



ANNUAL
REPORT
2018

DEAR FRIENDS

The Maryland ABLE program began accepting enrollment from people with qualifying disabilities on November 28, 2017. Once the program opened, Maryland ABLE received seven rollovers from other state ABLE plans into newly established Maryland ABLE accounts. Over the remaining seven months of Fiscal Year 2018 it grew to over 595 accounts for people with qualifying disabilities and accumulated over \$2.3 million in assets under management.

The passage of State and Federal legislation further enhanced the newly-opened program and led to an exciting first year for Maryland ABLE. An increase in the federal gift tax exclusion was reflected in a raise in the annual contribution limit from \$14,000 to \$15,000 at the start of 2018. Changes to the federal tax code also added two new opportunities for ABLE account holders in the form of rollovers from 529 college savings plans and "ABLE to Work" contributions over and above the annual contribution limit for beneficiaries who are employed and are not contributing to, or receiving contributions to, a qualifying retirement account on their behalf.

The Maryland ABLE program also added an online gifting feature and a prepaid MasterCard option further simplifying the process for depositing and accessing funds. With these enhancements, account holders have more opportunities for empowerment and reaching their goals for self-sufficiency.

We would like to express gratitude to the disability advocates, legislators and State officials who made this program possible. In the coming year, we are excited to continue getting the word out about the financial security this program provides to thousands of people across the State. ABLE is a tool for achieving independence, enhancing individual autonomy, and ending the cycle of poverty experienced by individuals with disabilities.

Sincerely,
The Maryland 529 Board



Maryland ABLE Snapshot

Assets: \$2.3 million
Beneficiaries: 595
Average Account Size: \$4,093

Larry Hogan, Governor
Boyd Rutherford, Lt. Governor

Maryland 529 Board

Nancy K. Kopp
Board Chair, State Treasurer

Peter Franchot
State Comptroller

Carol Beatty
Secretary, Maryland Department of Disabilities

Robert L. Caret
Ph.D. Chancellor, University System of Maryland

James D. Fielder, Jr.
Ph.D. Secretary of Higher Education

Karen B. Salmon
Ph.D. State Superintendent of Schools

Carol Coughlin
Public Member

Keith D. Persinger
Public Member

Charles Tharp
Public Member

Peter Tsirigotis
Public Member

Rev. Dr. Lisa M. Weah
Public Member

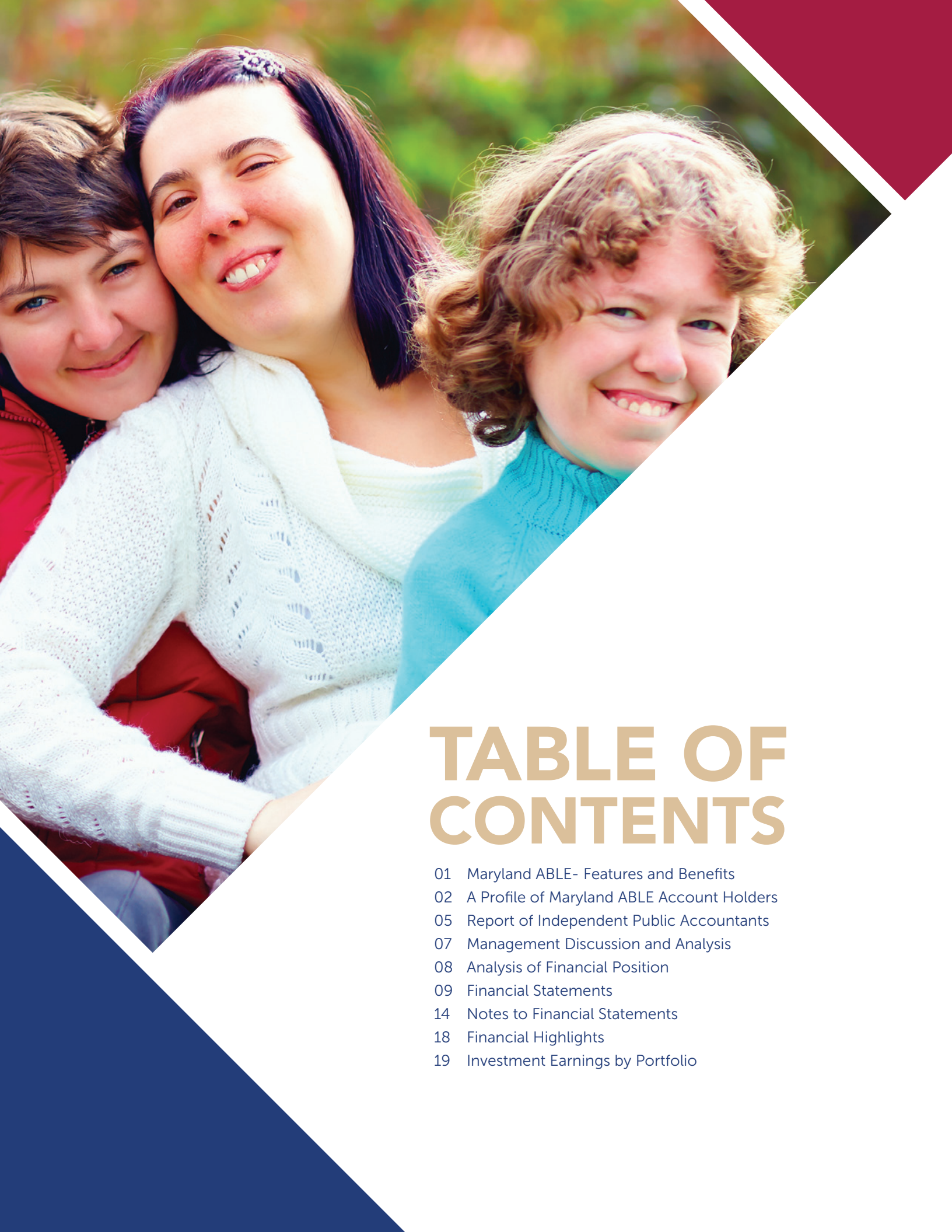


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Maryland ABLE- Features and Benefits

The Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (the "ABLE Act") amended the Internal Revenue Code of 1986 ("the Code") by adding Section 529A, which allows states to open tax-advantaged qualified ABLE Programs throughout the United States. ABLE programs were intended to mirror the benefits of Qualified Tuition Programs (or college savings programs) established pursuant to Section 529 of the Code. ABLE Programs provide people with disabilities a means to save for disability-related expenses without jeopardizing federal means-tested benefits.

Pursuant to Section 529A, a person is eligible to open an ABLE account if they have a qualifying disability or blindness that began before age 26. The account holder and beneficiary of an ABLE account must be the same person, and a beneficiary is only able to have one ABLE account at a time. In general, assets held in an ABLE account are not counted in determining eligibility State or Federal means-tested programs. With respect to Social Security benefits, only assets above \$100,000 held in an ABLE account count as a resource.

The Maryland ABLE Act (H.B. 431) was signed into law by Governor Larry Hogan on April 12, 2016. In part due to the similar framework of the college savings and ABLE savings programs, the Maryland ABLE Act provided that the independent State agency charged with overseeing the State's college savings programs since 1997, Maryland 529, would also open and oversee the State's ABLE program. The Maryland ABLE Program began operation on November 28, 2017.

The Maryland ABLE Act provided the opportunity for State residents to open their accounts with Maryland ABLE and receive the same income deduction on a contributor's State income taxes as is available under the college savings program. Specifically, an individual may deduct up to \$2,500 per Beneficiary from their income for contributions made to a Maryland ABLE account. Contributions in excess of \$2,500 annually may be carried forward and deducted in future years. Additional Federal and Maryland State tax benefits include tax-deferred growth and tax-free earnings provided the funds

are used for Qualified Disability Expenses ("QDEs"). QDEs are broadly defined and specific to the individual account holder. Anything from transportation to employment training, assistive technology, health services, legal fees or housing may be considered a QDE.

Unlike college savings plans, annual contributions to an ABLE account are capped at the same amount as the federal gift tax exclusion, a figure subject to revision. For calendar year 2017, when the plan opened, to calendar year 2018, when the fiscal year closed, this amount increased from \$14,000 to \$15,000. Beginning in 2018, a beneficiary who was working, but not contributing to or receiving contributions to a retirement plan, was able to contribute up to an additional \$12,060 in ABLE to Work contributions. ABLE to Work contributions are capped at the lesser of the beneficiary's earnings for the calendar year, or the federal poverty for a one-person household for the previous calendar year. Effective December 1, 2018, Maryland ABLE accounts have a maximum lifetime contribution limit of \$500,000.

Program Partnership

After careful deliberation, the Maryland 529 Board determined that implementing the Maryland ABLE program in collaboration with other state programs would provide the scale to attract quality investment managers and service providers while minimizing program fees. The Maryland ABLE program is a partner with the State of Oregon through an intergovernmental cooperative purchasing agreement.

Program Manager

Sumday Administration, LLC ("Sumday" or "Program Manager"), a subsidiary of The Bank of New York Mellon ("BNY Mellon"), provides administrative and record-keeping services to the Program under the direction of the Board. Sumday and the Board have entered into a contract (the "Management Agreement") under which Sumday and its subcontractors, including its affiliated companies, BNY Mellon and BNY Investment Management Services, LLC, provide services to the Program.

A Profile of Maryland ABLE Account Holders

Average Age: 28 years old

Gender: 31% Female and 69% Male

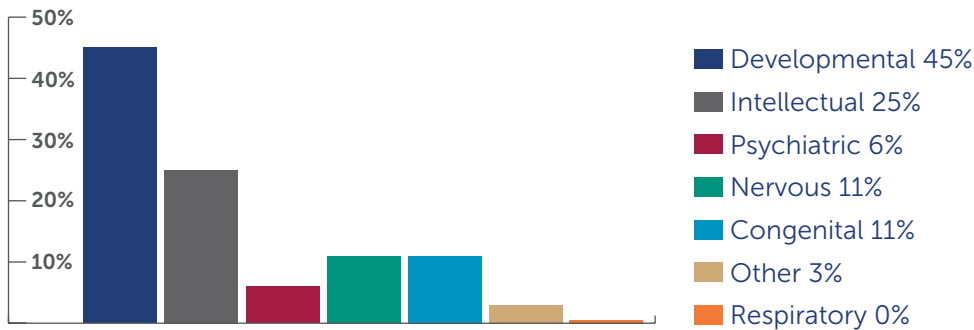
Early trends show that some account holders are using their ABLE accounts for more short-term versus long-term savings and investments. There have been over \$92,500 in gifts received into accounts since the program began.

Enrollment by Disability Type

The disability diagnosis codes most often provided are that of a developmental or intellectual disability accounting for 70% of account holders.



DIAGNOSIS CODES

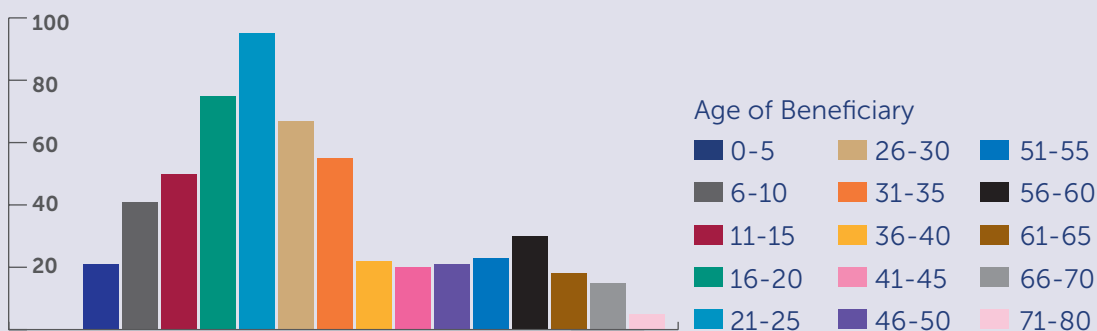


Enrollment by Age of Beneficiary

The age range for current beneficiaries spans from less than one year old to seventy-four years of age with the average being 28; and the age range for the majority of account holders ranges from 10-35. Many current beneficiaries are in the age range of 16-25 where families of children with disabilities

are planning for transition from school to work and for their future. The ABLE program provides an opportunity for savings and investment which can support these efforts to save and invest while protecting critical benefits.

NUMBER OF BENEFICIARIES BY AGE



Enrollment by County

Enrollment in the program has been widespread across the state with the largest percentages of enrollees coming from counties that surround Baltimore City and those along the Baltimore-Washington corridor. The counties with the highest number of account holders also represent the most populated areas of the state with the exception of Washington County. This outlier can be attributed to one agency's early efforts to assist people with developmental disabilities in Washington County with opening ABLE accounts.

Maryland ABLE allows for people with qualifying disabilities from other states to enroll in its ABLE program. At the end of the fiscal year there were fourteen (14) account holders from eight states outside of Maryland and the District of Columbia who had selected Maryland as their ABLE provider.

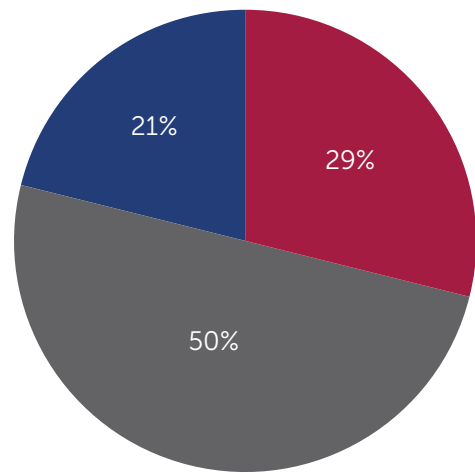
ENROLLMENT BY COUNTY

- Montgomery **28%**
- Baltimore **19%**
- Howard **11%**
- Anne Arundel **7%**
- Washington **7%**
- Prince Georges **5%**
- Harford **4%**
- Carroll **1%**
- Frederick **3%**
- Other **2%**
- Wicomico **2%**
- Garrett **1%**
- Talbot **1%**
- Caroline **1%**
- Charles **1%**
- Queen Annes **1%**
- Allegany **1%**
- Calvert **1%**
- Saint Marys **1%**
- Worcester **1%**
- Kent **1%**
- Cecil **0%**

Enrollment by Account Manager

While all ABLE accounts must have the same account holder and beneficiary, a beneficiary may list an authorized legal representative ("ALR") to manage the account. Currently, half (50%) of all Maryland ABLE accounts are managed by a parent or legal guardian, while 29% are managed by the Beneficiary and the remaining 21% are managed by a person acting as a Power of Attorney for the Beneficiary. One factor that may contribute to the higher percentage of accounts managed by parents or legal guardians is that 30% of the beneficiaries are under the age of majority and would require a parent or legal guardian to assist with financial decision making.

ACCOUNT MANAGER BY TYPE



- Account Manager Type Self 29%
- Account Manager Type PoA 21%
- Account Manager Type Parent/Guardian 50%







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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Maryland 529

Report on the Financial Statements

We have audited the accompanying financial statements of the Maryland ABLE program (the Program), consisting of the statement of fiduciary net position as of June 30, 2018, and the related statement of changes in fiduciary net position for the Program's trust activities for the seven months ended June 30, 2018 (inception); and the statement of net position as of June 30, 2018, and the related statement of revenue, expenses and change in net position and statement of cash flows for the Program's administrative activities for the year ended June 30, 2018 (a component unit of the State of Maryland), and the related notes to the financial statements, which collectively comprise the Program's basic financial statements.

Management's Responsibility for the Financial Statements

The Program's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 auditor's 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 controls 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 controls. 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the seven months and year then ended, as applicable, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The other data and information in the Annual Report, which includes the Maryland ABLE Features and Benefits, a profile of Maryland ABLE Account Holders and financial highlights for the seven months then ended, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Hunt Valley, Maryland
January 2, 2018

S B & Company, LLC

Management Discussion and Analysis

Our discussion and analysis of the ABLE Program's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2018. This discussion is designed to provide a general overview of the Program's operations and Maryland 529's management analysis of its financial statements. The discussion should be read in conjunction with the Program's financial statements and notes, which begin on page 9. Inquiries may be directed to the Program at questions@marylandable.org or by mailing your request to Maryland ABLE, 217 E. Redwood Street, Suite 1350, Baltimore, MD 21202. The financial statements of the Program for the fiscal year ended June 30, 2018, have been audited by SB & Company, LLC which is also the independent public accountant for the State of Maryland.

ABLE Program Financial Statements

We have prepared the Maryland ABLE Program's financial statements in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). Financial statements provide information about the operation of the ABLE Program as a whole and present a long-term view of the Program's finances.

There are Financial Statements for two funds prepared to accurately represent the financial activities of Maryland ABLE Program.

- 1) The contributions received from account holders are held and invested, according to the account holder's investment selections, by the contracted Program Manager, Sumday Administration, LLC. The account values then change as earnings or losses are tallied as a result of the investment experience of the Portfolio Option chosen as well as due to distribution requests of the account holder. The activities related to the Program Manager are presented as Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.
- 2) The Administrative and Operational activities are funded through the Maryland State Budget appropriations as well as the State's portion of the annual administrative account fee for each account and a certain percentage of the

investment experience as described below. The activities related to the Administrative and Operational activities are presented as Statement of Net Position, Statement of Revenue, Expenses and Change in Net Position and Statement of Cash Flows.

Program Fees

All Fees received by the Program are used to offset expenses associated with administering the Maryland ABLE Program:

- 1) Account Fees - ABLE Accounts are charged an annual Account Maintenance Fee of \$35 billed quarterly in arrears. The amount billed is prorated for the calendar quarter during which the ABLE Account is opened.
- 2) Investment Fees - Annual asset-based Administrative Fees of 0.30% charged by the Program and additional fees are charged by the Mutual Funds underlying each Investment Option. Each investment portfolio indirectly bears its pro-rata share of the fees and expenses of the underlying mutual funds in which it invests. These fees are not charged directly to a portfolio, but are included in the net asset value of the mutual funds held by the ABLE Program. The pro-rata share of the fees and expenses is calculated based on the amount that each portfolio invests in a mutual fund and the expense ratio (the ratio of expenses to average net assets) of that mutual fund. The Program Manager, Sumday, receives 0.10%; the Partner State, Oregon, receives 0.10%; and the Maryland ABLE Program receives 0.10% of the annualized Administrative Fee.

Revenue during the seven months ended in 2018 from ABLE account fees and investments were minimal.

Account and Investment Fees

Revenue during the seven months ended in 2018

Account Fees	\$955
Investment Fees	875

Analysis of Financial Position and Results of Operations for ABLE Program Manager – Sundry Administration

Fiduciary Fund

Statement of Fiduciary Net Position

The Statement of Fiduciary Net Position presents the assets, liabilities, and net position of the Program Manager (Sundry Administration) as of June 30, 2018. Net position is defined as total assets less total liabilities. The Statement of Fiduciary Net Position, along with all of the Program's financial statements, is prepared using the accrual basis of accounting. Under this method of accounting, revenue and assets are recognized when the enrollment materials are received in good order, distributions are recognized when paid, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Program classifies assets and liabilities as current and noncurrent. Current assets consist primarily of investments, as well as cash and cash equivalents. Of these amounts, investments comprise approximately 100% of current assets. For the fiscal year ended June 30, 2018, the net position of the Program was \$2.3 million and was based on account holder contributions.

Statement of Changes in Fiduciary Net Position for the seven months ended June 30, 2018 (inception)

Changes in Fiduciary Net Position are based on the activity presented in the Statement of Changes in Fiduciary Net Position. The purpose of this statement is to present both additions and deductions to the Program. Additions consist primarily of contributions from enrollments of new account holders. Deductions are those expenses paid to account holder distributions and related administrative fees. For the seven months ended June 30, 2018 (since inception), the program reported an addition of \$2.4M, deductions of \$64K and net position of \$2.3M.

Analysis of Financial Position and Results of Operations

Enterprise Fund

Budgetary Control and Financial Oversight

The ABLE Program is administered by Maryland 529, an independent State agency, which received

\$642,600 in Fiscal Year 2017 for startup costs in the form of an appropriation from the State of Maryland. As the Program matures, the Maryland 529 Board will develop procedures to reimburse the State of Maryland for the start-up costs. The Board, in accordance with the enabling legislation for Maryland 529, prepares and submits an annual budget to the Maryland General Assembly for informational purposes. Also, in accordance with its fiduciary obligations, each quarter the Board reviews a comparison of actual and budgeted expenditures in connection with its administration of the Program.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the administrative operations of the Program as of June 30, 2018. Net position is defined as total assets less total liabilities. The Statement of Net Position, along with all of the Program's financial statements, is prepared using the accrual basis of accounting. Under this method of accounting, revenue and assets are recognized when the enrollment materials are received in good order, distributions are recognized when paid, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Program classifies assets and liabilities as current and noncurrent. Current assets consist primarily of appropriations receivable from the State. Current liabilities consist of Accounts Payable to vendors. For the fiscal year ended June 30, 2018, the net position of the administrative operations of the Program was \$292,285.

Statement of Revenue, Expenses and Changes in Net Position

Changes in net position are based on the activity presented in the Statement of Revenue, Expenses and Changes in Net Position. The purpose of this statement is to present both operating and non-operating revenue received and the expenses, gains and losses incurred by the Program. Operating revenue consist of administrative fees, which are primarily generated by new enrollments in the Program. Operating expenses are those expenses paid to employees and to acquire goods or services. For the fiscal year ended June 30, 2018, the Program reported an operating loss of \$281,236.

Statement of Fiduciary Net Position As of June 30, 2018

(amounts in thousands)

ASSETS

Current assets:

Investments, at fair value
Total current assets

\$	2,337
	<u>2,337</u>

LIABILITIES

Current liabilities:

Total current liabilities

	<u>-</u>
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NET POSITION

\$	<u>2,337</u>
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See accompanying notes to financial statements.



Statement of Changes in Fiduciary Net Position For the Seven Months Ended June 30, 2018 (Since Inception)

(amounts in thousands)

ADDITIONS

Contributions:

Account Holder Contributions	\$ 2,400
Account Fees	7
Total Contributions	<u>2,407</u>

Investment Income:

Investment income (Loss)	(6)
Net Investment Income (Loss)	(6)
Total Additions	<u>2,401</u>

DEDUCTIONS

Distributions:

Distribution to Account Holders	62
Administrative expenses	2
Total Deductions	<u>64</u>

Change in net position	2,337
Total net position, beginning of Period	-
Total net position, end of Period	<u>\$ 2,337</u>

See accompanying notes to financial statements.

Statement of Net Position As of June 30, 2018

(amounts in thousands)

ASSETS

Current assets:

Accounts receivable
Due from State of Maryland
Total current assets

Administration/ Operating

\$ 17
279
<hr/> 296

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses
Total current liabilities

4
<hr/> 4

NET POSITION

Unrestricted
Total net position

292
<hr/> \$ 292

See accompanying notes to financial statements.

Statement of Revenue, Expenses and Change in Net Position For the Fiscal Year Ended June 30, 2018

(amounts in thousands)

	Administration/ Operating
OPERATING REVENUE	
ABLE Investment Plan Fees	\$ 2
Total operating revenue	<u>2</u>
OPERATING EXPENSES	
Salaries, wages and benefits	219
Travel	6
Marketing	12
Contractual services	37
Supplies	2
Fixed charges	7
Total operating expenses	<u>283</u>
Operating income (loss)	(281)
Total net position, beginning of year	573
Total net position, end of year	<u>\$ 292</u>

See accompanying notes to financial statements.

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

(amounts in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from:	
ABLE Investment Plan fees	\$ 2
Payments to:	
Employees	(219)
Vendors	(77)
Net cash from operating activities	<u>(294)</u>
Cash Flows from Non-Capital Financing Activities:	
Receipts from Primary Government	294
Cash from Non-Capital Financing	<u>294</u>
Net Increase/Decrease in Cash and Cash Equivalents:	
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u>\$ -</u>
Operating loss	(281)
Adjustments to reconcile operating loss to net cash from operating activities:	
Effect from change in non-cash assets and liabilities:	
Accounts payable	4
Accounts receivable	(17)
Net cash from operating activities	<u>\$ (294)</u>

See accompanying notes to financial statements.

Notes to Financial Statements

Year Ended June 30, 2018

1. Organization and Purpose

The ABLE program was designed to provide people with qualified disabilities a new way to save and invest for their future without jeopardizing access to federal and state means-tested benefits. The Program permits the Beneficiary of an ABLE Account to contribute and invest funds, enjoy tax-free growth on the earnings of the account, and make tax-free withdrawals to pay for Qualified Disability Expenses. Amounts in an ABLE Account up to \$100,000 can be disregarded for purposes of determining the Beneficiary's eligibility to receive benefits under the federal Supplemental Security Income program ("SSI"), and all amounts in an ABLE Account to be disregarded in determining the Beneficiary's eligibility to receive benefits under any other federal or state means-tested program. During 2018 ABLE accounts holders could contribute up to \$15,000 in annual contributions with an opportunity to have additional contributions if the person qualified for ABLE to Work discussed herein. Additional features of the Maryland ABLE program include the opportunity to contribute a maximum account value of up to \$500,000 (effective December 1, 2018) over the lifetime of the account, and access to a Maryland income tax deduction of up to \$2,500 per contributor per ABLE account.

Maryland ABLE, a component unit of the State of Maryland and is directed and administered by the Maryland 529 Board. The Board consists of 11 members. Six members of the Board (the Maryland State Comptroller, the Maryland State Treasurer, and the Secretary of the Maryland Higher Education Commission, the Maryland State Superintendent of Schools, the Chancellor of the University System of Maryland and the Secretary of Disabilities) serve ex officio. The five remaining members are appointed by the Governor from the private sector; must have significant experience in finance, accounting, investment management, or other areas that can be of assistance to the Board; have taken an oath of office; and are required to file annual financial disclosure statements with the Maryland State Ethics Commission. Board members receive no compensation for their services to Maryland 529;

however, they are entitled to reimbursement for expenses incurred in the performance of their duties. The Board has general and fiduciary responsibility for Maryland ABLE as a whole.

There are certain costs incurred by Maryland 529 that are not allocated to the Program. Thus, the results of the administrative activities of the Program do not represent the operations as a stand alone entity.

Federal law, the Maryland State law, applicable federal and State regulations, the Program Disclosure Booklet and the Participation Agreement govern the terms of Maryland ABLE Accounts. Any amendments to applicable federal or State law or regulations, the Program Disclosure Booklet, or the Participation Agreement amend the terms of Maryland ABLE Account when such amendments become effective.

2. Summary of Significant Accounting Policies

We have prepared the Maryland ABLE Program's financial statements in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). Financial statements provide information about the operation of the Program as a whole and present a long-term view of the Program's finances.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure as of the date of the financial statements. Actual results could differ from those estimates. Therefore, the accompanying financial statements have been prepared on the accrual basis of accounting whereby revenue is recorded when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

The accompanying basic Financial Statements of the Program consists of two funds.

Fiduciary Fund

The Program's investments are reported in the fiduciary fund. Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

Financial statements used to present fiduciary fund financial information include:

- Statement of fiduciary net position
- Statement of changes in fiduciary net position

This Fund started in December 2017, thus only seven months of activity is included in the Statements.

(i) The contributions received from account holders are held and invested, according to the account holder's investment selections, by the contracted Program Manager, Sunday Administration, LLC. The account values then change as earnings or losses are tallied as a result of the investment experience of the Portfolio Option chosen as well as due to distribution requests of the account holder. The activities related to the Program Manager are presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Enterprise Fund

The administrative activities operated by the Program are accounted for as an enterprise fund. An enterprise fund focuses on the flow of economic resources, which together with the maintenance of equity, is an important financial indicator.

(i) The Administrative and Operational activities are funded through the Maryland State Budget appropriations in fiscal year 2017 in the amount of \$642,600, as well as the State's portion of the annual administrative account fee for each account. The activities related to the Administrative and Operational activities are presented in the Statement of Net Position, the Statement of Revenue, Expenses and Change in Net Position and Statement of Cash Flows.

(ii) The net position is classified as unrestricted assets. It distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the Program's principal ongoing operations. Revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. The principal operating revenue is the Investment Plan fees.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities, effective for fiscal years beginning after December 15, 2018. The Program Manager will be analyzing the effect of this pronouncement and plans to adopt it as applicable as of its effective date.

3. Tax Exempt Status

The Program is exempt from Federal taxation in accordance with Section 529A of the Internal Revenue Code. Additionally, the Program is exempt from Maryland State and local taxation in accordance with the Enabling Legislation.

4. Investments

The Maryland ABLE Investment Policy, adopted by the Board, specifies the number of investment options and the general character and composition of each investment option. Based on these guidelines, detailed asset allocations have been developed and Underlying Mutual Funds have been selected for each Portfolio. The Program is not restricted in its investments by legal or contractual provisions.

Investments are stated at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Program investment options are comprised of only mutual funds, which are valued at the mutual fund's closing net asset value (NAV) per share on the date of valuation. Various valuation techniques and inputs are used to determine the fair value of investments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

LEVEL 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the Program can access at the reporting date

LEVEL 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

LEVEL 3 – unobservable inputs

Because the investment options of the program are mutual funds that are actively traded at publicly available NAVs, all investments are classified as Level 1 as of June 30, 2018. Changes in unrealized gain/loss resulting from changes in the fair values of investments are recognized daily in each account holder's net asset value per unit and, for the fiscal year, are reflected in aggregate in the Program's accompanying Statement of Changes in Fiduciary Net Position. An account holder's investments in mutual funds expose them to certain risks, including market risk in the form of equity price risk— that is, the potential future loss of value that would result from a decline in the fair values of the Underlying Mutual Funds. Each Underlying Mutual Fund and its underlying net assets are also subject to market risk that may arise from, among other things, changes in equity prices, credit ratings, foreign currency exchange rates, and interest rates. Each Underlying Mutual Fund that invests in bonds is subject to certain risks, including interest rate risk, which is the risk associated with a decline in bond prices that usually accompanies a rise in interest rates.

The program investment in mutual funds is not subject to classification by credit risk. There is no foreign current risk. The volatility of interest rates are monitored and appropriate actions taken.

ABLE Investment Options For the Seven Months Ended June 30, 2018 (Since Inception)

As of June 30, 2018, Account Holders held the following aggregate investments in mutual funds and cash:

ABLE Conservative Investment Option	Aggregate Cost	Unrealized Gain/(Loss)	Aggregate Fair Value
Vanguard Total Stk Mkt Idx Adm	\$8,873	\$5	\$8,878
Vanguard Total Intl Stock Idx Inst	8,904	(548)	8,356
Vanguard ST Bond Index Inst	22,132	(132)	22,000
Vanguard Total Bond Index Adm	31,943	(468)	31,475
Vanguard Total Intl Bond Index Inst	7,953	69	8,022
Vanguard Short-Term TIPS Fund Inst	8,857	14	8,871
Total	\$88,662	\$(1,060)	\$87,602

ABLE Moderate Investment Option	Aggregate Cost	Unrealized Gain/(Loss)	Aggregate Fair Value
Vanguard Total Stk Mkt Idx Adm	\$142,064	\$2,250	\$144,314
Vanguard Total Intl Stock Idx Inst	142,833	(6,921)	135,913
Vanguard Total Bond Index Adm	236,738	(4,047)	232,690
Vanguard Total Intl Bond Index Inst	59,066	268	59,334
DFA Global Real Estate	11,798	329	12,127
Total	\$592,499	\$(8,121)	\$584,378

ABLE Aggressive Investment Option	Aggregate Cost	Unrealized Gain/(Loss)	Aggregate Fair Value
Vanguard Total Stk Mkt Idx Adm	\$303,937	\$4,247	\$308,184
Vanguard Total Intl Stock Idx Inst	305,713	(15,612)	290,101
Vanguard Total Bond Index Adm	98,830	(1,767)	97,064
Vanguard Total Intl Bond Index Inst	22,762	102	22,865
Vanguard Short-Term TIPS Fund Inst	30,311	861	31,170
Total	\$761,553	\$(12,169)	\$749,384

Total Investments in Mutual Funds	\$1,442,714	\$(21,350)	\$1,421,364
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ABLE Cash Investment Option

Cash	\$916,064	\$-	\$916,064
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Total Investments	\$2,358,778	\$(21,350)	\$2,337,428
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Supplemental Information

Financial Highlights

Market Commentary

This commentary looks back at the period of performance reported in this annual report. As the Program launched in late November, 2017 and this report is for the period ending June 30, 2018, particular attention is given to the first six months of 2018.

In 2018, the trade war with China emerged as the primary concern for the global economy. What started out with smaller tariffs intensified rapidly as the U.S. imposed \$50 billion of tariffs on Chinese goods and is in talks to add more. If this continues it could be harmful to overall GDP growth, rather than just pockets of the economy. Despite all this negative trade talk, the job market remains strong as ever. In Q2, job openings surpassed the number of people unemployed for the first time since 2000, and the unemployment rate briefly dipped below 4% before rising as more people entered the labor force.

Even with these strong employment numbers, wage growth has stayed relatively flat. Over the last 12 months CPI increased 3%, thanks to higher energy prices. Both of which signal that the economy might be peaking.

Fixed Income – Core bonds lost 1.6% in the first half of 2018 as rising inflation with lower unemployment led to a more hawkish Fed, which hiked rates in March and June. The yield curve rose and flattened to 2007 levels, putting downward pressure on core bond prices. Bank loans gained 2.4% due to spread-tightening driven by easing U.S.-North Korea tensions, the floating rate benefiting from the rate hikes, and low repricing's, while high yield bonds returns were almost flat at 0.2%.

U.S. Equity – After a strong start of the year, broad market indices had a tumultuous ride for the remainder of the first six months of 2018. As of June 30, the S&P 500 returned 2.6% year-to-date, recouping just under half of the gains the index made in January. Similar to 2017, growth outperformed value across each market cap.

Growth's outperformance spread was narrowest for small caps at 4.3% (year-to-date) and widest for large caps at 9.0%.

International Equity – The first six months of 2018 was a very tough six months for non-U.S. equities, with losses across the board. Emerging markets were hit particularly hard losing 6.7% in the first six months and 8.5% for EM small cap. Developed large cap stocks were slightly negative in local terms, but currencies further detracted, resulting in a 2.8% loss. The U.S.-China trade conflict appears to be the biggest headline issue; however there are also Brexit negotiations, politics in Italy and Brazil, and monetary policy issues in Turkey. However, earnings and economic growth remain positive and valuations have become more attractive.

Real Estate – Real estate continued to feature steady but lower returns with the NCREIF-NPI up 1.7% for the first quarter. Industrial properties as well as the west region once again led the way. REITs gained 1.8% in the first six months of 2018.

Investment Earnings by Portfolio

The Maryland ABLE Program includes several Portfolio Options, including one designed for savings (the "Cash Option") and three designed for investment (the "Investment Options"); ABLE Conservative Investment Option, ABLE Moderate Investment Option, and Aggressive Investment Option.

The Cash Option and the Investment Options were launched in December 2017. Each Investment Option is invested in low cost index mutual funds that replicate the risk and return characteristics of the index they track.

The investment earnings for each portfolio are listed below.

Performance Comparison and Asset Distribution as of June 30, 2018

Portfolio	Program Market Value as of 6/30/18 (in thousands)	Inception to Date	Weighted Benchmark	Inception Date
Cash	\$916	1.3%	0.9%	12/1/2017
Conservative	88	-0.1%	-0.2%	12/1/2017
Moderate	584	0.2%	0.3%	12/1/2017
Aggressive	749	0.9%	1.2%	12/1/2017
Total Investments	2,337			

Please keep in mind that past performance is not indicative of future results.

Cash Option

The Cash Option is designed to protect the principal. The Cash Option deposits 100% of its funds into an FDIC-insured account with The Bank of New York Mellon. Higher interest rates helped performance during the first half of 2018.

Performance through 06/30/2018, net of fees

	Year-to-Date	Since Inception (12/2017)
Cash Option	1.2%	1.3%
90 Day T-Bills Benchmark	0.8%	0.9%

Conservative Portfolio Option

The ABLE Conservative Portfolio seeks to provide current income and some growth by investing in a portfolio of mutual funds intended to produce an overall investment exposure of approximately 20% stocks and 80% bonds. Overall, there's a small amount of risk and limited appreciation potential, designed for a shorter investment period.

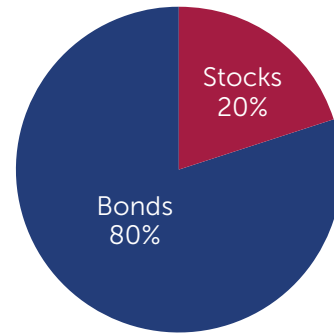
Bonds represent 80% of the Conservative Investment Option. Rising interest rates during

the first half of 2018 caused core bonds to decline -1.6% year-to-date. Non-US equity, which represents 10% of the Conservative Investment Option, declined -2.8% due to a strengthening U.S. dollar and escalating trade tension between China and the U.S. By contrast, U.S. equity, representing 10% of the Conservative Investment Options, was positive over the same period, up 2.6%, due to modest improvements in domestic GDP growth.

Asset Allocation

Underlying Funds	Allocation
Vanguard Total Bond Market	36%
Vanguard Short-Term Bond	25%
Vanguard Short Term Inflation Protected	10%
Vanguard Total Stock Market	10%
Vanguard Total International Stock Market	10%
Vanguard Total International Bond	9%

Target Asset Allocation



Performance through 06/30/2018, net of fees

	Year-to-Date	Since Inception (12/2017)
Conservative Investment Option	-0.6%	-0.1%
Weighted Benchmark*	-0.7%	-0.2%

Please keep in mind that past performance is not indicative of future results.

* The Conservative Weighted Benchmark is composed of 36% Barclays Aggregate, 9% Barclays Global Aggregate, 25% Barclays Govt/Credit 1-5 Yr, 10% Barclays U.S. Treasury TIPS 0-5 Yr, 10% CRSP Total Stock Market, and 10% FTSE Global All-Cap ex-U.S.

Moderate Portfolio Option

The ABLE Moderate Portfolio seeks to provide a combination of growth and current income by investing in a portfolio of mutual funds intended to produce an overall investment exposure of approximately 50% stocks and 50% bonds. Overall, there's a medium level of risk for a pursuit of investment return, designed for a medium or uncertain time horizon.

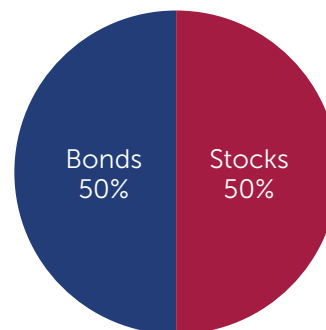
Bonds represent 50% of the Moderate Investment Option. Rising interest rates during the first half

of 2018 caused core bonds to decline -1.6% year-to-date. Non-US equity, which represents 24% of the Moderate Investment Option, declined -2.8% due to a strengthening U.S. dollar and escalating trade tension between China and the U.S. By contrast, U.S. equity, representing 24% of the Moderate Investment Option, was positive over the same period, up 2.6%, due to modest improvements in domestic GDP growth.

Asset Allocation

Underlying Funds	Allocation
Vanguard Total Bond Market	40%
Vanguard Total Stock Market	24%
Vanguard Total International Stock Market	24%
Vanguard Total International Bond	10%
DFA Global Real Estate	2%

Target Asset Allocation



Performance through 06/30/2018, net of fees

	Year-to-Date	Since Inception (12/2017)
Moderate Investment Option	-0.7%	0.2%
Weighted Benchmark*	-0.8%	0.3%

Please keep in mind that past performance is not indicative of future results.

* The Moderate Weighted Benchmark is composed of 40% Barclays Aggregate, 10% Barclays Global Aggregate, 24% CRSP Total Stock Market, 24% FTSE Global All-Cap ex-U.S., and 2% S&P Global REIT.

Aggressive Portfolio Option

The ABLE Aggressive Portfolio seeks to provide the potential to grow by investing in a portfolio of mutual funds intended to produce an overall investment exposure of approximately 84% public stocks and 16% bonds. Overall, there's a higher level of risk and potential for return (or loss), designed for a longer investment period (10 years or more).

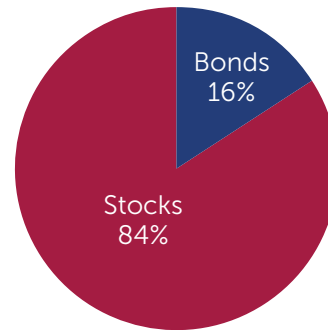
Bonds represent 16% of the Aggressive Investment Option. Rising interest rates during

the first half of 2018 caused core bonds to decline -1.6% year-to-date. Non-US equity, which represents 40% of the Aggressive Investment Option, declined -2.8% due to a strengthening U.S. dollar and escalating trade tension between China and the U.S. By contrast, U.S. equity, representing 40% of the Aggressive Investment Option, was positive over the same period, up 2.6%, due to modest improvements in domestic GDP growth.

Asset Allocation

Underlying Funds	Allocation
Vanguard Total Stock Market	40%
Vanguard Total International Stock Market	40%
Vanguard Total Bond Market	13%
DFA Global Real Estate	4%
Vanguard Total International Bond	3%

Target Asset Allocation



Performance through 06/30/2018, net of fees

	Year-to-Date	Since Inception (12/2017)
Aggressive Investment Option	-0.4%	0.9%
Weighted Benchmark*	-0.3%	1.2%

Please keep in mind that past performance is not indicative of future results.

* The Aggressive Weighted Benchmark is composed of 13% Barclays Aggregate, 3% Barclays Global Aggregate, 40% CRSP Total Stock Market, 40% FTSE Global All-Cap ex-U.S., and 4% S&P Global REIT.



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