

**PRINCE GEORGE'S COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2024 AND 2023

TABLE OF CONTENTS

	<u>Page Numbers</u>
Independent Auditor's Report.....	1-3
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses for the Year Ended June 30, 2024	6
Statement of Functional Expenses for the Year Ended June 30, 2023	7
Statements of Cash Flows	8
Notes to Financial Statements	9-14
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	15
Notes to Schedule of Expenditures of Federal Awards.	16
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	19-21
Schedule of Findings and Questioned Costs.....	22-23

Independent Auditor's Report

To the Board of Directors
Prince George's County Economic Development Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Prince George's County Economic Development Corporation (the "Corporation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal 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 the Corporation'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 the Corporation'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.

Independent Auditor's Report (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Gross, Mendelson & Associates, P. A.

Baltimore, Maryland
March 27, 2025

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,718,487	\$ 6,129,032
Grants receivable	1,030,000	170,222
Accounts receivable	357,035	169,414
Prepaid expenses	314,621	215,694
Total Current Assets	<u>7,420,143</u>	<u>6,684,362</u>
Property		
Furniture and fixtures	666,301	666,301
Office equipment	522,689	416,242
Automotive	25,500	52,657
Website development costs	71,116	71,116
Leasehold improvements	38,400	38,400
Total Property	<u>1,324,006</u>	<u>1,244,716</u>
Less: Accumulated depreciation and amortization	<u>1,098,257</u>	<u>1,034,735</u>
Property, Net	<u>225,749</u>	<u>209,981</u>
Total Assets	<u><u>\$ 7,645,892</u></u>	<u><u>\$ 6,894,343</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 299,496	\$ 196,982
Accrued payroll and compensated absences	322,257	318,233
Deferred revenue	520,367	779,109
Incubator service agreement deposits	9,163	7,913
Total Liabilities	<u>1,151,283</u>	<u>1,302,237</u>
Commitments and Contingencies (Notes 5, 7 and 8)		
Net Assets		
Without donor restrictions	<u>6,494,609</u>	<u>5,592,106</u>
Total Liabilities and Net Assets	<u><u>\$ 7,645,892</u></u>	<u><u>\$ 6,894,343</u></u>

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

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Statements of Activities
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net Assets Without Donor Restrictions		
Support and Revenue		
Program service income - Prince George's County	\$ 4,272,200	\$ 3,982,600
Grant revenue	1,515,044	299,122
In-kind rent	538,496	527,937
Sponsorship and event income	368,441	276,794
International income	104,733	340,506
Incubator revenue	72,325	66,275
Program service income - other	72,000	72,320
Interest income	38,601	4,842
Other income	104,719	62,681
Total Support and Revenue	<u>7,086,559</u>	<u>5,633,077</u>
Expenses		
Program services	4,200,175	3,734,782
Supporting services		
Management and general	1,730,277	937,365
Fundraising	253,604	621,653
Total Expenses	<u>6,184,056</u>	<u>5,293,800</u>
Change in Net Assets Without Donor Restrictions	902,503	339,277
Net Assets Without Donor Restrictions at Beginning of Year	<u>5,592,106</u>	<u>5,252,829</u>
Net Assets Without Donor Restrictions at End of Year	<u><u>\$ 6,494,609</u></u>	<u><u>\$ 5,592,106</u></u>

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

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services				Supporting Services		
	Community Outreach	Business Development	International	Small Business	Total Program	Management and General	Fundraising Total
Personnel expenses							
Salaries	\$ 449,266	\$ 867,207	\$ 200,754	\$ 275,808	\$ 1,793,035	\$ 599,847	\$ 116,558
Employee benefits	101,606	182,891	40,643	60,964	386,104	147,329	15,241
Payroll taxes	34,620	62,316	13,848	20,772	131,556	50,199	5,193
Total personnel expenses	585,492	1,112,414	255,245	357,544	2,310,695	797,375	136,992
Outreach and marketing	215,709	301,992	129,425	43,142	690,268	345,134	43,142
Professional fees	147,225	206,116	88,335	29,445	471,121	235,561	29,445
Leased space	107,699	150,779	64,619	21,540	344,637	172,319	21,540
Computer expenses	27,445	38,423	16,467	5,489	87,824	43,912	5,489
Depreciation and amortization	18,136	25,390	10,881	3,628	58,035	29,017	3,627
Staff and board expenses	15,250	21,351	9,150	3,050	48,801	24,401	3,050
Telephone and internet	13,495	18,893	8,097	2,699	43,184	21,592	2,699
Equipment maintenance	9,675	13,545	5,805	1,935	30,960	15,480	1,935
Other expenses	9,614	13,460	5,768	1,922	30,764	15,382	1,922
Insurance	8,046	11,264	4,827	1,609	25,746	12,873	1,609
Equipment lease and rental	6,148	8,607	3,689	1,230	19,674	9,837	1,230
County incubator expenses	-0-	-0-	-0-	23,679	23,679	-0-	-0-
Office supplies and expenses	4,621	6,469	2,773	924	14,787	7,394	924
Total Expenses	\$ 1,168,555	\$ 1,928,703	\$ 605,081	\$ 497,836	\$ 4,200,175	\$ 1,730,277	\$ 253,604
							\$ 6,184,056

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

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Supporting Services		
	Community Outreach	Business Development	International	Small Business	Total Program	Management and General	Fundraising Total
Personnel expenses							
Salaries	\$ 321,807	\$ 924,158	\$ 182,907	\$ 93,191	\$ 1,522,063	\$ 442,295	\$ 346,612 \$ 2,310,970
Employee benefits	112,204	181,252	34,524	17,262	345,242	77,680	43,155 466,077
Payroll taxes	41,204	66,560	12,678	6,339	126,781	28,526	15,848 171,155
Total personnel expenses	475,215	1,171,970	230,109	116,792	1,994,086	548,501	405,615 2,948,202
Outreach and marketing							
Professional fees	237,353	383,417	73,032	36,516	730,318	164,322	91,290 985,930
Leased space	78,517	126,834	24,159	12,079	241,589	54,358	30,199 326,146
Telephone and internet	127,096	205,309	39,106	19,553	391,064	87,990	48,883 527,937
Computer expenses	20,393	32,943	6,275	3,137	62,748	14,118	7,844 84,710
Equipment maintenance	35,601	57,509	10,954	5,477	109,541	24,647	13,693 147,881
Staff and board expenses	13,806	22,302	4,248	2,124	42,480	9,558	5,310 57,348
County incubator expenses	8,355	13,496	2,571	1,285	25,707	5,784	3,213 34,704
Other expenses	-0-	-0-	-0-	12,407	12,407	-0-	-0- 12,407
Insurance	5,424	8,762	1,669	835	16,690	3,752	2,087 22,529
Depreciation and amortization	8,591	13,878	2,643	1,322	26,434	5,948	3,304 35,686
Office supplies and expenses	13,247	21,399	4,076	2,038	40,760	9,171	5,095 55,026
Equipment lease and rental	6,315	10,201	1,943	972	19,431	4,372	2,429 26,232
	6,996	11,302	2,153	1,076	21,527	4,844	2,691 29,062
Total Expenses	\$ 1,036,909	\$ 2,079,322	\$ 402,938	\$ 215,613	\$ 3,734,782	\$ 937,365	\$ 621,653 \$ 5,293,800

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

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 902,503	\$ 339,277
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	90,679	55,026
Changes in operating assets and liabilities:		
Grants receivable	(859,778)	(170,222)
Accounts receivable	(187,621)	825,534
Prepaid expenses	(98,927)	(39,246)
Accounts payable and accrued expenses	93,293	(131,594)
Accrued payroll and compensated absences	4,024	101,376
Deferred revenue	(258,742)	527,442
Incubator service agreement deposits	1,250	1,800
Net Cash Provided by (Used in) Operating Activities	<u>(313,319)</u>	<u>1,509,393</u>
Cash Flows from Investing Activities		
Purchase of property	<u>(97,226)</u>	<u>(156,810)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(410,545)	1,352,583
Cash and Cash Equivalents - Beginning of Year	<u>6,129,032</u>	<u>4,776,449</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,718,487</u>	<u>\$ 6,129,032</u>
Supplemental Disclosure of Cash Flow Information:		
Noncash Investing and Financing Activities:		
Acquisition of property	\$ 106,447	\$ 156,810
Property related accrued expenses	<u>(9,221)</u>	<u>-0-</u>
Cash paid for purchase of property (included in cash flows from investing activities)	<u>\$ 97,226</u>	<u>\$ 156,810</u>

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

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 2024 and 2023

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Prince George's Economic Development Corporation (the "Corporation") is a not-for-profit organization incorporated under the laws of the State of Maryland in 1983. The Corporation receives substantial annual funding from Prince George's County, Maryland (the County) to fund its mission which encompasses three initiatives: (1) marketing the County as a good place to live and work; (2) assisting the County's existing businesses to grow and prosper; and (3) promoting redevelopment, revitalization, and reinvestment in the County's older areas, particularly those inside the Beltway.

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents: The Corporation classifies all investments which are readily convertible to cash and which have a maturity date of three months or less when purchased as cash and cash equivalents.

Grants Receivable and Deferred Revenue: Grants receivable represents amounts earned and due from grantors. All grants receivable are considered fully collectible at June 30, 2024 and 2023. Deferred revenue represents grant funds and sponsorships received in advance that have not been earned as of June 30, 2024 and 2023.

Accounts Receivable: Accounts receivable arise from event sponsorships and pass through grant activity. Accounts receivable are reported at their outstanding balances, reduced by an estimate for credit losses. Management determines the allowance for credit losses by reviewing its outstanding accounts, historical collection experience with individual accounts and payor sources, existing economic conditions and reasonable and supportable forecasts of future events. Receivables are written off by management when, in its determination, all collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when collected. The Corporation does not require collateral or other security to support receivables. Management has reviewed its outstanding receivables for the years then ended June 30, 2024 and 2023, and based on its analysis of estimated credit losses, has not recorded an allowance for credit losses. There were no write-offs for the years ended June 30, 2024 and 2023.

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 2024 and 2023

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property and Depreciation: Property is stated at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets identified below. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. The Corporation's threshold for capitalization is any acquisition that meets the above criteria and is greater than or equal to \$1,000. Costs associated with the development of the Corporation's website applications, infrastructure, graphics and content are capitalized and amortized under the straight-line method over a period of five years. Cost related to planning and operating the website are expensed as incurred. Depreciation and amortization expense related to the property was \$90,679 and \$55,026 for the years ended June 30, 2024 and 2023, respectively.

	<u>Useful Lives</u>
Furniture and fixtures	5 years
Office equipment	5 years
Automotive	5 years
Website development costs	5 years
Leasehold improvements	10 years

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. As of June 30, 2024 and 2023, the Corporation's net assets were all without donor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

June 30, 2024 and 2023

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition: The Corporation derives revenue from program services, grants, contributions, incubator revenue, sponsorships and events and investment income. Incubator revenue, international income, sponsorships and events and investment income are recognized as revenue when earned. Unconditional contributions are recognized as revenue in the year the contributions are pledged and/or received. Government grants are recognized based on the terms of the specific grant document. Grant revenue received in advance of the grant period is recorded as deferred revenue. Conditional grants are earned and recognized as revenue without donor restrictions in proportion to the related expenses incurred or when all conditions of the grant have been substantially met. In general, program service revenue is recognized as services are rendered and expenses are recorded when incurred. Program service expenses include costs that are specifically identified with a particular program and an allocation of costs associated with the administration of all of the Corporation's programs. The Corporation generates contract revenue primarily from its program service agreements with Prince George's County and the State of Maryland. Each fixed price contract has one performance obligation which is satisfied over time. International income represents fees received for international trade mission trips the Corporation plans and facilitates. International revenue consists of one performance obligation that is recognized at the time of the mission trip.

The Corporation recorded contractual commitments to be recognized with the passage of time (deferred revenue) of \$520,307, \$779,109 and \$251,667 for the years ended June 30, 2024, 2023 and 2022, respectively. The Corporation disaggregates its revenue from contracts as follows:

	2024	2023
Performance obligations satisfied over time		
Program service income - Prince George's County	\$ 4,272,200	\$ 3,982,600
Program service income - other	72,000	72,320
	<u>\$ 4,344,200</u>	<u>\$ 4,054,920</u>
Performance obligations satisfied at a point in time		
International income	<u>\$ 104,733</u>	<u>\$ 340,506</u>

In-Kind Rent: The Corporation pays no rent under the terms of the lease agreement with Prince George's County. The Corporation recognizes contribution revenue and a corresponding expense in an amount approximating the annual estimated fair-value rental of the office space. In-kind rent is allocated among its program and supporting services based on utilization of the rental space.

Leases: The Corporation determines if an arrangement is a lease at the inception of the contract. As of the lease commencement date, each lease is evaluated to determine if it will be classified as an operating or finance lease. Leases with a term of 12 months or less are considered short-term leases and lease assets and liabilities are not recognized. Lease terms include the noncancellable portion of the leases and reasonably certain renewal periods, termination options and purchase options. The Corporation accounts for lease and non-lease components as a single lease component. The Corporation uses the risk-free discount rate when the rate implicit in the lease is not available. Variable lease payment amounts that cannot be determined at the commencement of the lease such as lease payments based on changes in index rates or usage are not included in the lease assets or liabilities.

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 2024 and 2023

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Advertising Expense: The cost of advertising is expensed as incurred. Advertising expense was \$142,214 and \$52,842 for the years ended June 30, 2024 and 2023, respectively, and is included with outreach and marketing expenses.

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated, generally based on estimates of the portion of time expended by the staff on the various functions.

Income Taxes: The Corporation is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Corporation had no unrelated business income for the years ended June 30, 2024 and 2023. Accordingly, no provision for income taxes is reflected in these financial statements. The Corporation's federal exempt tax returns are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns are filed.

Recently Adopted Accounting Standard: The Financial Accounting Standards Board (FASB) issued ASC 326, *Financial Instruments - Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets. The most significant change is a shift from the incurred loss model to the expected loss model for estimating the allowance for credit losses. Under this standard, disclosures are required to provide the financial statement users with information for analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Corporation that are subject to the guidance in ASC 326 are accounts receivable.

The Corporation adopted ASC 326 effective July 1, 2023. The impact of the adoption was not material to the financial statements and primarily resulted in new disclosures only.

Subsequent Events: In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 27, 2025, the date the financial statements were available to be issued. During the period from July 1, 2024 through March 27, 2025, the Corporation did not have any material recognizable subsequent events.

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for the general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of the financial position date comprise the following:

	2024	2023
Cash and cash equivalents	\$ 5,718,487	\$ 6,129,032
Grants receivable	1,030,000	170,222
Accounts receivable	357,035	169,414
Financial Assets Available for General Expenditure	<u>\$ 7,105,522</u>	<u>\$ 6,468,668</u>

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 2024 and 2023

Note 2: Liquidity and Availability of Funds (Continued)

The Corporation manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. In the event of an unanticipated liquidity need, the Corporation also could draw upon the \$500,000 available operating line of credit (as further discussed in Note 3).

Note 3: Line of Credit

The Corporation has a line of credit with a bank in the amount of \$500,000. Amounts outstanding under the line of credit are payable on demand and bear interest at a rate equal to 3.5% above the bank's prime rate (12.00% and 11.75% as of June 30, 2024 and 2023), which is payable monthly. There was no outstanding balance on the line of credit as of June 30, 2024 and 2023. For the each of the years ended June 30, 2024 and 2023, interest expense was \$-0-.

Note 4: Incubator Revenue

The Corporation has established the Innovation Station Business Incubator Program, whereby it provides office related services to qualified businesses to assist technology-based businesses and entrepreneurs located in Prince George's County. Services include the use of conference rooms, centralized reception services and mailing, sorting and distribution along with access to periodic business seminars and networking events. Under this program, a qualified business enters into a Virtual Office License agreement, typically for a term of one year, with options to continue on a month to month basis. The total incubator revenue under this program was \$72,325 and \$66,275 for the years ended June 30, 2024 and 2023, respectively.

Note 5: Retirement Plan

The Corporation has a 401(k) Profit Sharing Plan in which employees who have completed six months of service and have attained the age of 21 are eligible to participate at the next plan entry date. Employees may contribute pre-tax dollars subject to limits imposed by the Internal Revenue Service. The annual employer contribution is 5% of compensation. The Corporation's contributions for the years ended June 30, 2024 and 2023 are \$110,367 and \$100,022, respectively.

Note 6: Business Expansion Fund

Effective March 15, 2019, the Prince George's County Financial Services Corporation (FSC) and the Prince George's County Economic Development Corporation entered into a Memorandum of Understanding (MOU) for the establishment and implementation of a Business Expansion Fund (BEF) to provide financing to creditworthy local, small and minority owned businesses. The contractor's cash flow funds held on deposit by FSC of \$362,000 were used to fund the BEF. By agreement, \$307,000 of the cash flow funds has been repurposed as a perpetual grant to FSC for the purpose of the BEF program. All loans made from the fund are made on a non-recourse basis to FSC. If the agreement is terminated, all uncommitted funds used to capitalize the fund are returnable to the Corporation. The remaining cash flow fund balance of \$55,000 was written off by the Corporation in a prior year.

Interest earned on the loans is split between the two organizations. The Corporation earns 30% of the interest collected on the outstanding loans. The Corporation earned \$4,148 and \$4,747 in interest for the years ended June 30, 2024 and 2023, respectively.

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Notes to Financial Statements
June 30, 2024 and 2023

Note 7: Commitments

The Corporation had a lease agreement with Prince George's County (the County) expiring June 30, 2021. As part of the agreement, the County provided full rent abatement for the term of the lease. The Corporation reflected in-kind rent for the annual rent payments on the statements of activities. A new lease agreement for the periods subsequent to June 30, 2021 has not yet been executed with the County but the Corporation expects the new lease to contain similar terms and rent which will be abated in full by the County.

The Corporation also has an agreement with Prince George's County whereby vehicle lease and maintenance services are provided by Prince George's County. For the years ended June 30, 2024 and 2023, the County provided the Corporation with a bundled charge for various telephone, internet, office equipment, computers, and automotive lease costs. The County did not provide the Corporation with a detail of the charges by type; therefore, the Corporation allocates a monthly vehicle lease payment of \$1,125 as lease expense for the years ended June 30, 2024 and 2023. The County determines on an annual basis the total amount the Corporation is to be charged.

The Corporation has a lease agreement for copier equipment which is on a month-to-month basis. Short-term lease expense paid under these leases was \$30,739 and \$29,062 for the years ended June 30, 2024 and 2023, respectively.

Note 8: Risks and Uncertainties

Uninsured Balances: The Corporation maintains its cash balances at various financial institutions. Periodically during the year, the Corporation's cash balances may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Concentrations: A substantial portion of program service revenue earned during the years ended June 30, 2024, and 2023 is related to contracts from Prince George's County in the amount of \$4,272,200 and \$3,982,600, respectively. During the years ended June 30, 2024, and 2023, Prince George's County provided 69% and 81%, respectively, of the Corporation's funding, including in-kind rent. As of June 30, 2024, two customers accounted for 82% of the Corporation's accounts receivable. As of June 30, 2023, two customers accounted for 28% of the Corporation's accounts receivable.

Economic Uncertainty: In early 2025, the President of the United States signed several Executive Orders related to federal funding of certain currently funded programs, tariffs and other government initiatives. It is not possible to fully quantify the effect these Executive Orders, the interpretation or administration of such Executive Orders, or any other initiatives on the Corporation's operations and financial status. Accordingly, there is no assurance that these orders and initiatives will not adversely affect the Corporation's financial position, business operations and cash flows.

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION

JUNE 30, 2024

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor Grantor/Program or Cluster Title	Federal Assistance Listing Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S Department of Treasury				
<i>Passed through from Prince George's County Office of Management and Budget</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ -0-	\$ 1,450,948
Total Expenditures of Federal Awards			<u>\$ -0-</u>	<u>\$ 1,450,948</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Prince George's County Economic Development Corporation (the "Corporation") under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The corporation has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Directors
Prince George's County Economic Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Prince George's County Economic Development Corporation (the "Corporation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards (Continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gross, Mendelson & Associates, P.A.

Baltimore, Maryland
March 27, 2025

**Independent Auditor's Report on Compliance for Each Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors
Prince George's County Economic Development Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Prince George's County Economic Development Corporation's (the "Corporation") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2024. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporations' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance (Continued)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance (Continued)**

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gross, Mendelson & Associates, P. A.

Baltimore, Maryland
March 27, 2025

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Summary of Auditor's Results

- 1) The auditor's report expresses an unmodified opinion on whether the financial statements of the Prince George's County Economic Development Corporation (the "Corporation") were prepared in accordance with accounting principles generally accepted in the United States.
- 2) No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- 3) No instances of noncompliance material to the financial statements of the Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- 4) One significant deficiency relating to the audit of the major federal programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- 5) The auditor's report on compliance for the major federal award programs for the Corporation expresses an unmodified opinion on all major federal programs.
- 6) Audit findings required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- 7) Coronavirus State and Local Fiscal Recovery Funds (Federal Assistance Listing No. 21.027) was tested as a major program.
- 8) The threshold used for distinguishing between Type A and Type B programs was \$750,000.
- 9) The Corporation did not qualify as a low risk auditee as defined by the Uniform Guidance.

PRINCE GEORGE'S COUNTY ECONOMIC DEVELOPMENT CORPORATION
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2024

Findings - Financial Statement Audit

No findings were reported.

Findings and Questioned Costs - Major Federal Award Programs Audit

U.S. Department of Treasury, Passed through from Prince George's County Office of Management and Budget

Coronavirus State and Local Fiscal Recovery Funds (Federal Assistance Listing No. 21.027)

Finding 2024-001: Procurement, Suspension and Debarment (Significant Deficiency)

Condition: Seven contractors were selected for testing procurement, suspension and debarment. Our testing for procurement, suspension, and debarment indicated that there was no documentation of the cost and price analysis associated with the selection of the contractors used for procurement under the federal award. Furthermore, we noted there was no documentation for the verification of suspension and debarment for the contractors selected for testing.

Criteria: Procurement, suspension and debarment regulations under 2 CFR should be followed.

Cause: While the Corporation maintained adequate written procedures related to procurement, we were unable to view documentation of the cost and price analysis that was performed with the selection of the contractors. Procedures were not consistently documented to verify if vendors contracted with the Corporation related to the federal program in excess of \$25,000 are not suspended, debarred or otherwise excluded from doing business.

Effect: Noncompliance with the federal award program's procurement, suspension and debarment compliance requirements could occur and not be detected and corrected timely.

Recommendation: We noted that management has documented procedures to address procurement, suspension and debarment, however, we recommend that the Corporation ensure the established procedures are consistently followed and documented for all contracts entered into using federal awards.

Views of Responsible Officials and Planned Corrective Actions:

The Corporation has consistently adhered to all procurement procedures and addressed the need for documenting every procedure, including verifying whether a corporation is suspended or debarred. The Finance Department will have complete oversight of the entire process to ensure proper documentation as recommended during the FY2024 audit.

Summary Schedule of Prior Audit Findings

Not applicable.

