MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

Financial Statements Together with Reports of Independent Public Accountants

For the Years Ended December 31, 2022 and 2021

SB & COMPANY, LLC
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DECEMBER 31, 2022 AND 2021

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
Maryland Small Business Retirement Savings Program

Report on the Audit of the Financial Statements

We have audited the accompanying statement of net position of the Maryland Small Business Retirement Savings Program and its fiduciary fund (the Program) as of December 31, 2022, the related statements of revenue, expenses and changes in net position and cash flows, where applicable, for the year then ended and the related notes to the financial statements, which collectively comprise the Program's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net position of the Program as of December 31, 2022, and the respective changes in its financial position and its cash flows, where applicable, 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 (GAAS) 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 Program 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.

Other Matter

The financial statements of the Program as of and for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on May 13, 2022.

Responsibilities of Management for the Financial Statements

The Program's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 GAAS 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 controls 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 Program's internal controls. 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 Program'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 controls–related matters that we identified during the audit.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated July 26, 2023 on our consideration of the Program's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Owings Mills, Maryland
July 26, 2023

SB + Company, LLC

Management's Discussion & Analysis
December 31, 2022

Overview of the Financial Statements and Financial Analysis

The Maryland Small Business Retirement Program's (the Program) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Program's financial activity, (c) identify changes in the Program's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Program's financial statements.

Financial Highlights

- The Program's net position decreased by $601,022, and $1.021 million in 2022 and 2021, respectively. Net position was ($3.3) million, ($2.7) million, and ($1.7) million as of December 31, 2022, 2021, and 2020, respectively.

- Revenue increased by $251,775 during 2022 and decreased by $10,406 during 2021, and was $252,201, $426, and $10,832 for the years ended December 31, 2022, 2021, and 2020, respectively.

- The total expenses decreased $168,555 during 2022 and increased $96,141 during 2021. Total expenses were $852,529, $1.021 million, and $925,637 for the years ended December 31, 2022, 2021, and 2020, respectively.

- The Program went live on a pilot basis in August 2020, and became fully operational as of September 15, 2022. The Program's Trust Fund, which consists of the Program participants' IRA account balances, held a total of $204,526 as of December 31, 2022.

Statement of Net Position

These financial statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Program. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the Program. Net Position (formerly equity) is reported in three broad categories.

Management's Discussion & Analysis
December 31, 2022

Statement of Net Position (continued)

Net investment in capital assets: This component of net position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of net position that do not meet the definition of "Investment in Capital Assets, Net of Related Debt" or "Restricted Net Position".

Statement of Revenue, Expenses, and Change in Net Position

The financial statements also include a Statement of Revenue, Expenses and Changes in Net Position. This Statement includes operating revenue, such as operating grants, service fees, operating expenses, such as salaries, wages, and benefits, marketing and general, and non-operating revenue and expenses, investment income and interest expense.

The focus of the Statement of Revenue, Expenses and Change in Net Position is the change in net position, which is similar to net income or loss.

Statement of Cash Flows

A Statement of Cash Flows is included, which discloses net cash from operating activities, capital and related financing activities, noncapital and related financial activities, and investing activities.

The Program's Operations

The Program was established to administer a retirement savings program for Maryland employees of employers that do not offer workplace retirement savings programs. By design, the Program did not collect any fees from program participants for the first year of operations. The Program has relied solely on loans and/or grants from the State to fund startup operational costs.

Management's Discussion & Analysis
December 31, 2022

Administrative Financial Highlights

The following table provides a comparative summary and an analysis of the Program's assets, liabilities and net position as of December 31:

	As of December 31,			2022 - 2021	2021 - 2020
	2022	2021	2020	Variance	Variance
Current assets	**$ 1,668,892**	$ 442,556	$ 1,537,316	**$ 1,226,336**	$ (1,094,760)
Noncurrent assets	**22,800**	36,749	3,145	**(13,949)**	33,604
Total Assets	**1,691,692**	479,305	1,540,461	**1,212,387**	(1,061,156)
Current liabilities	**96,369**	69,027	130,306	**27,342**	(61,279)
Noncurrent liabilities	**4,912,342**	3,126,275	3,104,800	**1,786,067**	21,475
Total Liabilities	**5,008,711**	3,195,302	3,235,106	**1,813,409**	(39,804)
Net Position:					
Net investment in capital assets	**2,019**	3,504	3,145	**(1,485)**	359
Unrestricted	**(3,319,038)**	(2,719,501)	(1,697,790)	**(599,537)**	(1,021,711)
Total Net Position	**$ (3,317,019)**	$ (2,715,997)	$ (1,694,645)	**$ (601,022)**	$ (1,021,352)

Major Factors Affecting the Statement of Net Position

During 2022, total assets increased by $1.2M. Current assets increased primarily due to an increase in cash and cash equivalents from additional funding from the State of Maryland. During 2021, total assets decreased by $1.1M primarily due to a decrease in cash and cash equivalents from funding the operations for the year.

During 2022, total liabilities increased by $1.8M primarily due to additional funding from the State of Maryland. Total liabilities remained fairly consistent in 2021 compared to 2020.

Capital Assets and Debt

As of December 31, 2022, 2021, and 2020, the Program had net capital asset balances of $2,019, $3,504, and $3,145, respectively, which consisted of furniture and equipment, net of accumulated depreciation.

As of December 31, 2022, 2021, and 2020, the Program had a liability due to the State of Maryland of $4,904,800, $3,104,800, and $3,104,800, respectively. Debt increased during 2022 due to additional funding from the State of Maryland. See note 5 to the financial statements for the terms of this liability.

Management's Discussion & Analysis
December 31, 2022

Administrative Operations Financial Highlights

Statements of Revenue, Expenses and Change in Net Position

The following table provides a comparative summary and an analysis of the Program's revenues and expenses for the years ended December 31:

	For the Years Ended December 31,			2022 - 2021	2021 - 2020
	2022	2021	2020	Variance	Variance
Revenue:					
Operating grants	**$ 250,000**	$ -	$ -	**$ 250,000**	$ -
Interest income	**2,201**	426	10,832	**1,775**	(10,406)
Total Revenues:	**252,201**	426	10,832	**251,775**	(10,406)
Expenses:					
Salaries, wages, and benefits	**361,567**	420,793	375,098	**(59,226)**	45,695
Insurance	**60,678**	57,873	55,600	**2,805**	2,273
Facilities operations	**16,002**	15,660	16,619	**342**	(959)
Marketing	**190,493**	204,423	-	**(13,930)**	204,423
Travel	**1,824**	116	1,235	**1,708**	(1,119)
General	**221,174**	321,498	475,451	**(100,324)**	(153,953)
Depreciation	**1,485**	1,415	1,634	**70**	(219)
Total Expenses	**853,223**	1,021,778	925,637	**(168,555)**	96,141
Change in Net Position	**$ (601,022)**	$ (1,021,352)	$ (914,805)	**$ 420,330**	$ (106,547)

Major Factors Affecting the Statement of Revenue and Expenses

Revenue increased $251,775 during 2022 due to an operating grant received in 2022.

Total expenses decreased $168,555 in 2022 compared to 2021 primarily due to decreases in general operating expenses and salaries, wages, and benefits expenses. Total expenses increased in 2021 compared to 2020 primarily due an increase in marketing expenses offset by a decrease in general operating expenses.

Economic Factors

Significant economic factors affecting the Program are as follows:

- Funding provided by the State of Maryland;
- Local labor supply and demand, which can affect salary and wage rates; and
- Inflationary pressure on supplies, marketing costs, and other costs.

Management's Discussion & Analysis
December 31, 2022

Financial Contact

This financial report is designed to provide our residents of the State of Maryland and the Maryland Legislature with a general overview of the Program's financial position and results of operations for the year. To obtain financial information about the Program, contact Glenn Simmons, Executive Director, Maryland Small Business Retirement Savings Program, at 11350 McCormick Road, Executive Plaza III, Suite LL12, Hunt Valley, MD, 21031.

Statements of Net Position
Enterprise Fund
As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,651,842**	$ 435,504
Prepaid expenses and other assets	**17,050**	7,052
Total Current Assets	**1,668,892**	442,556
Noncurrent Assets		
Capital assets, net	**2,019**	3,504
Right of use lease asset	**20,781**	33,245
Total Assets	**$ 1,691,692**	$ 479,305
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	**$ 26,240**	$ 46,315
Accrued salaries	**56,196**	10,942
Lease liability, current	**13,933**	11,770
Total Current Liabilities	**96,369**	69,027
Noncurrent Liabilities		
Lease liability, noncurrent	**7,542**	21,475
Due to State of Maryland	**4,904,800**	3,104,800
Total Liabilities	**5,008,711**	3,195,302
Net Position		
Net investment in capital assets	**2,019**	3,504
Unrestricted net position	**(3,319,038)**	(2,719,501)
Total Net Position	**(3,317,019)**	(2,715,997)
Total Liabilities and Net Position	**$ 1,691,692**	$ 479,305

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

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

Statements of Revenue, Expenses and Change in Net Position
Enterprise Fund
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenue		
Operating grants	**$ 250,000**	$ -
Operating Expenses		
Salaries, wages, and benefits	**361,567**	420,793
Marketing	**190,493**	204,423
Insurance	**60,678**	57,873
Facilities operations	**16,002**	15,660
General	**221,174**	321,498
Travel	**1,824**	116
Depreciation	**1,485**	1,415
Total Operating Expenses	**853,223**	1,021,778
Operating Loss	**(603,223)**	(1,021,778)
Non-Operating Revenue		
Interest income	**2,201**	426
Decrease in Net Position	**(601,022)**	(1,021,352)
Net position, beginning of year	**(2,715,997)**	(1,694,645)
Net Position, End of Year	**$ (3,317,019)**	$ (2,715,997)

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

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

Statements of Cash Flows
Enterprise Fund
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Cash received from operating grants	**$ 250,000**	$ -
Cash payments for salaries & benefits	**(371,565)**	(668,538)
Cash payments to suppliers	**(452,528)**	(424,839)
Net Cash From Operating Activities	**(574,093)**	(1,093,377)
Cash Flows From Non-Capital and Related Financing Activities		
Proceeds from the State of Maryland	**1,800,000**	-
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	**-**	(1,774)
Payments on lease liability	**(11,770)**	-
Net Cash From Capital and Related Financing Activities	**(11,770)**	(1,774)
Cash Flows From Investing Activities		
Cash received from interest	**2,201**	426
Net change in cash and cash equivalents	**1,216,338**	(1,094,725)
Total cash and cash equivalents, beginning of year	**435,504**	1,530,229
Total Cash and Cash Equivalents, End of Year	**$ 1,651,842**	$ 435,504
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating loss	**$ (603,223)**	$ (1,021,778)
Adjustment to reconcile operating loss to net cash from operating activities:		
Depreciation	**1,485**	1,415
Amortization of right of use asset	**12,464**	-
Effect of changes in non-cash operating assets and liabilities:		
Prepaid expenses and other assets	**(9,998)**	35
Accounts payable	**(20,075)**	(69,001)
Accrued salaries	**45,254**	(4,048)
Net Cash From Operating Activities	**$ (574,093)**	$ (1,093,377)

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

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

Statement of Fiduciary Net Position
Fiduciary Fund
As of December 31, 2022

ASSETS	
Investments	**$ 204,526**
NET POSITION	
Held in Trust	**$ 204,526**

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

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Period Ended December 31, 2022

ADDITIONS	
Net appreciation of investments	$ 273
Contributions	215,360
Total Additions	215,633
DEDUCTIONS	
Withdrawals and benefits paid	11,049
Administrative expenses	58
Total Deductions	11,107
Net increase	204,526
Investments, beginning of period	-
Investments, End of Period	$ 204,526

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

1. ORGANIZATION

Reporting Entity

The Maryland Small Business Retirement Savings Program Board (the Board) was established by Chapter 324, Acts of 2016 in July 2016. The Board was established to implement, maintain, and administer the Maryland Small Business Retirement Savings Program (the Program) and the Maryland Small Business Retirement Savings Trust (the Trust). The Board consists of 11 members which include the Maryland State Treasurer, the Secretary of Labor, ex-officio, three members appointed by the Governor, the President of the Senate, and the Speaker of the House of Delegates. The Board began administrative operations on June 1, 2018. MarylandSaves, the retirement savings program created by the board, began their pilot program in June of 2022 and launched full operations for the retirement savings program on September 15, 2022.

Maryland employees of employers that do not offer workplace retirement savings programs are eligible to be enrolled in an Individual Retirement Account (IRA) under the Program through an employee payroll deduction plan. Anyone who is automatically enrolled may choose a different contribution rate or opt out of the Program entirely. The Program has arranged for a selection of privately managed investment options with a default option in the absence of an employee’s specific selection. Employers that participate in the Program or offer another other qualified workplace retirement savings program will receive a $300 credit via waiver of certain State filing fees.

The Program also includes provisions that allow for self-employed individuals and Maryland workers employed by non-participating businesses to register with the program and create their own personal retirement savings account.

The Program and Employers that participate in the Program have no interest in the contributions to or earnings on amounts contributed to accounts established under the Program. The Board acts as a fiduciary with respect to the investments offered by the Program.

The Program was established as a body corporate and politic and a public instrumentality of the State of Maryland (the State) and is a discretely presented component unit of the State. As such, its activities are included in the Annual Comprehensive Financial Report of the State as a discretely presented component unit.

These financial statements present only the Program, and do not purport to, and do not, present the net position or activity of the State.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Program have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Program is a Special Purpose Government engaged only in business-type activities and therefore presents only the financial statements required for the enterprise fund.

Enterprise Fund – In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. This required the Program to account for operations in a manner similar to private business or where the Board has decided that the determination of revenue earned, costs incurred and/or net income is necessary for management accountability. This fund accounts for the administrative operations of the Program.

Fiduciary Fund – Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the Program. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. The reporting focus for fiduciary funds is on net position and changes in net position and accounting principles used are similar to proprietary funds.

The Program operates one trust fund. The Program accounts for the retirement benefits of the Maryland Small Business Retirement Savings Program. Since, by definition these assets are held for the benefit of a third party (Program participants) and cannot be used to address activities or obligations of the Program, these funds are not incorporated into the Program financial statements. These funds are presented in the fiduciary fund financial statements.

Use of Estimates

The preparation of 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 the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents represent highly liquid investments which are to be used for current operations and which have original maturities of three months or less. As of December 31, 2021, cash equivalents were comprised of money market funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

Prepaid expenses consist of payments made to vendors for services that will benefit future periods.

Capital Assets

Capital assets are recorded at historical cost. The Program capitalizes all expenditures for significant renewals and betterments over $1,000. The costs of maintenance and repairs are expensed when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to seven years.

Right of Use Asset and Lease Liability

The Program has entered into a lease agreement for office space. As the Program enters into a lease, the right to use an asset and associated liability are recorded at the net present value and the asset is amortized over the shorter of the term of the lease or the useful life.

Accounts Payable

Accounts payable represent costs incurred as of year-end that have not yet been paid. These expenses have been included in total operating expenses reported on the accompanying statement of revenue, expenses, and change in net position.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, granters or laws and regulations of governments. The Program first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue and Expenses

Grants received for operations are shown as operating income.

Operating expenses include the costs associated with the day-to-day operations of the Program and depreciation on capital assets. All revenue and expenses not meeting these definitions are reported as non-operating revenue and expense.

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program would not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. Cash deposits maintained in banks are covered by U.S. Federal Deposit Insurance Coverage (FDIC) up to $250,000. All deposits were entirely ensured by FDIC.

The Program's cash and cash equivalents consisted of the following as of December 31, 2022 and 2021:

	2022	
	Book Balance	Bank Balance
Demand deposits at financial institutions	**$ 1,651,842**	**$ 1,651,842**

	2021	
	Book Balance	Bank Balance
Demand deposits at financial institutions	$ 29,065	$ 29,065
Money market funds	406,439	406,439
Total Cash and Cash Equivalents	$ 435,504	$ 435,504

4. CAPITAL ASSETS, NET

A summary of activity in capital assets for the years ended December 31, 2022 and 2021, was as follows:

	2022				
	Beginning of Year	**Additions**	**Disposals**	**Transfers**	**End of Year**
Furniture and equipment	**$ 10,639**	**$ -**	**$ -**	**$ -**	**$ 10,639**
Less: accumulated depreciation	**7,135**	**1,485**	**-**	**-**	**8,620**
Capital Assets, Net	**$ 3,504**	**$ (1,485)**	**$ -**	**$ -**	**$ 2,019**

	2021				
	Beginning of Year	**Additions**	**Disposals**	**Transfers**	**End of Year**
Furniture and equipment	$ 8,865	$ 1,774	$ -	$ -	$ 10,639
Less: accumulated depreciation	5,720	1,415	-	-	7,135
Capital Assets, Net	$ 3,145	$ 359	$ -	$ -	$ 3,504

5. DUE TO STATE OF MARYLAND

The Program entered into a memorandum of understanding with the State of Maryland Department of Labor (the Department) to provide interest free loan funds for the implementation, maintenance, and administration of the Program. Loans were issued by the State of Maryland in the following amounts:

Year of Loan	Amount
2022	$ 1,800,000
2020	900,000
2019	900,000
2018	1,304,800
Total	**$ 4,904,800**

The terms of the loans call for principal to be repaid as the Program becomes self-sufficient.

Due from State of Maryland activity for the years ended December 31, 2022 and 2021, was as follows:

	2022				
	Beginning of Year	Additions	Payments	End of Year	Amounts Due in One Year
Due to State of Maryland	$ 3,104,800	$ 1,800,000	$ -	**$ 4,904,800**	$ -

	2021				
	Beginning of Year	Additions	Payments	End of Year	Amounts Due in One Year
Due to State of Maryland	$ 3,104,800	$ -	$ -	$ 3,104,800	$ -

6. LEASE LIABILITY

The Program has a lease for office space which expires in July 2024. The Program adopted GASB 87, *Leases*, as of December 31, 2021, and the adoption resulted in recording a right of use asset and a capital lease liability of $33,245. The adoption did not have an effect on net position as of January 1, 2022. As the interest rate implicit in the lease is not readily determinable, the Program utilizes a risk-free rate to discount the lease payments.

6. LEASE LIABILITY (continued)

As of December 31, 2022 and 2021, the statements of net position include the following amounts relating to leases:

	December 31, 2021	Amortized Amount	December 31, 2022
Right of use lease asset	$ 33,245	$ (12,464)	$ 20,781

	December 31, 2021	Reduction	December 31, 2022
Lease liability	$ 33,245	$ (11,770)	$ 21,475

The minimum future rental payments required under the non-cancelable lease as of December 31, 2022 are as follows:

Years Ending December 31	Amount
2023	$ 13,933
2024	8,268
Total	22,201
Less: amounts representing interest	726
Total	**$ 21,475**

7. INVESTMENTS HELD IN TRUST

The Board is responsible for the establishment, implementation, and maintenance of the Program. Vestwell State Savings, LLC serves as the Program Administrator and recordkeeper, and The Bank of New York Mellon serves as the Program's custodian. Blackrock, State Street Global Advisors, T. Rowe Price, and Lincoln Financial are the investment managers for the Program. The Program began accepting participant contributions in July 1, 2022.

Investments held by the Trust are stated at fair value, except for the fully benefit-responsive insurance annuity contract, which is stated at contract value. Fair value is based on quoted market prices at year end or best available estimate. Contract value is the relevant measure for fully benefit responsive insurance annuity contracts because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Program. Contract value represents contributions made under each contract, plus earnings, less participant withdrawals, and administrative expenses.

7. INVESTMENTS HELD IN TRUST (continued)

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2022, investments consisted of mutual funds and a fully benefit-responsive insurance annuity contract. Mutual funds are valued at the fair value of the investments based on the price per the active market on which the securities are traded and are rendered Level 1. The fully benefit-responsive insurance annuity contract is a common collective trust that invests primarily in synthetic guaranteed investment contracts insured by wrap contract agreements, and money market funds. Units of common collective trust funds are private investment securities that are reported at contract value. Investments in common collective trusts are redeemable daily at NAV and there are no restrictions on redemptions.

7. INVESTMENTS HELD IN TRUST (continued)

As of December 31, 2022, investments in the Program consisted of the following:

Guaranteed investment contract	$	**160,649**
Mutual funds		**43,877**
Total Investments	**$**	**204,526**

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Program would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Program's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

Credit risk is the risk associated with an issuer of an investment who may not fulfill its obligation to the holder of the investment.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Program's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board.

Since all investments are participant directed, all risks exist at the participant level. Each individual participant has the ability to liquidate their positions on demand and has responsibility for managing their exposure to fair value loss.

8. RISKS AND UNCERTAINTIES

The Program invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect participants' account balances and the amounts reported in the accompanying statement of fiduciary net position.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Maryland Small Business Retirement Savings Program

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 Small Business Retirement Savings Program (the Program) which comprise the statement of financial position as of December 31, 2022, 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 and have issued out report thereon dated July 26, 2023.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal controls over financial reporting (internal controls) 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 Program's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Program's internal controls.

A *deficiency in internal controls* 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

10200 Grand Central Avenue • Suite 250 • Owings Mills • Maryland 21117 • P 410.584.0060 • F 410.584.0061

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statements. 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
July 26, 2023

SB & Company, LLC