



# MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

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JULY 30, 2021  
BOARD MEETING



# AGENDA

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- Approval of Minutes from October 28, 2020 Board Meeting
- Chair's Report
- Executive Director's Report
- Committee Reports
  - Audit & Finance Committee
- New Business/Public Comment
- Closed Session
- **Note:** Because this Regular Meeting of the MSBRS Board of Directors is being held by remote means, it is not logistically feasible to alert the public in attendance at the Open Session when the Board adjourns from the Closed Session and returns to Open Session. Therefore, the Board intends to adjourn the Regular Meeting during the conclusion of the Closed Session and will not return to Open Session following the Closed Session. The minutes of the next Open Session of the MSBRS Board of Directors will include all information required to be disclosed pursuant to GP §§3-306(c)(2) and 3-104, and such minutes will be publicly available on the MSBRS website ([www.marylandsaves.org](http://www.marylandsaves.org)) once the MSBRS Board of Directors have approved such minutes.



## APPROVAL OF MINUTES FROM PRIOR BOARD MEETING

☐ October 28, 2020



## **Open Session Board Meeting Minutes October 28, 2020**

Location: Zoom Video Conference

### **Board Members Participating:**

Josh Gotbaum, Chair  
Treasurer Nancy Kopp  
Sec. Tiffany Robinson  
Del. Benjamin Brooks  
Paul Green

Lou J Hutt, Jr.  
Marianne Mattran  
Sen. Jim Rosapepe  
Kathleen Kennedy Townsend

Absent: Kathy Davis

Staff: John Wasilisin, Glenn Simmons, Stephanie Davis.

Others in Attendance: Phillip Anthony (Dept of Legislative Services), Angela Antonelli (Georgetown University Center for Retirement Initiatives), Jim Balsan (BNY), Taylor Benson (BlackRock), Ryan Campbell (BlackRock), Stuart Cohen (General Public), Andrea Feirstein (AKF), Michael Harrison (DOL), Charles Kariuki (Aon), George Piquette (Ascensus), Douglas Magnolia (BNY), Lisa Massena (Massena Associates), David Morse (K&L Gates), Brian Murtagh (State Street), Kevin Ruiz (Aon), Rikki Sapolich-Krol (K&L Gates), Claire Shaughnessy (Aon).

The Chair called the meeting to order at approximately 9:32 AM.

### **1. Approval of Minutes**

*The December 11, 2019 minutes were approved unanimously.*

### **2. Chair's Report**

Chair Josh Gotbaum gave an update on the first three state programs (OR, IL, CA) and activity at the federal level. Mr. Gotbaum summarized the Program Design Committee series of meetings with prospective Program Administrators and Investment Managers. He then discussed the Finance Committee Budget updates that were presented in Kathy Davis' absence. Mr. Gotbaum discussed the change in Board membership due to the resignation of Sarah Mysiewicz Gill. Maryland Speaker of the House Adrienne Jones will appoint and notify the Board of Mrs. Mysiewicz Gill's replacement. Mr. Gotbaum noted the Board will go into closed session later in the meeting to review sensitive procurement information.

### **3. Executive Director Report**

John Wasilisin indicated that the solicitation/procurement process, along with the Finance Committee report, have been the primary activities of staff since the last Board meeting. More details regarding the solicitation/procurement report were to be discussed in the closed session of the Board meeting.

#### 4. Committee Reports

##### a. Audit and Finance Committee

On behalf of Committee Chair Kathy Davis, who was absent, Mr. Wasilisin briefed the Board members on the activities of the Audit & Finance Committee, which met in February, June and September 2020 to review the monthly financial reports and the monthly Budget vs Actual reports.

MD\$aves completed and submitted to the State the CY2019 audit prior to the August 1 deadline. The Committee reviewed the draft audit before its submission. The full Board approved the audit report on July 24. It was an unqualified opinion – there were no findings or questioned costs.

Mr. Wasilisin presented the draft FY21 budget and discussed the various line items.

***The FY21 Budget was Approved Unanimously.***

The Fiscal Expenditure Approval Thresholds were revised and approved by the Audit & Finance Committee at its September 18, 2020 meeting.

***The revised Fiscal Expenditure Approval Thresholds were Approved Unanimously.***

#### 5. New Business/Public Comment

Paul Green provided an update on the Jarvis vs CalSavers legal suit. Mr. Green will distribute the District Court opinion to Board members.

#### 6. Closed Session

Mr. Gotbaum indicated that the Board meeting would now go into Closed Session to discuss procurement matters as allowed by Maryland Law. The Board unanimously approved going into Closed Session.

The Open Session of the meeting was closed at 10:30 AM.



# CHAIR'S REPORT

## HON. JOSHUA GOTBAUM

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# EXECUTIVE DIRECTOR'S REPORT

## JOHN WASILISIN

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# AUDIT/FINANCE COMMITTEE REPORT

KATHY DAVIS / JOHN WASILISIN / GLENN SIMMONS

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**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS  
PROGRAM**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

DRAFT  
for Preliminary  
Discussion Only

**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF NET POSITION</b>	<b>3</b>
<b>STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6</b>

**DRAFT**  
for Preliminary  
Discussion Only



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Maryland Small Business Retirement Savings Program (the Program), a component unit of the state of Maryland, which comprise the statements of net position as of December 31, 2020 and 2019, 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members and Board of Trustees  
Maryland Small Business Retirement Savings Program

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of December 31, 2020 and 2019, and the results of its changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***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, 2020, 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.

***Other Matters***

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**

Baltimore, Maryland  
April 26, 2021

**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,530,229	\$ 1,516,241
Prepaid Assets and Security Deposits	7,087	6,877
Capital Assets, Net	<u>3,145</u>	<u>4,779</u>
Total Assets	1,540,461	1,527,897
<b>LIABILITIES</b>		
Accrued Expenses	130,306	102,937
Due to State of Maryland	<u>3,104,800</u>	<u>2,204,800</u>
Total Liabilities	3,235,106	2,307,737
<b>NET POSITION / (DEFICIT)</b>		
Investment in Capital Assets	3,145	4,779
Unrestricted	<u>(1,697,790)</u>	<u>(784,619)</u>
Net Deficit	<u>\$ (1,694,645)</u>	<u>\$ (779,840)</u>

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Discussion Only

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING EXPENSE</b>		
Salaries, Wages, and Benefits	\$ 375,098	\$ 307,349
Insurance	55,600	55,454
Facilities Operations	16,619	15,898
Advertising	-	4,291
Travel	1,235	5,057
General Expenses	475,451	196,414
Depreciation	1,634	2,539
Total Operating Expenses	<u>925,637</u>	<u>587,002</u>
<b>OPERATING LOSS</b>	(925,637)	(587,002)
<b>NONOPERATING REVENUE</b>		
Interest income	<u>10,832</u>	<u>3,952</u>
<b>CHANGE IN NET POSITION</b>	(914,805)	(583,050)
Net Deficit - Beginning of Year	<u>(779,840)</u>	<u>(196,790)</u>
<b>NET DEFICIT - END OF YEAR</b>	<u><u>\$ (1,694,645)</u></u>	<u><u>\$ (779,840)</u></u>

See accompanying Notes to Financial Statements.



**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM**  
**STATEMENTS OF CASH FLOW**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Paid to Suppliers	\$ (521,755)	\$ (200,885)
Cash Paid to Employees	(375,089)	(298,372)
Net Cash Used by Operating Activities	(896,844)	(499,257)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Note Payable	900,000	900,000
Net Cash Provided by Financing Activities	900,000	900,000
<b>CAS FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Earnings	10,832	3,952
Net Cash Provided by Investing Activities	10,832	3,952
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	13,988	404,695
Cash and Cash Equivalents - Beginning of Year	1,516,241	1,111,546
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,530,229</u>	<u>\$ 1,516,241</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (925,637)	\$ (587,002)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	1,634	2,539
(Increase) Decrease in Assets:		
Prepaid Assets and Security Deposits	(210)	(4,031)
Increase (Decrease) in Liabilities:		
Accrued Expenses	27,369	89,237
Total Adjustments	28,793	87,745
Net Cash Used by Operating Activities	<u>\$ (896,844)</u>	<u>\$ (499,257)</u>

See accompanying Notes to Financial Statements.

**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 and 2019. 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.

**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:

	2020	
	Carrying Amount	Bank Balance
Demand Deposits at Financial Institutions	\$ 2,799	\$ 2,799
Cash Equivalents/Money Market Accounts	1,527,430	1,527,430
Total	<u>\$ 1,530,229</u>	<u>\$ 1,530,229</u>
	2019	
	Carrying Amount	Bank Balance
Demand Deposits at Financial Institutions	\$ 94,864	\$ 94,864
Cash Equivalents/Money Market Accounts	1,421,377	1,436,607
Total	<u>\$ 1,516,241</u>	<u>\$ 1,531,471</u>

Custodial credit risk is the risk that in the event of a bank failure, the Program's deposits may not be returned to it. At December 31, 2019, the Program had \$264,607 in excess of the FDIC insured limit, which was uninsured and uncollateralized. At December 31, 2020, all of the Program's deposits were covered by federal depository insurance or fully collateralized.

**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2020 and 2019, were as follows:

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	<u>\$ 4,779</u>	<u>\$ (1,634)</u>	<u>\$ -</u>	<u>\$ 3,145</u>
2019				
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Depreciable Capital Assets:				
Furniture and Equipment	\$ 8,865	\$ -	\$ -	\$ 8,865
Less: Accumulated Depreciation	1,547	2,539	-	4,086
Total	<u>\$ 7,318</u>	<u>\$ (2,539)</u>	<u>\$ -</u>	<u>\$ 4,779</u>

**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.

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

2020				
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Payable to State of Maryland	<u>\$ 2,204,800</u>	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 3,104,800</u>
2019				
	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Payable to State of Maryland	<u>\$ 1,304,800</u>	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 2,204,800</u>



**MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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 and calls for monthly rental payments ranging from \$1,022 to \$1,217. Minimum annual lease payments under noncancelable lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 13,137
2022	12,890
2023	13,933
2024	8,516
Total	<u>\$ 48,476</u>

**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 2020. Contributions for the years ended December 31, 2020 and 2019 were \$26,120 and \$12,617, 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.





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

We have audited the financial statements of the Maryland Small Business Retirement Savings Program (The Program) as of and for the year ended December 31, 2020, and have issued our report thereon dated April 26, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### ***Accounting policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Program are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### ***Accounting estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

##### ***Financial statement disclosures***

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Corrected misstatements***

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the attached management representation letter dated April 26, 2021.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other audit findings or issues***

We have provided a separate letter to you dated April 26, 2021, communicating best practice recommendations identified during the audit.

\* \* \*

This communication is intended solely for the information and use of the Board of Trustees and management of Maryland Small Business Retirement Savings Program and is not intended to be, and should not be, used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
April 26, 2021

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for Preliminary  
Discussion Only

Client: 026-01173100 - Maryland Small Business Retirement Savings Program  
Engagement: AUD - Maryland Small Business Retirement Savings Program  
Period Ending: 12/31/2020  
Trial Balance: 0900.00 - Trial Balance  
Workpaper: 0921.00 - Adjusting Journal Entry Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To record 2020 depreciation expense				
575	Depreciation	0921.01	1,634.00	
149	Accumulated Depreciation			1,634.00
<b>Total</b>			<b>1,634.00</b>	<b>1,634.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
To accrue billing for consulting services performed in 2020				
509	Outside Services	2100.04	8,222.00	
205	Accounts Payable			8,222.00
<b>Total</b>			<b>8,222.00</b>	<b>8,222.00</b>
<b>Total Adjusting Journal Entries</b>			<b>9,856.00</b>	<b>9,856.00</b>
<b>Total All Journal Entries</b>			<b>9,856.00</b>	<b>9,856.00</b>

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for Preliminary  
Discussion Only





Management  
Maryland Small Business Retirement Savings Program  
Baltimore, Maryland

In planning and performing our audit of the financial statements of the Maryland Small Business Retirement Savings Program (the Program) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below.

**Third-Party Service Provider Oversight**

During our review of the Program's capitalized assets, we noted that depreciation expense was not recorded for the current year. Through additional procedures performed, we also identified an invoice paid after year-end that was not accrued, despite that it was related to services from the year under audit. Although these items were considered immaterial to the financial statements as a whole, management elected to make corrections to ensure the accuracy and transparency of the Program's financial results.

These items highlight the importance of management's review and oversight of third-party vendor services. Such oversight will be of increased importance as the Program moves closer to implementation and begins working with investment advisors and the plan administrator.

*Managements Response: We appreciate the suggestions for strengthening our internal control. We have spoken with our accounting firm regarding both of your suggestions. Regarding the first, our accounting firm apologized for inadvertently submitting the trial balance without the depreciation and provided a revised December financial report that included it. We will make sure depreciation is included in the trial balance for future audits.*

*Regarding the second suggestion, we received a vendor invoice in February 2021 that covered services for the period of November 2020 through January 2021. This invoice was paid in February 2021 and our accounting firm recorded the entire expense in February 2021. We have since corrected this expense so that two-thirds of this invoice was accrued to 2020 and one-third to 2021. Revised financial reports were prepared to reflect this change. We will make sure future invoices that span calendar years are accrued properly moving forward.*

**Management's response**

Management's written responses to the items identified in our audit was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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This communication is intended solely for the information and use of management, Board of Trustees, and others within the Program, and is not intended to be, and should not be, used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
April 26, 2021

DRAFT  
for Preliminary  
Discussion Only



## FY22 Proposed Budget for MD Small Business Retirement Savings Program

		FY21 Budget	FY21 Proj Exp	FY22 Budget	FY21/FY22 \$ Change	FY21/FY22 % Change	Notes
<u>Program Development</u>							
	Program Consultants	300,000	297,637	300,000	2,363	1%	1
	Program Marketing	200,000	50,000	300,000	250,000	500%	2
<b>Total Program Development</b>		<b>500,000</b>	<b>347,637</b>	<b>600,000</b>	<b>252,363</b>	<b>73%</b>	
<u>Personnel</u>							
	Wages	388,750	363,656	450,000	86,344	24%	3
	Benefits	111,800	89,188	129,150	39,962	45%	
	Performance Comp Adjustments	95,000	16,024	95,000	78,976	493%	
<b>Total Personnel</b>		<b>595,550</b>	<b>468,868</b>	<b>674,150</b>	<b>205,282</b>	<b>44%</b>	
<u>Office/Other Expenses</u>		<b>29,600</b>	<b>21,773</b>	<b>30,000</b>	<b>8,227</b>	<b>38%</b>	4
<u>Professional Services</u>							
	Legal	150,000	196,208	100,000	(96,208)	-49%	5
	Accounting	6,000	5,130	7,000	1,870	36%	
	Payroll Processing	1,400	1,094	1,500	406	37%	
	Audit	14,000	14,000	16,000	2,000	14%	
	Tech Support	5,000	3,516	5,000	1,484	42%	
	Internet/Phone	3,600	2,559	4,000	1,441	56%	
	D&O Insurance	18,500	17,925	20,000	2,075	12%	
	Office Insurance	950	950	1,000	50	5%	
<b>Total Professional Services</b>		<b>199,450</b>	<b>241,382</b>	<b>154,500</b>	<b>(86,882)</b>	<b>-36%</b>	
<b>Depreciation</b>			1,634				
<b>Totals</b>		<b>1,324,600</b>	<b>1,081,294</b>	<b>1,458,650</b>	<b>377,356</b>	<b>35%</b>	

### Budget Summary FY18-FY22

State Loans (FY18-21)	3,104,800
Total Proj Expenses (FY18-21)	2,285,538
Cash on Hand 6/30/21	819,262
State Loan (FY22)	900,000
Projected Cash on Hand 7/1/21	1,719,262
Projected Prog Revenue	*
FY22 Projected Expenditures	1,458,650
Cash on Hand 6/30/22	260,612

### Notes

- #1 - FY22 will be a program implementation year. It is anticipated that Prog Dev expenses and legal costs will significantly lessen in FY23
- #2 - Marketing contract started in May 2021. FY22 budget includes carryover from FY21 for completion of initial contract and funding for continued marketing efforts after launch in Jan/Feb 2022.
- #3 - 4.5 FTEs in FY22 vs 3.5 FTEs in FY21. Add'l FTE for Prog Outreach to employers.
- #4 - Includes rent, travel, ofc equip
- #5 - FY21 legal expenses were high due to extensive negotiations with initial recordkeeper candidate
- \* Revenue projections under development



## NEW BUSINESS/PUBLIC COMMENT

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## CLOSED SESSION

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Note: Because this Regular Meeting of the MSBRS Board of Directors is being held by remote means, it is not logistically feasible to alert the public in attendance at the Open Session when the Board adjourns from the Closed Session and returns to Open Session. Therefore, the Board intends to adjourn the Regular Meeting during the conclusion of the Closed Session and will not return to Open Session following the Closed Session. The minutes of the next Open Session of the MSBRS Board of Directors will include all information required to be disclosed pursuant to GP §§3-306(c)(2) and 3-104, and such minutes will be publicly available on the MSBRS website ([www.marylandsaves.org](http://www.marylandsaves.org)) once the MSBRS Board of Directors have approved such minutes.