

**MARYLAND ECONOMIC ADJUSTMENT FUND
(A FUND OF THE STATE OF MARYLAND)**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**MARYLAND ECONOMIC ADJUSTMENT FUND
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	7
STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	8
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Secretary of the Maryland Department of Commerce
Maryland Economic Adjustment Fund
Baltimore, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Maryland Economic Adjustment Fund, a fund of the state of Maryland, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Maryland Economic Adjustment Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Maryland Economic Adjustment Fund, as of June 30, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 the Maryland Economic Adjustment Fund 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 opinions.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Maryland Economic Adjustment Fund are intended to present the financial position and the changes in financial position of only the Maryland Economic Adjustment Fund. They do not purport to, and do not present fairly the financial position of the Department of Commerce or the state of Maryland as of June 30, 2023 and 2022, or the changes in their financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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 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 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 Economic Adjustment Fund'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 Economic Adjustment Fund'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.

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 is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
January 11, 2024

**MARYLAND ECONOMIC ADJUSTMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022**

Overview of the Financial Statements and Financial Analysis

In accordance with generally accepted accounting principles, the Maryland Department of Commerce (the Department) presents this management's discussion and analysis of the financial statements of the Maryland Economic Adjustment Fund (MEAF or the Fund) for the years ended June 30, 2023 and 2022, as compared to the year ended June 30, 2021.

This financial report consists of two primary financial statements: The statement of net position simultaneously presented with the governmental funds balance sheet, and the statement of activities concurrently presented with the governmental funds revenues, expenditures, and changes in fund balance. The statement of net position discloses MEAF's net assets and related changes. Over time, change in net position is one indicator of MEAF's financial health. The statement of activities discloses the MEAF's revenues and expenses. These statements contain adjustments made to the fund statements to convert to the accrual basis of accounting – similar to the accounting used by most public-sector companies. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid. The governmental funds statements provide a detailed view of MEAF's basic services. MEAF has one governmental fund, the general fund. The general fund is reported on a modified accrual basis of accounting, which measures cash and all other financial assets that can easily be converted to cash.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental fund is addressed in the reconciliations included within the financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provides supporting details. The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Statements of Net Position

The statements of net position present a fiscal overview of the Fund's assets, liabilities, and net position.

The following are the Fund's summarized statements of net position as of June 30, 2023, 2022, and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Assets	<u>\$ 1,371,201</u>	<u>\$ 1,263,424</u>	<u>\$ 847,379</u>
Unrestricted Net Position - End of Year	<u>\$ 1,371,201</u>	<u>\$ 1,263,424</u>	<u>\$ 847,379</u>

Total assets and unrestricted net position increased by \$107,777 or 9% in fiscal year 2023 compared to fiscal year 2022 due primarily to the issuance of new loans funded by the Economic Development Administration (EDA). Total assets and unrestricted net position increased \$416,045, or 49%, in fiscal year 2022 compared to fiscal year 2021 primarily due to the recovery of previously written off loans and current year loan interest that resulted in an increase in cash and cash equivalents at fiscal year end.

**MARYLAND ECONOMIC ADJUSTMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022**

Statements of Activities

The statements of activities present the annual operating revenues, operating expenses, nonoperating revenues and expenses, and changes in net position.

- Operating revenues includes interest and fees earned on loans provided to clients of the program.
- Operating expenses consist of provision (benefit) for loan loss and administrative costs.
- Nonoperating revenues consists of interest earned due to the State Treasurer's fund investment decisions.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues	\$ 125,949	\$ 508,881	\$ 19,337
Operating Expenses	37,484	95,009	(25,240)
Net Operating Income (Loss)	<u>88,465</u>	<u>413,872</u>	<u>44,577</u>
Nonoperating Revenues	<u>19,312</u>	<u>2,173</u>	<u>1,682</u>
Change in Net Position	107,777	416,045	46,259
Net Position - Beginning of Year	<u>1,263,424</u>	<u>847,379</u>	<u>801,120</u>
Net Position - End of Year	<u><u>\$ 1,371,201</u></u>	<u><u>\$ 1,263,424</u></u>	<u><u>\$ 847,379</u></u>

Operating revenues decreased by \$382,932 or 75%, in fiscal year 2023, compared to 2022 as a result of less funding beyond the additional funding by EDA to issue loans. Operating expenses included loan losses of \$37,484 in fiscal year 2023. Nonoperating revenues remained consistent and represent State Treasurer's fund interest earned.

Operating revenues increased by \$489,544 or 2,532%, in fiscal year 2022, compared to 2021 as a result of the additional funding by EDA to issue loans. Operating expenses included loan losses of \$75,008 and administrative expenses of \$20,001 in connection with administering the EDA funds in fiscal year 2022. Nonoperating revenues remained consistent and represent State Treasurer's fund interest earned.

Economic Outlook

Since the inception of the program through June 30, 2023, the Department has approved one hundred twenty (120) transactions including ninety-eight (98) loans totaling \$10,359,900, three (3) interest subsidies totaling \$300,000 and eighteen (18) grants to local government or non-profit economic development organization revolving loan funds totaling \$2,225,000. The total outstanding balance of loans to businesses is approximately \$552,337.95. Since the inception of the program through June 30, 2023, eighteen (18) loans, totaling \$1,165,482 have been charged-off. The Department expects to recover approximately \$993,656 (85%) of the amount charged-off through long-term collection efforts. The total of (117) transactions have settled and includes fifty (51) loans and three (3) interest subsidy approvals under the former MCAFF program, which was de-authorized by Maryland's General Assembly as of June 30, 2003. The combined activity of the MEAF and MCAFF programs have contributed to the creation and retention of approximately 2,051 jobs and encouraged approximately \$11.2 million in private capital investment.

**MARYLAND ECONOMIC ADJUSTMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022**

The Department approved three (3) loans for \$260,000 with nineteen (19) jobs created and eighteen (18) retained and project costs of \$285,000. One loan was settled totaling \$50,000 with one hundred four (4) jobs created and two (2) jobs retained and project costs of \$50,000. The Department anticipates requests for financial assistance that will fully use approximately \$400,000 of Special Funds projected to be approved for the program in fiscal year 2024. In addition, the Department has an appropriation of \$600,000 in federal funds.

MARYLAND ECONOMIC ADJUSTMENT FUND
STATEMENTS OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2023 AND 2022

	2023			2022		
	General Fund	Adjustments	Statement of Net Position	General Fund	Adjustments	Statement of Net Position
ASSETS						
Current Assets:						
Equity in Pooled Invested Cash	\$ 689,426	\$ -	\$ 689,426	\$ 544,086	\$ -	\$ 544,086
Current Loans Receivable, Net of Allowance of \$1,380 and \$1,082, Respectively	60,488	-	60,488	53,035	-	53,035
Accrued Interest Receivable	7,117	-	7,117	6,589	-	6,589
Total Current Assets	<u>757,031</u>	<u>-</u>	<u>757,031</u>	<u>603,710</u>	<u>-</u>	<u>603,710</u>
Noncurrent Assets:						
Loans Receivable, Net of Allowance of \$50,650 and \$13,464, Respectively	614,170	-	614,170	659,714	-	659,714
Total Noncurrent Assets	<u>614,170</u>	<u>-</u>	<u>614,170</u>	<u>659,714</u>	<u>-</u>	<u>659,714</u>
Total Assets	<u>\$ 1,371,201</u>	<u>\$ -</u>	<u>\$ 1,371,201</u>	<u>\$ 1,263,424</u>	<u>\$ -</u>	<u>\$ 1,263,424</u>
FUND BALANCE						
Nonspendable	\$ 614,170	\$ (614,170)	\$ -	\$ 659,714	\$ (659,714)	\$ -
Assigned	757,031	(757,031)	-	603,710	(603,710)	-
Total Fund Balance	<u>\$ 1,371,201</u>	<u>(1,371,201)</u>	<u>-</u>	<u>\$ 1,263,424</u>	<u>(1,263,424)</u>	<u>-</u>
NET POSITION						
Unrestricted Net Position		<u>1,371,201</u>	<u>1,371,201</u>		<u>1,263,424</u>	<u>1,263,424</u>
Total Net Position		<u>\$ -</u>	<u>\$ 1,371,201</u>		<u>\$ -</u>	<u>\$ 1,263,424</u>

See accompanying Notes to Financial Statements.

**MARYLAND ECONOMIC ADJUSTMENT FUND
STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
REVENUES		
Grant Revenue	\$ 91,660	\$ 495,000
Loan Interest	24,889	13,681
Recovery of Bad Debt	9,400	200
Total Revenues	125,949	508,881
EXPENSES/EXPENDITURES		
Provision (Benefit) for Loan Losses	37,484	75,008
Other Expenses	-	20,001
Total Expenses/Expenditures	37,484	95,009
NET PROGRAM REVENUES (EXPENSES/EXPENDITURES)	88,465	413,872
GENERAL REVENUES		
State Treasury Interest Income	19,312	2,173
CHANGE IN FUND BALANCE / NET POSITION	107,777	416,045
Fund Balance / Net Position - Beginning of Year	1,263,424	847,379
FUND BALANCE / NET POSITION - END OF YEAR	\$ 1,371,201	\$ 1,263,424

See accompanying Notes to Financial Statements.

**MARYLAND ECONOMIC ADJUSTMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 ORGANIZATION

Authorizing Legislation

The Maryland Economic Adjustment Fund (MEAF or the Fund) is codified in the Economic Development Article Sections 5-201 through 5-209 of the Annotated Code of Maryland. The Fund was created in 1994. The Maryland Department of Commerce (the Department) must report annually to the Governor and the General Assembly on the financial status of the Fund and its operations.

Description of the Fund

The Fund is comprised of both federal funds from the U.S. Economic Development Administration and Maryland State resources. The Fund was created to provide loans to eligible businesses and grants to Revolving Loan Funds administered by local government or nonprofit economic development organizations in the state of Maryland (the State) to assist with the modernization of manufacturing operations, the development of commercial applications for technology, and exploring and entering new markets. Federal funds are administered in accordance with the guidelines imposed by the federal government's Economic Development Act (EDA). The maximum loan amount is \$250,000 and applicants must be creditworthy but must not be able to obtain affordable financing through normal lending channels. Targeted eligible locations for federal funds are Baltimore, Howard, Anne Arundel, Harford, Queen Anne's, Somerset, Worcester, Dorchester, Allegany, and Washington counties, and Baltimore City. Loans cannot be used to relocate jobs from one commuting area to another. The State funds are accessible to all counties in Maryland.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

MEAF is a fund of the Department of Commerce, which is a part of the state of Maryland primary government. This report contains only the Fund and no other Departments or funds of the Department or any other part of the state of Maryland primary government are included. The Fund is under the control of the Department of Commerce.

The Fund's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The Fund is one of many programs administered by the Department. The Fund has no direct employees and is entirely supported by staff at the Department to perform all necessary functions of the Fund.

The Fund's accompanying financial statements are not indicative of the Fund as if it were a stand-alone entity.

**MARYLAND ECONOMIC ADJUSTMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The statement of net position and the statement of activities display information about the Fund as a whole. These statements include the financial activities of the primary government. All financial activities of the Fund are classified as governmental.

The statement of net position presents the financial condition of the Fund as of year-end. All expenses relate to the operations of the Fund. Revenues consist of grants, insurance premiums, and issuance fees. Expenses include expenses relating to the servicing of the loans, provision for loan losses, and administrative expenses. All other revenues relate to appropriations from the state of Maryland and interest income.

Fund Financial Statements – Governmental Fund

The governmental accounts of the Fund are organized on the basis of funds and consist only of the general fund, which is considered a separate accounting entity. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. The governmental fund financial statements are reported using the current financial resources measurement focus.

Basis of Accounting

Government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund is accounted for using the current resources measurement focus and modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to pay liabilities of the current fiscal year. For the Fund, available means expected to be received within 60 days of year-end. Intergovernmental revenues are susceptible to accrual. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Expenditures are recognized when the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Fund to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies as of the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**MARYLAND ECONOMIC ADJUSTMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity In Pooled Invested Cash

The Fund's cash is solely comprised of cash held with the State Treasurer.

Loans Receivable

Loans receivable are recorded at cost, net of an allowance for loan losses. Loans are evaluated for impairment as part of the Fund's internal asset review process. All of the Fund's loans are subject to review for impairment. A loan is impaired when, based on current information and events, a creditor will be unable to collect all amounts contractually due according to the terms of the agreement. When a loan is determined to be impaired, a valuation allowance is established based upon the difference between the Fund's investment and the fair value of the collateral securing the loan, as well as other factors.

Subsequent collection of cash may be applied as a reduction to the principal balance or recorded as income, depending upon management's assessment of the ultimate collectability of the loan. Interest income on impaired loans is recognized only to the extent that cash payments are received.

The allowance for loan losses is maintained at an amount management considers adequate to cover losses on loans receivable, which are deemed probable. The allowance is based upon a number of factors, including asset classifications, economic and industry trends, industry and geographic concentrations, estimated collateral values, management's assessment of credit risk inherent in the portfolio, historical loss experience, and the Fund's underwriting standards. As a result of changes in economic conditions and other factors, future additions to the allowance may be necessary.

Fund Balance

GASB 54 requires that fund balance amounts be properly reported within one of the fund balance categories listed below.

Nonspendable – Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid expenses.

Restricted – Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

Committed – Includes fund balance amounts that can be used only for the specific purposes determined by formal action. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor.

Assigned – Includes fund balance amounts that are intended to be used by the Fund for specific purposes as determined by the management of the Fund.

**MARYLAND ECONOMIC ADJUSTMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Unassigned – Represents the residual classification for the Fund’s general fund and includes all spendable amounts not contained in the four classifications described above.

Net Position

Net position is the residual difference of assets less liabilities. Net position as reported in the government-wide statement of net position is reported in three categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation (and related debt, if any). Restricted net position results when external restrictions are imposed on net position through law or regulation. Unrestricted net position consists of items that do not meet the definition of the preceding two categories.

As of June 30, 2023 and 2022, 100% of the Fund’s net position is unrestricted and can be utilized for any operational purpose of the Fund.

Budgetary Data

Budgets are adopted by the state of Maryland for the General Fund and subsequent appropriations to the fund; however, budgets are not legally required for the Fund. Therefore, presentation of budgetary comparison information is not required supplementary information and is not presented.

NOTE 3 EQUITY IN POOLED INVESTED CASH

Cash receipts and disbursements of the Fund are made through a cash pool maintained by the State Treasurer. The State Treasurer has statutory responsibility for the State’s cash management activities. The State Treasurer maintains these and other State agency funds on a pooled basis in accordance with State statutes. For additional information on the risk of cash, see the State of Maryland Annual Comprehensive Financial Report (ACFR).

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Fund’s deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution’s trust department or agent but not in the Fund’s name. The Fund does not have a formal deposit policy for custodial credit risk, but follows the State Treasurer’s policy which states the Treasurer may deposit in a financial institution in the State, any unexpended or surplus money in which the State Treasurer has custody.

As of June 30, 2023 and 2022, all of the Fund’s cash was deposited with the State Treasury and not subject to custodial credit risk.

**MARYLAND ECONOMIC ADJUSTMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 LOANS RECEIVABLE

The Fund provides loans and grants to promote and encourage the development of new and existing businesses within the state of Maryland. Loans that are due within one year of June 30, 2023 and 2022 are classified as current assets; all other loans are classified as noncurrent assets. The Fund has outstanding interest-bearing loans, with interest rates ranging from 4% to 6%.

The loan activity for the years ended June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Loans Receivable - Beginning of Year	\$ 727,295	\$ 525,190
Loans Disbursements	50,000	545,000
Loans Principal Written Off	-	(321,362)
Proceeds from Collections	(50,607)	(21,533)
Gross Loans Receivable	<u>726,688</u>	<u>727,295</u>
Allowance for Loan Losses	(52,030)	(14,546)
Loans Receivable - End of Year	<u>\$ 674,658</u>	<u>\$ 712,749</u>

Activities in the allowance for loan losses was as follows for the years ended of June 30:

	<u>2023</u>	<u>2022</u>
Balance - Beginning of Year	\$ 14,546	\$ 304,906
Change in Provision (Benefit) for Loan Losses	37,484	75,008
Loans Principal Written Off	-	(321,362)
Loans Interest Written Off	-	(44,006)
Balance - End of Year	<u>\$ 52,030</u>	<u>\$ 14,546</u>

NOTE 5 PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Eligible employees who perform services for the Fund and are employees of the State are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain healthcare benefits upon retirement. The Fund's only liability for retirement and postemployment benefits is its required annual contribution to the Department, which in turn was paid in full to the State prior to year-end.

The System prepares a separate ACFR which can be obtained from the State Retirement and Pension System of Maryland at 120 East Baltimore Street, Baltimore, Maryland 21202.

NOTE 6 COMMITMENTS AND CONTINGENCIES

In the normal course of operations, certain claims may be brought against the Fund. Management believes that the ultimate resolution of such claims would not have a material adverse effect on the Fund's financial position. As of June 30, 2023 and 2022, the Fund had outstanding commitments to fund loans in the amount of \$210,000 and \$25,197, respectively.

MARYLAND ECONOMIC ADJUSTMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Fund receives federal funding which is subject to a program compliance audit pursuant to the Single Audit Act as amended. Accordingly, the Fund's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Fund anticipates such amounts, if any, will be immaterial.

NOTE 7 RISK MANAGEMENT

The Fund is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.