

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2021 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2021 or fiscal plan year beginning <u>01/01/2021</u> and ending <u>12/31/2021</u>	
A This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____
B This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)
C If the plan is a collectively-bargained plan, check here.	☒
D Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here.	☐

Part II	Basic Plan Information—enter all requested information										
1a Name of plan <u>SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC. BARGAINING UNIT EMPLOYEES' 401(K) PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>003</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/1992</u></td> </tr> <tr> <td colspan="2">2b Employer Identification Number (EIN) <u>52-0492367</u></td> </tr> <tr> <td colspan="2">2c Plan Sponsor's telephone number <u>301-274-3111</u></td> </tr> <tr> <td colspan="2">2d Business code (see instructions) <u>221100</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>003</u>	1c Effective date of plan <u>01/01/1992</u>		2b Employer Identification Number (EIN) <u>52-0492367</u>		2c Plan Sponsor's telephone number <u>301-274-3111</u>		2d Business code (see instructions) <u>221100</u>	
1b Three-digit plan number (PN) ▶	<u>003</u>										
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2b Employer Identification Number (EIN) <u>52-0492367</u>											
2c Plan Sponsor's telephone number <u>301-274-3111</u>											
2d Business code (see instructions) <u>221100</u>											
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>SOUTHERN MARYLAND ELECTRIC COOP.</u> <u>PO BOX 1937</u> <u>HUGHESVILLE, MD 20637-1937</u>											

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/14/2022	BETH KENNEDY
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2021)
v. 210624

3a Plan administrator's name and address ☐ Same as Plan Sponsor SOUTHERN MARYLAND ELECTRIC COOP. PO BOX 1937 HUGHESVILLE, MD 20637-1937		3b Administrator's EIN 52-0492367																				
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name		3c Administrator's telephone number 301-274-3111																				
5 Total number of participants at the beginning of the plan year		4b EIN 4d PN																				
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;"></td> <td style="width: 90%;"></td> </tr> <tr> <td>6a(1)</td> <td>285</td> </tr> <tr> <td>6a(2)</td> <td>284</td> </tr> <tr> <td>6b</td> <td>6</td> </tr> <tr> <td>6c</td> <td>55</td> </tr> <tr> <td>6d</td> <td>345</td> </tr> <tr> <td>6e</td> <td>0</td> </tr> <tr> <td>6f</td> <td>345</td> </tr> <tr> <td>6g</td> <td>345</td> </tr> <tr> <td>6h</td> <td>2</td> </tr> </table>			6a(1)	285	6a(2)	284	6b	6	6c	55	6d	345	6e	0	6f	345	6g	345	6h	2
6a(1)	285																					
6a(2)	284																					
6b	6																					
6c	55																					
6d	345																					
6e	0																					
6f	345																					
6g	345																					
6h	2																					
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....		7																				
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2T 2S 3D																						
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:																						
9a Plan funding arrangement (check all that apply) (1) ☒ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☒ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor																					
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)																						
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☒ <u>1</u> A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)																					

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2021 Form M-1 annual report. If the plan was not required to file the 2021 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE A (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Insurance Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500. ▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).	OMB No. 1210-0110 2021 This Form is Open to Public Inspection
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For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021	
A Name of plan SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC. BARGAINING UNIT EMPLOYEES' 401(K) PLAN	B Three-digit plan number (PN) 003
C Plan sponsor's name as shown on line 2a of Form 5500 SOUTHERN MARYLAND ELECTRIC COOP.	D Employer Identification Number (EIN) 52-0492367

Part I	Information Concerning Insurance Contract Coverage, Fees, and Commissions	Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.
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1 Coverage Information:

(a) Name of insurance carrier
PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
06-1050034	93629	036130	345	01/01/2021	12/31/2021

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in line 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
0	0

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
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(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
--

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
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	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	4	15074154
5	Current value of plan's interest under this contract in separate accounts at year end.....	5	8455425

6 Contracts With Allocated Funds:**a** State the basis of premium rates ▶

b	Premiums paid to carrier	6b	
c	Premiums due but unpaid at the end of the year	6c	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount. Specify nature of costs ▶	6d	

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity
(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan, check here ▶ ☐**7** Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee
(3) ☐ guaranteed investment (4) ☒ other ▶ **GUARANTEED GENERAL ACCOUNT CONTRACT**

b	Balance at the end of the previous year	7b	14010812
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c	Additions: (1) Contributions deposited during the year	7c(1)	1032993	
	(2) Dividends and credits.....	7c(2)		
	(3) Interest credited during the year.....	7c(3)	242400	
	(4) Transferred from separate account.....	7c(4)	132769	
	(5) Other (specify below)	7c(5)	1103475	

▶ **LOAN REPAYMENTS TRANSFERS IN MISCELLANEOUS IN**

(6) Total additions	7c(6)	2511637
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d	Total of balance and additions (add lines 7b and 7c(6))	7d	16522449
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e Deductions:

	(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	433238	
	(2) Administration charge made by carrier.....	7e(2)	627	
	(3) Transferred to separate account.....	7e(3)	302407	
	(4) Other (specify below)	7e(4)	712023	

▶ **LOAN INITIATIONS, TRANSFERS OUT MISCELLANEOUS OUT FORFEITURES DEBITS**

(5) Total deductions	7e(5)	1448295
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f	Balance at the end of the current year (subtract line 7e(5) from line 7d)	7f	15074154
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Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organizations(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

- a** ☐ Health (other than dental or vision)
 b ☐ Dental
 c ☐ Vision
 d ☐ Life insurance
e ☐ Temporary disability (accident and sickness)
 f ☐ Long-term disability
 g ☐ Supplemental unemployment
 h ☐ Prescription drug
i ☐ Stop loss (large deductible)
 j ☐ HMO contract
 k ☐ PPO contract
 l ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:

a Premiums: (1) Amount received	9a(1)		
(2) Increase (decrease) in amount due but unpaid	9a(2)		
(3) Increase (decrease) in unearned premium reserve	9a(3)		
(4) Earned ((1) + (2) - (3))		9a(4)	
b Benefit charges (1) Claims paid	9b(1)		
(2) Increase (decrease) in claim reserves	9b(2)		
(3) Incurred claims (add (1) and (2))		9b(3)	
(4) Claims charged		9b(4)	
c Remainder of premium: (1) Retention charges (on an accrual basis) --			
(A) Commissions	9c(1)(A)		
(B) Administrative service or other fees	9c(1)(B)		
(C) Other specific acquisition costs	9c(1)(C)		
(D) Other expenses	9c(1)(D)		
(E) Taxes	9c(1)(E)		
(F) Charges for risks or other contingencies	9c(1)(F)		
(G) Other retention charges	9c(1)(G)		
(H) Total retention		9c(1)(H)	
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)		9c(2)	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement		9d(1)	
(2) Claim reserves		9d(2)	
(3) Other reserves		9d(3)	
e Dividends or retroactive rate refunds due. (Do not include amount entered in line 9c(2).)		9e	

10 Nonexperience-rated contracts:

a Total premiums or subscription charges paid to carrier	10a	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, line 2 above, report amount. Specify nature of costs.	10b	

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2021
		This Form is Open to Public Inspection.

For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021		
A Name of plan SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC. BARGAINING UNIT EMPLOYEES' 401(K) PLAN	B Three-digit plan number (PN) ▶	003
C Plan sponsor's name as shown on line 2a of Form 5500 SOUTHERN MARYLAND ELECTRIC COOP.	D Employer Identification Number (EIN) 52-0492367	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
PRUDENTIAL RETIREMENT INSURANCE AND
06-1050034

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

PRUDENTIAL RETIREMENT INSURANCE AND

06-1050034

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
13 15 37 50 64	NONE	98360	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

MORGAN STANLEY SMITH BARNEY HOLDING

26-4310632

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
27	NONE	15000	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
PRUDENTIAL INSURANCE COMPANY OF AME	15 60 64	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
PRUDENTIAL INVESTMENTS, LLC 22-3468527	22.000 BPS AND \$0.00 PER PARTICIPANT INVESTED IN THE FUND FROM 1/1/2021 TO 12/31/2021 PGIM JENN MID GROWTH A	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
PRUDENTIAL INSURANCE COMPANY OF AME	15 60 64	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
PRUDENTIAL INVESTMENTS, LLC 22-3468527	22.000 BPS AND \$0.00 PER PARTICIPANT INVESTED IN THE FUND FROM 1/1/2021 TO 12/31/2021 PGIM TOTAL RETURN BD Z	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
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(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection.
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For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021

A Name of plan <u>SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC. BARGAINING UNIT EMPLOYEES' 401(K) PLAN</u>	B Three-digit plan number (PN) ▶ <u>003</u>	
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>SOUTHERN MARYLAND ELECTRIC COOP.</u>	D Employer Identification Number (EIN) <u>52-0492367</u>	

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
--------	--

a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRU DAY ONE IFX TARG BAL</u>		
b Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u>		
c EIN-PN <u>06-1050034-697</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>1394067</u>
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRU IFX SEL LT CONSER GRO</u>		
b Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u>		
c EIN-PN <u>06-1050034-514</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>399039</u>
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>T. ROWE PRICE LCG EQ (IS)</u>		
b Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u>		
c EIN-PN <u>06-1050034-828</u>	d Entity code <u>P</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>6662319</u>
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection
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For calendar plan year 2021 or fiscal plan year beginning <u>01/01/2021</u> and ending <u>12/31/2021</u>		
A Name of plan <u>SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC. BARGAINING UNIT EMPLOYEES' 401(K) PLAN</u>	B Three-digit plan number (PN) ►	<u>003</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>SOUTHERN MARYLAND ELECTRIC COOP.</u>	D Employer Identification Number (EIN) <u>52-0492367</u>	

Part I	Asset and Liability Statement		
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
	Assets	(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	71111	73734
(2) Participant contributions.....	1b(2)	78512	78868
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	1478042	1446937
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)	906085	8455425
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	34452290	35491839
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)	14010812	15074154
(15) Other.....	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities.....	1d(1)		
(2) Employer real property.....	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	50996852	60620957

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness.....	1i		
j Other liabilities.....	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	50996852	60620957
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	1824535	
(B) Participants	2a(1)(B)	2068294	
(C) Others (including rollovers).....	2a(1)(C)		
(2) Noncash contributions.....	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		3892829
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans.....	2b(1)(E)	74139	
(F) Other	2b(1)(F)	242400	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		316539
(2) Dividends: (A) Preferred stock.....	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	306263	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		306263
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions).....	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		1107650
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		5458178
c Other income.....	2c		15001
d Total income. Add all income amounts in column (b) and enter total.....	2d		11096460
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	707724	
(2) To insurance carriers for the provision of benefits.....	2e(2)		
(3) Other.....	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		707724
f Corrective distributions (see instructions).....	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees.....	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Investment advisory and management fees.....	2i(3)		
(4) Other.....	2i(4)	113709	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		113709
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		821433
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d.....	2k		10275027
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		650922

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: ADAMS, JENKINS & CHEATHAM P.C

(2) EIN: 54-1320089

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)			
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d		X	
e Was this plan covered by a fidelity bond?	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC MANAGEMENT EMPLOYEE'S 401(K) PLAN	52-0492367	002

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection.
For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021		
A Name of plan SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC. BARGAINING UNIT EMPLOYEES' 401(K) PLAN		B Three-digit plan number (PN) ► 003
C Plan sponsor's name as shown on line 2a of Form 5500 SOUTHERN MARYLAND ELECTRIC COOP.		D Employer Identification Number (EIN) 52-0492367
Part I	Distributions	
All references to distributions relate only to payments of benefits during the plan year.		
1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....		1 0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 22-1211670		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year		3
Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)	
4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ☐ Yes ☐ No ☐ N/A If the plan is a defined benefit plan, go to line 8.		
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)		6a
b Enter the amount contributed by the employer to the plan for this plan year		6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....		6c
If you completed line 6c, skip lines 8 and 9.		
7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ☐ Yes ☐ No ☐ N/A		
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ☐ Yes ☐ No ☐ N/A		
Part III	Amendments	
9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... ☐ Increase ☐ Decrease ☐ Both ☐ No		
Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.	
10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ☐ Yes ☐ No		
11 a Does the ESOP hold any preferred stock? ☐ Yes ☐ No		
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ☐ Yes ☐ No		
12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ☐ Yes ☐ No		
For Paperwork Reduction Act Notice, see the Instructions for Form 5500.		
Schedule R (Form 5500) 2021 v. 201209		

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:

a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....

14a

b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....

14b

c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....

14c

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year.....

15a

b The corresponding number for the second preceding plan year.....

15b

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year.....

16a

b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....

16b

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

- 20 PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____

Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Financial Statements
December 31, 2021 and 2020

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Independent Auditor's Report

To the Trustees and Participants
Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Hughesville, Maryland

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit

We have performed the audit of the financial statements of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan, an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), as permitted by ERISA Section 103(a)(3)(C) (ERISA Section 103(a)(3)(C) audit). The financial statements comprise the statement of net assets available for benefits as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audit of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audit need not extend to any statements or information related to assets held for investment of the plan (investment information) by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA (qualified institution).

Management has obtained a certification from a qualified institution as of December 31, 2021, and for the year then ended, stating that the certified investment information, as described in Note C to the financial statements, is complete and accurate.

Opinion

In our opinion, based on our audit and on the procedures performed as described in the Auditor's Responsibilities for the Audit of the Financial Statements section -

- the amounts and disclosures in the accompanying financial statements, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- the information in the accompanying financial statements related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan 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 ERISA Section 103(a)(3)(C) audit opinion.

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. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's ability to continue as a going concern for the year ended December 31, 2021.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit section of our report, 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 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, 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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan'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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's ability to continue as a going concern for a reasonable period of time.

Our audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

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.

Other Matter – Supplemental Schedules Required by ERISA

The supplemental schedule, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. 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 included in the supplemental schedule, other than that agreed to or derived from the certified investment information, has been subjected to 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 generally accepted auditing standards. For information included in the supplemental schedule that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, other than the information agreed to or derived from the certified investment information, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion:

- the form and content of the supplemental schedule, other than the information in the supplemental schedule that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- the information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Adams, Jenkins & Cheatham

Richmond, Virginia
September 28, 2022



Independent Auditor's Report

To the Trustees and Participants
Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Hughesville, Maryland

We were engaged to audit the accompanying statement of net assets available for benefits of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan as of December 31, 2020, the related statement of changes for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note C, which was certified by Prudential Retirement Insurance and Annuity Company and Prudential Bank & Trust, FSB, the custodian of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the year ended December 31, 2020, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion the 2020 financial statements.

Report on Form and Content in Compliance with DOL Rules and Regulations for 2020 Financial Statement

The form and content of the information included in the 2020 financial statements, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Allama, Jenkins & Cheatham

Richmond, Virginia
October 5, 2021

Statements of Net Assets Available for Benefits

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

	December 31,	
	2021	2020
Assets		
Investments at fair value	\$ 43,947,264	\$ 35,358,375
Investments at contract value	15,074,154	14,010,812
	<u>59,021,418</u>	<u>49,369,187</u>
Receivables:		
Notes receivable from participants	1,446,937	1,478,042
Participant contributions receivable	78,868	78,512
Employer contributions receivable	73,734	71,111
	<u>1,599,539</u>	<u>1,627,665</u>
Total Receivables		
	<u>1,599,539</u>	<u>1,627,665</u>
Net Assets Available for Benefits	<u>\$ 60,620,957</u>	<u>\$ 50,996,852</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Changes in Net Assets Available for Benefits

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

	Year Ended December 31,	
	2021	2020
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 6,580,829	\$ 5,073,338
Interest and dividends	548,663	509,469
	<u>7,129,492</u>	<u>5,582,807</u>
Total Investment Income		
Interest income on notes receivable from participants	74,139	81,218
Contributions:		
Participants	2,068,294	2,023,146
Employer	1,824,535	1,876,469
Rollover		626
	<u>3,892,829</u>	<u>3,900,241</u>
Total Contributions		
Total Additions	11,096,460	9,564,266
Deductions from net assets attributed to:		
Benefits paid to participants	707,724	1,906,432
Administrative and other income and expenses, net	113,709	106,173
	<u>821,433</u>	<u>2,012,605</u>
Total Deductions		
Net Increase	10,275,027	7,551,661
Transfers:		
From 401(k) Management Plan		98,242
To 401(k) Management Plan	(650,922)	(544,530)
Net assets available for benefits at beginning of year	<u>50,996,852</u>	<u>43,891,479</u>
Net Assets Available for Benefits at End of Year	<u>\$ 60,620,957</u>	<u>\$ 50,996,852</u>

See Independent Auditor's Report and Notes to Financial Statements

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies

The following description of the Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan (the “Plan”) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan covering all full-time collective bargaining unit employees of Southern Maryland Electric Cooperative, Inc. (the “Cooperative”). Eligible employees join the Plan on the first of the month following the date of hire. Part-time employees are eligible to enter the Plan upon completion of 1,000 hours of employment and one year of service. Employees must make their contribution election electronically and directly with Prudential Retirement Insurance and Annuity Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Unless participants elect otherwise, the Cooperative will automatically withhold 6% of annual compensation as contributions to the Plan. Participants may elect to withhold a different percentage, from 1% to 65% of their annual compensation as defined by the Plan and up to the limits allowed under federal tax laws, by notifying the Cooperative in a timely manner. Participants can change the amount that they have withheld on a bi-weekly basis. Participants who are over the age of 50 may make additional contributions as allowed by federal tax laws. Participants may also roll over amounts representing distributions from other qualified plans. Unless participants elect otherwise, if they are making contributions in an amount less than 12% of their compensation, the Cooperative will automatically increase their contribution by an additional 1% of compensation annually, not to exceed 12%.

All participants receive a Safe Harbor 3% non-elective employer contribution, participants with at least five years but fewer than twenty years of vested service receive an additional 5% for a total of 8% non-elective contribution and participants with greater than twenty years of vested service receive an additional 7% for a total of 10% non-elective contribution.

The Cooperative shall make a matching contribution of 50% of the participant’s contributions each pay period not to exceed 1% of the participant’s eligible compensation.

Participant Accounts

Each participant’s account is credited with the participant’s contributions, the Cooperative’s matching and non-elective contributions and allocations of Plan earnings and losses and administrative expenses. Allocations are based on participant account balances, as defined by the Plan. Participants can change how contributions are invested and transfer funds between investments through on-line access to the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Investment Options

The Plan permits every participant to direct the investment of his or her account balance under the Plan. The Plan is intended to comply with Section 401(k) of ERISA which requires that participants have an opportunity to choose from a broad range of investment options that have different risk and return characteristics.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. A participant's vested interest in their non-elective and matching contributions is zero percent until the participant has completed three years of vesting service, at which time their vested interest in non-elective and matching contributions becomes 100%. A participant also receives 100% vesting on the earlier of their normal retirement date, disability or death. Forfeitures resulting from participant terminations prior to vesting reduce the amount of the Cooperative's contribution.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000, reduced by the excess of the participant's highest outstanding loan balance during the 12 months preceding the new loan date, or 50% of their account balance. Loans are secured by the balance in the participants' accounts and by other adequate collateral deemed necessary by the trustees. Interest and principal payments are made ratably through biweekly payroll deductions. The repayment period is 12-60 months for a general purpose loan and 12-120 months for a primary residence loan. The loans bear interest at the prime interest rate as stated in the Wall Street Journal plus 1% and is adjusted monthly for new loans. Interest rates ranged from 4.25% to 6.50% during 2021 and 2020. Participants may prepay the balance of a loan at any time without penalty.

The plan administrator does not believe that an allowance for potentially uncollectible accounts is required given the security provided by the respective participants' account balances.

Payment of Benefits

On termination of service, retirement, disability or death, a participant may elect to receive a lump-sum payment, an annuity, a direct rollover, or a combination of these options. If the vested account balance is less than \$5,000, it will be paid in a lump sum. Benefit payments normally begin at retirement age (as defined in the plan document). Special provisions apply for death and disability benefits and hardship withdrawals. Benefits are recorded as paid.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Forfeitures

The non-vested portion of a terminated participant's account balance remains in the Plan and is called a forfeiture. Forfeitures may be used by the Plan to reduce any employer contributions or to reduce any matching contributions. Terminated participants forfeited \$21,887 during the year ended December 31, 2021 and applied \$22,106 to reduce employer contributions. There were no forfeitures available for use at December 31, 2021. Terminated participants forfeited \$196 during the year ended December 31, 2020 and did not apply any amount to reduce employer contributions. There were \$219 of forfeitures available for use at December 31, 2020.

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the Cooperative. Expenses paid by the Cooperative are excluded from these financial statements. Investment related expenses are included in net appreciation/reduction of fair value of investments.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value except for its fully benefit-responsive guaranteed investment account with an insurance company, which is stated at contract value (Note D). Fair value is 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. Notes receivable from participants are stated at their unpaid principal balance plus accrued but unpaid interest. See Note I for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Transfers

When a bargaining unit employee of the Cooperative is promoted to a management position and that employee participated in the 401(k) Bargaining Unit Plan, the participant's account balance is transferred to the 401(k) Management Plan. If an employee of the Cooperative transfers from a management position to a bargaining unit position and the employee participated in the 401(k) Management Plan, the salary deferral portion of the participant's account balance and earnings thereon are transferred to the Plan. The employer contribution portion of the participant's account balance and earnings thereon are maintained in the 401(k) Management Plan.

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Estimates

The preparation of financial statements requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note B - Plan Termination

Although it has not expressed any intention to do so, the Cooperative has the right under the Plan to terminate the Plan at any time, subject to the provisions of ERISA. If the Plan is terminated, the assets of the Plan will be distributed to the participants in accordance with ERISA and its applicable regulations as well as in accordance with the plan document.

Note C - Certified Investments

Certain information related to investments and notes receivable from participants disclosed in the accompanying financial statements and ERISA-required supplemental schedule, including investments and notes receivable from participants held at December 31, 2021 and 2020, and net appreciation in fair value of investments, interest and dividends for the year ended December 31, 2021, was obtained by management and agreed to or derived from information certified as complete and accurate by Prudential Retirement and Annuity Company and Prudential Bank & Trust, FSB (together, "Prudential").

The following table represents the investments in this Plan that were certified by Prudential:

	December 31,	
	2021	2020
Investments at fair value:		
Mutual funds	\$ 43,947,264	\$ 35,358,375
Investments at contract value	15,074,154	14,010,812
Notes receivable from participants	1,446,937	1,478,042
	<u>\$ 60,468,355</u>	<u>\$ 50,847,229</u>

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note C - Certified Investments - Continued

Prudential also certified to the completeness and accuracy of income related to aforementioned investments and notes receivable from participants of the following:

	Year Ended December 31,	
	2021	2020
Net appreciation in fair value of investments	\$ 6,580,829	\$ 5,073,338
Interest and dividends	548,663	509,469
Interest income on notes receivable from participants	74,139	81,218
	<u>\$ 7,203,631</u>	<u>\$ 5,664,025</u>

Note D - Investment Contracts with Prudential

The Plan has a traditional fully benefit-responsive guaranteed investment contract with Prudential totaling \$15,074,154 and \$14,010,812 at December 31, 2021 and 2020, respectively. Prudential maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting rate is based on a formula established by the contract issuer but may not be less than 1.50%. The crediting rate is reviewed on a quarterly basis for resetting. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

The contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported to the Plan by Prudential, represents contributions made under the contract, plus earnings, less participant withdrawals, and administrative expenses. This contract is not a traditional guaranteed investment contract; therefore, there are not any known cash flows that could be discounted. As a result, the fair value amount is equal to the contract value.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations. The issuer's ability to meet its contractual obligations may be affected by future economic and regulatory developments.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note D - Investment Contracts with Prudential - Continued

Certain events might limit the ability of the Plan to transact at contract value with the issuer. Such events include amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA, or premature termination of the contract. No events are probable of occurring that might limit the ability of the Plan to transact at contract value with the contract issuers and that also would limit the ability of the Plan to transact at contract value with the participants.

In addition, certain events allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Such events include an uncured violation of the Plan's investment guidelines, a breach of material obligation under the contract, a material misrepresentation, or a material amendment to the agreement without the consent of the issuer.

Note E - Related Party Transactions

Certain Plan investments are shares of pooled separate accounts managed by Prudential. Prudential is the custodian as defined by the Plan, and therefore, these transactions qualified as party-in-interest transactions. Fees paid by the Plan for investment advisory services amounted to \$98,360 and \$77,784 for the years ended December 31, 2021 and 2020, respectively.

Note F - Tax Status

The Internal Revenue Service has determined and informed the Cooperative, by letter dated February 15, 2011, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more than likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note G - Risk and Uncertainties

The Plan's assets are invested in various financial instruments including cash and cash equivalents, fixed income and equity securities. Investments are exposed to various risks, such as changes in interest rates, market conditions and credit assessments. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in risk in the near term could materially affect participants' account balances and amounts reported in the financial statements.

Note H - Subsequent Events

The Plan was restated on January 1, 2022 to change non-elective contributions. Effective January 1, 2022, all participants will receive a 3% non-elective employer contribution and there will be no increase in contribution based on years of vested service.

The Plan's management has evaluated all subsequent events through September 28, 2022, which is the date these financial statements were available to be issued.

Note I - Fair Value Measurements

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note I - Fair Value Measurements - Continued

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020:

Pooled separate accounts: Unit value calculated based on the net assets or observable net asset value (NAV) of the underlying pool of securities or investments. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2021 and 2020, the Plan did not have any significant transfers between Level 1, 2, or 3. The Plan's policy is to recognize transfers in and transfers out of all levels as of the end of the period.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note I - Fair Value Measurements - Continued

The following tables set forth the Plan's assets at fair value as of:

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 35,491,839</u>	<u>\$</u>	<u>\$</u>	\$ 35,491,839
Investments measured at NAV				<u>8,455,425</u>
Total investments at fair value				<u>\$ 43,947,264</u>

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 34,452,290</u>	<u>\$</u>	<u>\$</u>	\$ 34,452,290
Investments measured at NAV				<u>906,085</u>
Total investments at fair value				<u>\$ 35,358,375</u>

2021	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts	\$ 8,455,425	n/a	Daily	30 days

2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts	\$ 906,085	n/a	Daily	30 days

Supplemental Information

Schedule H, Line 4i - Schedule of Assets Held at End of Year**Southern Maryland Electric Cooperative, Inc.****401(k) Bargaining Unit Plan****EIN: 52-0492367, PN 003****December 31, 2021**

(a)	(b) Identity of Issuer	(c) Description of Investment	(e) Current Value
*	Prudential Retirement Ins.	Guaranteed Income Fund	\$ 15,074,154
	Virtus Vontobel	Foreign Opportunity 1	8,571,714
	Hartford	Hartford Div & Gro R6	5,183,784
	T. Rowe Price	T. Rowe Price LCG EQ (IS)	6,662,319
	PGIM	PGIM Total Return Bond R6	4,514,384
	American Century	Mid Cap Value R6	2,768,399
	Nationwide	Nationwide Gen SC G IN	2,747,530
	Vanguard	Vanguard Tru 500 Admiral	3,004,207
	JP Morgan	JP Morgan US Equity R6	2,621,414
	JP Morgan	Undis Mng Behav R6	2,194,356
	Mass Mutual	Mid Cap Gro I	1,851,891
*	Prudential Retirement Ins.	Pru Day One IFX Target Bal	1,394,067
*	Prudential Retirement Ins.	Pru IFX Sel Lt Conser Gro	399,039
	Vanguard	Vanguard Mid Cap Index Fd	649,285
	Vanguard	Van Small Cap Index Admir	473,254
	Vanguard	Vanguard Tot STK Admiral	237,048
	American Funds	Amer Funds 2050 Target R6	61,140
	Oakmark	Oakmark Gbl Sel Investor	39,644
	American Funds	Amer Funds 2040 Target R6	150,232
	American Funds	Amer Funds 2030 Target R6	179,969
	American Funds	Amer Funds 2045 Target R6	1,887

Schedule H, Line 4i - Schedule of Assets Held at End of Year - Continued

**Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan**

EIN: 52-0492367, PN 003

December 31, 2021

(a)	(b) Identity of Issuer	(c) Description of Investment	(e) Current Value
	Principal	Principal Real Est SEC IN	46,681
	Vanguard	Vanguard Total Bond Index	194,228
	American Funds	Amer 2060 TGT Date Ret R6	792
	Participant Loans: 4.25% - 6.50%, maturing 2021 - 2029		1,446,937
(d) "Cost" is not required as all investments are participant directed.			\$ 60,468,355

* Indicates a party-in-interest to the Plan.

Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Financial Statements
December 31, 2021 and 2020

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Independent Auditor's Report

To the Trustees and Participants
Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Hughesville, Maryland

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit

We have performed the audit of the financial statements of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan, an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), as permitted by ERISA Section 103(a)(3)(C) (ERISA Section 103(a)(3)(C) audit). The financial statements comprise the statement of net assets available for benefits as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audit of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audit need not extend to any statements or information related to assets held for investment of the plan (investment information) by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA (qualified institution).

Management has obtained a certification from a qualified institution as of December 31, 2021, and for the year then ended, stating that the certified investment information, as described in Note C to the financial statements, is complete and accurate.

Opinion

In our opinion, based on our audit and on the procedures performed as described in the Auditor's Responsibilities for the Audit of the Financial Statements section -

- the amounts and disclosures in the accompanying financial statements, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- the information in the accompanying financial statements related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan 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 ERISA Section 103(a)(3)(C) audit opinion.

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. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's ability to continue as a going concern for the year ended December 31, 2021.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit section of our report, 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 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, 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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan'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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's ability to continue as a going concern for a reasonable period of time.

Our audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

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.

Other Matter – Supplemental Schedules Required by ERISA

The supplemental schedule, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. 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 included in the supplemental schedule, other than that agreed to or derived from the certified investment information, has been subjected to 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 generally accepted auditing standards. For information included in the supplemental schedule that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, other than the information agreed to or derived from the certified investment information, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion:

- the form and content of the supplemental schedule, other than the information in the supplemental schedule that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- the information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Adams, Jenkins & Cheatham

Richmond, Virginia
September 28, 2022



Independent Auditor's Report

To the Trustees and Participants
Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Hughesville, Maryland

We were engaged to audit the accompanying statement of net assets available for benefits of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan as of December 31, 2020, the related statement of changes for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note C, which was certified by Prudential Retirement Insurance and Annuity Company and Prudential Bank & Trust, FSB, the custodian of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the year ended December 31, 2020, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion the 2020 financial statements.

Report on Form and Content in Compliance with DOL Rules and Regulations for 2020 Financial Statement

The form and content of the information included in the 2020 financial statements, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Allama, Jenkins & Cheatham

Richmond, Virginia
October 5, 2021

Statements of Net Assets Available for Benefits

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

	December 31,	
	2021	2020
Assets		
Investments at fair value	\$ 43,947,264	\$ 35,358,375
Investments at contract value	15,074,154	14,010,812
	<u>59,021,418</u>	<u>49,369,187</u>
Receivables:		
Notes receivable from participants	1,446,937	1,478,042
Participant contributions receivable	78,868	78,512
Employer contributions receivable	73,734	71,111
	<u>1,599,539</u>	<u>1,627,665</u>
Total Receivables		
	<u>1,599,539</u>	<u>1,627,665</u>
Net Assets Available for Benefits	<u>\$ 60,620,957</u>	<u>\$ 50,996,852</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Changes in Net Assets Available for Benefits

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

	Year Ended December 31,	
	2021	2020
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 6,580,829	\$ 5,073,338
Interest and dividends	548,663	509,469
	<u>7,129,492</u>	<u>5,582,807</u>
Total Investment Income		
Interest income on notes receivable from participants	74,139	81,218
Contributions:		
Participants	2,068,294	2,023,146
Employer	1,824,535	1,876,469
Rollover		626
	<u>3,892,829</u>	<u>3,900,241</u>
Total Contributions		
Total Additions	11,096,460	9,564,266
Deductions from net assets attributed to:		
Benefits paid to participants	707,724	1,906,432
Administrative and other income and expenses, net	113,709	106,173
	<u>821,433</u>	<u>2,012,605</u>
Total Deductions		
Net Increase	10,275,027	7,551,661
Transfers:		
From 401(k) Management Plan		98,242
To 401(k) Management Plan	(650,922)	(544,530)
Net assets available for benefits at beginning of year	<u>50,996,852</u>	<u>43,891,479</u>
Net Assets Available for Benefits at End of Year	<u>\$ 60,620,957</u>	<u>\$ 50,996,852</u>

See Independent Auditor's Report and Notes to Financial Statements

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies

The following description of the Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan (the “Plan”) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan covering all full-time collective bargaining unit employees of Southern Maryland Electric Cooperative, Inc. (the “Cooperative”). Eligible employees join the Plan on the first of the month following the date of hire. Part-time employees are eligible to enter the Plan upon completion of 1,000 hours of employment and one year of service. Employees must make their contribution election electronically and directly with Prudential Retirement Insurance and Annuity Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Unless participants elect otherwise, the Cooperative will automatically withhold 6% of annual compensation as contributions to the Plan. Participants may elect to withhold a different percentage, from 1% to 65% of their annual compensation as defined by the Plan and up to the limits allowed under federal tax laws, by notifying the Cooperative in a timely manner. Participants can change the amount that they have withheld on a bi-weekly basis. Participants who are over the age of 50 may make additional contributions as allowed by federal tax laws. Participants may also roll over amounts representing distributions from other qualified plans. Unless participants elect otherwise, if they are making contributions in an amount less than 12% of their compensation, the Cooperative will automatically increase their contribution by an additional 1% of compensation annually, not to exceed 12%.

All participants receive a Safe Harbor 3% non-elective employer contribution, participants with at least five years but fewer than twenty years of vested service receive an additional 5% for a total of 8% non-elective contribution and participants with greater than twenty years of vested service receive an additional 7% for a total of 10% non-elective contribution.

The Cooperative shall make a matching contribution of 50% of the participant’s contributions each pay period not to exceed 1% of the participant’s eligible compensation.

Participant Accounts

Each participant’s account is credited with the participant’s contributions, the Cooperative’s matching and non-elective contributions and allocations of Plan earnings and losses and administrative expenses. Allocations are based on participant account balances, as defined by the Plan. Participants can change how contributions are invested and transfer funds between investments through on-line access to the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Investment Options

The Plan permits every participant to direct the investment of his or her account balance under the Plan. The Plan is intended to comply with Section 401(k) of ERISA which requires that participants have an opportunity to choose from a broad range of investment options that have different risk and return characteristics.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. A participant's vested interest in their non-elective and matching contributions is zero percent until the participant has completed three years of vesting service, at which time their vested interest in non-elective and matching contributions becomes 100%. A participant also receives 100% vesting on the earlier of their normal retirement date, disability or death. Forfeitures resulting from participant terminations prior to vesting reduce the amount of the Cooperative's contribution.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000, reduced by the excess of the participant's highest outstanding loan balance during the 12 months preceding the new loan date, or 50% of their account balance. Loans are secured by the balance in the participants' accounts and by other adequate collateral deemed necessary by the trustees. Interest and principal payments are made ratably through biweekly payroll deductions. The repayment period is 12-60 months for a general purpose loan and 12-120 months for a primary residence loan. The loans bear interest at the prime interest rate as stated in the Wall Street Journal plus 1% and is adjusted monthly for new loans. Interest rates ranged from 4.25% to 6.50% during 2021 and 2020. Participants may prepay the balance of a loan at any time without penalty.

The plan administrator does not believe that an allowance for potentially uncollectible accounts is required given the security provided by the respective participants' account balances.

Payment of Benefits

On termination of service, retirement, disability or death, a participant may elect to receive a lump-sum payment, an annuity, a direct rollover, or a combination of these options. If the vested account balance is less than \$5,000, it will be paid in a lump sum. Benefit payments normally begin at retirement age (as defined in the plan document). Special provisions apply for death and disability benefits and hardship withdrawals. Benefits are recorded as paid.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Forfeitures

The non-vested portion of a terminated participant's account balance remains in the Plan and is called a forfeiture. Forfeitures may be used by the Plan to reduce any employer contributions or to reduce any matching contributions. Terminated participants forfeited \$21,887 during the year ended December 31, 2021 and applied \$22,106 to reduce employer contributions. There were no forfeitures available for use at December 31, 2021. Terminated participants forfeited \$196 during the year ended December 31, 2020 and did not apply any amount to reduce employer contributions. There were \$219 of forfeitures available for use at December 31, 2020.

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the Cooperative. Expenses paid by the Cooperative are excluded from these financial statements. Investment related expenses are included in net appreciation/reduction of fair value of investments.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value except for its fully benefit-responsive guaranteed investment account with an insurance company, which is stated at contract value (Note D). Fair value is 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. Notes receivable from participants are stated at their unpaid principal balance plus accrued but unpaid interest. See Note I for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Transfers

When a bargaining unit employee of the Cooperative is promoted to a management position and that employee participated in the 401(k) Bargaining Unit Plan, the participant's account balance is transferred to the 401(k) Management Plan. If an employee of the Cooperative transfers from a management position to a bargaining unit position and the employee participated in the 401(k) Management Plan, the salary deferral portion of the participant's account balance and earnings thereon are transferred to the Plan. The employer contribution portion of the participant's account balance and earnings thereon are maintained in the 401(k) Management Plan.

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Estimates

The preparation of financial statements requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note B - Plan Termination

Although it has not expressed any intention to do so, the Cooperative has the right under the Plan to terminate the Plan at any time, subject to the provisions of ERISA. If the Plan is terminated, the assets of the Plan will be distributed to the participants in accordance with ERISA and its applicable regulations as well as in accordance with the plan document.

Note C - Certified Investments

Certain information related to investments and notes receivable from participants disclosed in the accompanying financial statements and ERISA-required supplemental schedule, including investments and notes receivable from participants held at December 31, 2021 and 2020, and net appreciation in fair value of investments, interest and dividends for the year ended December 31, 2021, was obtained by management and agreed to or derived from information certified as complete and accurate by Prudential Retirement and Annuity Company and Prudential Bank & Trust, FSB (together, "Prudential").

The following table represents the investments in this Plan that were certified by Prudential:

	December 31,	
	2021	2020
Investments at fair value:		
Mutual funds	\$ 43,947,264	\$ 35,358,375
Investments at contract value	15,074,154	14,010,812
Notes receivable from participants	1,446,937	1,478,042
	<u>\$ 60,468,355</u>	<u>\$ 50,847,229</u>

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note C - Certified Investments - Continued

Prudential also certified to the completeness and accuracy of income related to aforementioned investments and notes receivable from participants of the following:

	Year Ended December 31,	
	2021	2020
Net appreciation in fair value of investments	\$ 6,580,829	\$ 5,073,338
Interest and dividends	548,663	509,469
Interest income on notes receivable from participants	74,139	81,218
	<u>\$ 7,203,631</u>	<u>\$ 5,664,025</u>

Note D - Investment Contracts with Prudential

The Plan has a traditional fully benefit-responsive guaranteed investment contract with Prudential totaling \$15,074,154 and \$14,010,812 at December 31, 2021 and 2020, respectively. Prudential maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting rate is based on a formula established by the contract issuer but may not be less than 1.50%. The crediting rate is reviewed on a quarterly basis for resetting. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

The contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported to the Plan by Prudential, represents contributions made under the contract, plus earnings, less participant withdrawals, and administrative expenses. This contract is not a traditional guaranteed investment contract; therefore, there are not any known cash flows that could be discounted. As a result, the fair value amount is equal to the contract value.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations. The issuer's ability to meet its contractual obligations may be affected by future economic and regulatory developments.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note D - Investment Contracts with Prudential - Continued

Certain events might limit the ability of the Plan to transact at contract value with the issuer. Such events include amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA, or premature termination of the contract. No events are probable of occurring that might limit the ability of the Plan to transact at contract value with the contract issuers and that also would limit the ability of the Plan to transact at contract value with the participants.

In addition, certain events allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Such events include an uncured violation of the Plan's investment guidelines, a breach of material obligation under the contract, a material misrepresentation, or a material amendment to the agreement without the consent of the issuer.

Note E - Related Party Transactions

Certain Plan investments are shares of pooled separate accounts managed by Prudential. Prudential is the custodian as defined by the Plan, and therefore, these transactions qualified as party-in-interest transactions. Fees paid by the Plan for investment advisory services amounted to \$98,360 and \$77,784 for the years ended December 31, 2021 and 2020, respectively.

Note F - Tax Status

The Internal Revenue Service has determined and informed the Cooperative, by letter dated February 15, 2011, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more than likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note G - Risk and Uncertainties

The Plan's assets are invested in various financial instruments including cash and cash equivalents, fixed income and equity securities. Investments are exposed to various risks, such as changes in interest rates, market conditions and credit assessments. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in risk in the near term could materially affect participants' account balances and amounts reported in the financial statements.

Note H - Subsequent Events

The Plan was restated on January 1, 2022 to change non-elective contributions. Effective January 1, 2022, all participants will receive a 3% non-elective employer contribution and there will be no increase in contribution based on years of vested service.

The Plan's management has evaluated all subsequent events through September 28, 2022, which is the date these financial statements were available to be issued.

Note I - Fair Value Measurements

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note I - Fair Value Measurements - Continued

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020:

Pooled separate accounts: Unit value calculated based on the net assets or observable net asset value (NAV) of the underlying pool of securities or investments. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2021 and 2020, the Plan did not have any significant transfers between Level 1, 2, or 3. The Plan's policy is to recognize transfers in and transfers out of all levels as of the end of the period.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note I - Fair Value Measurements - Continued

The following tables set forth the Plan's assets at fair value as of:

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 35,491,839</u>	<u>\$</u>	<u>\$</u>	\$ 35,491,839
Investments measured at NAV				<u>8,455,425</u>
Total investments at fair value				<u>\$ 43,947,264</u>

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 34,452,290</u>	<u>\$</u>	<u>\$</u>	\$ 34,452,290
Investments measured at NAV				<u>906,085</u>
Total investments at fair value				<u>\$ 35,358,375</u>

2021	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts	\$ 8,455,425	n/a	Daily	30 days

2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts	\$ 906,085	n/a	Daily	30 days

Supplemental Information

Schedule H, Line 4i - Schedule of Assets Held at End of Year**Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan****EIN: 52-0492367, PN 003****December 31, 2021**

(a)	(b) Identity of Issuer	(c) Description of Investment	(e) Current Value
*	Prudential Retirement Ins.	Guaranteed Income Fund	\$ 15,074,154
	Virtus Vontobel	Foreign Opportunity 1	8,571,714
	Hartford	Hartford Div & Gro R6	5,183,784
	T. Rowe Price	T. Rowe Price LCG EQ (IS)	6,662,319
	PGIM	PGIM Total Return Bond R6	4,514,384
	American Century	Mid Cap Value R6	2,768,399
	Nationwide	Nationwide Gen SC G IN	2,747,530
	Vanguard	Vanguard Tru 500 Admiral	3,004,207
	JP Morgan	JP Morgan US Equity R6	2,621,414
	JP Morgan	Undis Mng Behav R6	2,194,356
	Mass Mutual	Mid Cap Gro I	1,851,891
*	Prudential Retirement Ins.	Pru Day One IFX Target Bal	1,394,067
*	Prudential Retirement Ins.	Pru IFX Sel Lt Conser Gro	399,039
	Vanguard	Vanguard Mid Cap Index Fd	649,285
	Vanguard	Van Small Cap Index Admir	473,254
	Vanguard	Vanguard Tot STK Admiral	237,048
	American Funds	Amer Funds 2050 Target R6	61,140
	Oakmark	Oakmark Gbl Sel Investor	39,644
	American Funds	Amer Funds 2040 Target R6	150,232
	American Funds	Amer Funds 2030 Target R6	179,969
	American Funds	Amer Funds 2045 Target R6	1,887

Schedule H, Line 4i - Schedule of Assets Held at End of Year - Continued

**Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan**

EIN: 52-0492367, PN 003

December 31, 2021

(a)	(b) Identity of Issuer	(c) Description of Investment	(e) Current Value
	Principal	Principal Real Est SEC IN	46,681
	Vanguard	Vanguard Total Bond Index	194,228
	American Funds	Amer 2060 TGT Date Ret R6	792
	Participant Loans: 4.25% - 6.50%, maturing 2021 - 2029		1,446,937
(d) "Cost" is not required as all investments are participant directed.			\$ 60,468,355

* Indicates a party-in-interest to the Plan.

Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Financial Statements
December 31, 2021 and 2020

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Independent Auditor's Report

To the Trustees and Participants
Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Hughesville, Maryland

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit

We have performed the audit of the financial statements of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan, an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), as permitted by ERISA Section 103(a)(3)(C) (ERISA Section 103(a)(3)(C) audit). The financial statements comprise the statement of net assets available for benefits as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audit of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audit need not extend to any statements or information related to assets held for investment of the plan (investment information) by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA (qualified institution).

Management has obtained a certification from a qualified institution as of December 31, 2021, and for the year then ended, stating that the certified investment information, as described in Note C to the financial statements, is complete and accurate.

Opinion

In our opinion, based on our audit and on the procedures performed as described in the Auditor's Responsibilities for the Audit of the Financial Statements section -

- the amounts and disclosures in the accompanying financial statements, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- the information in the accompanying financial statements related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan 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 ERISA Section 103(a)(3)(C) audit opinion.

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. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's ability to continue as a going concern for the year ended December 31, 2021.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit section of our report, 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 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, 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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan'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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's ability to continue as a going concern for a reasonable period of time.

Our audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

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.

Other Matter – Supplemental Schedules Required by ERISA

The supplemental schedule, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. 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 included in the supplemental schedule, other than that agreed to or derived from the certified investment information, has been subjected to 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 generally accepted auditing standards. For information included in the supplemental schedule that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, other than the information agreed to or derived from the certified investment information, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion:

- the form and content of the supplemental schedule, other than the information in the supplemental schedule that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- the information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Adams, Jenkins & Cheatham

Richmond, Virginia
September 28, 2022



Independent Auditor's Report

To the Trustees and Participants
Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Hughesville, Maryland

We were engaged to audit the accompanying statement of net assets available for benefits of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan as of December 31, 2020, the related statement of changes for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note C, which was certified by Prudential Retirement Insurance and Annuity Company and Prudential Bank & Trust, FSB, the custodian of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the year ended December 31, 2020, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion the 2020 financial statements.

Report on Form and Content in Compliance with DOL Rules and Regulations for 2020 Financial Statement

The form and content of the information included in the 2020 financial statements, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Allama, Jenkins & Cheatham

Richmond, Virginia
October 5, 2021

Statements of Net Assets Available for Benefits

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

	December 31,	
	2021	2020
Assets		
Investments at fair value	\$ 43,947,264	\$ 35,358,375
Investments at contract value	15,074,154	14,010,812
	<u>59,021,418</u>	<u>49,369,187</u>
Receivables:		
Notes receivable from participants	1,446,937	1,478,042
Participant contributions receivable	78,868	78,512
Employer contributions receivable	73,734	71,111
	<u>1,599,539</u>	<u>1,627,665</u>
Total Receivables		
	<u>1,599,539</u>	<u>1,627,665</u>
Net Assets Available for Benefits	<u>\$ 60,620,957</u>	<u>\$ 50,996,852</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Changes in Net Assets Available for Benefits

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

	Year Ended December 31,	
	2021	2020
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 6,580,829	\$ 5,073,338
Interest and dividends	548,663	509,469
	<u>7,129,492</u>	<u>5,582,807</u>
Interest income on notes receivable from participants	74,139	81,218
Contributions:		
Participants	2,068,294	2,023,146
Employer	1,824,535	1,876,469
Rollover		626
	<u>3,892,829</u>	<u>3,900,241</u>
Total Additions	11,096,460	9,564,266
Deductions from net assets attributed to:		
Benefits paid to participants	707,724	1,906,432
Administrative and other income and expenses, net	113,709	106,173
	<u>821,433</u>	<u>2,012,605</u>
Net Increase	10,275,027	7,551,661
Transfers:		
From 401(k) Management Plan		98,242
To 401(k) Management Plan	(650,922)	(544,530)
Net assets available for benefits at beginning of year	<u>50,996,852</u>	<u>43,891,479</u>
Net Assets Available for Benefits at End of Year	<u>\$ 60,620,957</u>	<u>\$ 50,996,852</u>

See Independent Auditor's Report and Notes to Financial Statements

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies

The following description of the Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan (the “Plan”) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan covering all full-time collective bargaining unit employees of Southern Maryland Electric Cooperative, Inc. (the “Cooperative”). Eligible employees join the Plan on the first of the month following the date of hire. Part-time employees are eligible to enter the Plan upon completion of 1,000 hours of employment and one year of service. Employees must make their contribution election electronically and directly with Prudential Retirement Insurance and Annuity Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Unless participants elect otherwise, the Cooperative will automatically withhold 6% of annual compensation as contributions to the Plan. Participants may elect to withhold a different percentage, from 1% to 65% of their annual compensation as defined by the Plan and up to the limits allowed under federal tax laws, by notifying the Cooperative in a timely manner. Participants can change the amount that they have withheld on a bi-weekly basis. Participants who are over the age of 50 may make additional contributions as allowed by federal tax laws. Participants may also roll over amounts representing distributions from other qualified plans. Unless participants elect otherwise, if they are making contributions in an amount less than 12% of their compensation, the Cooperative will automatically increase their contribution by an additional 1% of compensation annually, not to exceed 12%.

All participants receive a Safe Harbor 3% non-elective employer contribution, participants with at least five years but fewer than twenty years of vested service receive an additional 5% for a total of 8% non-elective contribution and participants with greater than twenty years of vested service receive an additional 7% for a total of 10% non-elective contribution.

The Cooperative shall make a matching contribution of 50% of the participant’s contributions each pay period not to exceed 1% of the participant’s eligible compensation.

Participant Accounts

Each participant’s account is credited with the participant’s contributions, the Cooperative’s matching and non-elective contributions and allocations of Plan earnings and losses and administrative expenses. Allocations are based on participant account balances, as defined by the Plan. Participants can change how contributions are invested and transfer funds between investments through on-line access to the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Investment Options

The Plan permits every participant to direct the investment of his or her account balance under the Plan. The Plan is intended to comply with Section 401(k) of ERISA which requires that participants have an opportunity to choose from a broad range of investment options that have different risk and return characteristics.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. A participant's vested interest in their non-elective and matching contributions is zero percent until the participant has completed three years of vesting service, at which time their vested interest in non-elective and matching contributions becomes 100%. A participant also receives 100% vesting on the earlier of their normal retirement date, disability or death. Forfeitures resulting from participant terminations prior to vesting reduce the amount of the Cooperative's contribution.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000, reduced by the excess of the participant's highest outstanding loan balance during the 12 months preceding the new loan date, or 50% of their account balance. Loans are secured by the balance in the participants' accounts and by other adequate collateral deemed necessary by the trustees. Interest and principal payments are made ratably through biweekly payroll deductions. The repayment period is 12-60 months for a general purpose loan and 12-120 months for a primary residence loan. The loans bear interest at the prime interest rate as stated in the Wall Street Journal plus 1% and is adjusted monthly for new loans. Interest rates ranged from 4.25% to 6.50% during 2021 and 2020. Participants may prepay the balance of a loan at any time without penalty.

The plan administrator does not believe that an allowance for potentially uncollectible accounts is required given the security provided by the respective participants' account balances.

Payment of Benefits

On termination of service, retirement, disability or death, a participant may elect to receive a lump-sum payment, an annuity, a direct rollover, or a combination of these options. If the vested account balance is less than \$5,000, it will be paid in a lump sum. Benefit payments normally begin at retirement age (as defined in the plan document). Special provisions apply for death and disability benefits and hardship withdrawals. Benefits are recorded as paid.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Forfeitures

The non-vested portion of a terminated participant's account balance remains in the Plan and is called a forfeiture. Forfeitures may be used by the Plan to reduce any employer contributions or to reduce any matching contributions. Terminated participants forfeited \$21,887 during the year ended December 31, 2021 and applied \$22,106 to reduce employer contributions. There were no forfeitures available for use at December 31, 2021. Terminated participants forfeited \$196 during the year ended December 31, 2020 and did not apply any amount to reduce employer contributions. There were \$219 of forfeitures available for use at December 31, 2020.

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the Cooperative. Expenses paid by the Cooperative are excluded from these financial statements. Investment related expenses are included in net appreciation/reduction of fair value of investments.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value except for its fully benefit-responsive guaranteed investment account with an insurance company, which is stated at contract value (Note D). Fair value is 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. Notes receivable from participants are stated at their unpaid principal balance plus accrued but unpaid interest. See Note I for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Transfers

When a bargaining unit employee of the Cooperative is promoted to a management position and that employee participated in the 401(k) Bargaining Unit Plan, the participant's account balance is transferred to the 401(k) Management Plan. If an employee of the Cooperative transfers from a management position to a bargaining unit position and the employee participated in the 401(k) Management Plan, the salary deferral portion of the participant's account balance and earnings thereon are transferred to the Plan. The employer contribution portion of the participant's account balance and earnings thereon are maintained in the 401(k) Management Plan.

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Estimates

The preparation of financial statements requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note B - Plan Termination

Although it has not expressed any intention to do so, the Cooperative has the right under the Plan to terminate the Plan at any time, subject to the provisions of ERISA. If the Plan is terminated, the assets of the Plan will be distributed to the participants in accordance with ERISA and its applicable regulations as well as in accordance with the plan document.

Note C - Certified Investments

Certain information related to investments and notes receivable from participants disclosed in the accompanying financial statements and ERISA-required supplemental schedule, including investments and notes receivable from participants held at December 31, 2021 and 2020, and net appreciation in fair value of investments, interest and dividends for the year ended December 31, 2021, was obtained by management and agreed to or derived from information certified as complete and accurate by Prudential Retirement and Annuity Company and Prudential Bank & Trust, FSB (together, "Prudential").

The following table represents the investments in this Plan that were certified by Prudential:

	December 31,	
	2021	2020
Investments at fair value:		
Mutual funds	\$ 43,947,264	\$ 35,358,375
Investments at contract value	15,074,154	14,010,812
Notes receivable from participants	1,446,937	1,478,042
	<u>\$ 60,468,355</u>	<u>\$ 50,847,229</u>

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note C - Certified Investments - Continued

Prudential also certified to the completeness and accuracy of income related to aforementioned investments and notes receivable from participants of the following:

	Year Ended December 31,	
	2021	2020
Net appreciation in fair value of investments	\$ 6,580,829	\$ 5,073,338
Interest and dividends	548,663	509,469
Interest income on notes receivable from participants	74,139	81,218
	<u>\$ 7,203,631</u>	<u>\$ 5,664,025</u>

Note D - Investment Contracts with Prudential

The Plan has a traditional fully benefit-responsive guaranteed investment contract with Prudential totaling \$15,074,154 and \$14,010,812 at December 31, 2021 and 2020, respectively. Prudential maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting rate is based on a formula established by the contract issuer but may not be less than 1.50%. The crediting rate is reviewed on a quarterly basis for resetting. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

The contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported to the Plan by Prudential, represents contributions made under the contract, plus earnings, less participant withdrawals, and administrative expenses. This contract is not a traditional guaranteed investment contract; therefore, there are not any known cash flows that could be discounted. As a result, the fair value amount is equal to the contract value.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations. The issuer's ability to meet its contractual obligations may be affected by future economic and regulatory developments.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note D - Investment Contracts with Prudential - Continued

Certain events might limit the ability of the Plan to transact at contract value with the issuer. Such events include amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA, or premature termination of the contract. No events are probable of occurring that might limit the ability of the Plan to transact at contract value with the contract issuers and that also would limit the ability of the Plan to transact at contract value with the participants.

In addition, certain events allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Such events include an uncured violation of the Plan's investment guidelines, a breach of material obligation under the contract, a material misrepresentation, or a material amendment to the agreement without the consent of the issuer.

Note E - Related Party Transactions

Certain Plan investments are shares of pooled separate accounts managed by Prudential. Prudential is the custodian as defined by the Plan, and therefore, these transactions qualified as party-in-interest transactions. Fees paid by the Plan for investment advisory services amounted to \$98,360 and \$77,784 for the years ended December 31, 2021 and 2020, respectively.

Note F - Tax Status

The Internal Revenue Service has determined and informed the Cooperative, by letter dated February 15, 2011, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more than likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note G - Risk and Uncertainties

The Plan's assets are invested in various financial instruments including cash and cash equivalents, fixed income and equity securities. Investments are exposed to various risks, such as changes in interest rates, market conditions and credit assessments. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in risk in the near term could materially affect participants' account balances and amounts reported in the financial statements.

Note H - Subsequent Events

The Plan was restated on January 1, 2022 to change non-elective contributions. Effective January 1, 2022, all participants will receive a 3% non-elective employer contribution and there will be no increase in contribution based on years of vested service.

The Plan's management has evaluated all subsequent events through September 28, 2022, which is the date these financial statements were available to be issued.

Note I - Fair Value Measurements

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note I - Fair Value Measurements - Continued

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020:

Pooled separate accounts: Unit value calculated based on the net assets or observable net asset value (NAV) of the underlying pool of securities or investments. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2021 and 2020, the Plan did not have any significant transfers between Level 1, 2, or 3. The Plan's policy is to recognize transfers in and transfers out of all levels as of the end of the period.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note I - Fair Value Measurements - Continued

The following tables set forth the Plan's assets at fair value as of:

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 35,491,839</u>	<u>\$</u>	<u>\$</u>	\$ 35,491,839
Investments measured at NAV				<u>8,455,425</u>
Total investments at fair value				<u>\$ 43,947,264</u>

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 34,452,290</u>	<u>\$</u>	<u>\$</u>	\$ 34,452,290
Investments measured at NAV				<u>906,085</u>
Total investments at fair value				<u>\$ 35,358,375</u>

2021	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts	\$ 8,455,425	n/a	Daily	30 days

2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts	\$ 906,085	n/a	Daily	30 days

Supplemental Information

Schedule H, Line 4i - Schedule of Assets Held at End of Year**Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan****EIN: 52-0492367, PN 003****December 31, 2021**

(a)	(b) Identity of Issuer	(c) Description of Investment	(e) Current Value
*	Prudential Retirement Ins.	Guaranteed Income Fund	\$ 15,074,154
	Virtus Vontobel	Foreign Opportunity 1	8,571,714
	Hartford	Hartford Div & Gro R6	5,183,784
	T. Rowe Price	T. Rowe Price LCG EQ (IS)	6,662,319
	PGIM	PGIM Total Return Bond R6	4,514,384
	American Century	Mid Cap Value R6	2,768,399
	Nationwide	Nationwide Gen SC G IN	2,747,530
	Vanguard	Vanguard Tru 500 Admiral	3,004,207
	JP Morgan	JP Morgan US Equity R6	2,621,414
	JP Morgan	Undis Mng Behav R6	2,194,356
	Mass Mutual	Mid Cap Gro I	1,851,891
*	Prudential Retirement Ins.	Pru Day One IFX Target Bal	1,394,067
*	Prudential Retirement Ins.	Pru IFX Sel Lt Conser Gro	399,039
	Vanguard	Vanguard Mid Cap Index Fd	649,285
	Vanguard	Van Small Cap Index Admir	473,254
	Vanguard	Vanguard Tot STK Admiral	237,048
	American Funds	Amer Funds 2050 Target R6	61,140
	Oakmark	Oakmark Gbl Sel Investor	39,644
	American Funds	Amer Funds 2040 Target R6	150,232
	American Funds	Amer Funds 2030 Target R6	179,969
	American Funds	Amer Funds 2045 Target R6	1,887

Schedule H, Line 4i - Schedule of Assets Held at End of Year - Continued

**Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan**

EIN: 52-0492367, PN 003

December 31, 2021

(a)	(b) Identity of Issuer	(c) Description of Investment	(e) Current Value
	Principal	Principal Real Est SEC IN	46,681
	Vanguard	Vanguard Total Bond Index	194,228
	American Funds	Amer 2060 TGT Date Ret R6	792
	Participant Loans: 4.25% - 6.50%, maturing 2021 - 2029		1,446,937
(d) "Cost" is not required as all investments are participant directed.			\$ 60,468,355

* Indicates a party-in-interest to the Plan.

Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Financial Statements
December 31, 2021 and 2020

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Independent Auditor's Report

To the Trustees and Participants
Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Hughesville, Maryland

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit

We have performed the audit of the financial statements of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan, an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), as permitted by ERISA Section 103(a)(3)(C) (ERISA Section 103(a)(3)(C) audit). The financial statements comprise the statement of net assets available for benefits as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audit of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audit need not extend to any statements or information related to assets held for investment of the plan (investment information) by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA (qualified institution).

Management has obtained a certification from a qualified institution as of December 31, 2021, and for the year then ended, stating that the certified investment information, as described in Note C to the financial statements, is complete and accurate.

Opinion

In our opinion, based on our audit and on the procedures performed as described in the Auditor's Responsibilities for the Audit of the Financial Statements section -

- the amounts and disclosures in the accompanying financial statements, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- the information in the accompanying financial statements related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan 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 ERISA Section 103(a)(3)(C) audit opinion.

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. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's ability to continue as a going concern for the year ended December 31, 2021.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit section of our report, 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 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, 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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan'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 Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan's ability to continue as a going concern for a reasonable period of time.

Our audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

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.

Other Matter – Supplemental Schedules Required by ERISA

The supplemental schedule, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. 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 included in the supplemental schedule, other than that agreed to or derived from the certified investment information, has been subjected to 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 generally accepted auditing standards. For information included in the supplemental schedule that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, other than the information agreed to or derived from the certified investment information, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion:

- the form and content of the supplemental schedule, other than the information in the supplemental schedule that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- the information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Adams, Jenkins & Cheatham

Richmond, Virginia
September 28, 2022



Independent Auditor's Report

To the Trustees and Participants
Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan
Hughesville, Maryland

We were engaged to audit the accompanying statement of net assets available for benefits of Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan as of December 31, 2020, the related statement of changes for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note C, which was certified by Prudential Retirement Insurance and Annuity Company and Prudential Bank & Trust, FSB, the custodian of the Plan, except for comparing the information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the year ended December 31, 2020, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion the 2020 financial statements.

Report on Form and Content in Compliance with DOL Rules and Regulations for 2020 Financial Statement

The form and content of the information included in the 2020 financial statements, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Allama, Jenkins & Cheatham

Richmond, Virginia
October 5, 2021

Statements of Net Assets Available for Benefits

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

	December 31,	
	2021	2020
Assets		
Investments at fair value	\$ 43,947,264	\$ 35,358,375
Investments at contract value	15,074,154	14,010,812
	<u>59,021,418</u>	<u>49,369,187</u>
Receivables:		
Notes receivable from participants	1,446,937	1,478,042
Participant contributions receivable	78,868	78,512
Employer contributions receivable	73,734	71,111
	<u>1,599,539</u>	<u>1,627,665</u>
Total Receivables		
	<u>1,599,539</u>	<u>1,627,665</u>
Net Assets Available for Benefits	<u>\$ 60,620,957</u>	<u>\$ 50,996,852</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Changes in Net Assets Available for Benefits

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

	Year Ended December 31,	
	2021	2020
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 6,580,829	\$ 5,073,338
Interest and dividends	548,663	509,469
	<u>7,129,492</u>	<u>5,582,807</u>
Total Investment Income		
Interest income on notes receivable from participants	74,139	81,218
Contributions:		
Participants	2,068,294	2,023,146
Employer	1,824,535	1,876,469
Rollover		626
	<u>3,892,829</u>	<u>3,900,241</u>
Total Contributions		
Total Additions	11,096,460	9,564,266
Deductions from net assets attributed to:		
Benefits paid to participants	707,724	1,906,432
Administrative and other income and expenses, net	113,709	106,173
	<u>821,433</u>	<u>2,012,605</u>
Total Deductions		
Net Increase	10,275,027	7,551,661
Transfers:		
From 401(k) Management Plan		98,242
To 401(k) Management Plan	(650,922)	(544,530)
Net assets available for benefits at beginning of year	<u>50,996,852</u>	<u>43,891,479</u>
Net Assets Available for		
Benefits at End of Year	<u>\$ 60,620,957</u>	<u>\$ 50,996,852</u>

See Independent Auditor's Report and Notes to Financial Statements

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies

The following description of the Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan (the “Plan”) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan’s provisions.

General

The Plan is a defined contribution plan covering all full-time collective bargaining unit employees of Southern Maryland Electric Cooperative, Inc. (the “Cooperative”). Eligible employees join the Plan on the first of the month following the date of hire. Part-time employees are eligible to enter the Plan upon completion of 1,000 hours of employment and one year of service. Employees must make their contribution election electronically and directly with Prudential Retirement Insurance and Annuity Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Unless participants elect otherwise, the Cooperative will automatically withhold 6% of annual compensation as contributions to the Plan. Participants may elect to withhold a different percentage, from 1% to 65% of their annual compensation as defined by the Plan and up to the limits allowed under federal tax laws, by notifying the Cooperative in a timely manner. Participants can change the amount that they have withheld on a bi-weekly basis. Participants who are over the age of 50 may make additional contributions as allowed by federal tax laws. Participants may also roll over amounts representing distributions from other qualified plans. Unless participants elect otherwise, if they are making contributions in an amount less than 12% of their compensation, the Cooperative will automatically increase their contribution by an additional 1% of compensation annually, not to exceed 12%.

All participants receive a Safe Harbor 3% non-elective employer contribution, participants with at least five years but fewer than twenty years of vested service receive an additional 5% for a total of 8% non-elective contribution and participants with greater than twenty years of vested service receive an additional 7% for a total of 10% non-elective contribution.

The Cooperative shall make a matching contribution of 50% of the participant’s contributions each pay period not to exceed 1% of the participant’s eligible compensation.

Participant Accounts

Each participant’s account is credited with the participant’s contributions, the Cooperative’s matching and non-elective contributions and allocations of Plan earnings and losses and administrative expenses. Allocations are based on participant account balances, as defined by the Plan. Participants can change how contributions are invested and transfer funds between investments through on-line access to the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Investment Options

The Plan permits every participant to direct the investment of his or her account balance under the Plan. The Plan is intended to comply with Section 401(k) of ERISA which requires that participants have an opportunity to choose from a broad range of investment options that have different risk and return characteristics.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. A participant's vested interest in their non-elective and matching contributions is zero percent until the participant has completed three years of vesting service, at which time their vested interest in non-elective and matching contributions becomes 100%. A participant also receives 100% vesting on the earlier of their normal retirement date, disability or death. Forfeitures resulting from participant terminations prior to vesting reduce the amount of the Cooperative's contribution.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000, reduced by the excess of the participant's highest outstanding loan balance during the 12 months preceding the new loan date, or 50% of their account balance. Loans are secured by the balance in the participants' accounts and by other adequate collateral deemed necessary by the trustees. Interest and principal payments are made ratably through biweekly payroll deductions. The repayment period is 12-60 months for a general purpose loan and 12-120 months for a primary residence loan. The loans bear interest at the prime interest rate as stated in the Wall Street Journal plus 1% and is adjusted monthly for new loans. Interest rates ranged from 4.25% to 6.50% during 2021 and 2020. Participants may prepay the balance of a loan at any time without penalty.

The plan administrator does not believe that an allowance for potentially uncollectible accounts is required given the security provided by the respective participants' account balances.

Payment of Benefits

On termination of service, retirement, disability or death, a participant may elect to receive a lump-sum payment, an annuity, a direct rollover, or a combination of these options. If the vested account balance is less than \$5,000, it will be paid in a lump sum. Benefit payments normally begin at retirement age (as defined in the plan document). Special provisions apply for death and disability benefits and hardship withdrawals. Benefits are recorded as paid.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Forfeitures

The non-vested portion of a terminated participant's account balance remains in the Plan and is called a forfeiture. Forfeitures may be used by the Plan to reduce any employer contributions or to reduce any matching contributions. Terminated participants forfeited \$21,887 during the year ended December 31, 2021 and applied \$22,106 to reduce employer contributions. There were no forfeitures available for use at December 31, 2021. Terminated participants forfeited \$196 during the year ended December 31, 2020 and did not apply any amount to reduce employer contributions. There were \$219 of forfeitures available for use at December 31, 2020.

Administrative Expenses

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the Cooperative. Expenses paid by the Cooperative are excluded from these financial statements. Investment related expenses are included in net appreciation/reduction of fair value of investments.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value except for its fully benefit-responsive guaranteed investment account with an insurance company, which is stated at contract value (Note D). Fair value is 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. Notes receivable from participants are stated at their unpaid principal balance plus accrued but unpaid interest. See Note I for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Transfers

When a bargaining unit employee of the Cooperative is promoted to a management position and that employee participated in the 401(k) Bargaining Unit Plan, the participant's account balance is transferred to the 401(k) Management Plan. If an employee of the Cooperative transfers from a management position to a bargaining unit position and the employee participated in the 401(k) Management Plan, the salary deferral portion of the participant's account balance and earnings thereon are transferred to the Plan. The employer contribution portion of the participant's account balance and earnings thereon are maintained in the 401(k) Management Plan.

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note A - Plan Description and Significant Accounting Policies - Continued

Estimates

The preparation of financial statements requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note B - Plan Termination

Although it has not expressed any intention to do so, the Cooperative has the right under the Plan to terminate the Plan at any time, subject to the provisions of ERISA. If the Plan is terminated, the assets of the Plan will be distributed to the participants in accordance with ERISA and its applicable regulations as well as in accordance with the plan document.

Note C - Certified Investments

Certain information related to investments and notes receivable from participants disclosed in the accompanying financial statements and ERISA-required supplemental schedule, including investments and notes receivable from participants held at December 31, 2021 and 2020, and net appreciation in fair value of investments, interest and dividends for the year ended December 31, 2021, was obtained by management and agreed to or derived from information certified as complete and accurate by Prudential Retirement and Annuity Company and Prudential Bank & Trust, FSB (together, "Prudential").

The following table represents the investments in this Plan that were certified by Prudential:

	December 31,	
	2021	2020
Investments at fair value:		
Mutual funds	\$ 43,947,264	\$ 35,358,375
Investments at contract value	15,074,154	14,010,812
Notes receivable from participants	1,446,937	1,478,042
	<u>\$ 60,468,355</u>	<u>\$ 50,847,229</u>

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note C - Certified Investments - Continued

Prudential also certified to the completeness and accuracy of income related to aforementioned investments and notes receivable from participants of the following:

	Year Ended December 31,	
	2021	2020
Net appreciation in fair value of investments	\$ 6,580,829	\$ 5,073,338
Interest and dividends	548,663	509,469
Interest income on notes receivable from participants	74,139	81,218
	<u>\$ 7,203,631</u>	<u>\$ 5,664,025</u>

Note D - Investment Contracts with Prudential

The Plan has a traditional fully benefit-responsive guaranteed investment contract with Prudential totaling \$15,074,154 and \$14,010,812 at December 31, 2021 and 2020, respectively. Prudential maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting rate is based on a formula established by the contract issuer but may not be less than 1.50%. The crediting rate is reviewed on a quarterly basis for resetting. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

The contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported to the Plan by Prudential, represents contributions made under the contract, plus earnings, less participant withdrawals, and administrative expenses. This contract is not a traditional guaranteed investment contract; therefore, there are not any known cash flows that could be discounted. As a result, the fair value amount is equal to the contract value.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations. The issuer's ability to meet its contractual obligations may be affected by future economic and regulatory developments.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note D - Investment Contracts with Prudential - Continued

Certain events might limit the ability of the Plan to transact at contract value with the issuer. Such events include amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA, or premature termination of the contract. No events are probable of occurring that might limit the ability of the Plan to transact at contract value with the contract issuers and that also would limit the ability of the Plan to transact at contract value with the participants.

In addition, certain events allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Such events include an uncured violation of the Plan's investment guidelines, a breach of material obligation under the contract, a material misrepresentation, or a material amendment to the agreement without the consent of the issuer.

Note E - Related Party Transactions

Certain Plan investments are shares of pooled separate accounts managed by Prudential. Prudential is the custodian as defined by the Plan, and therefore, these transactions qualified as party-in-interest transactions. Fees paid by the Plan for investment advisory services amounted to \$98,360 and \$77,784 for the years ended December 31, 2021 and 2020, respectively.

Note F - Tax Status

The Internal Revenue Service has determined and informed the Cooperative, by letter dated February 15, 2011, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the plan administrator believes that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more than likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note G - Risk and Uncertainties

The Plan's assets are invested in various financial instruments including cash and cash equivalents, fixed income and equity securities. Investments are exposed to various risks, such as changes in interest rates, market conditions and credit assessments. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in risk in the near term could materially affect participants' account balances and amounts reported in the financial statements.

Note H - Subsequent Events

The Plan was restated on January 1, 2022 to change non-elective contributions. Effective January 1, 2022, all participants will receive a 3% non-elective employer contribution and there will be no increase in contribution based on years of vested service.

The Plan's management has evaluated all subsequent events through September 28, 2022, which is the date these financial statements were available to be issued.

Note I - Fair Value Measurements

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note I - Fair Value Measurements - Continued

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020:

Pooled separate accounts: Unit value calculated based on the net assets or observable net asset value (NAV) of the underlying pool of securities or investments. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2021 and 2020, the Plan did not have any significant transfers between Level 1, 2, or 3. The Plan's policy is to recognize transfers in and transfers out of all levels as of the end of the period.

Notes to Financial Statements

Southern Maryland Electric Cooperative, Inc. 401(k) Bargaining Unit Plan

December 31, 2021 and 2020

Note I - Fair Value Measurements - Continued

The following tables set forth the Plan's assets at fair value as of:

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 35,491,839</u>	<u>\$</u>	<u>\$</u>	\$ 35,491,839
Investments measured at NAV				<u>8,455,425</u>
Total investments at fair value				<u>\$ 43,947,264</u>

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Mutual funds	<u>\$ 34,452,290</u>	<u>\$</u>	<u>\$</u>	\$ 34,452,290
Investments measured at NAV				<u>906,085</u>
Total investments at fair value				<u>\$ 35,358,375</u>

2021	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts	\$ 8,455,425	n/a	Daily	30 days

2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Separate Accounts	\$ 906,085	n/a	Daily	30 days

Supplemental Information

Schedule H, Line 4i - Schedule of Assets Held at End of Year**Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan****EIN: 52-0492367, PN 003****December 31, 2021**

(a)	(b) Identity of Issuer	(c) Description of Investment	(e) Current Value
*	Prudential Retirement Ins.	Guaranteed Income Fund	\$ 15,074,154
	Virtus Vontobel	Foreign Opportunity 1	8,571,714
	Hartford	Hartford Div & Gro R6	5,183,784
	T. Rowe Price	T. Rowe Price LCG EQ (IS)	6,662,319
	PGIM	PGIM Total Return Bond R6	4,514,384
	American Century	Mid Cap Value R6	2,768,399
	Nationwide	Nationwide Gen SC G IN	2,747,530
	Vanguard	Vanguard Tru 500 Admiral	3,004,207
	JP Morgan	JP Morgan US Equity R6	2,621,414
	JP Morgan	Undis Mng Behav R6	2,194,356
	Mass Mutual	Mid Cap Gro I	1,851,891
*	Prudential Retirement Ins.	Pru Day One IFX Target Bal	1,394,067
*	Prudential Retirement Ins.	Pru IFX Sel Lt Conser Gro	399,039
	Vanguard	Vanguard Mid Cap Index Fd	649,285
	Vanguard	Van Small Cap Index Admir	473,254
	Vanguard	Vanguard Tot STK Admiral	237,048
	American Funds	Amer Funds 2050 Target R6	61,140
	Oakmark	Oakmark Gbl Sel Investor	39,644
	American Funds	Amer Funds 2040 Target R6	150,232
	American Funds	Amer Funds 2030 Target R6	179,969
	American Funds	Amer Funds 2045 Target R6	1,887

Schedule H, Line 4i - Schedule of Assets Held at End of Year - Continued

**Southern Maryland Electric Cooperative, Inc.
401(k) Bargaining Unit Plan**

EIN: 52-0492367, PN 003

December 31, 2021

(a)	(b) Identity of Issuer	(c) Description of Investment	(e) Current Value
	Principal	Principal Real Est SEC IN	46,681
	Vanguard	Vanguard Total Bond Index	194,228
	American Funds	Amer 2060 TGT Date Ret R6	792
	Participant Loans: 4.25% - 6.50%, maturing 2021 - 2029		1,446,937
(d) "Cost" is not required as all investments are participant directed.			\$ 60,468,355

* Indicates a party-in-interest to the Plan.