (MBA), founded in 1896, is a not-for-profit Maryland nonstock corporation organized under the Mid-Atlantic Bankers Association holding company engaged in activities to promote and protect the interests of banking and financial institutions in the State of Maryland. MBA is a membership organization which derives its revenue from membership dues and various conferences and seminars conducted throughout the year. Other banking support is provided through a wholly owned for-profit subsidiary, MBA Solutions (trade name for Maryland Bank Services, Inc.).

MBA Solutions, founded in 1995, is incorporated in the State of Maryland. Its primary mission is to introduce products and services to members of MBA that provide new income opportunities, offer cost savings, and help banks stay in regulatory compliance. To accomplish the mission, MBA Solutions provides product endorsements to MBA member banks.

MBA and its subsidiary are collectively referred to herein as the "Association".

The Association approved a change in its fiscal year end from June 30th to December 31st. As a result of the change the financial statements herein are presented over a six month period. The Association resumed a twelve month report cycle beginning January 1, 2025. The change in the fiscal year also resulted in the filing of additional returns with the Internal Revenue Service for the period covering July 1, 2024 through December 31, 2024.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Association prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, which include using the accrual basis of accounting.

Consolidation

The consolidated financial statements include the accounts of MBA and its subsidiary. All significant inter-company transactions and balances have been eliminated in consolidation. Net assets are reported as without donor restrictions since they are available at the discretion of the Board of Directors for use in the Association's operations.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all highly liquid investment instruments with an original maturity at purchase of three months or less to be cash equivalents. The Association, at times, may have cash and investments in excess of insured limits. The Association's cash and investments are in institutions whose credit ratings are monitored by management to minimize the concentrations of credit risk. Cash and cash equivalents does not include amounts that are part of managed investments.

Maryland Bankers Association, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024

These amounts are included with investments on the consolidated statement of financial position. At December 31, 2024, the Association had balances included in cash and cash equivalents that were in excess of insured limits.

Investments

Investments include mutual funds and exchange traded funds. These investments are measured at fair value. Dividends and interest are recorded as revenue when earned. Gains and losses on sales of securities are calculated using the specific identification methods and recorded on the trade date.

The Association also has an investment in common stock of a privately held entity in the banking industry, Compliance Alliance, which is held at cost. At December 31, 2024, the Association's investment in Compliance Alliance was \$10,050. As the Compliance Alliance investment is held at cost, it is excluded from the fair value hierarchy at Note 5.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are generally extended on a short-term basis and, therefore, do not bear interest. The Association evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, industry trends, and other internal and external factors. On a continuing basis, the aging of accounts receivable is monitored to evaluate the adequacy of the allowance for credit losses. Accounts receivable are written off against the allowance when determined to be uncollectible. In management's opinion, no allowance was considered necessary at December 31, 2024.

Property and Equipment

Property and equipment are stated at cost. Major repairs and betterments are capitalized, and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Net Assets

The consolidated financial statements report amounts separately by class of net assets as follows:

Net assets without donor restriction are those available for use at the discretion of the Board of Directors for use in the Association's operations and those resources invested in property and equipment. All net assets without donor restrictions are undesignated as of December 31, 2024. There are no board designated net assets.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that they be maintained permanently by the Association to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation. The Association had no net assets with donor restrictions at December 31, 2024.

Maryland Bankers Association, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024

Revenue Recognition

Revenue is generated through membership dues, products and endorsements, and educational training seminars sponsored by the Association. Dues revenue is recorded as earned on a pro rata basis over the Association's fiscal year.

The Association follows FASB guidance Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 affects any entity that enters into contracts with customers to transfer goods or services. The standard's core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services.

The Association recognizes the majority of its revenue, other than educational and conferences, over time. Economic factors may impact the nature, amount, and timing of revenue recognition.

Membership Dues

The Association provides services for its members in the forms of communication, member relations, and government relations. Fees associated with these services are billed as part of membership dues each year. The performance obligation for providing these services is satisfied over time (the calendar year) because the members are continually receiving and consuming the benefits as they are provided by the Association each month. Therefore, revenue related to dues is recognized during the calendar year, which is equivalent, annually, to recognizing the dues monthly, or over time.

Product and Services Revenue

The Association earns a fee for products and services related to various banking products and service providers. The revenue is recognized when the purchase transaction is complete.

Educational and Conference Revenue

The Association earns revenues related to registration fees and educational program or event fees. The performance obligation for providing these classes or events is satisfied at a point in time, the day of the class or event. Therefore, revenue related to classes and events is recognized on the day that the class or event is completed.

Revenue – Over Time and Point in Time

Total program revenue recognized at a point in time and over time for the six months ended December 31, 2024 is as follows:

Revenue recognized at a point in time	\$	389,991
Revenue recognized over time		639,836
	\$	<u><u>1,029,827</u></u>

Maryland Bankers Association, Inc. and Subsidiary**Notes to Consolidated Financial Statements****December 31, 2024****Contract Assets and Liabilities**

Contract assets relate to the Association's conditional right to payment for performance completed to date under a contract. Accounts receivable is recorded when the right to payment becomes unconditional. Contract liabilities represent the Association's obligation to transfer goods or services to a customer when the customer prepays consideration for goods and services. The Association has no contract assets at December 31, 2024 and July 1, 2024. The Association has contract liabilities of \$464,147 at December 31, 2024, and \$786,980 at July 1, 2024, which are recorded as deferred revenue on the accompanying consolidated statement of financial position.

Functional Allocation of Expenses

The accompanying consolidated statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on time and effort or the proportion of employees within a program or other supporting service versus the total organizational employee count.

Income Taxes

MBA, which is not classified as a private foundation, is recognized as exempt from Federal and State income taxes under section 501(c)(6) of the Internal Revenue Code (IRC) and similar state statutes relating to not-for-profit organizations. The consolidated financial statements provide for income taxes for its for-profit subsidiary, MBA Solutions. MBA Solutions files separate federal and state income tax returns.

Advertising Expense

Advertising costs are expensed as incurred and amounted to \$5,000 for the six months ended December 31, 2024.

Note 3 – Investment Income

Net investment income consisted of the following for the six months ended December 31, 2024:

Interest and dividends on investments	\$	16,805
Unrealized gains		405
Realized gain on investments		14,628
Investment expenses		(3,818)
	\$	28,020

Note 4 – Liquidity and Availability

The following table reflects the Association's financial assets as of December 31, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Maryland Bankers Association, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024

Financial assets:	
Cash and cash equivalents	\$ 460,740
Investments	614,402
Accounts receivable	32,927
Income taxes receivable	2,705
Retirement benefits	116,665
Financial assets, at year-end	1,227,439
Less those unavailable for general expenditure within one year, due to:	
Retirement benefits designated for future retirement liabilities	(116,665)
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,110,774</u></u>

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Also, to manage liquidity, the Association maintains a line of credit of \$250,000 with a financial institution that is drawn upon as needed during the year to manage cash flow. See Note 7 for further description of the line of credit.

Note 5 – Fair Value Measurements

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.
- Level 2** Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3** Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The fair values of equity investments (equities and mutual funds) that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024.

Investment Funds: Valued at the deposit amount.

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange Traded Funds: Valued at the closing price reported on the active market on which similar securities are traded.

Maryland Bankers Association, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Investments funds	\$ 10,324	\$ -	\$ -	\$ 10,324
Mutual funds	480,925	-	-	480,925
Exchange traded funds	113,103	-	-	113,103
Subtotal investments at fair value	604,352	-	-	604,352
Retirement benefits	116,665	-	-	116,665
Total assets at fair value	<u>\$ 721,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 721,017</u>

The following table sets forth by level, within the fair value hierarchy, the Association's liabilities at fair value as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Retirement liability	<u>\$ 116,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,665</u>

Note 6 – Property and Equipment

Property and equipment consisted of the following for the six months ended December 31, 2024:

Furniture and fixtures	\$ 296,103
Accumulated depreciation	(280,439)
	<u>\$ 15,664</u>

Depreciation expense was \$3,360 for the six months ended December 31, 2024.

Note 7 – Line of Credit

On February 16, 2023 the Association entered into a line of credit with M&T Bank in the amount of \$250,000. The line of credit is due on demand and is collateralized by virtually all of the assets of the Association with interest at one-month SOFR plus 3.36% (effectively 7.85% at December 31, 2024) or a floor of 4%. There was no amount outstanding on the line of credit at December 31, 2024.

Note 8 – Leases – Lessee

The Association leases an office building with optional additional terms which can extend the initial lease term. The exercise of this renewal option is at the sole discretion of the Association. Only lease renewal options that the Association believes are reasonably certain to exercise are included in the measurement of the lease asset and liability.

Maryland Bankers Association, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024

While the agreement provides for minimum lease payments, some variable payments may be included based on usage and other factors. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease asset and liability. The lease agreement does not include any material residual value guarantees or restrictive covenants.

The component of operating lease expense that is included in “occupancy” in the consolidated statement of activities for the six months ended December 31, 2024, is as follows:

Operating lease cost	\$	55,772
----------------------	----	--------

The weighted-average lease term and discount rate as of December 31, 2024, are as follows:

Weighted-average remaining lease term	2.25 years
Weighted-average discount interest rate	8.68%

The discount rates is generally based on estimates of the Association’s incremental borrowing rate, as the discount rates implicit in the Association’s lease cannot be readily determined.

The maturity of the operating lease liability as of December 31, are as follows:

2025	\$	118,022
2026		121,563
2027		30,614
Total lease payments		270,199
Less: Interest		(24,024)
Present value of lease liability	\$	<u>246,175</u>

Note 9 – Retirement Plans

Supplemental Retirement Plan

The Association has a Supplemental Retirement Plan for its former President and Chief Executive Officer. The Association established a Rabbi Trust to assist in the administration of the plan. The Supplemental Retirement Plan meets the requirements of Section 457 of the *Internal Revenue Code*, as amended, and qualifies as a “top-hat” deferred compensation plan. The assets of the Plan and the corresponding liability are included in the consolidated financial statements of the Association. Until the Plan’s benefits are paid, creditors could make claims against the trust’s assets if the Association became insolvent. The balance of the asset and liability at December 31, 2024 was \$116,665. There were no contributions to the plan during the six months ended December 31, 2024.

Defined Contribution Plan

The Association has a 401(k) profit sharing plan for substantially all of their employees. The total amount contributed to the plan was \$5,721 for the six months ended December 31, 2024.

Note 10 – Related Party Transactions

The Association paid \$89,950 in shared service fees to Virginia Bankers Association, an affiliated company organized under the Mid-Atlantic Bankers Association holding company. The fees have been included as “other operating expenses” on the consolidated statement of activities.

Maryland Bankers Association, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024

The Association had assets held in a Rabbi Trust maintained through a bank that has a member on the board of directors. The assets held in the Rabbi Trust were \$116,665 at December 31, 2024. The Association also maintains a line of credit and its bank accounts with banks that have members on the board of directors.

Note 11 – Income Taxes

Deferred income taxes result primarily from net operating loss carryovers, which are recognized in the consolidated financial statements in periods different from when they are recognized for tax purposes.

Deferred income taxes include the following component at December 31:

Deferred tax asset	\$	3,154
--------------------	----	-------

Income tax benefit consists of the following for the years ended December 31:

Current tax benefit	\$	2,705
Deferred tax benefit		3,154
	\$	<u>5,859</u>

The tax effects of temporary differences that give rise to the deferred tax asset consisted of the following at year end:

Net operating loss	\$	3,154
--------------------	----	-------

The Association's effective tax rate differs from the federal statutory rate of 21% primarily due to state taxes and certain nondeductible expenses.

Note 12 – Subsequent Events

In January 2025, a lawsuit was filed against the Association alleging breach of contract and the plaintiff is seeking \$321,000 in severance and all available relief under the Maryland Wage Payment and Collection Law.

The Association's insurance carrier is providing legal counsel to defend the Association. Management refutes each claim made by the plaintiff and it is the opinion of management and the Association's legal counsel that the lawsuit is without factual and legal merit. Additionally, the Association filed a countersuit against the plaintiff alleging breach of fiduciary duty, fraud, negligent misrepresentation, unjust enrichment, and breach of contract. Management is not able at this time to predict the ultimate outcome of this litigation or accurately estimate the amount of an adverse judgment, if any, or the extent to which any such adverse judgment would be covered by insurance. Therefore, no amount attributable to this litigation has been accrued in the consolidated financial statements.

Management has evaluated subsequent events through _____, the date which the consolidated financial statements were available for issue.

Supplementary Information

Maryland Bankers Association, Inc. and Subsidiary

Consolidating Statement of Financial Position

December 31, 2024

	MBA General Fund	MBA Solutions	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 397,491	\$ 63,249	\$ -	\$ 460,740
Investments	604,352	10,050	-	614,402
Accounts receivable	7,410	38,191	(12,674)	32,927
Income taxes receivable	-	2,705	-	2,705
Prepaid expenses	44,907	-	-	44,907
Property and equipment, net	15,664	-	-	15,664
Investment in subsidiary	111,724	-	(111,724)	-
Retirement benefits	116,665	-	-	116,665
Right-of-use asset - operating lease	243,552	-	-	243,552
Deferred income taxes	-	3,154	-	3,154
	<u><u>\$ 1,541,765</u></u>	<u><u>\$ 117,349</u></u>	<u><u>\$ (124,398)</u></u>	<u><u>\$ 1,534,716</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	\$ 58,591	\$ 5,375	\$ (12,674)	\$ 51,292
Deferred revenue	463,897	250	-	464,147
Retirement liability	116,665	-	-	116,665
Operating lease liability	246,175	-	-	246,175
Total liabilities	<u>885,328</u>	<u>5,625</u>	<u>(12,674)</u>	<u>878,279</u>
NET ASSETS				
Net assets - without donor restrictions	656,437	111,724	(111,724)	656,437
	<u><u>\$ 1,541,765</u></u>	<u><u>\$ 117,349</u></u>	<u><u>\$ (124,398)</u></u>	<u><u>\$ 1,534,716</u></u>

Maryland Bankers Association, Inc. and Subsidiary

Consolidating Statement of Activities

Six Months Ended December 31, 2024

	MBA General Fund	MBA Solutions	Eliminations	Total
REVENUE				
Membership dues	\$ 639,836	\$ -	\$ -	\$ 639,836
Education and conference revenue	290,258	-	-	290,258
Product and endorsement revenue	-	53,115	-	53,115
Other revenue	22,358	29,475	(20,000)	31,833
Investment income, net	28,020	-	-	28,020
Royalties	14,785	-	-	14,785
Income from subsidiary	36,293	-	(36,293)	-
Income tax benefit	-	5,859	-	5,859
Total revenue	<u>1,031,550</u>	<u>88,449</u>	<u>(56,293)</u>	<u>1,063,706</u>
OPERATING EXPENSES				
Salaries and benefits	260,350	25,355	-	285,705
Education and conferences	199,214	-	-	199,214
Professional fees	162,657	5,000	-	167,657
Other operating expenses	97,889	20,720	(20,000)	98,609
Occupancy	55,772	-	-	55,772
Office expenses	43,489	-	-	43,489
Travel and education	27,521	-	-	27,521
Insurance	5,395	-	-	5,395
Depreciation	3,360	-	-	3,360
Meetings	829	1,081	-	1,910
Total operating expenses	<u>856,476</u>	<u>52,156</u>	<u>(20,000)</u>	<u>888,632</u>
Change in net assets - without donor restrictions	175,074	36,293	(36,293)	175,074
NET ASSETS - without donor restrictions				
Beginning	481,363	75,431	(75,431)	481,363
Ending	<u>\$ 656,437</u>	<u>\$ 111,724</u>	<u>\$ (111,724)</u>	<u>\$ 656,437</u>

Maryland Banker's Association, Inc. and Subsidiary

MBA General Fund - Statement of Activities

Six Months Ended December 31, 2024

REVENUE

Membership dues	\$ 639,836
Education and conference revenue	290,258
Investment income, net	28,020
Royalty revenue	14,785
Other revenue	22,358
Income from subsidiary	36,293
Total revenue	<u>1,031,550</u>

OPERATING EXPENSES

Salaries and benefits	260,350
Education and conference expenses	199,214
Occupancy	55,772
Office expenses:	
Membership and public relations	28,149
Postage	265
Property taxes and business license	1,414
Supplies and maintenance	5,038
Telephone	8,623
Professional fees:	
Audit and tax	20,000
Legal and professional	142,657
Meetings	829
Insurance	5,395
Travel and education:	
Travel	22,906
Training and education	4,615
Depreciation	3,360
Other operating expenses	97,889
Total operating expenses	<u>856,476</u>
Change in net assets - without donor restrictions	<u><u>\$ 175,074</u></u>

Maryland Banker's Association, Inc. and Subsidiary

MBA Solutions - Statement of Income

Six Months Ended December 31, 2024

REVENUE

Product and endorsement revenue	\$ 53,115
Other revenue	29,475
Income tax benefit	5,859
Total revenue	<u>88,449</u>

OPERATING EXPENSES

Salaries and benefits	25,355
Professional fees	5,000
Meetings	1,081
Other operating expenses	20,720
Total operating expenses	<u>52,156</u>
Net income	<u><u>\$ 36,293</u></u>