

**ECONOMIC DEVELOPMENT OPPORTUNITIES
PROGRAM FUND
(SUNNY DAY)
(A FUND OF THE STATE OF MARYLAND)**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



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**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
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
Maryland Department of Commerce
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 Economic Development Opportunities Program 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 Economic Development Opportunities Program 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 Economic Development Opportunities Program 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 Economic Development Opportunities Program 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 Economic Development Opportunities Program Fund are intended to present the financial position and the changes in financial position of only the Economic Development Opportunities Program 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 Economic Development Opportunities Program 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 Economic Development Opportunities Program 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.

Secretary
Maryland Department of Commerce

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

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
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 Economic Development Opportunities Program Fund (Sunny Day 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 fund balance sheet, and the statement of activities concurrently presented with the governmental fund revenues, expenditures, and changes in fund balance. The statement of net position discloses the Fund's net assets and related changes. The statement of activities discloses the Fund'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 fund statements provide a detailed view of the Fund's basic services. The Fund 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 year-end snapshot of the Fund's assets by type. The Fund's assets consisted primarily of cash, loans, and investments. Loans and some investments are considered assets at the time of funding and are listed as such on the statements of net position based upon their future repayment potential as determined by their underlying credit quality, collateral, and/or guarantor support. All grants, conditional loans, and the remaining investments are expensed when funded and are not listed as assets, based upon their future repayment potential. Net position at the beginning of the fiscal year is adjusted to reflect the increases and decreases in the asset types as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Current Assets	\$ 2,051,412	\$ 2,266,404	\$ 1,988,146
Total Noncurrent Assets	391,781	417,333	488,888
Total Assets	<u>2,443,193</u>	<u>2,683,737</u>	<u>2,477,034</u>
 Net Position - End of Year	 <u>\$ 2,443,193</u>	 <u>\$ 2,683,737</u>	 <u>\$ 2,477,034</u>

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022**

Statements of Net Position (Continued)

Total assets and net position in fiscal year 2023 decreased by \$240,544 compared to the prior year due to the repayment of economic development notes receivable of \$25,552 and a decrease in equity in pooled cash of \$214,992 primarily due to administrative expenses.

Total assets and net position in fiscal year 2022 decreased by \$206,703, compared to the prior year due to the repayment of economic development notes receivable of \$71,555 and an increase in equity in pooled cash of \$278,258 primarily due to conditional grant recoveries.

Statements of Activities

The statements of activities present the fiscal year's annual operating revenue, operating expenses, nonoperating revenue and expenses, and their effects on net position. Operating expenses consisted of direct expenses, administrative costs, and expensed conditional loans. Nonoperating revenues consisted of annual appropriations from the state of Maryland.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenue	\$ 30,250	\$ 449,917	\$ -
Operating Expenses	<u>270,794</u>	<u>5,243,214</u>	<u>5,277,554</u>
Net Operating Income (Loss)	(240,544)	(4,793,297)	(5,277,554)
 Total Transfers	 <u>-</u>	 <u>5,000,000</u>	 <u>5,000,000</u>
 Change in Net Position	 (240,544)	 206,703	 (277,554)
 Net Position - Beginning of Year	 <u>2,683,737</u>	 <u>2,477,034</u>	 <u>2,754,588</u>
 Net Position - End of Year	 <u><u>\$ 2,443,193</u></u>	 <u><u>\$ 2,683,737</u></u>	 <u><u>\$ 2,477,034</u></u>

Operating revenue in fiscal year 2023 consisted solely of University of Baltimore County Research Corporation repayment of grant funds.

Operating expenses decreased by \$4,972,420 in fiscal year 2023 compared to fiscal year 2022, due to a decrease in conditional loan disbursements.

Operating expenses decreased by \$34,340 in fiscal year 2022 compared to fiscal year 2021, due to a decrease in allocated expenses.

Economic Outlook

In fiscal year 2023, there was no approved or settled activity in the program. As of June 30, 2023, the Department had settled a total of one hundred-twenty-four (124) Sunny Day transactions with a total aggregate original balance of \$210,114,571. Of that total, seventy-eight (78) transactions totaling \$142,620,944 were structured as loans or conditional loans, forty-two (42) transactions totaling \$52,493,627 were structured as grants or conditional grants, and four (4) transactions totaling \$15,000,000 were structured as investments. The above assistance has contributed to the retention of 49,522 jobs, the creation of 34,474 new jobs, and capital investment of \$3.06 billion.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2023 AND 2022**

Economic Outlook

Based on the full or partial achievement of performance requirements related to the assistance provided under the program, forty-nine (49) conditional grants or loans with an aggregate original amount of \$75,626,858 had achieved either full or partial forgiveness, totaling \$70,103,212 principal and accrued interest. In contrast, because of not fully achieving all performance criteria, twenty-seven (27) conditional grants and loans with an aggregate original amount of \$32,621,858 have been subject to drawbacks of \$20,830,457 principal and accrued interest.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
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	\$ 2,051,412	\$ -	\$ 2,051,412	\$ 2,266,404	\$ -	\$ 2,266,404
Noncurrent Assets:						
Economic Development						
Notes Receivable	391,781	-	391,781	417,333	-	417,333
Total Noncurrent Assets	<u>391,781</u>	<u>-</u>	<u>391,781</u>	<u>417,333</u>	<u>-</u>	<u>417,333</u>
Total Assets	<u>\$ 2,443,193</u>	<u>\$ -</u>	<u>\$ 2,443,193</u>	<u>\$ 2,683,737</u>	<u>\$ -</u>	<u>\$ 2,683,737</u>
FUND BALANCE						
Nonspendable	\$ 391,781	\$ (391,781)	\$ -	\$ 417,333	\$ (417,333)	\$ -
Assigned	<u>2,051,412</u>	<u>(2,051,412)</u>	<u>-</u>	<u>2,266,404</u>	<u>(2,266,404)</u>	<u>-</u>
Total Fund Balance	<u>\$ 2,443,193</u>	<u>(2,443,193)</u>	<u>-</u>	<u>\$ 2,683,737</u>	<u>(2,683,737)</u>	<u>-</u>
NET POSITION						
Unrestricted Net Position		<u>2,443,193</u>	<u>2,443,193</u>		<u>2,683,737</u>	<u>2,683,737</u>
Total Unrestricted Net Position		<u>\$ -</u>	<u>\$ 2,443,193</u>		<u>\$ -</u>	<u>\$ 2,683,737</u>

See accompanying Notes to Financial Statements.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
OPERATING REVENUE		
Conditional Grant Recoveries	\$ 30,250	\$ 449,917
Total Operating Revenue	30,250	449,917
OPERATING EXPENSES/EXPENDITURES		
Direct Expenses	-	3,050
Conditional Loans Disbursements	-	5,000,000
Administrative Allocations	270,794	240,164
Total Operating Expenses/Expenditures	270,794	5,243,214
NET LOSS BEFORE TRANSFERS	(240,544)	(4,793,297)
TRANSFERS		
Transfer from the State of Maryland	-	5,000,000
Total Transfers	-	5,000,000
CHANGE IN FUND BALANCE / NET POSITION	(240,544)	206,703
Fund Balance / Net Position - Beginning of Year	2,683,737	2,477,034
FUND BALANCE / NET POSITION - END OF YEAR	\$ 2,443,193	\$ 2,683,737

See accompanying Notes to Financial Statements.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 ORGANIZATION

Authorizing Legislation

The Economic Development Opportunities Program Fund (Sunny Day or the Fund) is codified in section 7-314 of the State Finance and Procurement Article of the Annotated Code of Maryland. The Fund was created on July 1, 1988. The Maryland Department of Commerce (the Department) administers the Fund and reports annually to the Governor and the General Assembly on the financial status of the Fund and its operation.

Description of the Fund

The Fund was created to enhance the competitive position of the state of Maryland (the State) by providing a resource through which extraordinary economic development opportunities could be addressed. The Fund may be used to make loans, grants, or investments to assist in the retention or expansion of existing enterprises, to assist in the establishment or attraction of new enterprises or as an alternative source of funding in those circumstances that exclude the participation of existing State or local programs. Upon approval by the Legislative Policy Committee of the General Assembly, the Governor may transfer, by budget amendment, the monies to be loaned, granted, or invested from the Fund into the expenditure account of the executive agency making the loan, grant, or investment. Thus far, only the Department has used monies from the Fund.

The Fund is currently used to make loans, conditional loans, grants, conditional grants, and investments to assist in the retention or expansion of existing enterprises and the attraction of new enterprises. Loans and some investments are considered assets at the time of funding and are listed on the Fund's statements of net position based upon their future repayment potential as determined by their underlying credit quality, collateral, and/or guarantor support. All grants, conditional loans, and the remaining investments are expensed when funded and are not listed on the statements of net position based upon their future repayment potential.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Economic Development Opportunities Program Fund 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.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Fund is one of a number of programs administered by the Department. The Fund has no direct employees and is entirely supported by Department staff who perform all necessary functions of the Fund. The Department allocates certain percentage of its operating, general, and administrative costs to the Fund on an annual basis. The annual allocation from the Department is not necessarily representative of the cost to administer the Fund if it was a stand-alone entity. The Department allocated expenses to the Fund of \$270,794 and \$240,164 for the years ended June 30, 2023 and 2022, respectively.

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

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 insurance premium 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.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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. Revenue 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 revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Equity In Pooled Invested Cash

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

Conditional Loans

The Fund extends conditional loans which are forgiven if certain criteria are met. Conditional loans are expensed when they are settled, and disbursement payments are made. The Fund disbursed \$5,000,000 in conditional loans during the year ended June 30, 2022.

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.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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.

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.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 EQUITY IN POOLED INVESTED CASH (CONTINUED)

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.

NOTE 4 ECONOMIC DEVELOPMENT NOTES RECEIVABLE

The Fund supports long-term economic development projects with long-term structured funds, referred to in the Fund's statute as investments that are entitled to some or all of a project's future cash flows from operations, asset appreciation, or defined revenue streams as a source of repayment. At the time of funding, a determination is made as to whether they are carried as an asset or expensed based upon their future repayment potential.

The values of these receivables are reported at the amount of the original note, less repayment. Economic development notes receivable as of June 30 were comprised of the following:

Project	2023	2022
UMBC Research Corporation	\$ -	\$ 25,552
University of Maryland at Baltimore	391,781	391,781
Total	<u>\$ 391,781</u>	<u>\$ 417,333</u>

A description of the economic development loan balances are as follows:

UMBC Research Corporation

In fiscal year 2005, the Fund entered into an Investment Agreement with the University of Maryland, Baltimore County (UMBC), whereby \$2,000,000 from the Fund was invested with UMBC to help attract private-sector technology-based businesses to UMBC's new research and development park. Under the Investment Agreement, UMBC is required to provide financial assistance to tenants in the form of a low-interest loan under loan agreements reasonably acceptable to the Fund. In addition to the assignment of such loan agreements, all payments under the loan agreements are being made directly to the Fund. During the fiscal years ended June 30, 2023 and 2022, the Fund received payments totaling \$55,802 in 2023 and \$64,911 in 2022, respectively. The Investment had payments of \$25,552 to pay the balance down to zero. The remaining \$30,250 was also received additionally as grant recovery.

University of Maryland at Baltimore City

In fiscal year 2004, the Fund entered into an Investment Agreement with the University of Maryland at Baltimore (UMB), whereby \$4,000,000 from the Fund was invested with UMB to help attract private-sector life science and technology-based business to Building One of UMB's Research and Development Park. Under the Investment Agreement, UMB is required to provide financial assistance to tenants in the form of unsecured low-interest loans under loan agreements reasonably acceptable to the Fund. In addition to the assignment of such loan agreements, all payments under the loan agreements are being made directly to the Fund.

**ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND
(SUNNY DAY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 ECONOMIC DEVELOPMENT NOTES RECEIVABLE (CONTINUED)

In 2006, UMB entered into a Second Tier Investment Agreement between UMB and Baltimore LSRP Two, Business Trust for the creation of a Bio-Accelerator. The Second Tier Investment Agreement set aside \$534,950, from the \$4,000,000 Investment to build out the Bio-Accelerator space in Building One for use by emerging companies. There were no payments received in fiscal years 2023 and 2022.

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 included in the Department's annual allocation of administrative expenses that are charged to the Fund and paid to the State prior to year-end.

The System prepares a 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 and grants in the amount of \$-0- and \$5,000,000, respectively.

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.