

**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS
PROGRAM**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Maryland Small Business Retirement Savings Program
Baltimore, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Maryland Small Business Retirement Savings Program, which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years 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 Maryland Small Business Retirement Savings Program as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Maryland Small Business Retirement Savings Program, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Maryland Small Business Retirement Savings Program and do not purport to, and do not, present fairly the financial position of the state of Maryland as of December 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Maryland Small Business

Retirement Savings 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.

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

In performing an audit in accordance with GAAS, 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 Maryland Small Business Retirement Savings Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Maryland Small Business Retirement Savings 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 control related matters that we identified during the audit.

Other Matter

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
May 13, 2022

**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 435,504	\$ 1,530,229
Prepaid Assets and Security Deposits	7,052	7,087
Capital Assets, Net	3,504	3,145
Total Assets	446,060	1,540,461
 LIABILITIES		
Accounts Payable	46,315	115,316
Accrued Salaries	10,942	14,990
Due to State of Maryland	3,104,800	3,104,800
Total Liabilities	3,162,057	3,235,106
 NET POSITION / (DEFICIT)		
Investment in Capital Assets	3,504	3,145
Unrestricted	(2,719,501)	(1,697,790)
Net Deficit	\$ (2,715,997)	\$ (1,694,645)

See accompanying Notes to Financial Statements.

**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING EXPENSE		
Salaries, Wages, and Benefits	\$ 420,793	\$ 375,098
Insurance	57,873	55,600
Facilities Operations	15,660	16,619
Marketing/Outreach	204,423	-
Travel	116	1,235
General Expenses	321,498	475,451
Depreciation	1,415	1,634
Total Operating Expenses	<u>1,021,778</u>	<u>925,637</u>
OPERATING LOSS	(1,021,778)	(925,637)
NONOPERATING REVENUE		
Interest income	<u>426</u>	<u>10,832</u>
CHANGE IN NET POSITION	(1,021,352)	(914,805)
Net Deficit - Beginning of Year	<u>(1,694,645)</u>	<u>(779,840)</u>
NET DEFICIT - END OF YEAR	<u><u>\$ (2,715,997)</u></u>	<u><u>\$ (1,694,645)</u></u>

See accompanying Notes to Financial Statements.

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
STATEMENTS OF CASH FLOW
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Paid to Suppliers	\$ (668,538)	\$ (521,755)
Cash Paid to Employees	<u>(424,839)</u>	<u>(375,089)</u>
Net Cash Used by Operating Activities	(1,093,377)	(896,844)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from the State of Maryland	-	900,000
Net Cash Provided by Financing Activities	<u>-</u>	<u>900,000</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(1,774)	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,774)</u>	<u>-</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	426	10,832
Net Cash Provided by Investing Activities	<u>426</u>	<u>10,832</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,094,725)	13,988
Cash and Cash Equivalents - Beginning of Year	<u>1,530,229</u>	<u>1,516,241</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 435,504</u></u>	<u><u>\$ 1,530,229</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,021,778)	\$ (925,637)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	1,415	1,634
(Increase) Decrease in Assets:		
Prepaid Assets and Security Deposits	35	(210)
Increase (Decrease) in Liabilities:		
Accounts Payable	(69,001)	27,360
Accrued Expenses	(4,048)	9
Total Adjustments	<u>(71,599)</u>	<u>28,793</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,093,377)</u></u>	<u><u>\$ (896,844)</u></u>

See accompanying Notes to Financial Statements.

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 ORGANIZATION

In July 2016, the Maryland Small Business Retirement Savings Board (Board) was authorized by Chapter 324, Acts of 2016. The Board was established to implement, maintain, and administer the Maryland Small Business Retirement Savings Program, also known as MarylandSaves (the Program) and the Maryland Small Business Retirement Savings Trust (the Trust).

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 of Maryland. As such, its activity is included in the Comprehensive Annual Financial Report of the State of Maryland as a discretely presented component unit.

The financial statements present only the Program, and do not purport to, and do not, present the net position or activity of the state of Maryland.

The Board consists of 11 members which include the Maryland State Treasurer and, the Secretary of Labor, ex-officio, and three members each appointed by the Governor, the President of the Senate, and the Speaker of the House of Delegates. Operations of the organization started June 1, 2018.

Under the Program, Maryland employees of employers that do not offer workplace retirement savings are eligible to be enrolled in an Individual Retirement Account (IRA) 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 will arrange 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 any other form of workplace retirement savings will receive a \$300 credit via waiver of certain State filing fees.

The Program and Employers that participate in the Program have no interest in the contributions to or earning 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 defines its financial reporting entity in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units—an amendment of GASB Statement No. 14* and GASB Statement No. 61, *The Financial Reporting Entity—Omnibus*. A component unit is a legally separate organization for which the primary government is financially accountable or closely related. The Program is financially accountable if it appoints a voting majority of a potential component unit's governing body and is able to impose its will on that potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the Program. Based on these criteria, the Program has no component units.

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Program's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Program is an enterprise fund and prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

The Program distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Program's ongoing operations. The principal operating revenues of the Program will be administrative fees received from program participants. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Program has received startup loans from the state of Maryland, see Note 5 for the amounts reported and repayment terms.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Program considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents.

Capital Assets

Capital assets are recorded at cost. The Program capitalizes all expenditures for property and equipment over \$1,000. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. When assets are sold or otherwise disposed, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Expenses

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

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The Program did not have any deferred outflows or deferred inflows at December 31, 2021 and 2020. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition of those assets. Unrestricted net position represents resources available to meet the general operations of the Program and may be used to meet current expenses for any purpose. If both restricted and unrestricted assets are available for expenditure, the decision as to which assets are used first is left to the discretion of the Program.

Income Taxes

The Program, as a political subdivision of the state of Maryland, is exempt from federal income taxes under section 115(1) of the Internal Revenue Code, as amended.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 3 CASH AND CASH EQUIVALENTS

The Program's cash and cash equivalents balance by type for the years ended December 31, were as follows:

	2021	
	Carrying Amount	Bank Balance
Demand Deposits at Financial Institutions	\$ 29,065	\$ 29,065
Cash Equivalents/Money Market Accounts	406,439	406,439
Total	\$ 435,504	\$ 435,504
	2020	
	Carrying Amount	Bank Balance
Demand Deposits at Financial Institutions	\$ 2,799	\$ 2,799
Cash Equivalents/Money Market Accounts	1,527,430	1,436,607
Total	\$ 1,530,229	\$ 1,439,406

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, Maryland Small Business Retirement Savings Program will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2021 and 2020, all of the Program's deposits were covered by federal depository insurance or fully collateralized.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020, were as follows:

	2021			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Depreciable Capital Assets:				
Furniture and Equipment	\$ 8,865	\$ 1,774	\$ -	\$ 10,639
Less: Accumulated Depreciation	5,720	1,415	-	7,135
Total	\$ 3,145	\$ 359	\$ -	\$ 3,504
	2020			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Depreciable Capital Assets:				
Furniture and Equipment	\$ 8,865	\$ -	\$ -	\$ 8,865
Less: Accumulated Depreciation	4,086	1,634	-	5,720
Total	\$ 4,779	\$ (1,634)	\$ -	\$ 3,145

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 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 loan funds for the implementation, maintenance and administration for the Program. The Department issued initial loans totaling \$1,304,800 during the year ending December 31, 2018. The Department then issued two additional loans of \$900,000 during each of the years ending December 31, 2020 and 2019. The terms of the loan call for principal to be repaid as the Program becomes self-sufficient but no later than seven years from the date of each funding with no interest. Subsequent to December 31, 2021 an additional \$900,000 loan was disbursed to the Program by the Department.

A summary of changes in long-term debt is as follows:

	2021			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Payable to State of Maryland	\$ 3,104,800	\$ -	\$ -	\$ 3,104,800
	2020			
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Payable to State of Maryland	\$ 2,204,800	\$ 900,000	\$ -	\$ 3,104,800

NOTE 6 LEASES

The Program leases its office facility under an operating lease agreement with the initial lease term ending in June 2021. The lease was renewed in March 2021 for an extension of three years and calls for monthly rental payments ranging from \$1,022 to \$1,181. Minimum annual lease payments under noncancelable lease agreements are as follows:

Year Ending December 31,	Amount
2022	12,890
2023	13,933
2024	8,268
Total	\$ 35,091

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7 PENSION BENEFITS

Employees of the Program who are at least 18 years old and have performed services for the Program for at least six months may enroll in a Simplified Employee Pension Individual Retirement Account (IRA). A simplified employee pension, or SEP, is a special traditional IRA plan that permits employers to make deductible contributions to the separate traditional IRAs established for their employees. Employer contributions to each employee's SEP-IRA may not exceed 25% of compensation or \$57,000 for 2021. Contributions for the years ended December 31, 2021 and 2020 were \$26,452 and \$26,120, respectively. Employer contributions are immediately vested and amounts in the SEP-IRA are available to participants in accordance with Internal Revenue Service guidelines for such plans. Each employee makes the investment decisions for his or her own account.

NOTE 8 RISK MANAGEMENT

The Program is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The Program assumes liability for any deductible and claims in excess of coverage limitations. Settled claims have not exceeded commercial insurance coverage in either the current or preceding years.