# MARYLAND ECONOMIC DEVELOPMENT CORPORATION

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**Management's Discussion and**
**Analysis and Financial Statements**
**Together with Independent Auditors' Report**

**For the Years Ended June 30, 2024 and 2023**

# MARYLAND ECONOMIC DEVELOPMENT CORPORATION

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# MARYLAND ECONOMIC DEVELOPMENT CORPORATION

## Management's Discussion and Analysis
## For the Years Ended June 30, 2024 and 2023

As management of Maryland Economic Development Corporation (MEDCO), we offer readers of the financial statements this narrative overview and analysis of MEDCO's financial activities for the fiscal years ended June 30, 2024 and 2023. Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of financial activity, and (c) identify changes in MEDCO's financial position. We encourage readers to consider the information presented here in conjunction with MEDCO's financial statements and accompanying notes.

**General**

MEDCO is a body corporate and political and a public instrumentality of the State of Maryland that was created in 1984 by an act of the Maryland General Assembly. MEDCO's purpose is to attract new business and to encourage expansion of existing businesses in Maryland through the development, expansion, and/or modernization of facilities. In fulfilling this purpose, MEDCO owns and leases certain properties and makes loans to organizations that require financing to acquire or develop properties. MEDCO also serves as a consultant or development manager on certain projects.

MEDCO issues limited-obligation revenue bonds and notes to provide capital financing for projects. Most of the bonds and notes are conduit debt obligations issued for specific third parties in MEDCO's name. In most of these cases, the related assets, liabilities, revenues, expenses, and cash flows are not included in MEDCO's financial statements, as MEDCO has no obligation for the debt beyond the resources provided under the related lease or loan with the party on whose behalf the debt was issued. The bonds and notes not issued for specific third parties primarily finance operating facilities of MEDCO. These bonds and notes are payable solely from the revenues of the respective facilities as defined in the related trust indentures. MEDCO is the owner of these operating facilities and has retained on-site professional managers for each facility. Neither the conduit debt obligations nor the debt issued to finance operating facilities is backed by the full faith and credit of the State of Maryland.

These Projects are owned by MEDCO or were owned during the period of the financial statements and as such are consolidated in the financial statements:

- Annapolis Mobility and Resilience Project (Annapolis Garage)
- Christa McAuliffe Student Housing (Bowie) at Bowie State University
- Bowie Entrepreneurship Living-Learning Center (Bowie ELLC) at Bowie State University
- Baltimore City Garages (City Garages)
- CTU Foundation Student Housing (CTU) at Capitol Technology University
- Chesapeake Bay Conference Center (CBCC)
- Edgewood Commons Student Housing (Frostburg) at Frostburg State University
- Owings Mills Metro Centre Garage (Metro Centre)
- Morgan View (MV), Thurgood Marshall Hall (TMH) and the TM3 Project known as Legacy Hall (LH) Student Housing (Morgan) at Morgan State University
- University Park Phase I and II (Salisbury) at Salisbury University
- West Village (Towson WV) and Millennium Hall Student Housing (Towson MH) at Towson University

**General – continued**

- Fayette Square Student Housing (UMAB) at University of Maryland, Baltimore
- Walker Avenue Student Housing (UMBC) at University of Maryland, Baltimore County
- University of Maryland, College Park Energy and Infrastructure Program (UMCP Energy)
- South Campus Commons and The Courtyards (UMCP Housing) at University of Maryland, College Park
- University Village (University Village) at Sheppard Pratt

**Overview of the Financial Statements**

This MD&A is intended to serve as an introduction to MEDCO's financial statements. MEDCO is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of MEDCO. MEDCO's statements consist of two parts: the financial statements and notes to the financial statements.

**The Financial Statements**

MEDCO's financial statements are designed to provide readers with a broad overview of its finances, in a manner similar to a private-sector business.

The statements of net position present information on all of MEDCO's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The statements of revenues, expenses and changes in net position present the operating activities of MEDCO and sources of non-operating revenues and expenses.

The statements of cash flows present summarized sources and uses of funds for MEDCO's activities. Cash flows from operating activities generally represent receipts and disbursements associated with property and equipment rentals, leases, operating facilities and energy services as well as day-to-day management. Cash flows from non-capital financing activities generally include the incurrence of debt obligations to finance loans and the related principal and interest payments. Cash flows from capital and related financing activities generally include the incurrence of debt obligations to finance capital assets, the subsequent investment of the debt proceeds in property and equipment, and the related principal and interest payments. Cash flows from investing activities generally include loan originations and related collections of principal and interest payments and purchases and sales of investments and collections of related income.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 22-67 of this report.

**Financial Analysis of MEDCO**

The following table summarizes MEDCO's financial position as of June 30,:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Current assets | $ 125,455,080 | $ 130,289,951 | $ 101,262,605 |
| Net right-of-use assets, capital assets, and right-to-use buildings | 644,812,829 | 630,074,548 | 588,035,548 |
| Other non-current assets | 205,302,874 | 258,783,894 | 205,167,486 |
| Total Assets | $ 975,570,783 | $ 1,019,148,393 | $ 894,465,639 |
| | | | |
| Deferred outflow of resources | $ 3,192,528 | $ 3,830,022 | $ 4,516,141 |
| | | | |
| Current liabilities | $ 330,046,811 | $ 306,512,547 | $ 281,727,734 |
| Bonds and notes payable, net of current portion | 809,148,176 | 851,552,253 | 734,599,772 |
| Other non-current liabilities | 44,007,623 | 46,830,926 | 45,647,600 |
| Total Liabilities | $ 1,183,202,610 | $ 1,204,895,726 | $ 1,061,975,106 |
| | | | |
| Deferred inflow of resources | $ 90,862,759 | $ 104,687,860 | $ 118,418,731 |
| | | | |
| Net investment in capital assets | $ (346,864,983) | $ (393,670,877) | $ (307,352,682) |
| Restricted under trust indentures | 114,410,010 | 163,442,299 | 79,162,232 |
| Restricted for capital and other purposes | 283,771 | 145,615 | 47,703 |
| Unrestricted - Projects | (95,771,413) | (87,152,153) | (81,028,466) |
| Unrestricted - MEDCO | 32,640,557 | 30,629,945 | 27,759,156 |
| Total Net Position | $ (295,302,058) | $ (286,605,171) | $ (281,412,057) |

Significant factors in the changes in MEDCO's financial position for the year ended June 30, 2024 include:

- During the year ended June 30, 2024, construction of LH Student Housing at Morgan neared completion and occupancy commenced in August 2024. Annapolis Garage operations reflect its first full year of activity as operations commenced in June 2023. UMCP Energy Program operating revenues and expenses decreased as the University of Maryland prepares for the implementation of a new energy generating program upon expiration of the Extended Energy Services Agreement with MEDCO in fiscal year 2025.

**Financial Analysis of MEDCO – continued**

- Current assets decreased primarily due to the following: (i) a decrease in deposits with bond-trustee-restricted at Annapolis Garage $3,990,000, (ii) the completion of construction of TMH and ongoing construction of LH at Morgan $5,736,000, (iii) the payment of semi-annual interest due on the Series 2022A bonds and interest receivable, net, at Morgan $2,143,000, (iv) and decreases in funds on deposit with bond trustee-restricted and short-term investments due to a MEDCO investment maturing near the end of fiscal year 2024, $2,979,000. These decreases were partially offset by an increase in cash and cash equivalents at MEDCO, $3,664,000, due to positive cash flow and funds held in cash from a matured investment near the end of fiscal year 2024 for investment in fiscal year 2025, and at various projects, $4,657,000, primarily as a result of positive cash flow from operating activities.

- Net right-of-use assets, capital assets and right-to-use buildings increased due to development expenditures for both the Morgan TMH and LH facilities, $48,146,000, and various other capital expenditures at Projects totaling $13,472,000. These increases were partially offset by current year depreciation and amortization of $46,880,000.

- Other non-current assets decreased primarily as a result of funds deposited with the trustee, $38,968,000, primarily due to funds used for the construction of LH at Morgan State University, and a decrease in lease receivable of $14,415,000 at MEDCO due to payments received from leases during the current year in which MEDCO is the lessor.

- Current liabilities increased as a result of additional accruals at CBCC for interest payable and deferred management and service fees payable, $6,188,000, and accrued interest and lease liability at University Village, $4,838,000, primarily due to no payments of accrued rent being made during fiscal year 2024. Additionally, increase in the current portion of bonds payable is primarily a result of CBCC not being able to fund the amount due during the year ended June 30, 2024, $8,760,000 and an increase in accrued ground rent at UMCP Housing, $5,366,000, primarily due to increases in revenue, and an increase in accounts payable and accrued expenses at Annapolis Garage of $2,596,000 resulting from the projects first full year of operating activity. These increases were partially offset by decreases in accounts payable and accrued expenses of $3,527,000 at Morgan primarily due to less capital expenditures outstanding related to the construction of TMH, and $1,039,000 at University Village primarily due to a decrease in previously deferred management fees.

- Bonds and notes payable, net of current portion, decreased due to the reclassification of fiscal year 2025 principal payments from non-current to current liabilities, $40,051,000, and the amortization of bond premium/discounts, $2,353,000.

- Other non-current liabilities decreased primarily due to a decrease in the lease liability of $945,000 at CBCC and $1,748,000 at University Village due to ground rent payments becoming current.

**Financial Analysis of MEDCO – continued**

Significant factors in the changes in MEDCO's financial position for the year ended June 30, 2023 include:

- During the year ended June 30, 2023, TMH at Morgan, accepted its first residents and construction began on LH at Morgan, which commenced operations in August 2024. MEDCO also entered into a 30-year concession agreement with the City of Annapolis for the use of a newly constructed parking garage, which commenced operations in June 2023, through the issuance of tax-exempt and taxable bonds. Operations at the student housing operating facilities increased due to increased occupancy rates. In addition, revenue increased at MEDCO's City Garages facilities due to an increase in attendance at events such as concerts, plays and sporting events, and at CBCC due to increased travel demand and group bookings.

- During the year ended June 30, 2023, MEDCO adopted Government Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), using the retrospective approach, which requires a restatement for all prior periods presented. As a result of the adoption of GASB 94, MEDCO recognized capital assets, bonds payable, leases receivable and deferred inflow of resources as of July 1, 2021. Additional information is provided in Note 1 to the financial statements.

- Current assets increased primarily as a result of an increase in cash and cash equivalents primarily at Morgan, $2,403,000, as cash flow increased as a result of the initial year operations for the TMH facility, and at MEDCO, $989,000, due to increased consulting and management fee revenue as a result of positive outreach and engagement with public/private partners leading to increased participation in economic development initiatives. Short-term investments increased at MEDCO, $1,695,000, to take advantage of the increase in interest rates on deposits. Deposits with bond trustee – restricted and accrued interest increased $24,728,000 and $3,353,000, respectively, primarily due to the issuance of new bonds and required deposits made with the trustees in fiscal year 2023 for the Annapolis Garage and Morgan LH projects. These increases were partially offset by a decrease in cash and cash equivalents at CBCC, $1,496,000, primarily due to funds previously held in an escrow account for advance deposits and gift certificates being transferred to the trustee, and rent and other receivables, net, $4,147,000, primarily at MEDCO, $862,000, as a result of the repayment of construction fees previously paid on behalf of Morgan State University and at UMCP Energy, $3,354,000, as a result of decreased billings due for maintenance and repairs that were performed in April, May and June of 2023.

- Net right-of-use assets, capital assets and right-to-use buildings increased due to development expenditures for both the Morgan TMH and LH facilities, $40,760,000, Annapolis Garage for the concession agreement entered into with the City of Annapolis, $33,396,000, and various other capital expenditures at projects totaling $13,053,000. These increases were partially offset by current year depreciation and amortization of $44,696,000.

- Other non-current assets increased primarily as a result of funds deposited with the trustee, $67,833,000, primarily due to the issuance of bonds and required deposits made with the trustees in fiscal year 2023 for the new Annapolis Garage and Morgan LH projects. This increase was partially offset by a decrease in leases receivable of $14,120,000 at MEDCO due to payments received from leases during the current year in which MEDCO is the lessor.

**Financial Analysis of MEDCO – continued**

- Current liabilities increased as a result of increases in accounts payable and accrued expenses for MEDCO primarily as a result of an increase in funds received and held for future project costs, $1,554,000, Morgan primarily due to capital expenditures related to the construction of the Morgan LH facility and accrued expenses related to the initial year of operations for the Morgan TMH facility, $8,883,000, and also for the Annapolis Garage initial year of operations, $2,705,000. An increase in accrued interest for Morgan of $4,582,000 primarily due to the issuance of bonds for the construction of the LH facility, and at University Village, $2,682,000, primarily due to no payments of accrued rent being made during fiscal year 2023. An increase in the current portion of bonds payable as a result of CBCC not being able to fund the amount due during the year ended June 30, 2023, $8,335,000, for bonds issued for the Annapolis Garage, $460,000, and for the Morgan Series 2022A bond issuance, $927,000. An increase in deferred management and services fee payable for CBCC primarily due to additional accruals related to the fiscal year 2023 management fee, $1,191,000. These increases were partially offset by decreases in accounts payable and accrued expenses of $4,475,000 at UMCP Energy as a result of decreased billings due for maintenance and repairs and the settlement of amounts previously due for equipment repairs, accrued ground rent of $1,569,000 and lease liability of $1,192,000 primarily as a result of payments made during the current year.

- Bonds and notes payable, net of current portion, increased primarily as a result of the issuance of bonds to finance development of Morgan LH, $111,281,000, and for the initial concession agreement payment and funding of required reserves for the Annapolis Garage project, $68,178,000. These increases were partially offset by the reclassification of fiscal year 2024 principal payments from non-current to current liabilities, $24,544,000, and the amortization of bond premium/discounts, $2,429,000, and the early repayment of bonds and notes payable, $25,125,000.

- Other non-current liabilities increased primarily due to an increase in the lease liability of $1,765,000 at CBCC as a result of a new equipment lease in fiscal year 2023 and ground rent payments not being made due to a lack of available funds, partially offset by a decrease in the lease liability at University Village of $456,000 due to ground rent payments becoming current.

MEDCO's net position as of June 30, 2024, 2023 and 2022 (after considering the effects of eliminations and adjustments in consolidation) are detailed by source as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Operating facilities | $ (325,350,803) | $ (314,980,266) | $ (307,504,043) |
| Other operations | 30,048,745 | 28,375,095 | 26,091,986 |
| Net position | $ (295,302,058) | $ (286,605,171) | $ (281,412,057) |

**Financial Analysis of MEDCO – continued**

As discussed in greater detail below, the majority of MEDCO's operating income for 2024, 2023 and 2022 relate to its operating facilities.

The following table summarizes MEDCO's revenues and expenses and changes in net position for the years ended June 30,:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Operating Revenues: | | | |
| Operating facilities | $ 182,805,283 | $ 176,947,588 | $ 155,283,429 |
| Lease | 14,329,477 | 14,061,177 | 13,725,256 |
| Consulting and management fees | 1,909,940 | 1,668,859 | 1,677,027 |
| Total Operating Revenues | 199,044,700 | 192,677,624 | 170,685,712 |
| Operating Expenses: | | | |
| Operating facilities | 120,913,810 | 111,392,679 | 99,774,972 |
| Compensation and benefits | 2,871,613 | 2,143,367 | 1,888,712 |
| Administrative and general | 1,199,964 | 1,194,263 | 705,425 |
| Depreciation and amortization | 46,879,600 | 44,696,264 | 42,683,962 |
| Total Operating Expenses | 171,864,987 | 159,426,573 | 145,053,071 |
| Operating Income | 27,179,713 | 33,251,051 | 25,632,641 |
| Non-operating Revenues and Expenses: | | | |
| Interest income | 12,137,850 | 9,899,833 | 2,531,896 |
| Interest expense | (47,346,501) | (45,303,418) | (39,000,994) |
| Settlement income | 346,120 | 250,703 | 296,451 |
| Gain on extinguishment of management fee payable | - | - | 61,034,190 |
| Bond issuance costs | - | (2,632,685) | (290,387) |
| Loss on sales and retirements of assets, net | (1,014,069) | (658,598) | (728,880) |
| Net Non-operating Revenues (Expenses) | (35,876,600) | (38,444,165) | 23,842,276 |
| Change in Net Position | (8,696,887) | (5,193,114) | 49,474,917 |
| Net Position, beginning of year | (286,605,171) | (281,412,057) | (330,886,974) |
| Net Position, end of year | $ (295,302,058) | $ (286,605,171) | $ (281,412,057) |

**Financial Analysis of MEDCO – continued**

The change in net position for the years ended June 30, 2024, 2023 and 2022 (after considering the effects of eliminations and adjustments in consolidation) is detailed by source as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Operating facilities | $ (10,370,537) | $ (7,476,223) | $ 48,408,277 |
| Other operations | 1,673,650 | 2,283,109 | 1,066,640 |
| Change in Net Position | $ (8,696,887) | $ (5,193,114) | $ 49,474,917 |

Significant factors in the results for the year ended June 30, 2024 include:

- As of June 30, 2024, management has identified CBCC as a "Non-Performing" Project, as defined in MEDCO's loan classification policy. CBCC has been identified as a "Non-Performing" Project after the June 2014 debt service payment was only partially made and for failure to meet the debt coverage ratio as required in the trust indenture governing the bonds. Under terms of the CBCC trust indenture, MEDCO is required to promptly employ a management consultant to submit a written report and recommendations with respect to the Project. MEDCO has engaged both a project analyst consulting firm and an asset management/turnaround consultant to evaluate the operations of CBCC. Since May 1, 2014, CBCC has been operating under the terms of a forbearance agreement with the Trustee which provides for a partial deferral of interest and principal payments owed under the bonds. Pursuant to the terms of a seventh amendment to the amended and restated forbearance agreement, the forbearance period was extended to December 31, 2024. In accordance with the terms of the most recent amendment, effective June 30, 2024, a cash flow budget through December 31, 2024 was prepared and submitted to the Trustee for approval. Upon approval of the budget by the Trustee, the Project was to incur expenses and expend funds only to the extent per category and within the times set forth in the approved cash flow budget. In addition, any amounts not spent within one month can be expended in a subsequent month, subject to adjustments as defined in the agreement. The amended and restated forbearance agreement contains target amounts for gross revenues, net operating income, and cumulative cash flow. If the Project fails to satisfy these target amounts in any month, it shall constitute a forbearance termination event. Upon the occurrence of a forbearance termination event, the forbearance granted shall immediately and automatically terminate, and the Trustee shall have available to it all rights and remedies available specified under the forbearance agreement, any of the bond documents, or under applicable law. The amendments to the amended and restated forbearance agreement amend the transfer of funds to specific reserves in connection with the capital budget, as stipulated in the agreement. Additional information relating to the status of this Project is provided in Note 12 to the financial statements.

**Financial Analysis of MEDCO – continued**

- As of June 30, 2024, management has identified Frostburg and UMAB student housing projects as "Watch" projects, as defined in MEDCO's loan classification policy. Per the respective trust indenture, the projects are each required to meet a coverage ratio, as defined in the respective trust indenture agreements, as of the last day of each fiscal year of no less than 1.20 to 1.00 If in any fiscal year, the coverage ratio is not met, a management consultant must be employed. In October 2024, Frostburg was removed from being classified as a "Watch" project, and Bowie ELLC was added to "Watch" in October 2024. During the year ended June 30, 2024, MEDCO retained a management consultant for Frostburg and UMAB student housing projects.

- Operating income from operating facilities decreased approximately $5,389,000 for the year ended June 30, 2024 in comparison to the year ended June 30, 2023. This is primarily attributable to CBCC as average daily rates and travel demand decreased as compared to the prior year, $2,457,000, UMCP Housing primarily due to an increase in ground rent, $3,612,000, and Annapolis Garage primarily as a result of the initial year of operations and making its first full year of payments to the City of Annapolis, $2,476,000. These decreases were partially offset by increases in operating income at other projects primarily due to increases in occupancy and rental rates at student housing facilities, $4,521,000.

- Net Non-operating revenues (expenses) decreased $2,568,000. This decrease is primarily due to the recognition of bond issuance costs in the prior year at Annapolis Garage and Morgan, $2,633,000, and an increase in interest income of $2,238,000 as interest rates on deposits increased during the year ended June 30, 2024. These decreases were partially offset by an increase in interest expense of $2,043,000 primarily at Morgan due to the recognition of a full year of interest expense on bonds issued in the prior year, $2,324,000.

**Financial Analysis of MEDCO – continued**

Significant factors in the results for the year ended June 30, 2023 include:

- As of June 30, 2023, management has identified CBCC as a "Non-Performing" Project, as defined in MEDCO's loan classification policy. CBCC has been identified as a "Non-Performing" Project after the June 2014 debt service payment was only partially made and for failure to meet the debt coverage ratio as required in the trust indenture governing the bonds. Under terms of the CBCC trust indenture, MEDCO is required to promptly employ a management consultant to submit a written report and recommendations with respect to the Project. MEDCO has engaged both a project analyst consulting firm and an asset management/turnaround consultant to evaluate the operations of CBCC. Since May 1, 2014, CBCC has been operating under the terms of a forbearance agreement with the trustee which provides for a partial deferral of interest and principal payments owed under the bonds. Pursuant to the terms a third amendment to the amended and restated forbearance agreement, the forbearance period was extended to December 31, 2023. In accordance with the terms of the most recent amendment, effective July 1, 2023, a proposed budget through December 31, 2023 was prepared and submitted to the Trustee for approval. Upon approval of the budget by the Trustee, the Project was to incur expenses and expend funds only to the extent per category and within the times set forth in the approved cash flow budget. In addition, any amounts not spent within one month can be expended in a subsequent month, subject to adjustments as defined in the agreement. The amended and restated forbearance agreement contains target amounts for gross revenues, net operating income, and cumulative cash flow. If the Project fails to satisfy these target amounts in any month, it shall constitute a forbearance termination event. Upon the occurrence of a forbearance termination event, the forbearance granted shall immediately and automatically terminate, and the Trustee shall have available to it all rights and remedies available specified under the forbearance agreement, any of the bond documents, or under applicable law. The amendments to the amended and restated forbearance agreement amend the transfer of funds to specific reserves in connection with the capital budget, as stipulated in the agreement. Additional information relating to the status of this Project is provided in Note 12 to the financial statements.

- As of June 30, 2023, management has identified Frostburg, Towson WV and MH and UMAB student housing projects as "Watch" projects, as defined in MEDCO's loan classification policy. In September 2023, Towson WV and MH was removed from being classified as a "Watch" project. During the year ended June 30, 2023 most of the student housing projects have fully recovered from the pandemic related difficulties. Per the respective trust indentures, the Projects are each required to meet a coverage ratio, as defined in the respective trust indenture agreements, as of the last day of each fiscal year of no less than 1.20 to 1.00. If in any fiscal year, the coverage ratio is not met, a management consultant must be employed. As of September 2023, Frostburg and UMAB remained classified as "Watch" as they did not meet their respective coverage ratios as of June 30, 2023. During the year ending June 30, 2023, MEDCO retained a management consultant for the Frostburg, Towson WV and MH and UMAB student housing projects.

**Financial Analysis of MEDCO – continued**

- Operating income from operating facilities increased approximately $7,761,000 for the year ended June 30, 2023 in comparison to the year ended June 30, 2022. This is primarily attributable to CBCC as travel demand remained strong, $1,890,000, Morgan primarily as a result of the initial year of operations for the TMH facility, $4,842,000, Towson WV & MH, $1,324,000, and UMCP Housing, $1,097,000, due to an increase in occupancy and rental rates. Increases at other operating projects, $1,001,000, were primarily due to increased occupancy and rental rates. These increases were partially offset by a decrease at Bowie Mixed Use of $2,393,000 primarily due to increases in ground rent and property operating costs.

- Net Non-operating revenues (expenses) decreased $62,286,000. This decrease is primarily due to the recognition of a gain on extinguishment of management fees payable at CBCC, $61,034,000 during the year ended June 30, 2022, as an agreement was reached with the Project manager to forever waive any and all deferred fees and interest accrued thereon, to which the manager was due under the management agreement that expired on August 31, 2021, and an increase in interest expense and bond issuance costs for the Annapolis Garage, $4,439,000, and Morgan, $4,380,000, as a result of the bonds issued during the year ended June 30, 2023. These decreases were partially offset by an increase in interest income of $7,368,000 as interest rates on deposits increased during the year ended June 30, 2023.

Additional information relating to the operating results of the operating facilities for the years ended June 30, 2024 and 2023 is provided in Note 8 to the financial statements.

### Capital Assets and Debt Administration

***Capital Assets and Right-to-Use Buildings***

Costs incurred to acquire, develop and/or improve capital assets and right-to-use buildings were $64,228,000 and $87,214,000 during the years ended June 30, 2024 and 2023, respectively.

In 2022, MEDCO was requested to enter into a 30-year concession agreement with the City of Annapolis for the use of the Annapolis Garage through the issuance of its tax-exempt revenue bonds. The proceeds of the bonds were used for the initial concession payment of the Project, to fund required reserve funds and to pay for costs of issuing the bonds. An acquisition value of approximately $33,000,000 was assigned to the parking garages. During 2024, there were $2,930,000 of additional capital expenditures pursuant to the terms of the concession agreement.

During 2024 and 2023, projects totaling $131,000, and $312,000, respectively, primarily for replacement of carpeting and various furniture, fixtures and equipment items, were completed at Bowie.

During 2024, there were $329,000 in capital expenditures at City Garages primarily for architectural fees, booth repairs, fire protection engineers, and elevator repairs. During 2023, there were $2,917,000 in capital expenditures at City Garages primarily for architectural fees, slab repairs, construction equipment, and elevator and lighting repairs.

During 2024 and 2023, there were $3,973,000 and $3,281,000, respectively, in capital expenditures at CBCC primarily for improvements to the facilities.

The major capital asset events during the year ended June 30, 2024 at Morgan were expenditures for the construction of the LH facility, totaling $46,157,000, as well as $1,989,000 for the replacement of HVAC units, roofing, flooring, carpeting, apartment renovations, and upgrades to security cameras. The major capital asset events during the year ended June 30, 2023 at Morgan were expenditures for the construction of the TMH facility, totaling $17,005,000, construction of the LH facility, totaling $23,755,000, as well as $1,448,000 for the replacement of HVAC units, roofing, flooring, carpeting, and apartment renovations.

The major capital asset events during the year ended June 30, 2024 at Salisbury were furnace installation, bathroom remodeling, door replacements, computers, and replacing carpet, furniture, and appliances, $1,140,000. The major capital asset events during the year ended June 30, 2023 at Salisbury were gas furnace, roof, carpet, furniture, and appliance replacement as well as bathroom remodeling and wall repair, $1,056,000.

The most significant capital asset events during the years ended June 30, 2024 and 2023 at Towson WV & MH were the replacement of a chiller and sprinkler heads with several minor updates for $760,000 and $396,000, respectively.

The major capital asset events during the year ended June 30, 2024 at UMAB were WiFi system upgrades, with several minor updates for $487,000. The major capital asset events during the year ended June 30, 2023 at UMAB were roof replacements, hot water system refurbishment, parking garage door replacements, and flood repairs, $161,000.

**Capital Assets and Debt Administration - continued**

***Capital Assets and Right-to-Use Buildings - continued***

The major capital asset events during the year ended June 30, 2024 at UMBC were furniture replacement, roof replacement, roof repairs, bathroom remodeling, flooring and carpet, water heater, sidewalk repairs, and appliance replacements, $947,000. The major capital asset events during the year ended June 30, 2023 at UMBC were furniture and fixture deposits included in construction in progress, roof repairs, parking lot rejuvenations, exterior concrete replacement, bathroom remodeling, appliance, furniture, and flooring replacement, $956,000.

The major capital asset events during the year ended June 30, 2024 at UMCP Housing were the replacement of HVAC, heat pump, lighting panel, light fixture, carpet, tile, furniture, appliances, and furniture, fixture, and equipment deposits included within construction in progress, $3,554,000. The major capital asset events during the year ended June 30, 2023 at UMCP Housing were the replacement of support beams, pool plaster, exterior concrete, HVAC, heat pump, lighting panel, light fixture, carpet, tile, furniture, appliances, and furniture, fixture, and equipment deposits included within construction in progress, $2,737,000.

The major capital asset events during the year ended June 30, 2024 at University Village were upgrades to services and equipment for the internet, replacement of roofing, carpeting, furniture and fixtures, HVAC systems, and kitchen and bath remodels, $594,000. The major capital asset events during the year ended June 30, 2023 at University Village were the replacement of roofing, kitchen and bath remodels, HVAC systems, furniture and fixtures, and sidewalk repairs, $800,000, and construction in progress for kitchen and bath renovations, $125,000.

Additional information relating to capital assets is provided in Notes 6 and 7 to the financial statements.

***Debt***

As of June 30, 2024, MEDCO had total bonds and notes payable outstanding of $916,196,000, a decrease of 3% from June 30, 2023. As discussed above, none of the bond or note debt is backed by the full faith and credit of the State of Maryland or MEDCO. Aggregate principal payments/reductions on bonds and notes payable during fiscal year 2024 were $32,497,000.

As of June 30, 2023, MEDCO had total bonds and notes payable outstanding of $948,693,000, an increase of 16% from June 30, 2022. As discussed above, none of the bond or note debt is backed by the full faith and credit of the State of Maryland or MEDCO. Aggregate principal payments/reductions on bonds and notes payable during fiscal year 2023 were $49,238,000.

During 2023, MEDCO issued debt totaling $179,418,000, including an original issue premium and discount, to finance the development of the Morgan LH student housing facility and for the initial concession agreement payment to the City of Annapolis and funding of required reserves for the Annapolis Garage project.

Additional information relating to debt and capital lease obligations is provided in Note 9 to the financial statements.

**Contacting Management of MEDCO**

This report is designed to provide Maryland citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the finances of MEDCO. If you have questions about this report or need additional information, including individual Project audited financial statements, contact Maryland Economic Development Corporation, 7 St. Paul Street, Suite 940, Baltimore, MD 21202.

## Independent Auditors' Report

To the Board of Directors of
Maryland Economic Development Corporation:

### Opinion

We have audited the accompanying financial statements of Maryland Economic Development Corporation (MEDCO), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise MEDCO's basic financial statements, as listed in the table of contents.

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

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MEDCO and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

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 MEDCO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 MEDCO'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 MEDCO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Required Supplementary Information**

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

SC&H Attest Services, P.C.

October 29, 2024

# MARYLAND ECONOMIC DEVELOPMENT CORPORATION

## Statements of Net Position

| *As of June 30,* | | *2024* | | *2023* |
|---|---|---|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | $ | 46,846,186 | $ | 38,695,242 |
| Short-term investments | | 6,307,601 | | 9,287,048 |
| Security deposits | | 480,411 | | 390,553 |
| Deposits with bond trustees — restricted | | 43,448,060 | | 51,213,971 |
| Funds for replacement of and additions to furnishings and equipment | | 570,559 | | 2,119,550 |
| Loans receivable, net | | 25,000 | | 25,000 |
| Leases receivable | | 14,415,246 | | 14,116,826 |
| Rent and other receivables, net | | 8,728,780 | | 7,826,446 |
| Interest receivable, net | | 1,461,524 | | 3,514,379 |
| Inventory | | 456,622 | | 499,867 |
| Prepaid expenses and other assets | | 2,715,091 | | 2,601,069 |
| Total Current Assets | | 125,455,080 | | 130,289,951 |
| Non-current Assets: | | | | |
| Long-term investments | | 75,000 | | 75,000 |
| Deposits with bond trustees — restricted | | 131,645,566 | | 170,613,860 |
| Loans receivable, net | | - | | 25,000 |
| Leases receivable | | 72,484,421 | | 86,899,667 |
| Prepaid expenses and other assets | | 1,097,887 | | 1,170,367 |
| Right-of-use assets, net of accumulated amortization of $12,074,354 and $9,008,254, respectively | | 41,893,778 | | 44,914,273 |
| Right-to-use buildings, net of accumulated amortization of $241,676,056 and $224,603,249, respectively | | 429,880,613 | | 394,445,053 |
| Capital assets: | | | | |
| Buildings and improvements | | 330,755,451 | | 329,999,076 |
| Furnishings and equipment | | 93,913,035 | | 93,090,712 |
| Construction in progress | | 130,446 | | 125,419 |
| | | 424,798,932 | | 423,215,207 |
| Less: accumulated depreciation and amortization | | (251,760,494) | | (232,499,985) |
| Net Capital Assets | | 173,038,438 | | 190,715,222 |
| Total Non-current Assets | | 850,115,703 | | 888,858,442 |
| Total Assets | $ | 975,570,783 | $ | 1,019,148,393 |
| Deferred Outflow of Resources: | | | | |
| Deferred advance refunding costs | | 3,192,528 | | 3,830,022 |
| Total Deferred Outflow of Resources | $ | 3,192,528 | $ | 3,830,022 |

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

# MARYLAND ECONOMIC DEVELOPMENT CORPORATION

## Statements of Net Position - continued

| *As of June 30,* | | *2024* | | *2023* |
|---|---|---|---|---|
| Liabilities and Net Position | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued expenses | $ | 46,266,895 | $ | 48,074,327 |
| Sales tax payable | | 470,169 | | 443,794 |
| Advances | | 3,359,907 | | 2,991,945 |
| Reserve deposits | | 7,885,174 | | 8,153,636 |
| Accrued interest | | 83,492,560 | | 76,819,240 |
| Advance deposits | | 2,728,260 | | 3,196,715 |
| Security deposits | | 733,282 | | 595,902 |
| Accrued ground rent | | 18,362,470 | | 13,598,425 |
| Lease liability | | 43,226,942 | | 40,542,319 |
| Bonds and notes payable | | 107,048,068 | | 97,140,962 |
| Deferred management and service fees payable | | 16,473,084 | | 14,955,282 |
| Total Current Liabilities | | 330,046,811 | | 306,512,547 |
| Non-current Liabilities: | | | | |
| Lease liability | | 44,007,623 | | 46,830,926 |
| Bonds and notes payable | | 809,148,176 | | 851,552,253 |
| Total Non-current Liabilities | | 853,155,799 | | 898,383,179 |
| Total Liabilities | $ | 1,183,202,610 | $ | 1,204,895,726 |
| Deferred Inflow of Resources: | | | | |
| Deferred rents and fees | | 90,420,490 | | 104,176,134 |
| Deferred advance refunding gains | | 442,269 | | 511,726 |
| Total Deferred Inflow of Resources | $ | 90,862,759 | $ | 104,687,860 |
| Commitments and Contingencies (Notes 11 and 12) | | | | |
| Net Position: | | | | |
| Net investment in capital assets | | (346,864,983) | | (393,670,877) |
| Restricted under trust indentures | | 114,410,010 | | 163,442,299 |
| Restricted for capital and other purposes | | 283,771 | | 145,615 |
| Unrestricted-Projects | | (95,771,413) | | (87,152,153) |
| Unrestricted-MEDCO | | 32,640,557 | | 30,629,945 |
| Total Net Position | $ | (295,302,058) | $ | (286,605,171) |

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

# MARYLAND ECONOMIC DEVELOPMENT CORPORATION

## Statements of Revenues, Expenses and Changes in Net Position

| *For the Years Ended June 30,* | *2024* | *2023* |
|---|---|---|
| Operating Revenues: | | |
| Operating facilities | $ 182,805,283 | $ 176,947,588 |
| Lease | 14,329,477 | 14,061,177 |
| Consulting and management fees | 1,909,940 | 1,668,859 |
| Total Operating Revenues | 199,044,700 | 192,677,624 |
| Operating Expenses: | | |
| Operating facilities | 120,913,810 | 111,392,679 |
| Compensation and benefits | 2,871,613 | 2,143,367 |
| Administrative and general | 1,199,964 | 1,194,263 |
| Depreciation and amortization | 46,879,600 | 44,696,264 |
| Total Operating Expenses | 171,864,987 | 159,426,573 |
| Operating Income | 27,179,713 | 33,251,051 |
| Non-operating Revenues and Expenses: | | |
| Interest income | 12,137,850 | 9,899,833 |
| Interest expense | (47,346,501) | (45,303,418) |
| Settlement income | 346,120 | 250,703 |
| Bond issuance costs | - | (2,632,685) |
| Loss on sales and retirements of assets, net | (1,014,069) | (658,598) |
| Net Non-operating Expenses | (35,876,600) | (38,444,165) |
| Change in Net Position | (8,696,887) | (5,193,114) |
| Net Position, beginning of year | (286,605,171) | (281,412,057) |
| Net Position, end of year | $ (295,302,058) | $ (286,605,171) |

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

# MARYLAND ECONOMIC DEVELOPMENT CORPORATION

## Statements of Cash Flows

| *For the Years Ended June 30,* | *2024* | *2023* |
| --- | --- | --- |
| Cash Flows from Operating Activities: | | |
| Cash received from leases | $ 14,294,047 | $ 14,201,986 |
| Cash received from consulting and management fees | 1,844,991 | 1,822,081 |
| Cash received from guests | 49,100,150 | 52,043,967 |
| Cash received from customer charges | 16,100,591 | 25,930,869 |
| Cash received from parkers | 14,467,005 | 7,415,979 |
| Cash received from tenants | 95,670,042 | 92,488,005 |
| Cash received from tax increment financing | 2,442,296 | 2,407,697 |
| Cash paid for operating expenses | (3,103,603) | (1,359,683) |
| Cash paid for expenses of operating facilities | (107,364,956) | (115,454,033) |
| Net Cash and Cash Equivalents Provided by Operating Activities | 83,450,563 | 79,496,868 |
| Cash Flows from Non-capital Financing Activities: | | |
| Advances | 360,422 | (225,889) |
| Principal payments on bonds and notes payable | (13,936,509) | (13,664,182) |
| Net Cash and Cash Equivalents Used in Non-capital Financing Activities | (13,576,087) | (13,890,071) |
| Cash Flows from Capital and Related Financing Activities: | | |
| Right-to-use buildings expenditures | (65,198,855) | (73,466,044) |
| Construction, development and equipment expenditures | (4,577,054) | (3,642,496) |
| Proceeds from sale of capital assets | 550 | - |
| Proceeds from issuance of bonds and notes payable | - | 179,468,317 |
| Bond issuance expenditures | - | (2,632,685) |
| Net funding of funds for replacement of and additions to furnishings and equipment | 1,548,991 | (643,509) |
| Interest payments on bonds and notes payable | (1,528,783) | (1,876,834) |
| Interest paid | (39,680,555) | (38,796,777) |
| Principal payments on bonds and notes payable | (16,207,600) | (35,573,838) |
| Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities | (125,643,306) | 22,836,134 |
| Cash Flows from Investing Activities: | | |
| Principal payments on loans receivable | 25,000 | 25,000 |
| Reserve deposits | (268,462) | (322,906) |
| Proceeds from settlement | 346,120 | 250,703 |
| Net sales (purchases) of deposits with bond trustees - restricted | 46,734,205 | (91,697,351) |
| Net purchases of investments | 2,979,447 | (1,694,557) |
| Interest received | 14,103,464 | 6,332,854 |
| Net Cash and Cash Equivalents Provided by (Used In) Investing Activities | 63,919,774 | (87,106,257) |
| Net Increase in Cash and Cash Equivalents | 8,150,944 | 1,336,674 |
| Cash and Cash Equivalents, beginning of year | 38,695,242 | 37,358,568 |
| Cash and Cash Equivalents, end of year | $ 46,846,186 | $ 38,695,242 |

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

**Statements of Cash Flows - continued**

| *For the Years Ended June 30,* | | *2024* | | *2023* |
|---|---|---|---|---|
| Reconciliation of operating income to net cash and cash equivalents | | | | |
| provided by operating activities: | | | | |
| Operating income | $ | 27,179,713 | $ | 33,251,051 |
| Adjustment to reconcile operating income to net cash and cash equivalents | | | | |
| provided by operating activities: | | | | |
| Depreciation and amortization | | 46,879,600 | | 44,696,264 |
| Provision for doubtful accounts | | 4,129,105 | | 1,052,542 |
| Changes in operating assets and liabilities: | | | | |
| Security deposits | | (89,858) | | (76,232) |
| Deposits with bonds trustees - restricted | | - | | 864,573 |
| Leases receivable | | 14,116,826 | | (13,828,445) |
| Rent and other receivables | | (5,016,618) | | 3,109,424 |
| Inventory | | 43,245 | | (132,716) |
| Prepaid expenses and other assets | | (59,642) | | (846,196) |
| Accounts payable and accrued expenses | | 5,741,236 | | (1,849,896) |
| Lease liability | | (184,285) | | (185,481) |
| Sales tax payable | | 26,375 | | (86,926) |
| Advances | | 7,540 | | 80,506 |
| Advance deposits | | (468,455) | | 866,550 |
| Security deposits | | 137,380 | | (34,377) |
| Accrued ground rent | | 4,764,045 | | (1,569,395) |
| Deferred inflow of resources - deferred rents and fees | | (13,755,644) | | 14,185,622 |
| Net cash and cash equivalents provided by operating activities | $ | 83,450,563 | $ | 79,496,868 |
| **Schedule of non-cash capital and related financing activities:** | | | | |
| Accrued interest expense on the lease liability | $ | 2,356,366 | $ | 3,721,616 |
| Recognition of right-of-use asset and lease liability | | 45,605 | | 179,988 |
| Loss on sales and retirements of assets, net | | 1,014,069 | | 658,598 |
| Prepaid deposit capitalized to furnishings and equipment during the current year | | 18,100 | | - |
| Construction, development, and equipment expenditures for capital assets included in | | | | |
| accounts payable and accrued expenses | | 99,634 | | 567,924 |
| Right-to-use building expenditures included in accounts payable and other accrued expenses | | 4,637,308 | | 9,717,398 |
| Amortization of lease allowance | | 28,361 | | 28,361 |
| Amortization of issue premium on bonds | | 2,622,802 | | 2,678,110 |
| Amortization of issue discount on bonds | | 269,940 | | 249,343 |
| Amortization of deferred inflow of resources - deferred advance refunding gains | | 69,457 | | 73,349 |
| Amortization of deferred outflow of resources - deferred advance refunding costs | | 637,494 | | 686,119 |

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

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Maryland Economic Development Corporation (MEDCO) is a body corporate and political and a public instrumentality of the State of Maryland that was created in 1984 by an act of the Maryland General Assembly. MEDCO's purpose is to attract new business and encourage expansion of existing businesses in Maryland through the development, expansion and/or modernization of facilities. In fulfilling this purpose, MEDCO owns and leases certain properties and makes loans to organizations that require financing to acquire or develop properties. MEDCO also serves as a consultant or development manager on certain projects.

MEDCO issues limited-obligation revenue bonds and notes to provide capital financing for projects. Most of the bonds and notes are conduit debt obligations issued for specific third parties in MEDCO's name. In most of these cases, the related asset, liabilities, revenues, expenses and cash flows are not included in MEDCO's financial statements, as MEDCO has no obligation for the debt beyond the resources provided under the related loan with the party on whose behalf the debt was issued. The bonds and notes not issued for specific third parties primarily finance operating facilities of MEDCO. These bonds and notes are payable solely from the revenues of the respective facilities as defined in the related bond indentures.

MEDCO is governed by a twelve-member board appointed by the Governor. MEDCO qualifies for tax-exempt status under Section 501(c)(4) of the Internal Revenue Code and Section 10-104 of the Tax-General Article of the Annotated Code of Maryland. Accordingly, no provision for income taxes or income tax benefit has been recorded.

### Basis of Presentation

The accompanying financial statements present the financial position, changes in financial position and cash flows of MEDCO. As a special purpose government entity engaged solely in business-type activities, MEDCO follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred. Also, in preparing its financial statements, MEDCO has adopted Government Accounting Standards Board (GASB) Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### Basis of Presentation – continued

MEDCO has elected to report its conduit debt as allowed under GASB Statement 91, *Conduit Debt Obligations* (GASB 91). The term conduit debt obligations refers to certain limited-obligation revenue bonds or notes issued by MEDCO for the express purpose of providing capital financing for a specific third party that is not a part of MEDCO's financial reporting entity. Although conduit debt obligations bear the name of MEDCO, MEDCO has no obligation for such debt beyond the resources provided by financing leases or loans with the third parties on whose behalf they are issued. Since these conduit debt obligations do not constitute a liability of MEDCO, conduit debt obligations, the related assets, revenues, expenses and cash flows are excluded from MEDCO's financial statements.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Recently Adopted Accounting Principles

Effective July 1, 2023, MEDCO adopted GASB Statement 101, *Compensated Absences* (GASB 101). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. This new guidance is effective for fiscal years beginning after December 15, 2023 and should be applied retrospectively. Early adoption is permitted. MEDCO elected to early adopt GASB 101 during the year ended June 30, 2024. There was no material impact on operating income or net position as a result of the adoption of GASB 101.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Recently Adopted Accounting Principles – continued**

Effective July 1, 2022, MEDCO adopted GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), which improves financial reporting by addressing issues related to public-private and public-public partnerships (PPP) and provides guidance for accounting and financial reporting for availability payment arrangements (APA). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide services, and the prices or rates that can be charged for services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of GASB Statement 87, *Leases* (GASB 87).

An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payment should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

Additionally, GASB 94 requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate. GASB 94 requires the retrospective approach to adopt this guidance, which requires a restatement for all prior periods presented.

In accordance with GASB 94, the arrangements between MEDCO and the University System of Maryland, City of Baltimore and City of Annapolis qualify as PPPs requiring MEDCO to recognize the capital assets associated with the SCAs as an intangible asset (Note 6).

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Recently Adopted Accounting Principles – continued**

MEDCO previously reported the capital assets associated with these arrangements as an intangible asset in accordance with GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60), which has been amended by GASB 94. Accordingly, there was no impact on operating income or net position as a result of the adoption of GASB 94 for these SCAs.

The arrangements between MEDCO and Sheppard Pratt Health Systems, Inc. and Chesapeake Resort, LLC qualify as PPPs requiring MEDCO to recognize the capital assets associated with the arrangements as an intangible asset. MEDCO previously reported the capital assets associated with these arrangements as an intangible asset in accordance with GASB 87. GASB 94 required that PPPs that meet the definition of a lease apply the guidance in GASB 87, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. Accordingly, there was no impact on operating income or net position as a result of the adoption of GASB 94 for these arrangements under GASB 87.

Certain arrangements previously classified as conduit debt obligations whereby the issuer, MEDCO, relinquishes title at the end of the arrangement, have been superceded by GASB 94 and are now within the scope of GASB 87. As a result, MEDCO used the retrospective approach to adopt this guidance, which required a restatement for all prior periods presented. MEDCO recognized a deferred inflow of resources of \$123,905,000, which represents the present value of remaining lease payments to be received, and a lease receivable of \$123,905,000 as of July 1, 2021. MEDCO also recognized capital assets of \$135,467,000 and bonds payable of \$123,905,000 as of July 1, 2021.

Effective July 1, 2022, MEDCO adopted GASB Statement 96, *Subscription-Based Technology Arrangements* (GASB 96), which modified the guidance for subscription-based information technology arrangements (SBITA's) accounting. Under the statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to SBITA vendor before commencement term, and (3) capitalized implementation costs, less any incentives received from SBITA vendor at or before the commencement of the subscription term. GASB 96 required the retrospective approach to adopted this guidance, which required a restatement for all prior periods presented. There was no effect on operating income or net position as a result of the adoption of GASB 96 due to the immaterial amount of future subscription payments expected to be made.

**Cash and Cash Equivalents**

Short-term investments with maturities of three months or less on the date of purchase are classified as cash equivalents, except that any such investments purchased with funds on deposit with the bond trustee are classified with such deposits.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Cash and Cash Equivalents – continued**

Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. MEDCO periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

MEDCO is required by Section 17-101(d) of the Local Government Article of the Annotated Code of Maryland to collateralize deposits in banks in excess of federal deposit insurance. Satisfactory collateral is enumerated at Section 6-202 of the State Finance and Procurement Article of the Code. As of June 30, 2024 and 2023, bank deposits were properly collateralized.

As of June 30, 2024 and 2023, $14,123,818 and $14,000,117, respectively, of cash and cash equivalents were restricted under third party agreements and not available to pay general operating expenses of MEDCO.

**Investments**

Investments include guaranteed investment contracts, U.S. Government Agency bills, notes and bonds, and money market funds. Investments are recorded as either short-term or long-term in the accompanying statements of net position based on the contractual maturity date. Certain U.S. Government Agency term notes classified as short-term investments have maturities that extend beyond one year, however, management has not expressed an intention to hold these investments to maturity.

**Security Deposits Assets**

Security deposits are held in checking and money market accounts and represent cash restricted under state law. As of June 30, 2024, security deposits were overfunded at Morgan View, Thurgood Marshall Hall and Legacy Hall Student Housing at Morgan State University (Morgan), $233,701, and University Village at Sheppard Pratt (University Village), $37,507. As of June 30, 2023, security deposits were overfunded at Morgan, $173,582, and University Village, $37,469. The overfundings are a result of the timing of receipts and refunds that are transacted in the operating accounts of the facilities. Periodically, funds are transferred from cash and cash equivalents to security deposits to meet the minimum funding requirements.

**Fund for Replacement of and Additions to Furnishings and Equipment**

The Hyatt Hotels Corporation of Maryland (Hyatt) management agreement for the Chesapeake Bay Conference Center (CBCC) requires that a reserve fund for replacement of and additions to furnishings and equipment be established. An interest-bearing account is maintained for the fund. As of June 30, 2024 and 2023, all bank deposits related to the reserve fund for replacement of furnishings and equipment were properly collateralized in accordance with Section 17-101(d) of the Local Government Article of the Annotated Code of Maryland.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Fund for Replacement of and Additions to Furnishings and Equipment - continued**

Pursuant to the Hyatt management agreement, the amount to be contributed to the fund was equal to 4% of gross receipts, as defined, through June 30, 2008, and 5% from July 1, 2008 through June 30, 2011. From July 1, 2011 through July 1, 2015, the agreement provided for 5% plus additional amounts not in excess of 2% of gross receipts (as MEDCO and Hyatt deem reasonably necessary to meet the current or anticipated capital expenditure needs of the Hotel). Pursuant to a forbearance agreement, effective May 1, 2014 and most recently amended and restated effective June 30, 2024, and during the forbearance period, the amount to be contributed to the fund is capped at 5% of gross receipts. However, pursuant to the terms of the agreements, the Hyatt requisitioned an additional $0 and $1,397,804 from the revenue fund for deposit into the capital reserve fund during fiscal years 2024 and 2023, respectively.

As of June 30, 2024 and 2023, the reserve fund was underfunded by approximately $294,000 and $295,000, respectively. The shortfall at June 30, 2024 and 2023 is due to timing of the remittance of contributions for June's revenues. As of October 29, 2024, the shortfall at June 30, 2024 and 2023 has been funded.

**Loans Receivable**

Loans are stated at their uncollected principal balances, reduced by unearned income. Loans are classified as non-accrual when they become past due for ninety days. A loan remains in non-accrual status until it becomes current as to both principal and interest and the borrower demonstrates the ability to pay and remain current. MEDCO utilizes the allowance method to provide for doubtful accounts based upon a review of past-due loans and historical collection experience. Loan receivables are written off when it is determined the amounts are uncollectible. The balance of the allowance for doubtful accounts was $730,908 as of June 30, 2024 and 2023.

**Leases Receivable**

Leases receivable consists primarily of future payments expected to be received under various leases whereby MEDCO is the lessor, under GASB 87 (Note 4). There is no allowance for the leases receivable recorded as of June 30, 2024 and 2023.

**Rent and Other Receivables**

Rent and other receivables consist of amounts due for rent, management fees, parking fees and construction advances. Certain operating facilities extend credit to customers without requiring collateral. For certain contracts, the operating facilities require advance deposits prior to services being performed. The operating facilities utilize the allowance method to provide for doubtful accounts based upon a review of past-due accounts and historical collection experience.

Receivables are written off when it is determined amounts are uncollectible. The balance of the allowance for doubtful accounts as of June 30, 2024 and 2023 totaled $6,866,601 and $5,031,730, respectively.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Inventory**

Inventory, consisting primarily of food and beverage, is stated at the lower of cost or market. Cost is generally determined by the first-in, first-out (FIFO) method.

**Right-of-Use-Assets and Amortization**

MEDCO has adopted a policy of capitalizing right-of-use assets held under lease liabilities as defined by GASB 87. These assets include leased facilities and equipment. The leased assets are recorded at the present value of the lease liability and amortized using a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset. Right-of-use assets are evaluated for impairment on an annual basis under GASB Statement 51, *Accounting and Financial Reporting for Impairment of Intangibles* (GASB 51). GASB 51 requires an evaluation of prominent events or changes in circumstances affecting intangibles to determine whether impairment of an intangible has occurred. Such events or changes in circumstances that may be indicative of impairment include expedited deterioration of an associated tangible asset, changes in the terms or status of a contract associated with an intangible asset, and a change from an indefinite to a finite useful life. As of June 30, 2024 and 2023, management does not believe that any of the right-of-use assets of MEDCO meet the criteria for impairment as set forth in GASB 51.

**Right-to-Use Buildings and Amortization**

In 2016, MEDCO was requested to assist in the development of a student housing project for Capitol Technology University. The land underlying the Project is subleased from CTU Foundation (which leases the land from Capitol Technology University) and title to the Project will revert to CTU Foundation upon termination of the sublease. MEDCO will operate and collect revenues from the Project for the duration of the lease term. In accordance with GASB 94, the arrangement between MEDCO and CTU Foundation qualifies as a SCA. GASB 94 requires that the Project recognize the cost of the student housing facility as an intangible asset, and amortize the asset using the straight line method over the shorter of the life of the ground lease agreement or the useful life of the asset. The intangible asset is reflected as right-to-use buildings in the accompanying statements of net position as of June 30, 2024 and 2023.

MEDCO assists in the development of various student housing projects for the University System of Maryland. The land underlying the Projects is leased from the State of Maryland and title to the Projects will revert to the universities upon termination of the ground leases. In accordance with GASB 94, the arrangements between MEDCO and the universities qualifies as a PPP arrangement that meets the definition of a SCA.

MEDCO also assists in the operations of parking garages for the City of Baltimore and the City of Annapolis. The land underlying the Projects are leased from the City of Baltimore and City of Annapolis and title to the Project will revert to the City of Baltimore and City of Annapolis upon termination of the applicable lease. In accordance with GASB 94, the arrangement between MEDCO and the City of Baltimore and City of Annapolis qualify as PPPs that meets the definition of a SCA.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### Right-to-use Buildings and Amortization – continued

MEDCO will operate and collect revenues from the Projects for the duration of the lease terms. GASB 94 requires that the Project recognize the cost of the student housing facilities and parking garages as an intangible asset, and amortize the asset using the straight line method over the shorter of the estimated useful life or the life of the ground lease agreement. The intangible asset is reflected as right-to-use buildings in the accompanying statements of net position as of June 30, 2024 and 2023.

SCAs and PPPs are evaluated for impairment on an annual basis under GASB 51. As of June 30, 2024 and 2023, management does not believe that any SCAs or PPPs meet the criteria for impairment as set forth in GASB 51.

### Capital Assets and Depreciation and Amortization

Capital assets are carried at cost including interest, carrying charges, salaries and related costs incurred during the construction phase, and pre-construction costs, less accumulated depreciation and amortization. Depreciation generally is computed on the straight-line basis over the estimated useful lives of the assets. Useful lives are 40 years or the life of the operating lease for buildings and 3 to 15 years for furnishings and equipment. Improvements are generally amortized over the lesser of the terms of the related leases or the useful lives of the assets. Maintenance and repairs are expensed as incurred. Capital assets are evaluated for impairment on an annual basis under GASB Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB 42). GASB 42 requires an evaluation of prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. As of June 30, 2024 and 2023, management does not believe that any of the capital assets of MEDCO meet the criteria for impairment as set forth in GASB 42. All costs are classified as construction in progress until the property is ready for its intended use, at which time the accumulated costs are transferred to the appropriate operating property or other accounts.

### Reserve Deposits

Reserve deposits consist of amounts collected from the University of Maryland College Park (UMCP) for the UMCP Energy Project, to be used in accordance with the Project's respective service and management agreements. Reserve deposits totaled $7,885,174 and $8,153,636 as of June 30, 2024 and 2023, respectively.

### Security Deposits Liabilities

As of June 30, 2024 and 2023, security deposits had been collected from certain tenants and licensees. In some operating facilities the security deposit is refunded to the tenant with interest upon termination of the lease or license, provided no damages, claims or other charges are outstanding on the tenant's account. In other operating facilities the security deposit is applied to the tenant's first month's rent. Security deposits totaled $733,282 and $595,902 as of June 30, 2024 and 2023, respectively.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### Advances

Advances represent funds received from third parties, which are non-interest bearing and are to be repaid or utilized in future years. Advances are as follows as of June 30,:

| Respective Operating Facility | Advancer of Funds | 2024 | 2023 |
|---|---|---|---|
| MEDCO - for the benefit of Maryland State Archives | Maryland State Archives | $ 913,109 | $ 901,515 |
| MEDCO - for the benefit of Howard County-Economic Development Authority | Howard County-Economic Development Authority | 29,635 | 46,735 |
| MEDCO - for the benefit of NIIF - Reservoir Square | Neighborhood Impact Investment Fund (NIIF) | 417,060 | - |
| MEDCO - for the benefit of University of Maryland College Park Child Care Facility | University of Maryland College Park | 42,292 | 42,496 |
| MEDCO - for the benefit of St. Mary's County | Comissioners of St Mary's County | 83,589 | 126,360 |
| MEDCO - for the benefit of University of Maryland College Park City Hall Project | University of Maryland College Park | 277,730 | 277,721 |
| MEDCO - for the benefit of National Institute of Standards and Technology | National Institute of Standards and Technology | - | 198,302 |
| MEDCO - for the benefit of National Park Service | National Park Service, US Department of Interior | 1,508,445 | 1,318,309 |
| Fayette Square Student Housing at University of Maryland, Baltimore (UMAB) | University of Maryland, Baltimore | 88,047 | 80,507 |
| Total Advances | | $ 3,359,907 | $ 2,991,945 |

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Net Position**

Net position is presented as either net investment in capital assets, restricted under trust indentures, restricted for capital and other purposes or unrestricted. Net investment in capital assets represents the difference between capital assets, right-to-use buildings and right-of-use assets and their related debt obligations. Net position restricted under trust indentures represents the remaining net assets of the operating facilities as all surplus funds are restricted as to their use under the terms of the respective trust indentures. The restricted for capital and other purposes component of net position represents funds held for use at the direction of the respective contributing third party. The unrestricted components of net position represent the net assets available for future operations, including Projects with a negative net position. The unrestricted components of net position include unrestricted – MEDCO and unrestricted – Projects. Unrestricted net position is reported in this format as MEDCO has no obligation to provide funding for Projects with a negative unrestricted net position.

**Deferred Outflows and Inflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until a future period. As of June 30, 2024 and 2023, MEDCO recognized deferred advance refunding costs as a deferred outflow of resources on the accompanying statements of net position.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2024 and 2023, MEDCO recognized deferred advance refunding gains and deferred rents and fees, which do not meet the availability criteria, as a deferred inflow of resources on the accompanying statements of net position.

**Revenue Recognition**

Revenues related to the leasing of apartments are recognized monthly over the terms of the leases. Revenues related to leasing of office buildings and other facilities are recognized in accordance with GASB 87 (Note 4). Revenues related to hotel room rentals, food and beverage sales and spa services are recognized when services are delivered. Revenues related to the delivery of energy to the University of Maryland are recognized upon delivery of services in accordance with the energy services agreement up to a maximum amount per year for capital recovery charges, as defined in the related trust indenture. Revenue from parking fees is collected and recognized daily for transient parkers and monthly for long-term parkers as stipulated in their agreement. Revenue billed or received but not earned is shown as a deferred inflow of resources in the accompanying statements of net position. All other revenue is recognized when the service is provided.

**Deferred Rents and Fees**

Deferred rents and fees represent amounts received or receivable for future rental periods on leases or parking agreements in effect as of June 30, 2024 and 2023.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled $1,371,974 and $1,395,767 for the years ended June 30, 2024 and 2023, respectively and are included in operating facilities expenses within the accompanying consolidated statements of revenues, expenses and changes in net position.

### Classification of Revenues and Expenses

Revenues and expenses related to the day-to-day activities of MEDCO are reported as operating revenues and expenses. Other revenue and expenses, consisting primarily of interest income and expense, gains and losses on sales and retirements of assets, settlement income, and bond issuance costs, are reported as non-operating revenues and expenses.

### Subsequent Events

MEDCO has evaluated for disclosure any subsequent events through October 29, 2024, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure.

## 2. DEPOSITS WITH BOND TRUSTEES – RESTRICTED

Pursuant to the provisions of the trust indentures relating to certain bonds payable (Note 9), deposits with bond trustees include the following reserve funds and restricted accounts as of June 30,:

| | 2024 | 2023 |
|---|---|---|
| Current Assets: | | |
| Working capital and operating expense funds | $ 1,306,977 | $ 697,163 |
| Revenue funds | 10,396,579 | 6,977,853 |
| Interest funds | 8,038,112 | 8,666,247 |
| Principal funds | 11,116,805 | 10,579,308 |
| Construction funds | - | 1,224,895 |
| Operating reserve funds | 1,424,535 | - |
| Escrow funds | 2,569,119 | - |
| Other funds | 8,595,933 | 23,068,505 |
| Current portion | 43,448,060 | 51,213,971 |
| Non-current Assets: | | |
| Debt service reserve funds | 57,280,768 | 56,538,685 |
| Surplus funds | 13,825,721 | 10,301,279 |
| Repairs and replacement funds | 24,096,262 | 21,290,747 |
| Construction funds | 29,073,053 | 76,597,853 |
| Operating reserve funds | 5,043,160 | 4,844,489 |
| Capital reserve funds | 2,117,756 | 841,695 |
| Other funds | 208,846 | 199,112 |
| Non-current portion | 131,645,566 | 170,613,860 |
| Total deposits with bond trustees | $ 175,093,626 | $ 221,827,831 |

The trust indentures authorize MEDCO or its trustee banks to invest the deposits as detailed under *Credit Risk* below. Interest earned on these investments totaled approximately $9,947,000 and $7,562,000 for the years ended June 30, 2024 and 2023, respectively. Investments of deposits with trustees are carried at fair value and include non-participating investment contracts (i.e., contracts which are not able to realize market-based increases or decreases in value under any circumstances) for which cost approximates fair value due to the nature of the contract.

**2. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued**

Investments of deposits with trustees are summarized as follows as of June 30,:

| | 2024 | 2023 |
|---|---|---|
| Purchase and resale agreements: | | |
| Bearing interest at rates from 5.76% to 6.36% and maturing through June 1, 2031 | $ 2,598,580 | $ 2,598,580 |
| Guaranteed investment contracts: | | |
| Bearing interest at 5.12% and maturing through November 9, 2025 | 41,329,638 | 94,981,613 |
| Government obligations: | | |
| United States treasury bills purchased at a discount and maturing through May 15, 2040 | 1,205,893 | 1,157,441 |
| Money market funds: | | |
| United States government money market funds | 129,959,515 | 123,090,197 |
| Total deposits with bond trustees | $ 175,093,626 | $ 221,827,831 |

The credit ratings of these investments were rated between Baa3 and AA by Moody's and BBB- and BB+ by Standard and Poor's as of June 30, 2024. The credit ratings of these investments were rated between AA1 and AA2 by Moody's and AA- and A+ by Standard and Poor's as of June 30, 2023.

The deposits with bond trustees are subject to certain risks including the following:

*Interest Rate Risk* – The trustees have limited investments to money market, mutual funds and guaranteed investment contracts (GIC) that invest in U.S. government securities that can be liquidated at any time to meet the cash flow requirements of MEDCO, short term U.S. treasury notes which are subject to minimal interest rate risk due to their short term nature and fixed rate investment contracts and repurchase agreements that are guaranteed as to the face value of the investments as a means of managing interest rate risk. As a result, MEDCO is not subject to interest rate risk.

**2. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued**

*Credit Risk* – Trust indentures generally limit MEDCO's investments to obligations of the United States of America (Government Obligations) and certain defined federal agencies obligations provided they are backed by the full faith and credit of the United States of America, are not callable at the option of the obligor prior to maturity and are not subject to redemption at less than the par amount thereof; certificates of deposit and time deposits with commercial banks, trust companies or savings and loan associations secured by Government Obligations; obligations guaranteed as to principal and interest by the State of Maryland or any department, agency, political subdivision or unit thereof; United States dollar denominated deposit accounts with commercial banks in the State of Maryland; bonds or other obligations of any state of the United States of America, or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity; general obligations of states; investment agreements; repurchase agreements for Government Obligations; guaranteed investment contracts; commercial paper; public sector pool funds so long as MEDCO's deposit does not exceed 5% of the aggregate pool balance at any time; and money market or short-term Government Obligations. As defined in the trust indentures, certain investments listed above must meet specific requirements to be a qualifying investment, such as high rating qualifications based on information from the major rating agencies, collateralization requirements, guaranteed repayment, and maturity requirements. MEDCO's investments were in compliance with these limitations as of June 30, 2024 and 2023.

*Concentration of Credit Risk* – MEDCO's investment policy does not limit the amount that may be invested in any one issuer except for public sector pool funds as described under *Credit Risk* above. MEDCO held no investments in public sector pool funds as of June 30, 2024 and 2023.

*Custodial Risk* – MEDCO is not subject to custodial risk because mutual funds and GICs are not evidenced by securities that exist in physical form and all other deposits are held in MEDCO's name.

The trust indentures require certain of the Projects to establish renewal and replacement funds to provide cash reserves that will fund future capital additions and repairs and replacement of furnishings and equipment. These funds are to be segregated in a separate account within the trusts. As of June 30, 2024, the repair and replacement funds were underfunded at CBCC, $294,000, Bowie Entrepreneursip Living-Learning Center at Bowie State University (Bowie ELLC), $238,299, Edgewood Commons Student Housing at Frostburg State University (Frostburg), $590,000, West Village (Towson WV) and Millennium Hall (Towson MH) Student Housing at Towson University, $835,000 and Fayette Square Student Housing at University of Maryland, Baltimore (UMAB), $141,000. As of June 30, 2023, the repair and replacement funds were underfunded at CBCC, $295,000, Frostburg, $679,000, Towson WV and Towson MH Student Housing at Towson University, $2,025,000, UMAB, $574,000, UMBC, $190,000, University Village, $850,000 and Morgan, $46,000. As of, October 29, 2024, the shortfalls as of June 30, 2024 have been funded. The shortfalls as of June 30, 2023 have been funded as of June 30, 2024.

Investments are measured and reported at fair value and are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

**2. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued**

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The following table sets forth by level, within the fair value hierarchy, MEDCO's investments at fair value as of June 30, 2024:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments by fair value level | | | | |
| Guaranteed investment contracts | $ - | $ 41,329,638 | $ - | $ 41,329,638 |
| Debt securities | | | | |
| Purchase and resale agreements | - | 2,598,580 | - | 2,598,580 |
| US treasury obligations | 1,205,893 | - | - | 1,205,893 |
| Total investments by fair value level | $ 1,205,893 | $ 43,928,218 | $ - | $ 45,134,111 |

The following table sets forth by level, within the fair value hierarchy, MEDCO's investments at fair value as of June 30, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments by fair value level | | | | |
| Guaranteed investment contracts | $ - | $ 94,981,613 | $ - | $ 94,981,613 |
| Debt securities | | | | |
| Purchase and resale agreements | - | 2,598,580 | - | 2,598,580 |
| US treasury obligations | 1,157,441 | - | - | 1,157,441 |
| Total investments by fair value level | $ 1,157,441 | $ 97,580,193 | $ - | $ 98,737,634 |

**3. LOANS RECEIVABLE**

The loans receivable are due in periodic installments (generally monthly or quarterly) and generally provide for payments of principal and interest on the same terms as the debt issued to finance them. Substantially all of the loans have been assigned as security for the related notes or revenue bonds payable (Note 9).

**3. LOANS RECEIVABLE – continued**

Future payments on the loans receivable are due as follows as of June 30, 2024:

| | Total | Principal | Interest |
|---|---|---|---|
| 2025 | $ 26,000 | $ 25,000 | $ 1,000 |
| Total | $ 26,000 | $ 25,000 | $ 1,000 |

As of June 30, 2024 and 2023, there was one loan receivable totaling $730,908 recorded in the accompanying financial statements, on non-accrual status and fully reserved. Balances due under this loan are not reflected in the table above.

**4. LEASES RECEIVABLE**

The leasing operations of MEDCO consist primarily of the leasing of office buildings and other facilities.

MEDCO follows GASB 87 related to the leasing of office buildings and other facilities in which MEDCO receives rental income over the course of several years, as defined within each agreement, in which MEDCO is the lessor. GASB 87 requires lessors to present a lease receivable and deferred inflow of resources on the statements of net position. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the fair value of the lease receivable plus any payments received at or before commencement of the lease term that relates to future periods. The present value of lease payments is measured by using the discount rate implicit within each individual agreement or MEDCO's incremental borrowing rate, as determined by management. Interest income on the lease receivable is recognized on the straight-line basis over the term of each lease. Under GASB 87, the leases receivable totaled $86,899,667 and $101,016,493 as of June 30, 2024 and 2023, respectively. Interest income totaled $1,562,519 and $1,853,862 for the years ended June 30, 2024 and 2023, respectively, as reflected in the accompanying statements of revenues, expenses, and changes in net position.

The weighted-average remaining lease term is 6.81 and 7.66 years as of June 30, 2024 and 2023, respectively, and the weighted-average discount rate is 5.25% as of June 30, 2024 and 2023.

### 4. LEASES RECEIVABLE – continued

The following table presents future minimum lease principal and interest to be recognized during the years ending June 30,:

| | Total | Principal | Interest |
|---|---|---|---|
| 2025 | $ 15,680,819 | $ 14,415,246 | $ 1,265,573 |
| 2026 | 12,837,876 | 11,887,532 | 950,344 |
| 2027 | 12,819,526 | 12,033,038 | 786,488 |
| 2028 | 12,735,021 | 12,115,265 | 619,756 |
| 2029 | 12,821,898 | 12,371,119 | 450,779 |
| 2030-2031 | 24,506,661 | 24,077,467 | 429,194 |
| | $ 91,401,801 | $ 86,899,667 | $ 4,502,134 |

### 5. RIGHT-OF-USE ASSETS

Right-of-use assets activity is summarized as follows for the years ended June 30,:

| 2024 | Beginning balance | Additions | Retirements | Ending balance |
|---|---|---|---|---|
| Buildings and improvements | $ 53,922,527 | $ 45,605 | $ - | $ 53,968,132 |
| Less: acumulated amortization | (9,008,254) | (3,066,100) | - | (12,074,354) |
| Right-of-use assets, net | $ 44,914,273 | $ (3,020,495) | $ - | $ 41,893,778 |

| 2023 | Beginning balance | Additions | Retirements | Ending balance |
|---|---|---|---|---|
| Buildings and improvements | $ 53,742,539 | $ 179,988 | $ - | $ 53,922,527 |
| Less: acumulated amortization | (6,002,219) | (3,006,035) | - | (9,008,254) |
| Right-of-use assets, net | $ 47,740,320 | $ (2,826,047) | $ - | $ 44,914,273 |

### 6. RIGHT-TO-USE BUILDINGS

Pursuant to GASB 94, the PPPs and SCAs between MEDCO and certain student housing projects of the University System of Maryland, CTU Foundation, the City of Baltimore and the City of Annapolis, the Projects have recorded a right-to-use buildings asset on the accompanying statements of net position. Under GASB 94, any costs of improvements made to the facilities during the term of the service concession arrangements increases the right-to-use buildings asset. The right-to-use buildings assets are required to be amortized in a systematic and rational manner. The Projects have amortized the right-to-use buildings assets using the straight-line method over the lesser of the term of the lease or the useful lives of the underlying assets to which the Projects have the right to use. The portion of the right-to-use buildings asset attributable to the underlying buildings and improvements is being amortized over a useful life of 17 to 39 years and 10 months using the straight-line method, and the portion attributable to furnishings and equipment is being amortized over 3 to 10 years using the straight-line method.

**6. RIGHT-TO-USE BUILDINGS – continued**

Right-to-use building activity for the years ended June 30, 2024 and 2023 is summarized as follows:

| 2024 | Beginning balance | Additions | Sales and retirements/ Placed into service | Ending balance |
|---|---|---|---|---|
| Buildings and improvements | $ 533,676,942 | $ 6,914,115 | $ (1,398,515) | $ 539,192,542 |
| Furnishings and equipment | 63,003,680 | 5,939,084 | (3,810,554) | 65,132,210 |
| Construction in progress | 22,367,680 | 46,648,258 | (1,784,021) | 67,231,917 |
| | 619,048,302 | 59,501,457 | (6,993,090) | 671,556,669 |
| Less: accumulated amortization | (224,603,249) | (21,658,993) | 4,586,186 | (241,676,056) |
| Right-to-use buildings, net | $ 394,445,053 | $ 37,842,464 | $ (2,406,904) | $ 429,880,613 |

| 2023 | Beginning balance | Additions | Sales and retirements/ Placed into service | Ending balance |
|---|---|---|---|---|
| Buildings and improvements | $ 430,260,320 | $ 104,102,899 | $ (686,277) | $ 533,676,942 |
| Furnishings and equipment | 59,284,421 | 6,996,275 | (3,277,016) | 63,003,680 |
| Construction in progress | 50,463,400 | - | (28,095,720) | 22,367,680 |
| | 540,008,141 | 111,099,174 | (32,059,013) | 619,048,302 |
| Less: accumulated amortization | (208,060,981) | (20,122,780) | 3,580,512 | (224,603,249) |
| Right-to-use buildings, net | $ 331,947,160 | $ 90,976,394 | $ (28,478,501) | $ 394,445,053 |

### 7. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2024 and 2023 is summarized as follows:

| 2024 | Beginning balance | Additions | Sales and retirements | Ending balance |
|---|---|---|---|---|
| Buildings and improvements | $ 329,999,076 | $ 1,783,232 | $ (1,026,857) | $ 330,755,451 |
| Furnishings and equipment | 93,090,712 | 2,811,234 | (1,988,911) | 93,913,035 |
| Construction in progress | 125,419 | 5,027 | - | 130,446 |
| | 423,215,207 | 4,599,493 | (3,015,768) | 424,798,932 |
| Less: accumulated depreciation | (232,499,985) | (21,885,091) | 2,624,582 | (251,760,494) |
| Net capital assets | $ 190,715,222 | $ (17,285,598) | $ (391,186) | $ 173,038,438 |

| 2023 | Beginning balance | Additions | Sales and retirements | Ending balance |
|---|---|---|---|---|
| Buildings and improvements | $ 329,999,076 | $ - | $ - | $ 329,999,076 |
| Furnishings and equipment | 92,036,569 | 4,326,741 | (3,272,598) | 93,090,712 |
| Construction in progress | 241,740 | (116,321) | - | 125,419 |
| | 422,277,385 | 4,210,420 | (3,272,598) | 423,215,207 |
| Less: accumulated depreciation | (213,929,317) | (21,567,449) | 2,996,781 | (232,499,985) |
| Net capital assets | $ 208,348,068 | $ (17,357,029) | $ (275,817) | $ 190,715,222 |

### 8. OPERATING FACILITIES

Operating facilities in operation or development during the years ended June 30, 2024 and 2023 included the following:

- Annapolis Mobility and Resilience Project (Annapolis Garage), one parking garage located in Annapolis, Maryland. The project began operations in June 2023.

- Christa McAuliffe Student Housing at Bowie State University (Bowie), an apartment project located in Prince George’s County, Maryland. The project accepted its first residents in September 2004.

- Bowie Entrepreneursip Living-Learning Center at Bowie State University (Bowie ELLC), an apartment project located in Prince George’s County, Maryland. The project was completed and opened in August 2021.

**8. OPERATING FACILITIES – continued**

- Baltimore City Garages (City Garages), three parking garages located in Baltimore, Maryland. The project began operations in August 2018.

- CTU Foundation Student Housing at Capitol Technology University (CTU), an apartment project located in Prince George's County, Maryland. The project was completed and opened in August 2018.

- Chesapeake Bay Conference Center (CBCC), a hospitality project located in Cambridge, Maryland. The project was completed and opened in August 2002.

- Edgewood Commons Student Housing at Frostburg State University (Frostburg), an apartment project located in Garrett County, Maryland. The project was completed and opened in August 2003.

- Owings Mills Metro Centre Garage (Metro Centre), a parking garage located in Owings Mills, Maryland. The project was completed and opened in December 2014.

- Morgan View (MV), Thurgood Marshall Hall (TMH) and the TM3 Project, also known as Legacy Hall (LH) throughout, Student Housing (Morgan) at Morgan State University, an apartment project located in Baltimore City, Maryland. Morgan View and Thurgood Marshall Hall were completed and opened in August 2003 and August 2022, respectively. Construction of Legacy Hall began in 2023 with total construction costs as of June 30, 2024 of approximately $69,912,000. Legacy Hall was completed and opened in August 2024.

- University Park Phase I and II at Salisbury University (Salisbury), an apartment project located in Wicomico County, Maryland. University Park II was completed and opened in August 2004. In July 2012, MEDCO acquired University Park I.

- West Village (Towson WV) and Millennium Hall (Towson MH) Student Housing at Towson University, an apartment project located in Baltimore County, Maryland. West Village was completed and opened in August 2008. In July 2012, MEDCO acquired Millennium Hall.

- Fayette Square Student Housing at University of Maryland, Baltimore (UMAB), an apartment project located in Baltimore City, Maryland. The project was completed and opened in August 2004.

- Walker Avenue Student Housing at University of Maryland, Baltimore County (UMBC), an apartment project located in Baltimore County, Maryland. The first phase of the project was completed and opened in August 2003. The second phase of the project was completed and opened in August 2004.

- The University of Maryland, College Park, Energy and Utility Infrastructure Program (UMCP Energy), a program under which MEDCO leases land, certain energy conversion facilities and steam, electricity and chilled water delivery systems at the UMCP campus in Prince George's County, Maryland, and provides energy conversion, delivery and related services to UMCP. The Program began in August 1999.

**8. OPERATING FACILITIES – continued**

- South Campus Commons and The Courtyards at University of Maryland, College Park (UMCP Housing), an apartment project located in Prince George's County, Maryland. The project consists of seven student residential housing buildings known as University of Maryland, College Park South Campus Commons and seven garden style apartments known as The Courtyards at University of Maryland, College Park. MEDCO originally acquired only South Campus Commons Phase II in July 2003, at which time development of the first of three building of that phase was substantially completed. It was opened to residents in August 2003. Construction of two additional buildings in the South Campus Commons Phase II was completed and opened to residents in August 2004. In April 2006, MEDCO acquired The Courtyards at the University of Maryland and South Campus Commons Phase I. In August 2008 construction began on a seventh student residential housing building in South Campus Commons which opened for occupancy in January 2010.

- University Village at Sheppard Pratt (University Village), an apartment project located in Baltimore County, Maryland. The project was completed and opened in August 2002.

The operating facilities are managed for MEDCO by independent management companies that provide management, administrative and other services pursuant to management agreements. The agreements generally provide for base and incentive fees and reimbursement of certain costs incurred by the managers in connection with the operation of the facilities.

Operating expenses of the operating facilities include fees to MEDCO (eliminated in consolidation) and totaled $630,769 (including $113,520 capitalized within capital assets) and $2,841,892 (including $1,320,289 capitalized within capital assets), for the years ended June 30, 2024 and 2023, respectively. Net non-operating expenses for the years ended June 30, 2024 and 2023 include interest expense related to debt service of operating facilities totaling $45,736,244 and $43,406,947, respectively.

The operating facilities are considered segments of MEDCO for financial reporting purposes. Financial statements of each facility in operation during the years ended June 30, 2024 and 2023 are included on the following pages:

Statement of Net Position
As of June 30, 2024

| | MEDCO, exclusive of operating facilities | Operating Facilities | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets | | Annapolis Garage | Bowie | Bowie Mixed Use | City Garages | CTU | CBCC | Frostburg | Metro Centre | Morgan | Salisbury | Towson WV & MH | UMAB | UMBC | UMCP Energy | UMCP Housing | University Village | Eliminations | Total |
| Current Assets: | | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | $ 27,899,199 | $ - | $ 1,703,595 | $ 1,465,830 | $ 141,827 | $ 142,699 | $ 126,947 | $ 293,949 | $ 430,187 | $ 3,167,607 | $ 991,682 | $ 1,978,888 | $ 1,002,134 | $ 1,140,117 | $ - | $ 5,074,082 | $ 1,287,443 | $ - | $ 46,846,186 |
| Short-term investments | 6,307,601 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,307,601 |
| Security deposits | - | - | - | - | - | - | - | - | - | 442,235 | - | - | - | - | - | - | 38,176 | - | 480,411 |
| Deposits with bond trustees — restricted | 3,558,449 | 5,722,459 | 119,521 | 1,865,835 | 768,243 | 241,964 | 7,979,597 | 665,900 | 1,644,663 | 12,514,400 | 199,670 | 2,764,177 | 1,366,629 | 1,314,438 | - | 860,458 | 1,861,657 | - | 43,448,060 |
| Funds for replacement of and additions to furnishings and equipment | - | - | - | - | - | - | 570,559 | - | - | - | - | - | - | - | - | - | - | - | 570,559 |
| Loans receivable, net | 25,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 25,000 |
| Leases receivable | 14,415,246 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,415,246 |
| Rent and other receivables, net | 2,071,819 | 738,262 | 28,909 | 230,015 | 439,859 | 47,963 | 2,938,179 | 114,949 | - | 406,093 | 53,351 | 52,280 | 165,417 | 31,982 | 2,181,330 | 68,951 | 49,120 | (889,699) | 8,728,780 |
| Related party receivable | 73,400 | - | - | - | - | - | - | - | - | - | - | - | - | - | 8,157,543 | - | - | (8,230,943) | - |
| Interest receivable, net | 247,218 | 32,352 | 16,578 | 20,653 | 27,810 | 7,414 | 34,157 | 9,988 | 18,540 | 837,478 | 15,351 | - | 13,652 | 20,530 | 11,226 | 124,592 | 23,985 | - | 1,461,524 |
| Inventory | - | - | - | - | - | - | 456,622 | - | - | - | - | - | - | - | - | - | - | - | 456,622 |
| Prepaid expenses and other assets | 6,872 | - | 35,001 | 39,035 | 1,381,756 | 5,697 | 528,327 | 31,259 | - | 96,261 | 53,165 | 116,330 | 45,572 | 50,474 | 90,683 | 199,906 | 34,753 | - | 2,715,091 |
| Total Current Assets | 54,604,804 | 6,493,073 | 1,903,604 | 3,621,368 | 2,759,495 | 445,737 | 12,634,388 | 1,116,045 | 2,093,390 | 17,464,074 | 1,313,219 | 4,911,675 | 2,593,404 | 2,557,541 | 10,440,782 | 6,327,989 | 3,295,134 | (9,120,642) | 125,455,080 |
| Non-current Assets: | | | | | | | | | | | | | | | | | | | |
| Long-term investments | 75,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 75,000 |
| Deposits with bond trustees — restricted | 7,122,916 | 2,365,638 | 3,833,995 | 2,764,751 | 6,334,587 | 1,410,139 | 2,221,285 | 1,763,625 | 2,852,733 | 57,161,174 | 3,684,484 | 6,046,731 | 1,738,724 | 3,533,028 | - | 25,139,747 | 3,672,009 | - | 131,645,566 |
| Loans receivable, net | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Leases receivable | 72,484,421 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 72,484,421 |
| Related party receivable | 11,272,489 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (11,272,489) | - |
| Prepaid expenses and other assets | - | - | - | - | - | - | - | - | - | - | - | 763,636 | - | - | - | 334,251 | - | - | 1,097,887 |
| Right-of-use assets, net of accumulated amortization | 352,558 | - | - | - | - | - | 19,614,959 | - | - | - | - | - | - | - | - | - | 21,926,261 | - | 41,893,778 |
| Right-to-use buildings, net of accumulated amortization | - | 35,067,370 | 5,501,875 | 38,801,157 | 52,874,536 | 11,570,480 | - | 4,861,748 | - | 151,203,860 | 13,005,054 | 19,004,376 | 9,676,622 | 11,954,693 | - | 79,378,247 | - | (3,019,405) | 429,880,613 |
| Capital assets: | | | | | | | | | | | | | | | | | | | |
| Buildings and improvements | 146,849,654 | - | - | - | - | - | 133,323,619 | - | 26,362,372 | - | - | - | - | - | - | - | 24,948,327 | (728,521) | 330,755,451 |
| Furnishings and equipment | 323,937 | - | - | - | - | - | 23,436,227 | - | - | - | - | - | - | - | 65,042,092 | - | 5,110,779 | - | 93,913,035 |
| Construction in progress | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 130,446 | - | 130,446 |
| | 147,173,591 | - | - | - | - | - | 156,759,846 | - | 26,362,372 | - | - | - | - | - | 65,042,092 | - | 30,189,552 | (728,521) | 424,798,932 |
| Less: accumulated depreciation and amortization | (59,212,994) | - | - | - | - | - | (101,933,237) | - | (8,567,854) | - | - | - | - | - | (65,042,092) | - | (17,462,138) | 457,821 | (251,760,494) |
| Net Capital Assets | 87,960,597 | - | - | - | - | - | 54,826,609 | - | 17,794,518 | - | - | - | - | - | - | - | 12,727,414 | (270,700) | 173,038,438 |
| Total Non-current Assets | 179,267,981 | 37,433,008 | 9,335,870 | 41,565,908 | 59,209,123 | 12,980,619 | 76,662,853 | 6,625,373 | 20,647,251 | 208,365,034 | 16,689,538 | 25,814,743 | 11,415,346 | 15,487,721 | - | 104,852,245 | 38,325,684 | (14,562,594) | 850,115,703 |
| Total Assets | $ 233,872,785 | $ 43,926,081 | $ 11,239,474 | $ 45,187,276 | $ 61,968,618 | $ 13,426,356 | $ 89,297,241 | $ 7,741,418 | $ 22,740,641 | $ 225,829,108 | $ 18,002,757 | $ 30,726,418 | $ 14,008,750 | $ 18,045,262 | $ 10,440,782 | $ 111,180,234 | $ 41,620,818 | $ (23,683,236) | $ 975,570,783 |
| Deferred Outflow of Resources: | | | | | | | | | | | | | | | | | | | |
| Deferred advance refunding costs | - | - | 24,542 | - | - | - | 1,693,133 | 110,680 | - | - | 60,549 | - | 164,692 | - | - | 1,049,339 | 89,593 | - | 3,192,528 |
| Total Deferred Outflow of Resources | - | - | 24,542 | - | - | - | 1,693,133 | 110,680 | - | - | 60,549 | - | 164,692 | - | - | 1,049,339 | 89,593 | - | 3,192,528 |
| Liabilities and Net Position | | | | | | | | | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 14,854,313 | $ 5,301,435 | $ 913,636 | $ 426,983 | $ 396,809 | $ 482,648 | $ 4,282,435 | $ 657,634 | $ 186,025 | $ 11,733,389 | $ 397,612 | $ 1,248,757 | $ 248,835 | $ 385,437 | $ 2,181,154 | $ 2,979,020 | $ 480,472 | $ (889,699) | $ 46,266,895 |
| Sales tax payable | - | - | - | - | - | - | 470,169 | - | - | - | - | - | - | - | - | - | - | - | 470,169 |
| Related party payable | 8,157,543 | - | - | - | - | - | - | - | - | - | - | 73,400 | - | - | - | - | - | (8,230,943) | - |
| Advances | 3,271,860 | - | - | - | - | - | - | - | - | - | - | - | 88,047 | - | - | - | - | - | 3,359,907 |
| Reserve deposits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,885,174 | - | - | - | 7,885,174 |
| Accrued interest | 1,306 | - | 42,438 | 955,300 | 245,667 | 143,974 | 60,935,980 | 110,900 | 661,284 | 5,680,391 | 56,104 | 804,175 | 1,288,694 | 280,715 | - | 403,375 | 11,882,257 | - | 83,492,560 |
| Advance deposits | - | - | - | - | - | - | 2,728,260 | - | - | - | - | - | - | - | - | - | - | - | 2,728,260 |
| Security deposits | - | - | - | - | - | - | - | - | - | 208,533 | - | - | - | - | - | 524,080 | 669 | - | 733,282 |
| Accrued ground rent | - | - | 354,074 | - | 200,918 | - | - | 123,053 | - | 2,371,839 | 1,560,722 | - | - | - | - | 13,751,864 | - | - | 18,362,470 |
| Lease liability | 130,631 | - | - | - | - | - | 30,168,685 | - | - | - | - | - | - | - | - | - | 12,927,626 | - | 43,226,942 |
| Bonds and notes payable | 14,219,390 | - | 925,000 | 530,000 | 820,000 | 397,800 | 74,750,000 | 740,000 | 555,000 | 1,225,000 | 1,480,000 | 1,960,000 | 1,365,000 | 1,020,000 | - | 5,485,000 | 1,575,878 | - | 107,048,068 |
| Deferred management and service fees payable | - | - | - | - | - | - | 27,326,908 | - | - | - | - | - | - | - | - | - | - | (10,853,824) | 16,473,084 |
| Total Current Liabilities | 40,635,043 | 5,301,435 | 2,235,148 | 1,912,283 | 1,663,394 | 1,024,422 | 200,662,437 | 1,631,587 | 1,402,309 | 21,219,152 | 3,494,438 | 4,086,332 | 2,990,576 | 1,686,152 | 10,066,328 | 23,143,339 | 26,866,902 | (19,974,466) | 330,046,811 |
| Non-current Liabilities: | | | | | | | | | | | | | | | | | | | |
| Related party payable | - | - | - | - | - | - | 418,665 | - | - | - | - | - | - | - | - | - | - | (418,665) | - |
| Lease liability | 536,931 | - | - | - | - | - | 20,850,671 | - | - | - | - | - | - | - | - | - | 22,620,021 | - | 44,007,623 |
| Bonds and notes payable | 76,020,753 | 46,675,629 | 9,453,002 | 48,415,212 | 62,347,127 | 10,860,525 | 107,527,333 | 8,654,144 | 29,688,552 | 214,916,226 | 12,392,198 | 32,038,283 | 20,983,141 | 12,660,055 | - | 102,467,937 | 14,048,059 | | 809,148,176 |
| Total Non-current Liabilities | 76,557,684 | 46,675,629 | 9,453,002 | 48,415,212 | 62,347,127 | 10,860,525 | 128,796,669 | 8,654,144 | 29,688,552 | 214,916,226 | 12,392,198 | 32,038,283 | 20,983,141 | 12,660,055 | - | 102,467,937 | 36,668,080 | (418,665) | 853,155,799 |
| Total Liabilities | $ 117,192,727 | $ 51,977,064 | $ 11,688,150 | $ 50,327,495 | $ 64,010,521 | $ 11,884,947 | $ 329,459,106 | $ 10,285,731 | $ 31,090,861 | $ 236,135,378 | $ 15,886,636 | $ 36,124,615 | $ 23,973,717 | $ 14,346,207 | $ 10,066,328 | $ 125,611,276 | $ 63,534,982 | $ (20,393,131) | $ 1,183,202,610 |
| Deferred Inflow of Resources: | | | | | | | | | | | | | | | | | | | |
| Deferred rents and fees | 86,631,313 | - | 430,723 | 371,265 | 225,530 | 46,899 | - | 126,689 | - | 626,387 | 172,966 | 492,073 | 385,867 | 202,695 | 90,683 | 548,986 | 68,414 | - | 90,420,490 |
| Deferred advance refunding gains | - | - | - | - | - | - | - | - | - | 286,192 | - | 117,111 | - | 38,966 | - | - | - | - | 442,269 |
| Total Deferred Inflow of Resources | 86,631,313 | - | 430,723 | 371,265 | 225,530 | 46,899 | - | 126,689 | - | 912,579 | 172,966 | 609,184 | 385,867 | 241,661 | 90,683 | 548,986 | 68,414 | - | 90,862,759 |
| Net Position: | | | | | | | | | | | | | | | | | | | |
| Net investments in capital assets | (2,591,812) | (11,608,259) | (4,851,585) | (10,144,055) | (10,292,591) | 312,155 | (148,161,988) | (4,421,716) | (12,449,034) | (65,223,558) | (806,595) | (15,111,018) | (12,506,827) | (1,764,328) | - | (27,525,351) | (16,428,316) | (3,290,105) | (346,864,983) |
| Restricted under trust indentures | - | 3,557,276 | 3,996,728 | 4,632,571 | 8,025,158 | 1,182,355 | - | 1,861,394 | 4,098,814 | 54,004,709 | 2,810,299 | 9,103,637 | 2,320,685 | 5,221,722 | - | 13,594,662 | - | - | 114,410,010 |
| Restricted for capital and other purposes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 283,771 | - | - | - | 283,771 |
| Unrestricted-Projects | - | - | - | - | - | - | (90,306,744) | - | - | - | - | - | - | - | - | - | (5,464,669) | - | (95,771,413) |
| Unrestricted-MEDCO | 32,640,557 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 32,640,557 |
| Total Net Position | $ 30,048,745 | $ (8,050,983) | $ (854,857) | $ (5,511,484) | $ (2,267,433) | $ 1,494,510 | $ (238,468,732) | $ (2,560,322) | $ (8,350,220) | $ (11,218,849) | $ 2,003,704 | $ (6,007,381) | $ (10,186,142) | $ 3,457,394 | $ 283,771 | $ (13,930,689) | $ (21,892,985) | $ (3,290,105) | $ (295,302,058) |

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2024

| | MEDCO, exclusive of operating facilities | Operating Facilities: Annapolis Garage | Bowie | Bowie Mixed Use | City Garages | CTU | CBCC | Frostburg | Metro Centre | Morgan | Salisbury | Towson WV & MH | UMAB | UMBC | UMCP Energy | UMCP Housing | University Village | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating Revenues: | | | | | | | | | | | | | | | | | | | |
| Operating facilities | $ - | $ 7,153,281 | $ 4,720,373 | $ 5,518,574 | $ 8,970,235 | $ 1,860,460 | $ 48,941,715 | $ 2,884,331 | $ 2,442,296 | $ 15,411,826 | $ 7,333,683 | $ 10,726,719 | $ 4,681,333 | $ 5,992,118 | $ 16,385,854 | $ 33,634,590 | $ 6,147,895 | $ - | $ 182,805,283 |
| Lease | 14,329,477 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,329,477 |
| Consulting and management fees | 5,026,013 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,116,073) | 1,909,940 |
| Total Operating Revenues | 19,355,490 | 7,153,281 | 4,720,373 | 5,518,574 | 8,970,235 | 1,860,460 | 48,941,715 | 2,884,331 | 2,442,296 | 15,411,826 | 7,333,683 | 10,726,719 | 4,681,333 | 5,992,118 | 16,385,854 | 33,634,590 | 6,147,895 | (3,116,073) | 199,044,700 |
| Operating Expenses: | | | | | | | | | | | | | | | | | | | |
| Operating facilities | - | 8,390,101 | 1,825,762 | 3,517,759 | 3,373,598 | 686,678 | 39,675,031 | 1,602,879 | 486,596 | 6,169,150 | 4,179,593 | 5,574,554 | 2,604,398 | 3,263,108 | 16,385,954 | 23,461,194 | 2,103,005 | (2,385,550) | 120,913,810 |
| Compensation and benefits | 2,871,613 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,871,613 |
| Administrative and general | 1,199,964 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,199,964 |
| Depreciation and amortization | 14,253,289 | 1,210,122 | 763,674 | 1,690,163 | 2,098,416 | 736,953 | 7,197,695 | 614,490 | 901,470 | 3,347,220 | 1,619,867 | 2,104,746 | 1,014,489 | 1,248,192 | - | 5,559,921 | 2,620,538 | (101,645) | 46,879,600 |
| Total Operating Expenses | 18,324,866 | 9,600,223 | 2,589,436 | 5,207,922 | 5,472,014 | 1,423,631 | 46,872,726 | 2,217,369 | 1,388,066 | 9,516,370 | 5,799,460 | 7,679,300 | 3,618,887 | 4,511,300 | 16,385,954 | 29,021,115 | 4,723,543 | (2,487,195) | 171,864,987 |
| Operating Income (Loss) | 1,030,624 | (2,446,942) | 2,130,937 | 310,652 | 3,498,221 | 436,829 | 2,068,989 | 666,962 | 1,054,230 | 5,895,456 | 1,534,223 | 3,047,419 | 1,062,446 | 1,480,818 | (100) | 4,613,475 | 1,424,352 | (628,878) | 27,179,713 |
| Non-operating Revenues and Expenses: | | | | | | | | | | | | | | | | | | | |
| Interest income | 2,193,576 | 434,768 | 188,987 | 214,197 | 354,116 | 76,207 | 511,775 | 108,295 | 195,941 | 4,754,447 | 312,486 | 424,206 | 132,520 | 215,223 | 138,256 | 1,627,485 | 257,946 | (2,581) | 12,137,850 |
| Interest expense | (1,610,257) | (2,325,298) | (514,886) | (1,672,757) | (2,935,641) | (411,858) | (13,911,470) | (439,887) | (1,312,030) | (11,080,677) | (660,787) | (1,360,936) | (962,457) | (438,019) | - | (4,017,017) | (3,695,105) | 2,581 | (47,346,501) |
| Settlement income | 59,707 | | 132,855 | - | - | - | - | - | - | - | - | - | 1,036 | - | - | 152,522 | - | - | 346,120 |
| Loss on sales and retirements of assets, net | - | - | - | - | - | - | (366,556) | - | - | (6,147) | (157,091) | (208,307) | (11,212) | (21,025) | - | (219,651) | (24,080) | - | (1,014,069) |
| Net Non-operating Revenues (Expenses) | 643,026 | (1,890,530) | (193,044) | (1,458,560) | (2,581,525) | (335,651) | (13,766,251) | (331,592) | (1,116,089) | (6,332,377) | (505,392) | (1,145,037) | (840,113) | (243,821) | 138,256 | (2,456,661) | (3,461,239) | - | (35,876,600) |
| Changes in Net Position | 1,673,650 | (4,337,472) | 1,937,893 | (1,147,908) | 916,696 | 101,178 | (11,697,262) | 335,370 | (61,859) | (436,921) | 1,028,831 | 1,902,382 | 222,333 | 1,236,997 | 138,156 | 2,156,814 | (2,036,887) | (628,878) | (8,696,887) |
| Net Position, beginning of year | 28,375,095 | (3,713,511) | (2,792,750) | (4,363,576) | (3,184,129) | 1,393,332 | (226,771,470) | (2,895,692) | (8,288,361) | (10,781,928) | 974,873 | (7,909,763) | (10,408,475) | 2,220,397 | 145,615 | (16,087,503) | (19,856,098) | (2,661,227) | (286,605,171) |
| Net Position, end of year | $ 30,048,745 | $ (8,050,983) | $ (854,857) | $ (5,511,484) | $ (2,267,433) | $ 1,494,510 | $ (238,468,732) | $ (2,560,322) | $ (8,350,220) | $ (11,218,849) | $ 2,003,704 | $ (6,007,381) | $ (10,186,142) | $ 3,457,394 | $ 283,771 | $ (13,930,689) | $ (21,892,985) | $ (3,290,105) | $ (295,302,058) |

## Statement of Cash Flows
For the Year Ended June 30, 2024

| | MEDCO, exclusive of operating facilities | Operating Facilities: Annapolis Garage | Bowie | Bowie Mixed Use | City Garages | CTU | CBCC | Frostburg | Metro Centre | Morgan | Salisbury | Towson WV & MH | UMAB | UMBC | UMCP Energy | UMCP Housing | University Village | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | | | | | | | | | | | | | | | |
| Cash received from leases | $ 14,294,047 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 14,294,047 |
| Cash received from consulting and management fees | 4,041,869 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,196,878) | 1,844,991 |
| Cash received from guests | - | - | - | - | - | - | 49,100,150 | - | - | - | - | - | - | - | - | - | - | - | 49,100,150 |
| Cash received from customer charges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 16,100,591 | - | - | - | 16,100,591 |
| Cash received from parkers | - | 5,778,239 | - | - | 8,688,766 | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,467,005 |
| Cash received from tenants | - | - | 4,120,844 | 4,056,095 | - | 1,844,604 | - | 2,661,456 | - | 14,880,805 | 7,233,530 | 10,553,144 | 4,668,001 | 5,963,579 | - | 33,605,725 | 6,082,259 | - | 95,670,042 |
| Cash received from tax increment financing | - | - | - | - | - | - | - | - | 2,442,296 | - | - | - | - | - | - | - | - | - | 2,442,296 |
| Cash paid for operating expenses | (4,042,802) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 939,199 | (3,103,603) |
| Cash paid for expenses of operating facilities | - | (3,490,760) | (1,895,417) | (1,974,711) | (3,379,683) | (934,005) | (37,334,864) | (1,134,057) | (474,626) | (4,492,127) | (3,871,223) | (6,671,819) | (2,616,628) | (3,646,403) | (16,100,591) | (16,791,381) | (2,975,027) | 418,366 | (107,364,956) |
| Net Cash and Cash Equivalents Provided by (Used in) Operating Activities | 14,293,114 | 2,287,479 | 2,225,427 | 2,081,384 | 5,309,083 | 910,599 | 11,765,286 | 1,527,399 | 1,967,670 | 10,388,678 | 3,362,307 | 3,881,325 | 2,051,373 | 2,317,176 | - | 16,814,344 | 3,107,232 | (839,313) | 83,450,563 |
| Cash Flows from Non-capital Financing Activities: | | | | | | | | | | | | | | | | | | | |
| Advances | 360,422 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 360,422 |
| Principal payments on bonds and notes payable | (13,936,509) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (13,936,509) |
| Net Cash and Cash Equivalents Provided by (Used in) Non-capital Financing Activities | (13,576,087) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (13,576,087) |
| Cash Flows from Capital and Related Financing Activities: | | | | | | | | | | | | | | | | | | | |
| Right-to-use buildings expenditures | - | (5,612,714) | (131,338) | - | (328,922) | (152,562) | - | (141,828) | - | (52,783,095) | (1,139,734) | (760,281) | (486,503) | (946,788) | - | (3,554,403) | - | 839,313 | (65,198,855) |
| Construction, development, and equipment expenditures | (10,140) | - | - | - | - | - | (3,972,809) | - | - | - | - | - | - | - | - | - | (594,105) | - | (4,577,054) |
| Proceeds from sale of capital assets | - | - | - | - | - | - | 550 | - | - | - | - | - | - | - | - | - | - | - | 550 |
| Net funding of funds for replacement of and additions to furnishings and equipment | - | - | - | - | - | - | 1,548,991 | - | - | - | - | - | - | - | - | - | - | - | 1,548,991 |
| Interest payments on bonds and notes payable | (1,528,783) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,528,783) |
| Interest paid | (8,687) | (1,195,961) | (553,249) | (1,919,799) | (2,977,240) | (421,547) | (8,707,725) | (461,225) | (1,331,944) | (12,350,073) | (743,501) | (1,650,600) | (1,039,199) | (581,030) | - | (5,048,501) | (697,450) | 7,176 | (39,680,555) |
| Principal payments on bonds and notes payable | - | - | (880,000) | (460,000) | (790,000) | (512,600) | - | (705,000) | (500,000) | (1,348,430) | (1,405,000) | (1,875,000) | (820,000) | (980,000) | - | (5,200,000) | (910,000) | 178,430 | (16,207,600) |
| Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities | (1,547,610) | (6,808,675) | (1,564,587) | (2,379,799) | (4,096,162) | (1,086,709) | (11,130,993) | (1,308,053) | (1,831,944) | (66,481,598) | (3,288,235) | (4,285,881) | (2,345,702) | (2,507,818) | - | (13,802,904) | (2,201,555) | 1,024,919 | (125,643,306) |
| Cash Flows from Investing Activities: | | | | | | | | | | | | | | | | | | | |
| Principal payments on loans receivable | 203,430 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (178,430) | 25,000 |
| Related party payable deposits | (132,511) | - | - | - | - | - | - | - | - | - | - | - | - | - | 132,511 | - | - | - | - |
| Reserve deposits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (268,462) | - | - | - | (268,462) |
| Proceeds from settlement | 59,707 | - | 132,855 | - | - | - | - | - | - | - | - | - | 1,036 | - | - | 152,522 | - | - | 346,120 |
| Net sales (purchases) of deposits with bond trustees - restricted | (668,296) | 4,060,234 | (557,959) | 635,388 | (1,494,440) | (237,216) | (1,247,814) | (310,130) | (302,583) | 49,358,027 | (78,893) | (524,098) | 404,695 | 250,764 | - | (1,628,971) | (924,503) | - | 46,734,205 |
| Net sales (purchases) of investments | 2,979,447 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,979,447 |
| Interest received | 2,052,335 | 460,962 | 186,984 | 215,104 | 348,060 | 74,724 | 501,731 | 106,128 | 194,338 | 6,897,373 | 310,466 | 424,206 | 133,292 | 214,587 | 135,951 | 1,602,555 | 251,844 | (7,176) | 14,103,464 |
| Net Cash and Cash Equivalents Provided by (Used in) Investing Activities | 4,494,112 | 4,521,196 | (238,120) | 850,492 | (1,146,380) | (162,492) | (746,083) | (204,002) | (108,245) | 56,255,400 | 231,573 | (99,892) | 539,023 | 465,351 | - | 126,106 | (672,659) | (185,606) | 63,919,774 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 3,663,529 | - | 422,720 | 552,077 | 66,541 | (338,602) | (111,790) | 15,344 | 27,481 | 162,480 | 305,645 | (504,448) | 244,694 | 274,709 | - | 3,137,546 | 233,018 | - | 8,150,944 |
| Cash and Cash Equivalents, beginning of year | 24,235,670 | - | 1,280,875 | 913,753 | 75,286 | 481,301 | 238,737 | 278,605 | 402,706 | 3,005,127 | 686,037 | 2,483,336 | 757,440 | 865,408 | - | 1,936,536 | 1,054,425 | - | 38,695,242 |
| Cash and Cash Equivalents, end of year | $ 27,899,199 | $ - | $ 1,703,595 | $ 1,465,830 | $ 141,827 | $ 142,699 | $ 126,947 | $ 293,949 | $ 430,187 | $ 3,167,607 | $ 991,682 | $ 1,978,888 | $ 1,002,134 | $ 1,140,117 | $ - | $ 5,074,082 | $ 1,287,443 | $ - | $ 46,846,186 |
| Reconciliation of operating income (loss) to net cash and cash equivalents provided by operating activities: | | | | | | | | | | | | | | | | | | | |
| Operating income (loss) | $ 1,030,624 | $ (2,446,942) | $ 2,130,937 | $ 310,652 | $ 3,498,221 | $ 436,829 | $ 2,068,989 | $ 666,962 | $ 1,054,230 | $ 5,895,456 | $ 1,534,223 | $ 3,047,419 | $ 1,062,446 | $ 1,480,818 | $ (100) | $ 4,613,475 | $ 1,424,352 | $ (628,878) | $ 27,179,713 |
| Adjustment to reconcile operating income (loss) to net cash and cash equivalents provided by operating activities: | | | | | | | | | | | | | | | | | | | |
| Depreciation and amortization | 14,253,289 | 1,210,122 | 763,674 | 1,690,163 | 2,098,416 | 736,953 | 7,197,695 | 614,490 | 901,470 | 3,347,220 | 1,619,867 | 2,104,746 | 1,014,489 | 1,248,192 | - | 5,559,921 | 2,620,538 | (101,645) | 46,879,600 |
| Provision for doubtful accounts | 14,821 | 796,538 | 782,367 | 1,617,197 | - | (685) | (1,866) | 167,702 | - | 425,339 | 73,677 | 56,599 | 86,878 | 9,313 | - | 77,478 | 23,747 | - | 4,129,105 |
| Changes in operating assets and liabilities: | | | | | | | | | | | | | | | | | | | |
| Security deposits | - | - | - | - | - | - | - | - | - | (89,820) | - | - | - | - | - | - | (38) | - | (89,858) |
| Leases receivable | 14,116,826 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,116,826 |
| Rent and other receivables | (399,304) | (1,375,042) | (743,846) | (1,652,670) | (113,356) | (28,274) | 626,890 | (218,147) | - | (416,657) | (93,907) | (65,168) | (144,126) | (15,414) | (236,448) | (81,941) | (9,309) | (49,899) | (5,016,618) |
| Related party receivable | (969,096) | - | - | - | - | - | - | - | - | - | - | - | - | - | 939,199 | - | - | 29,897 | - |
| Inventory | - | - | - | - | - | - | 43,245 | - | - | - | - | - | - | - | - | - | - | - | 43,245 |
| Prepaid expenses and other assets | 121,393 | - | (16,837) | (38,056) | (386,107) | (2,410) | 58,400 | (11,033) | - | 141,378 | 1,372 | 47,454 | (21,097) | (13,605) | (10,325) | (73,836) | 143,667 | - | (59,642) |
| Accounts payable and accrued expenses | 1,341,686 | 4,102,803 | 223,788 | (24,309) | (6,085) | (244,231) | 2,272,628 | 189,100 | 11,970 | 1,110,306 | (100,628) | (1,201,318) | (85,551) | (379,003) | (702,651) | 1,300,154 | (1,039,436) | (1,027,987) | 5,741,236 |
| Related party payable | (939,199) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 939,199 | - |
| Lease liability | (125,670) | - | - | - | - | - | (58,615) | - | - | - | - | - | - | - | - | - | - | - | (184,285) |
| Sales tax payable | - | - | - | - | - | - | 26,375 | - | - | - | - | - | - | - | - | - | - | - | 26,375 |
| Advances | - | - | - | - | - | - | - | - | - | - | - | - | 7,540 | - | - | - | - | - | 7,540 |
| Advance deposits | - | - | - | - | - | - | (468,455) | - | - | - | - | - | - | - | - | - | - | - | (468,455) |
| Security deposits | - | - | - | - | - | - | - | - | - | 29,700 | - | - | - | - | - | 107,680 | - | - | 137,380 |
| Accrued ground rent | - | - | (1,058,973) | - | - | - | - | 123,053 | - | - | 333,948 | - | - | - | - | 5,366,017 | - | - | 4,764,045 |
| Deferred inflow of resources - rents and fees collected in advance | (14,152,256) | - | 144,317 | 178,407 | 217,994 | 12,417 | - | (4,728) | - | (54,244) | (6,245) | (108,407) | 130,794 | (13,125) | 10,325 | (54,604) | (56,289) | - | (13,755,644) |
| Net cash and cash equivalents provided by (used in) operating activities | $ 14,293,114 | $ 2,287,479 | $ 2,225,427 | $ 2,081,384 | $ 5,309,083 | $ 910,599 | $ 11,765,286 | $ 1,527,399 | $ 1,967,670 | $ 10,388,678 | $ 3,362,307 | $ 3,881,325 | $ 2,051,373 | $ 2,317,176 | $ - | $ 16,814,344 | $ 3,107,232 | $ (839,313) | $ 83,450,563 |
| **Schedule of non-cash capital and related financing activities:** | | | | | | | | | | | | | | | | | | | |
| Accrued interest expense on the lease liability | $ 1,306 | $ - | $ - | $ - | $ - | $ - | $ 1,136,678 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,218,382 | $ - | $ 2,356,366 |
| Recognition of right-of-use asset and lease liability | - | - | - | - | - | - | 45,605 | - | - | - | - | - | - | - | - | - | - | - | 45,605 |
| Loss on sales and retirements of assets, net | - | - | - | - | - | - | 366,556 | - | - | 6,147 | 157,091 | 208,307 | 11,212 | 21,025 | - | 219,651 | 24,080 | - | 1,014,069 |
| Prepaid deposit capitalized to furnishings and equipment during the current year | 18,100 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 18,100 |
| Construction, development, and equipment expenditures for capital assets included in accounts payable and accrued expenses | 4,339 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 95,295 | - | 99,634 |
| Right-to-use bulding expenditures included in accounts payable and other accrued expenses | - | - | - | - | - | - | - | - | - | 4,637,308 | - | - | - | - | - | - | - | - | 4,637,308 |
| Amortization of lease allowance | 28,361 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 28,361 |
| Amortization of issue premium on bonds | - | 61,734 | 39,752 | 247,003 | 45,214 | - | - | 32,775 | 10,539 | 333,731 | 88,321 | 232,678 | 117,289 | 116,223 | - | 1,188,199 | 109,344 | - | 2,622,802 |
| Amortization of issue discount on bonds | - | 14,823 | - | 9,161 | 6,051 | - | 142,140 | - | - | 97,545 | 220 | - | - | - | - | - | - | - | 269,940 |
| Amortization of deferred inflow of resources - deferred advance refunding gains | - | - | - | - | - | - | - | - | - | 47,533 | - | 14,736 | - | 7,188 | - | - | - | - | 69,457 |
| Amortization of deferred outflow of resources - deferred advance refunding costs | - | - | 5,055 | - | - | - | 391,586 | 20,250 | - | - | 11,241 | - | 18,697 | - | - | 174,048 | 16,617 | - | 637,494 |

Statement of Net Position
As of June 30, 2023

| Assets | MEDCO, exclusive of operating facilities | Operating Facilities: Annapolis Garage | Bowie | Bowie Mixed Use | City Garages | CTU | CBCC | Frostburg | Metro Centre | Morgan | Salisbury | Towson WV & MH | UMAB | UMBC | UMCP Energy | UMCP Housing | University Village | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Current Assets: | | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | $ 24,235,670 | $ - | $ 1,280,875 | $ 913,753 | $ 75,286 | $ 481,301 | $ 238,737 | $ 278,605 | $ 402,706 | $ 3,005,127 | $ 686,037 | $ 2,483,336 | $ 757,440 | $ 865,408 | $ - | $ 1,936,536 | $ 1,054,425 | $ - | $ 38,695,242 |
| Short-term investments | 9,287,048 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,287,048 |
| Security deposits | - | - | - | - | - | - | - | - | - | 352,415 | - | - | - | - | - | - | 38,138 | - | 390,553 |
| Deposits with bond trustees — restricted | 3,226,470 | 9,712,034 | 151,921 | 1,424,500 | 598,568 | 309,084 | 6,835,087 | 648,463 | 1,418,487 | 18,249,977 | 528,856 | 2,894,221 | 1,637,295 | 1,455,095 | - | 854,041 | 1,269,872 | - | 51,213,971 |
| Funds for replacement of and additions to | | | | | | | | | | | | | | | | | | | |
| furnishings and equipment | - | - | - | - | - | - | 2,119,550 | - | - | - | - | - | - | - | - | - | - | - | 2,119,550 |
| Loans receivable, net | 203,430 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (178,430) | 25,000 |
| Leases receivable | 14,116,826 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,116,826 |
| Rent and other receivables, net | 1,672,515 | 159,758 | 67,430 | 194,542 | 326,503 | 19,004 | 3,563,203 | 64,504 | - | 414,775 | 33,121 | 43,711 | 108,169 | 25,881 | 1,944,882 | 64,488 | 63,558 | (939,598) | 7,826,446 |
| Related party receivable | 73,400 | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,229,253 | - | - | (9,302,653) | - |
| Interest receivable, net | 193,218 | 58,546 | 14,575 | 21,560 | 21,754 | 5,931 | 24,113 | 7,821 | 16,937 | 2,980,404 | 13,331 | - | 14,424 | 19,894 | 8,921 | 99,662 | 17,883 | (4,595) | 3,514,379 |
| Inventory | - | - | - | - | - | - | 499,867 | - | - | - | - | - | - | - | - | - | - | - | 499,867 |
| Prepaid expenses and other assets | 146,365 | - | 18,164 | 979 | 995,649 | 3,287 | 586,727 | 20,226 | - | 237,639 | 54,537 | 109,239 | 24,475 | 36,869 | 80,358 | 108,135 | 178,420 | - | 2,601,069 |
| Total Current Assets | 53,154,942 | 9,930,338 | 1,532,965 | 2,555,334 | 2,017,760 | 818,607 | 13,867,284 | 1,019,619 | 1,838,130 | 25,240,337 | 1,315,882 | 5,530,507 | 2,541,803 | 2,403,147 | 11,263,414 | 3,062,862 | 2,622,296 | (10,425,276) | 130,289,951 |
| Non-current Assets: | | | | | | | | | | | | | | | | | | | |
| Long-term investments | 75,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 75,000 |
| Deposits with bond trustees — restricted | 6,786,599 | 2,436,297 | 3,243,636 | 3,841,474 | 5,009,822 | 1,105,803 | 2,117,981 | 1,470,932 | 2,776,326 | 100,783,624 | 3,276,405 | 5,392,589 | 1,872,753 | 3,643,135 | - | 23,517,193 | 3,339,291 | - | 170,613,860 |
| Loans receivable, net | 25,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 25,000 |
| Leases receivable | 86,899,667 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 86,899,667 |
| Related party receivable | 10,303,393 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (10,303,393) | - |
| Prepaid expenses and other assets | - | - | - | - | - | - | - | - | - | - | - | 818,181 | - | - | - | 352,186 | - | - | 1,170,367 |
| Right-of-use assets, net of accumulated amortization | 487,149 | - | - | - | - | - | 21,211,083 | - | - | - | - | - | - | - | - | - | 23,216,041 | - | 44,914,273 |
| Right-to-use buildings, net of accumulated amortization | - | 33,347,713 | 6,134,211 | 40,491,320 | 54,644,030 | 12,154,871 | - | 5,334,410 | - | 106,411,440 | 13,642,278 | 20,557,148 | 10,215,820 | 12,277,122 | - | 81,603,416 | - | (2,368,726) | 394,445,053 |
| Capital assets: | | | | | | | | | | | | | | | | | | | |
| Buildings and improvements | 146,849,654 | - | - | - | - | - | 132,605,166 | - | 26,362,372 | - | - | - | - | - | - | - | 24,910,405 | (728,521) | 329,999,076 |
| Furnishings and equipment | 291,358 | - | - | - | - | - | 22,817,900 | - | - | - | - | - | - | - | 65,042,092 | - | 4,939,362 | - | 93,090,712 |
| Construction in progress | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 125,419 | - | 125,419 |
| | 147,141,012 | - | - | - | - | - | 155,423,066 | - | 26,362,372 | - | - | - | - | - | 65,042,092 | - | 29,975,186 | (728,521) | 423,215,207 |
| Less: accumulated depreciation and amortization | (45,094,296) | - | - | - | - | - | (98,646,194) | - | (7,666,384) | - | - | - | - | - | (65,042,092) | - | (16,487,039) | 436,020 | (232,499,985) |
| Net Capital Assets | 102,046,716 | - | - | - | - | - | 56,776,872 | - | 18,695,988 | - | - | - | - | - | - | - | 13,488,147 | (292,501) | 190,715,222 |
| Total Non-current Assets | 206,623,524 | 35,784,010 | 9,377,847 | 44,332,794 | 59,653,852 | 13,260,674 | 80,105,936 | 6,805,342 | 21,472,314 | 207,195,064 | 16,918,683 | 26,767,918 | 12,088,573 | 15,920,257 | - | 105,472,795 | 40,043,479 | (12,964,620) | 888,858,442 |
| Total Assets | $ 259,778,466 | $ 45,714,348 | $ 10,910,812 | $ 46,888,128 | $ 61,671,612 | $ 14,079,281 | $ 93,973,220 | $ 7,824,961 | $ 23,310,444 | $ 232,435,401 | $ 18,234,565 | $ 32,298,425 | $ 14,630,376 | $ 18,323,404 | $ 11,263,414 | $ 108,535,657 | $ 42,665,775 | $ (23,389,896) | $ 1,019,148,393 |
| Deferred Outflow of Resources: | | | | | | | | | | | | | | | | | | | |
| Deferred advance refunding costs | - | - | 29,597 | - | - | - | 2,084,719 | 130,930 | - | - | 71,790 | - | 183,389 | - | - | 1,223,387 | 106,210 | - | 3,830,022 |
| Total Deferred Outflow of Resources | - | - | 29,597 | - | - | - | 2,084,719 | 130,930 | - | - | 71,790 | - | 183,389 | - | - | 1,223,387 | 106,210 | - | 3,830,022 |
| Liabilities and Net Position | | | | | | | | | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 13,508,288 | $ 2,705,319 | $ 689,848 | $ 451,292 | $ 402,894 | $ 726,879 | $ 4,496,705 | $ 468,534 | $ 174,055 | $ 15,260,391 | $ 498,240 | $ 2,450,075 | $ 334,386 | $ 764,440 | $ 2,883,805 | $ 1,678,866 | $ 1,519,908 | $ (939,598) | $ 48,074,327 |
| Sales tax payable | - | - | - | - | - | - | 443,794 | - | - | - | - | - | - | - | - | - | - | - | 443,794 |
| Related party payable | 9,229,253 | - | - | - | - | - | - | - | - | - | - | 73,400 | - | - | - | - | - | (9,302,653) | - |
| Advances | 2,911,438 | - | - | - | - | - | - | - | - | - | - | - | 80,507 | - | - | - | - | - | 2,991,945 |
| Reserve deposits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 8,153,636 | - | - | - | 8,153,636 |
| Accrued interest | 939 | - | 46,104 | 964,500 | 248,103 | 153,663 | 56,265,961 | 119,713 | 670,659 | 6,666,068 | 61,958 | 846,425 | 1,266,844 | 300,315 | - | 420,708 | 8,791,875 | (4,595) | 76,819,240 |
| Advance deposits | - | - | - | - | - | - | 3,196,715 | - | - | - | - | - | - | - | - | - | - | - | 3,196,715 |
| Security deposits | - | - | - | - | - | - | - | - | - | 178,833 | - | - | - | - | - | 416,400 | 669 | - | 595,902 |
| Accrued ground rent | - | - | 1,413,047 | - | 200,918 | - | - | - | - | 2,371,839 | 1,226,774 | - | - | - | - | 8,385,847 | - | - | 13,598,425 |
| Lease liability | 125,670 | - | - | - | - | - | 29,236,634 | - | - | - | - | - | - | - | - | - | 11,180,015 | - | 40,542,319 |
| Bonds and notes payable | 13,939,247 | - | 880,000 | 460,000 | 790,000 | 512,600 | 65,990,000 | 705,000 | 500,000 | 1,348,430 | 1,405,000 | 1,875,000 | 1,330,000 | 980,000 | - | 5,200,000 | 1,404,115 | (178,430) | 97,140,962 |
| Deferred management and service fees payable | - | - | - | - | - | - | 24,840,010 | - | - | - | - | - | - | - | - | - | - | (9,884,728) | 14,955,282 |
| Total Current Liabilities | 39,714,835 | 2,705,319 | 3,028,999 | 1,875,792 | 1,641,915 | 1,393,142 | 184,469,819 | 1,293,247 | 1,344,714 | 25,825,561 | 3,191,972 | 5,244,900 | 3,011,737 | 2,044,755 | 11,037,441 | 16,101,821 | 22,896,582 | (20,310,004) | 306,512,547 |
| Non-current Liabilities: | | | | | | | | | | | | | | | | | | | |
| Related party payable | - | - | - | - | - | - | 418,665 | - | - | - | - | - | - | - | - | - | - | (418,665) | - |
| Lease liability | 667,562 | - | - | - | - | - | 21,795,732 | - | - | - | - | - | - | - | - | - | 24,367,632 | - | 46,830,926 |
| Bonds and notes payable | 90,237,405 | 46,722,540 | 10,417,754 | 49,183,054 | 63,206,290 | 11,258,325 | 116,145,193 | 9,426,919 | 30,254,091 | 216,377,412 | 13,960,299 | 34,230,961 | 21,955,430 | 13,796,278 | - | 109,141,136 | 15,239,166 | | 851,552,253 |
| Total Non-current Liabilities | 90,904,967 | 46,722,540 | 10,417,754 | 49,183,054 | 63,206,290 | 11,258,325 | 138,359,590 | 9,426,919 | 30,254,091 | 216,377,412 | 13,960,299 | 34,230,961 | 21,955,430 | 13,796,278 | - | 109,141,136 | 39,606,798 | (418,665) | 898,383,179 |
| Total Liabilities | $ 130,619,802 | $ 49,427,859 | $ 13,446,753 | $ 51,058,846 | $ 64,848,205 | $ 12,651,467 | $ 322,829,409 | $ 10,720,166 | $ 31,598,805 | $ 242,202,973 | $ 17,152,271 | $ 39,475,861 | $ 24,967,167 | $ 15,841,033 | $ 11,037,441 | $ 125,242,957 | $ 62,503,380 | $ (20,728,669) | $ 1,204,895,726 |
| Deferred Inflow of Resources: | | | | | | | | | | | | | | | | | | | |
| Deferred rents and fees | 100,783,569 | - | 286,406 | 192,858 | 7,536 | 34,482 | - | 131,417 | - | 680,631 | 179,211 | 600,480 | 255,073 | 215,820 | 80,358 | 603,590 | 124,703 | - | 104,176,134 |
| Deferred advance refunding gains | - | - | - | - | - | - | - | - | - | 333,725 | - | 131,847 | - | 46,154 | - | - | - | - | 511,726 |
| Total Deferred Inflow of Resources | 100,783,569 | - | 286,406 | 192,858 | 7,536 | 34,482 | - | 131,417 | - | 1,014,356 | 179,211 | 732,327 | 255,073 | 261,974 | 80,358 | 603,590 | 124,703 | - | 104,687,860 |
| Net Position: | | | | | | | | | | | | | | | | | | | |
| Net investments in capital assets | (2,433,280) | (13,374,827) | (5,133,946) | (9,151,734) | (9,352,260) | 383,946 | (144,094,885) | (4,666,579) | (12,058,103) | (111,648,127) | (1,651,231) | (15,680,660) | (12,886,221) | (2,545,310) | - | (31,514,333) | (15,380,530) | (2,482,797) | (393,670,877) |
| Restricted under trust indentures | - | 9,661,316 | 2,341,196 | 4,788,158 | 6,168,131 | 1,009,386 | - | 1,770,887 | 3,769,742 | 100,866,199 | 2,626,104 | 7,770,897 | 2,477,746 | 4,765,707 | - | 15,426,830 | - | - | 163,442,299 |
| Restricted for capital and other purposes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 145,615 | - | - | - | 145,615 |
| Unrestricted-Projects | - | - | - | - | - | - | (82,676,585) | - | - | - | - | - | - | - | - | - | (4,475,568) | - | (87,152,153) |
| Unrestricted-MEDCO | 30,808,375 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (178,430) | 30,629,945 |
| Total Net Position | $ 28,375,095 | $ (3,713,511) | $ (2,792,750) | $ (4,363,576) | $ (3,184,129) | $ 1,393,332 | $ (226,771,470) | $ (2,895,692) | $ (8,288,361) | $ (10,781,928) | $ 974,873 | $ (7,909,763) | $ (10,408,475) | $ 2,220,397 | $ 145,615 | $ (16,087,503) | $ (19,856,098) | $ (2,661,227) | $ (286,605,171) |

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

| | | Operating Facilities | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **MEDCO, exclusive of operating facilities** | **Annapolis Garage** | **Bowie** | **Bowie Mixed Use** | **City Garages** | **CTU** | **CBCC** | **Frostburg** | **Metro Centre** | **Morgan** | **Salisbury** | **Towson WV & MH** | **UMAB** | **UMBC** | **UMCP Energy** | **UMCP Housing** | **University Village** | **Eliminations** | **Total** |
| Operating Revenues: | | | | | | | | | | | | | | | | | | | |
| Operating facilities | $ - | $ 173,744 | $ 4,858,556 | $ 5,194,027 | $ 7,981,775 | $ 1,665,005 | $ 51,028,347 | $ 2,228,317 | $ 2,407,697 | $ 14,641,675 | $ 6,896,929 | $ 10,176,484 | $ 4,575,303 | $ 5,829,525 | $ 21,492,042 | $ 32,985,718 | $ 4,812,444 | $ - | $ 176,947,588 |
| Lease | 14,061,177 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,061,177 |
| Consulting and management fees | 5,193,065 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,524,206) | 1,668,859 |
| Total Operating Revenues | 19,254,242 | 173,744 | 4,858,556 | 5,194,027 | 7,981,775 | 1,665,005 | 51,028,347 | 2,228,317 | 2,407,697 | 14,641,675 | 6,896,929 | 10,176,484 | 4,575,303 | 5,829,525 | 21,492,042 | 32,985,718 | 4,812,444 | (3,524,206) | 192,677,624 |
| Operating Expenses: | | | | | | | | | | | | | | | | | | | |
| Operating facilities | - | 114,551 | 2,937,486 | 3,939,477 | 3,114,017 | 665,588 | 38,656,152 | 981,609 | 435,815 | 5,464,448 | 3,520,129 | 5,014,979 | 2,460,775 | 3,127,121 | 21,492,142 | 19,404,403 | 2,154,384 | (2,090,397) | 111,392,679 |
| Compensation and benefits | 2,143,367 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,143,367 |
| Administrative and general | 1,194,263 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,194,263 |
| Depreciation and amortization | 14,203,728 | 48,665 | 782,556 | 1,690,163 | 1,936,127 | 849,625 | 6,912,393 | 622,960 | 901,952 | 2,966,012 | 1,595,821 | 2,199,924 | 1,000,399 | 1,150,232 | - | 5,355,860 | 2,577,213 | (97,366) | 44,696,264 |
| Total Operating Expenses | 17,541,358 | 163,216 | 3,720,042 | 5,629,640 | 5,050,144 | 1,515,213 | 45,568,545 | 1,604,569 | 1,337,767 | 8,430,460 | 5,115,950 | 7,214,903 | 3,461,174 | 4,277,353 | 21,492,142 | 24,760,263 | 4,731,597 | (2,187,763) | 159,426,573 |
| Operating Income (Loss) | 1,712,884 | 10,528 | 1,138,514 | (435,613) | 2,931,631 | 149,792 | 5,459,802 | 623,748 | 1,069,930 | 6,211,215 | 1,780,979 | 2,961,581 | 1,114,129 | 1,552,172 | (100) | 8,225,455 | 80,847 | (1,336,443) | 33,251,051 |
| Non-operating Revenues and Expenses: | | | | | | | | | | | | | | | | | | | |
| Interest income | 2,288,466 | 714,632 | 124,663 | 157,840 | 228,489 | 45,335 | 387,439 | 61,355 | 128,710 | 3,893,191 | 187,094 | 277,283 | 100,880 | 151,341 | 98,012 | 971,171 | 132,842 | (48,910) | 9,899,833 |
| Interest expense | (1,896,471) | (2,424,872) | (554,176) | (1,727,634) | (2,963,139) | (428,792) | (13,698,985) | (473,850) | (1,330,605) | (8,756,758) | (716,610) | (1,432,356) | (991,371) | (467,951) | - | (4,168,719) | (3,320,039) | 48,910 | (45,303,418) |
| Settlement income | 178,230 | - | - | - | - | - | - | - | - | 6,201 | - | - | 273 | 57,646 | - | - | 8,353 | - | 250,703 |
| Bond issuance costs | - | (2,013,799) | - | - | - | - | - | - | - | (618,886) | - | - | - | - | - | - | - | - | (2,632,685) |
| Loss on sales and retirements of assets, net | - | - | - | - | - | - | - | - | - | (77,379) | (91,225) | (114,992) | (24,090) | (15,363) | - | (59,732) | (275,817) | - | (658,598) |
| Net Non-operating Revenues (Expenses) | 570,225 | (3,724,039) | (429,513) | (1,569,794) | (2,734,650) | (383,457) | (13,311,546) | (412,495) | (1,201,895) | (5,553,631) | (620,741) | (1,270,065) | (914,308) | (274,327) | 98,012 | (3,257,280) | (3,454,661) | - | (38,444,165) |
| Changes in Net Position | 2,283,109 | (3,713,511) | 709,001 | (2,005,407) | 196,981 | (233,665) | (7,851,744) | 211,253 | (131,965) | 657,584 | 1,160,238 | 1,691,516 | 199,821 | 1,277,845 | 97,912 | 4,968,175 | (3,373,814) | (1,336,443) | (5,193,114) |
| Net Position, beginning of year, as restated | 26,091,986 | - | (3,501,751) | (2,358,169) | (3,381,110) | 1,626,997 | (218,919,726) | (3,106,945) | (8,156,396) | (11,439,512) | (185,365) | (9,601,279) | (10,608,296) | 942,552 | 47,703 | (21,055,678) | (16,482,284) | (1,324,784) | (281,412,057) |
| Net Position, end of year | $ 28,375,095 | $ (3,713,511) | $ (2,792,750) | $ (4,363,576) | $ (3,184,129) | $ 1,393,332 | $ (226,771,470) | $ (2,895,692) | $ (8,288,361) | $ (10,781,928) | $ 974,873 | $ (7,909,763) | $ (10,408,475) | $ 2,220,397 | $ 145,615 | $ (16,087,503) | $ (19,856,098) | $ (2,661,227) | $ (286,605,171) |

Statement of Cash Flows
For the Year Ended June 30, 2023

| | MEDCO, exclusive of operating facilities | Operating Facilities | | | | | | | | | | | | | | | | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Annapolis Garage** | **Bowie** | **Bowie Mixed Use** | **City Garages** | **CTU** | **CBCC** | **Frostburg** | **Metro Centre** | **Morgan** | **Salisbury** | **Towson WV & MH** | **UMAB** | **UMBC** | **UMCP Energy** | **UMCP Housing** | **University Village** | | |
| Cash Flows from Operating Activities: | | | | | | | | | | | | | | | | | | | |
| Cash received from leases | $ 14,201,986 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 14,201,986 |
| Cash received from consulting and management fees | 4,468,948 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,646,867) | 1,822,081 |
| Cash received from guests | - | - | - | - | - | - | 52,043,967 | - | - | - | - | - | - | - | - | - | - | - | 52,043,967 |
| Cash received from customer charges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 25,930,869 | - | - | - | 25,930,869 |
| Cash received from parkers | - | 13,986 | - | - | 7,401,993 | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,415,979 |
| Cash received from tenants | - | - | 4,462,434 | 5,028,964 | - | 1,672,389 | - | 2,078,055 | - | 14,178,196 | 6,802,853 | 10,082,494 | 4,588,028 | 5,817,258 | - | 33,010,267 | 4,767,067 | - | 92,488,005 |
| Cash received from tax increment financing | - | - | - | - | - | - | - | - | 2,407,697 | - | - | - | - | - | - | - | - | - | 2,407,697 |
| Cash paid for operating expenses | (1,359,683) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,359,683) |
| Cash paid for expenses of operating facilities | - | (92,168) | (3,364,463) | (3,803,286) | (3,147,238) | (242,107) | (35,804,129) | (1,064,251) | (462,789) | (3,710,425) | (4,241,820) | (5,234,916) | (2,348,728) | (3,184,086) | (25,930,869) | (21,398,627) | (1,657,334) | 233,203 | (115,454,033) |
| Net Cash and Cash Equivalents Provided by (Used in) Operating Activities | 17,311,251 | (78,182) | 1,097,971 | 1,225,678 | 4,254,755 | 1,430,282 | 16,239,838 | 1,013,804 | 1,944,908 | 10,467,771 | 2,561,033 | 4,847,578 | 2,239,300 | 2,633,172 | - | 11,611,640 | 3,109,733 | (2,413,664) | 79,496,868 |
| Cash Flows from Non-capital Financing Activities: | | | | | | | | | | | | | | | | | | | |
| Advances | (225,889) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (225,889) |
| Advances from (to) related party | 11,000 | - | - | - | - | - | (11,000) | - | - | - | - | - | - | - | - | - | - | - | - |
| Principal payments on bonds and notes payable | (13,664,182) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (13,664,182) |
| Net Cash and Cash Equivalents Provided by (Used in) Non-capital Financing Activities | (13,879,071) | - | - | - | - | - | (11,000) | - | - | - | - | - | - | - | - | - | - | - | (13,890,071) |
| Cash Flows from Capital and Related Financing Activities: | | | | | | | | | | | | | | | | | | | |
| Right-to-use buildings expenditures | - | (30,713,442) | (312,450) | (229,871) | (2,916,863) | - | - | - | - | (35,280,171) | (1,056,011) | (396,279) | (161,275) | (955,919) | - | (2,736,527) | - | 1,292,764 | (73,466,044) |
| Construction, development, and equipment expenditures | (4,124) | - | - | - | - | - | (3,281,345) | - | - | - | - | - | - | - | - | - | (357,027) | - | (3,642,496) |
| Advances from (to) related party | 190,000 | - | - | (190,000) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Proceeds from issuance of bonds and notes payable | - | 68,187,219 | - | - | - | - | - | - | - | 111,281,098 | - | - | - | - | - | - | - | - | 179,468,317 |
| Bond issuance expenditures | - | (2,013,799) | - | - | - | - | - | - | - | (618,886) | - | - | - | - | - | - | - | - | (2,632,685) |
| Net funding of funds for replacement of and additions to furnishings and equipment | - | - | - | - | - | - | (643,509) | - | - | - | - | - | - | - | - | - | - | - | (643,509) |
| Interest payments on bonds and notes payable | (1,876,834) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,876,834) |
| Interest paid | (8,620) | (2,463,313) | (594,999) | (1,968,348) | (3,004,485) | (438,133) | (13,817,098) | (495,598) | (1,349,757) | (4,501,688) | (805,450) | (1,729,050) | (1,071,400) | (619,430) | - | (5,245,299) | (737,400) | 53,291 | (38,796,777) |
| Principal payments on bonds and notes payable | - | (21,426,238) | (835,000) | - | (765,000) | (497,600) | - | (670,000) | (450,000) | (421,567) | (1,350,000) | (1,810,000) | (790,000) | (940,000) | - | (4,920,000) | (870,000) | 171,567 | (35,573,838) |
| Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities | (1,699,578) | 11,570,427 | (1,742,449) | (2,388,219) | (6,686,348) | (935,733) | (17,741,952) | (1,165,598) | (1,799,757) | 70,458,786 | (3,211,461) | (3,935,329) | (2,022,675) | (2,515,349) | - | (12,901,826) | (1,964,427) | 1,517,622 | 22,836,134 |
| Cash Flows from Investing Activities: | | | | | | | | | | | | | | | | | | | |
| Principal payments on loans receivable | 196,567 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (171,567) | 25,000 |
| Related party payable deposits | (1,352,878) | - | - | - | - | - | - | - | - | - | - | - | - | - | 231,978 | - | - | 1,120,900 | - |
| Reserve deposits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (322,906) | - | - | - | (322,906) |
| Proceeds from settlement | 178,230 | - | - | - | - | - | - | - | - | 6,201 | - | - | 273 | 57,646 | - | - | 8,353 | - | 250,703 |
| Net sales (purchases) of deposits with bond trustees - restricted | - | (12,148,331) | 95,584 | 867,166 | 2,012,182 | (125,927) | (350,314) | (31,237) | (201,807) | (79,442,443) | 83,819 | (911,380) | 90,531 | (614,568) | - | (36,864) | (983,762) | - | (91,697,351) |
| Net purchases of investments | (1,694,557) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,694,557) |
| Interest received | 1,929,295 | 656,086 | 112,029 | 136,280 | 211,572 | 40,420 | 367,330 | 54,760 | 112,925 | 912,787 | 244,941 | 277,283 | 90,769 | 134,443 | 90,928 | 899,338 | 114,959 | (53,291) | 6,332,854 |
| Net Cash and Cash Equivalents Provided by (Used in) Investing Activities | (743,343) | (11,492,245) | 207,613 | 1,003,446 | 2,223,754 | (85,507) | 17,016 | 23,523 | (88,882) | (78,523,455) | 328,760 | (634,097) | 181,573 | (422,479) | - | 862,474 | (860,450) | 896,042 | (87,106,257) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 989,259 | - | (436,865) | (159,095) | (207,839) | 409,042 | (1,496,098) | (128,271) | 56,269 | 2,403,102 | (321,668) | 278,152 | 398,198 | (304,656) | - | (427,712) | 284,856 | - | 1,336,674 |
| Cash and Cash Equivalents, beginning of year | 23,246,411 | - | 1,717,740 | 1,072,848 | 283,125 | 72,259 | 1,734,835 | 406,876 | 346,437 | 602,025 | 1,007,705 | 2,205,184 | 359,242 | 1,170,064 | - | 2,364,248 | 769,569 | - | 37,358,568 |
| Cash and Cash Equivalents, end of year | $ 24,235,670 | $ - | $ 1,280,875 | $ 913,753 | $ 75,286 | $ 481,301 | $ 238,737 | $ 278,605 | $ 402,706 | $ 3,005,127 | $ 686,037 | $ 2,483,336 | $ 757,440 | $ 865,408 | $ - | $ 1,936,536 | $ 1,054,425 | $ - | $ 38,695,242 |
| Reconciliation of operating income (loss) to net cash and cash equivalents provided by operating activities: | | | | | | | | | | | | | | | | | | | |
| Operating income (loss) | $ 1,712,884 | $ 10,528 | $ 1,138,514 | $ (435,613) | $ 2,931,631 | $ 149,792 | $ 5,459,802 | $ 623,748 | $ 1,069,930 | $ 6,211,215 | $ 1,780,979 | $ 2,961,581 | $ 1,114,129 | $ 1,552,172 | $ (100) | $ 8,225,455 | $ 80,847 | $ (1,336,443) | $ 33,251,051 |
| Adjustment to reconcile operating income (loss) to net cash and cash equivalents provided by operating activities: | | | | | | | | | | | | | | | | | | | |
| Depreciation and amortization | 14,203,728 | 48,665 | 782,556 | 1,690,163 | 1,936,126 | 849,625 | 6,912,393 | 622,960 | 901,952 | 2,966,012 | 1,595,821 | 2,199,924 | 1,000,400 | 1,150,232 | - | 5,355,860 | 2,577,213 | (97,366) | 44,696,264 |
| Provision for doubtful accounts | 14,821 | - | 353,983 | 185,757 | - | 2,780 | 35,515 | 155,316 | - | 34,655 | 74,505 | 91,118 | 22,566 | 8,397 | - | 42,112 | 31,017 | - | 1,052,542 |
| Changes in operating assets and liabilities: | | | | | | | | | | | | | | | | | | | |
| Security deposits | - | - | - | - | - | - | - | - | - | (76,200) | - | - | - | - | - | - | (32) | - | (76,232) |
| Deposits with bond trustee- restricted | 864,573 | | | | | | | | | | | | | | | | | | 864,573 |
| Leases receivable | (13,828,445) | | | | | | | | | | | | | | | | | | (13,828,445) |
| Rent and other receivables | 1,584,412 | (159,758) | (380,978) | (210,097) | (261,958) | 5,008 | 149,070 | (185,729) | - | (404,515) | (68,792) | (112,916) | (57,946) | (14,125) | 3,354,499 | (11,665) | (72,557) | (42,529) | 3,109,424 |
| Related party receivable | (919,868) | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,120,900 | - | - | (201,032) | - |
| Inventory | - | - | - | - | - | - | (132,716) | - | - | - | - | - | - | - | - | - | - | - | (132,716) |
| Prepaid expenses and other assets | 16,748 | - | 5,355 | 27,681 | (275,871) | 6,479 | (403,480) | (6,223) | - | (168,005) | (11,569) | 56,300 | 12,667 | (5,546) | (312) | 18,192 | (118,612) | - | (846,196) |
| Accounts payable and accrued expenses | (175,833) | 22,383 | (450,342) | (99,680) | (33,220) | 414,222 | 3,507,455 | 103,514 | (26,974) | 1,887,373 | (293,664) | (367,355) | (3,693) | (59,816) | (4,475,299) | (1,647,318) | 584,645 | (736,294) | (1,849,896) |
| Lease liability | (117,656) | - | - | - | - | - | (67,825) | - | - | - | - | - | - | - | - | - | - | - | (185,481) |
| Sales tax payable | - | - | - | - | - | - | (86,926) | - | - | - | - | - | - | - | - | - | - | - | (86,926) |
| Advances | - | - | - | - | - | - | - | - | - | - | - | - | 80,506 | - | - | - | - | - | 80,506 |
| Advance deposits | - | - | - | - | - | - | 866,550 | - | - | - | - | - | - | - | - | - | - | - | 866,550 |
| Security deposits | - | - | - | - | - | - | - | - | - | 15,873 | - | - | - | - | - | (50,400) | 150 | - | (34,377) |
| Accrued ground rent | - | - | (335,973) | - | - | - | - | (335,249) | - | - | (490,963) | - | - | - | - | (407,210) | - | - | (1,569,395) |
| Deferred inflow of resources - rents and fees collected in advance | 13,955,887 | | (15,144) | 67,467 | (41,953) | 2,376 | - | 35,467 | - | 1,363 | (25,284) | 18,926 | 70,671 | 1,858 | 312 | 86,614 | 27,062 | - | 14,185,622 |
| Net cash and cash equivalents provided by (used in) operating activities | $ 17,311,251 | $ (78,182) | $ 1,097,971 | $ 1,225,678 | $ 4,254,755 | $ 1,430,282 | $ 16,239,838 | $ 1,013,804 | $ 1,944,908 | $ 10,467,771 | $ 2,561,033 | $ 4,847,578 | $ 2,239,300 | $ 2,633,172 | $ - | $ 11,611,640 | $ 3,109,733 | $ (2,413,664) | $ 79,496,868 |
| **Schedule of non-cash capital and related financing activities:** | | | | | | | | | | | | | | | | | | | |
| Accrued interest expense on the lease liability | $ 939 | $ - | $ - | $ - | $ - | $ - | $ 2,479,517 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,241,160 | $ - | $ 3,721,616 |
| Recognition of right-of-use asset | - | - | - | - | - | - | 179,988 | - | - | - | - | - | - | - | - | - | - | - | 179,988 |
| Recognition of lease liability | - | - | - | - | - | - | 179,988 | - | - | - | - | - | - | - | - | - | - | - | 179,988 |
| Gain on sales and retirements of assets, net | - | - | - | - | - | - | - | - | - | 77,379 | 91,225 | 114,992 | 24,090 | 15,363 | - | 59,732 | 275,817 | - | 658,598 |
| Construction, development, and equipment expenditures for capital assets included in accounts payable and accrued expenses | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 567,924 | - | 567,924 |
| Right-to-use building expenditures included in accounts payable and other accrued expenses | - | 2,721,881 | - | - | - | - | - | - | - | 6,995,517 | - | - | - | - | - | - | - | - | 9,717,398 |
| Amortization of lease allowance | 28,361 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 28,361 |
| Amortization of issue premium on bonds | - | - | 42,785 | 249,984 | 45,215 | - | - | 34,996 | 10,714 | 344,949 | 95,944 | 245,224 | 121,913 | 124,951 | - | 1,244,767 | 116,668 | - | 2,678,110 |
| Amortization of issue discount on bonds | - | - | - | 9,270 | 6,139 | - | 165,740 | - | - | 67,947 | 247 | - | - | - | - | - | - | - | 249,343 |
| Amortization of deferred inflow of resources - deferred advance refunding gains | - | - | - | - | - | - | - | - | - | 50,352 | - | 15,269 | - | 7,728 | - | - | - | - | 73,349 |
| Amortization of deferred outflow of resources - deferred advance refunding costs | - | - | 5,441 | - | - | - | 425,285 | 21,622 | - | - | 12,020 | - | 19,434 | - | - | 184,587 | 17,730 | - | 686,119 |

## 9. DEBT OBLIGATIONS

Bonds and notes payable are summarized as follows as of June 30,:

| | 2024 | 2023 |
|---|---|---|
| Revenue bonds payable | $ 902,530,506 | $ 935,027,477 |
| Notes payable, including $2,738 in 2024 and 2023 to State of Maryland Department of Business and Economic Development (DBED) | 13,665,738 | 13,665,738 |
| Total | $ 916,196,244 | $ 948,693,215 |

The revenue bonds payable are secured by deeds of trust or mortgages on the related facilities and/or assignments of the related notes receivable or leases and, in most cases, irrevocable letters of credit issued by commercial banks. This debt matures at various dates through June 2059 and, as of June 30, 2024 and 2023, bears interest at a weighted average effective rate of 4.51% and 4.47%, respectively.

The notes payable are generally secured by mortgages on the related properties and/or assignments of the related notes receivable or leases. This debt matures at various dates through November 2032 and, as of June 30, 2024 and 2023, bears interest at a weighted average effective rate of 10.29% and 9.32%, respectively, including an average effective rate of 10.48% and 9.32%, respectively, on variable rate notes of $9,000,000 for the years then ended. The interest rates on the variable rate notes are primarily based on the Prime Rate.

Total interest on bonds and notes payable totaled $40,975,004 and $39,454,592 during the years ended June 30, 2024 and 2023, respectively.

Bonds and notes payable are summarized as follows as of June 30,:

| | 2024 | 2023 |
|---|---|---|
| MEDCO debt obligations | $ 90,240,143 | $ 104,176,652 |
| Operating facilities debt obligations | 825,956,101 | 844,516,563 |
| Total | $ 916,196,244 | $ 948,693,215 |

Under terms of the related loan agreements, MEDCO has no obligation for the bonds and notes payable beyond the resources provided under the lease or loan with the party on whose behalf the debt was issued. Under terms of the facilities' loan agreements, holders of the operating facilities' debt have no recourse to other assets of MEDCO in the event that cash flows from the operation or sales of the facilities are not sufficient to service or repay the debt.

**9. DEBT OBLIGATIONS – continued**

Future payments on the bonds and notes payable are due as follows for the years ending June 30,:'

| | Total | Principal | Interest |
|---|---|---|---|
| 2025 | $ 145,846,676 | $ 107,048,068 | $ 38,798,608 |
| 2026 | 75,340,648 | 38,818,912 | 36,521,736 |
| 2027 | 75,457,022 | 40,393,268 | 35,063,754 |
| 2028 | 76,694,956 | 43,276,993 | 33,417,963 |
| 2029 | 74,749,685 | 43,022,994 | 31,726,691 |
| 2030-2034 | 332,297,018 | 205,869,317 | 126,427,701 |
| 2035-2039 | 188,564,287 | 95,215,224 | 93,349,063 |
| 2040-2044 | 150,069,253 | 75,036,566 | 75,032,687 |
| 2045-2049 | 137,246,722 | 80,870,125 | 56,376,597 |
| 2050-2054 | 121,079,227 | 83,620,000 | 37,459,227 |
| 2055-2059 | 96,037,025 | 81,070,000 | 14,967,025 |
| | 1,473,382,519 | 894,241,467 | 579,141,052 |
| Less: unamortized discount | (3,685,818) | (3,685,818) | - |
| Plus: unamortized premium | 25,640,595 | 25,640,595 | - |
| Total | $ 1,495,337,296 | $ 916,196,244 | $ 579,141,052 |

**9. DEBT OBLIGATIONS – continued**

Activity in debt for the years ended June 30, 2024 and 2023 is summarized as follows:

| | Bonds payable | Notes payable |
|---|---|---|
| Balance June 30, 2022 | $ 807,274,338 | $ 13,667,306 |
| Amortization of issue discount | 249,343 | - |
| Amortization of issue premium | (2,678,110) | - |
| Additions | 179,418,358 | - |
| Principal payments/reductions | (49,236,452) | (1,568) |
| Balance June 30, 2023 | 935,027,477 | 13,665,738 |
| Amortization of issue discount | 269,940 | - |
| Amortization of issue premium | (2,622,802) | - |
| Additions | - | - |
| Principal payments/reductions | (30,144,109) | - |
| Balance June 30, 2024 | $ 902,530,506 | $ 13,665,738 |

## 10. CONDUIT DEBT

Under terms of the related loan agreements, MEDCO has no obligation for the conduit debt obligations beyond the resources provided under the lease or loan with the party on whose behalf the debt was issued. Activity in conduit debt excluded from the accompanying financial statements for the years ended June 30, 2024 and 2023 is summarized as follows:

| | | |
|---|---|---|
| Balance June 30, 2022 | $ | 2,208,504,225 |
| Additions | | 3,184,625 |
| Principal payments/reductions | | (158,840,855) |
| Balance June 30, 2023 | | 2,052,847,995 |
| Additions | | 439,805,096 |
| Principal payments/reductions | | (87,989,963) |
| Balance June 30, 2024 | $ | 2,404,663,128 |

During the year ended June 30, 2024, MEDCO issued bonds on behalf of the University of Maryland, College Park Energy and Utility Infrastructure NextGen Program, $350,520,000, in order to finance costs to advance long term efficient, reliable, and sustainable energy production, delivery and usage on the University's campus, Woodington Gardens, $37,077,000, in order to finance the costs of the acquisition, rehabilitation, installation, renovation, and equipping of a 197 unit multifamily building in Baltimore City, Maryland and PRG Towson Place Properties L.L.C., $40,487,000, in order to refinance various routine and non-routine capital upgrades, improvements, or renovations around PRG Towson Place Properties.

During the year ended June 30, 2023, MEDCO issued bonds on behalf of the Hospice of the Chesapeake, $3,185,000, in order to finance costs of the issuance, renovations and capital replacements and improvements of the facility located in Anne Arundel County, Maryland.

## 11. COMMITMENTS AND CONTINGENCIES

### Leases

MEDCO follows GASB 87, which requires both capital and operating leases to be presented on the statement of net position as an amortizable right-of-use asset and a liability to make lease payments. The right-of-use-asset represents MEDCO's right to use an underlying asset for the lease term and lease liabilities represent MEDCO's obligation to make lease payments per the terms of the lease agreements. The lease liability is measured at the present value of payments expected to be made during the lease term, including variable payments that depend on an index or a rate (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs and is amortized over the lease term. The lease liability is measured by using the MEDCO's estimated incremental borrowing rate, as determined by management, in determining the present value of the lease payments. The amortization of the discount on the lease liability is reported as interest expense each period. MEDCO also considered any lease terms that included options to extend or terminate the lease, residual value guarantees, restrictive covenants and lease incentives when valuing the right-of-use assets. Service concession arrangements are specifically excluded from GASB 87.

### Annapolis Garage

In September 2022, MEDCO entered into a concession agreement with the City of Annapolis to operate a parking garage and additional parking assets, terminating at the earlier of 30 years and 6 months from the substantial completion date or the date on which the Series 2022 bonds are fully repaid. From on and after the commencement of the agreement, on each revenue share release date, as defined in the Common Terms and Collateral Agency Agreement (CTCAA), MEDCO shall pay to the City of Annapolis the amount of a distributable portion of the Revenue fund, as defined in the CTCAA (City Revenue Payment). If on any revenue share release date funds are not eligible, under terms of the CTCAA, to distribute the City Revenue Payment, the amounts shall remain in the account until eligible on any future revenue share release date. Variable costs are recognized in the period in which they are incurred and relate to taxes, utilities and operating expenses

The City Revenue Payment Expense for the years ended June 30, 2024 and 2023 was $6,139,862 and $896,705, respectively. Amounts owed under the concession agreement totaled $3,972,867 and $953,779 as of June 30, 2024 and 2023, respectively. During the years ended June 30, 2024 and 2023, ($57,074) and $953,779 of amounts due to the City of Annapolis were capitalized within right-to-use buildings and are being amortized accordingly.

## 11. COMMITMENTS AND CONTINGENCIES – continued

### Leases – continued

### Bowie

The land underlying Bowie is leased from the State of Maryland on behalf of Bowie State University (BSU) under a non-cancellable operating lease expiring on the earlier to occur of June 1, 2043 or the date on which the bonds have been fully repaid. Rent payable under the lease is equal to “net revenues,” as defined. Payment of the rent is subject to the project meeting a coverage ratio and is subordinated to all payments required under the bonds payable and related trust indenture. Effective July 1, 2007, MEDCO entered into a Memorandum of Understanding with BSU that includes a cash basis calculation of ground rent expense and an evaluation of total ground rent due and accrued since the inception of the project. Payments of ground rent are limited to the amount of cash available in the surplus fund as of June 30 each year. If on any release date funds are not eligible, under the terms of the trust indenture, to distribute the ground rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities and operating expenses. Upon the expiration of the lease, the project shall surrender and deliver up possession of the student housing facilities and any fixtures, structures and other improvements thereon, subject to and without any liability on the part of the project for the then existing condition and state of repair of such property except the project’s obligations, as defined in the lease agreement.

Accrued ground rent will exceed ground rent expense to the extent that cumulative additions to ground rent expense are greater than the amount of cash available in the surplus fund for ground rent payments. Accrued ground rent will be reduced for ground rent payments and to the extent that negative ground rent expense can be credited against past due ground rent payments. Cumulative negative ground rent expense in excess of ground rent may be deducted against ground rent due and payable for the succeeding year and shall not be refundable. Ground rent expense was ($986,352) and $159,132 for the years ended June 30, 2024 and 2023, respectively. Ground rent payments from the surplus fund totaled $0 and $495,105 during the years ended June 30, 2024 and 2023, respectively. Accrued ground rent was $354,074 and $1,413,047 as of June 30, 2024 and 2023, respectively.

The lease provides various conditions and restrictions on the use, operation and maintenance of the project and provides the University System of Maryland, on behalf of BSU, an option to purchase the project improvements for a price of $1 plus the outstanding balance of the bonds payable (or other permitted debt) at any time during the lease term. Title to the project improvements will revert to the University System of Maryland upon termination of the lease.

**11. COMMITMENTS AND CONTINGENCIES – continued**

**Leases – continued**

**Bowie ELLC**

The land underlying the project is leased from the State of Maryland on behalf of BSU under a non-cancelable operating lease expiring on the earlier to occur of February 25, 2065 or the date on which the bonds have been fully repaid. Annual rent is equal to 100% of "net available cash flow" released during each lease year, as defined in the trust indenture. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. If on any release date funds are not eligible under the terms of the trust indenture, to distribute the ground rent, the project can draw funds that they deposited in the operating reserve fund. When these funds are not sufficient, the operating reserve fund and MEDCO will advance matching funds to the project, which bear interest at ten percent. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities and operating expenses. Upon the expiration of the lease, the project shall surrender and deliver up possession and without any liability on the part of the project for the then existing condition and state of repair of such property excepting the project's obligations, as designed in the lease agreement. Ground rent expense was $262,080 and $1,968,259 for the years ended June 30, 2024 and 2023, respectively. Ground rent payments from the surplus fund totaled $262,080 and $1,968,259 during the years ended June 30, 2024 and 2023, respectively. Accrued ground rent was $0 as of June 30, 2024 and 2023.

The lease provides various conditions and restrictions on the use, operation and maintenance of the project and provides the University System of Maryland, on behalf of BSU, an option to purchase the project improvements for a price of $1 plus the outstanding balance of the bonds payable (or other permitted debt) at any time during the lease term. Title to the project improvements will revert to the University System of Maryland upon termination of the lease.

**City Garages**

In July 2018, MEDCO entered into an operating agreement with the City of Baltimore to lease three parking garages, terminating at the earlier of the $50^{th}$ anniversary of closing or the date on which the Series 2018 bonds are fully repaid. From on and after the commencement of the lease, on each release date, as defined in the trust indenture, MEDCO shall pay to the City of Baltimore rent in the amount of a distributable portion of the Surplus Fund, as defined in the trust indenture (Additional Rent). If on any release date funds are not eligible, under the terms of the trust indenture, to distribute the Additional Rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities and operating expenses. Upon the expiration of the lease, the project shall surrender and deliver up possession and without any liability on the part of the project for the then existing condition and state of repair of such property excepting the project's obligations, as defined in the lease agreement. The Additional Rent Expense was $0 for both the years ended June 30, 2024 and 2023. As of June 30, 2024 and 2023, the accrued rent due to the City of Baltimore totaled $200,918.

## 11. COMMITMENTS AND CONTINGENCIES – continued

### Leases – continued

### CTU

The land underlying CTU is subleased from the CTU Foundation under a non-cancelable sublease expiring on July 14, 2067. Annual rent is equal to "net available cash flow," as defined, less certain defined amounts. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. Ground rent expense was $0 for the years ended June 30, 2024 and 2023.

The sublease provides various conditions and restrictions on the use, operation and maintenance of the project and provides the CTU Foundation, on behalf of CTU, an option to purchase the project improvements for a price of the principal balance then outstanding of all sums secured by any leasehold mortgage in effect, plus any premium payable on such indebtedness, plus all interest accrued or to accrue on such indebtedness through the date of payment of such indebtedness, plus any other charges due and payable under the bond documents at any time during the sublease term. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities and operating expenses. Title to the project improvements will revert to CTU Foundation upon termination of the sublease.

### CBCC

The land underlying CBCC is leased from Chesapeake Resort, LLC under a non-cancellable operating lease expiring on November 30, 2036 or on the termination date, as defined in the lease. Rent under the lease totaled $40,000 per year until opening of the project on August 29, 2002. Thereafter, the annual rent is based on the fair market value of the land, as defined, and is subject to increase on August 29 of each year by the greater of 3% or 50% of the amount by which the Consumer Price Index increased during the year. The annual rent is subject to adjustments at the end of the fifth operating year of the project and at five-year intervals thereafter based on changes in the appraised fair market value of the land; however, the adjusted annual rent cannot be less than 103% of the rent in the preceding year. Payment of the rent is subordinated to all payments required under the project's series 2006 bonds payable and related trust indenture. Accrued and unpaid ground rent bears interest at 7% annually.

CCBC also has various non-cancellable operating lease agreements for office equipment with expiration dates through April 2028.

CCBC accounts for all operating leases under GASB 87. Lease payments due totaled $2,093,475 and $2,021,943 for the years ended June 30, 2024 and 2023, respectively. Cumulative accrued lease payments included in the current portion of lease liability in the accompanying statements of net position as of June 30, 2024 and 2023 totaled $30,168,685 and $29,236,634 respectively, as payment of the ground rent is subordinate to all payments required under the bonds payable and related trust indenture. Future minimum rent payments for fiscal year 2025 include the accrued but unpaid rents for prior years of approximately $29,186,593.

**11. COMMITMENTS AND CONTINGENCIES – continued**

**Leases – continued**

**CBCC – continued**

Interest expense on past due accrued lease payments totaled $2,238,288 and $2,075,023, for the years ended June 30, 2024 and 2023, respectively, and is recorded in interest expense on the accompanying statements of revenues, expenses and changes in net position. Interest expense on the lease liability totaled $1,144,081 and $1,182,604 for the years ended June 30, 2024 and 2023, respectively, and is recorded in interest expense on the accompanying statements of revenues, expenses and changes in net position. Accrued interest on past due accrued lease payments totaled $22,550,569 and $20,312,281 as of June 30, 2024 and 2023, respectively, and is recorded in accrued interest on the accompanying statements of net position.

Cash paid for amounts included in the measurement of the lease liability totaled $58,615 and $67,825 for the years ended June 30, 2024 and 2023, respectively. No cash payments were made for ground rent during the years ended June 30, 2024 and 2023. Any cash payments received for ground rent are first applied to accrued interest and then to the amount of the accrued lease payments. The weighted average remaining lease term of the leases is 12.3 years and 13.3 years as of June 30, 2024 and 2023, respectively. The weighted average discount rate of the leases is 5.24% as of June 30, 2024 and 2023, respectively.

**Frostburg**

The land underlying Frostburg is leased from the State of Maryland under a non-cancellable operating lease expiring on June 17, 2042. Annual rent is equal to "net revenues," as defined, less certain defined amounts. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. Effective July 1, 2007, MEDCO entered into a Memorandum of Understanding with Frostburg State University that includes a cash basis calculation of ground rent expense and an evaluation of total ground rent due and accrued since the inception of the project. Payments of ground rent are limited to the amount of cash available in the surplus fund as of June 30 each year. If on any release date funds are not eligible, under the terms of the trust indenture, to distribute the ground rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities and operating expenses. Upon the expiration of the lease, the project shall surrender and deliver up possession of the student housing facilities and any fixtures, structures and other improvements thereon, subject to and without any liability on the part of the project for the then existing condition and state of repair of such property excepting the project's obligations, as defined in the lease agreement.

## 11. COMMITMENTS AND CONTINGENCIES – continued

**Leases – continued**

**Frostburg – continued**

Accrued ground rent will exceed ground rent expense to the extent that cumulative additions to ground rent expense are greater than the amount of cash available in the surplus fund for ground rent payments. Accrued ground rent will be reduced for ground rent payments and to the extent that negative ground rent expense can be credited against past due ground rent payments. Cumulative negative ground rent expense in excess of ground rent may be deducted against ground rent due and payable for the succeeding year and shall not be refundable. Ground rent expense totaled $123,053 and ($335,249) for the years ended June 30, 2024 and 2023, respectively. Ground rent payments from the surplus fund totaled $0 during the years ended June 30, 2024 and 2023. Accrued ground rent totaled $123,053 and $0 as of June 30, 2024 and 2023, respectively.

The lease provides various conditions and restrictions on the use, operation and maintenance of the project and provides the State of Maryland, on behalf of Frostburg State University, an option to purchase the project improvements for a price of $1 plus the outstanding balance of the bonds payable (or other permitted debt) at any time during the lease term. Title to the project improvements will revert to the University System of Maryland upon termination of the lease.

**Metro Centre**

The land underlying Metro Centre is sub-leased from Metro Centre Garage II, Ltd. under a non-cancellable operating lease expiring on April 30, 2054. The annual rent under this lease is $10.

## 11. COMMITMENTS AND CONTINGENCIES – continued

### Leases – continued

### Morgan

The land underlying the project is leased from the State of Maryland under a non-cancellable operating lease, as most recently amended, effective November 1, 2022, expiring on the earlier to occur of (ii) July 1, 2068 or (ii) the date on which the bonds have been fully repaid. Rent payable under the lease is equal to "net available cash," as defined in the lease. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. Payments toward ground rent are limited to the amount of cash available in the surplus fund as of June 30 of each year. Accrued ground rent will exceed ground rent expense to the extent that cumulative additions to ground rent expense are greater than the amount of cash available in the surplus fund for ground rent payments. Accrued ground rent will be reduced for ground rent payments and to the extent that negative ground rent expense can be credited against past due ground rent payments. Cumulative negative ground rent expense in excess of accrued ground rent may be deducted against ground rent due and payable for the succeeding year and shall not be refundable. Pursuant to the terms of the first amendment to the amended and restated air rights and ground lease and agreement, dated November 1, 2022, annual rent shall not be due and payable with respect to the project prior to the lease year ending June 30, 2025. Ground rent expense totaled $0 during the years ended June 30, 2024 and 2023. Ground rent payments from the surplus fund totaled $0 during the years ended June 30, 2024 and 2023. Accrued ground rent totaled $2,371,839 as of June 30, 2024 and 2023.

The lease provides various conditions and restrictions on the use, operation and maintenance of the project and provides the State of Maryland, on behalf of Morgan State University, an option to purchase the project improvements for a price of $1 plus the outstanding balance of the bonds payable (or other permitted debt) at any time during the lease term. Title to the project improvements will revert to Morgan State University upon termination of the lease.

**11. COMMITMENTS AND CONTINGENCIES – continued**

**Leases – continued**

**Salisbury**

Pursuant to the consolidated, amended and restated ground lease agreement entered into in July 2012, the land underlying Salisbury is leased from the State of Maryland on behalf of Salisbury University under a non-cancellable operating lease expiring the earlier of June 25, 2043 or the date on which all of the bonds are fully repaid. Rent payable under the lease is equal to "net revenues," as defined. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. Effective July 1, 2007, MEDCO entered into a Memorandum of Understanding with Salisbury University, that includes a cash basis calculation of ground rent expense and an evaluation of total ground rent due and accrued since the inception of the project. Payments of ground rent are limited to the amount of cash available in the surplus fund as of June 30 each year. If on any release date funds are not eligible, under the terms of the trust indenture, to distribute the Ground Rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities and operating expenses. Upon the expiration of the lease, the project shall surrender and deliver up possession of the student housing facilities and any fixtures, structures and other improvements thereon, subject to and without any liability on the part of the project for the then existing condition and state of repair of such property excepting the project's obligations, as defined in the lease agreement.

Accrued ground rent will exceed ground rent expense to the extent that cumulative additions to ground rent expense are greater than the amound of cash available in the surplus fund for ground rent payments. Accrued ground rent will be reduced for ground rent payments and to the extent that negative ground rent expense can be credited against past due ground rent payments. Cumulative negative ground rent expense in excess of accrued ground rent may be deducted against ground rent due and payable for the succeeding year and shall not be refundable. Ground rent expense totaled $867,846 and $252,512 during the years ended June 30, 2024 and 2023, respectively. Ground rent payments from the surplus fund totaled $533,898 and $743,474 during the years ended June 30, 2024 and 2023, respectively. Accrued ground rent totaled $1,560,722 and $1,226,774 as of June 30, 2024 and 2023, respectively.

The lease provides various conditions and restrictions on the use, operations and maintenance of the project and provides the University System of Maryland on behalf of Salisbury University an option to purchase the project improvements for a price of $1 plus the outstanding balance of the bonds payable (or other permitted debt) at any time during the lease term. Title to the project improvements will revert to the University System of Maryland upon termination of the lease.

**11. COMMITMENTS AND CONTINGENCIES – continued**

**Leases – continued**

**Towson WV & MH**

The land underlying Towson WV is leased from the State of Maryland under a non-cancellable operating lease, as consolidated, amended and restated on June 6, 2012, expiring the earlier of March 27, 2047 or the date on which the bonds have been fully repaid. The annual rent under the lease for the 2007 lease parcel (West Village Student Housing) is $1. At closing for the 2007 bonds, a leasehold payment of $1,750,000 was made to Towson University for the leasehold interest during the term of the ground lease for the 2007 lease parcel. This payment is being amortized to ground rent expense over the term of the bonds. If on any release date funds are not eligible, under the terms of the trust indenture, to distribute the ground rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities and operating expenses. Upon the expiration of the lease, the project shall surrender and deliver up possession of the student housing facilities and any fixtures, structures, and other improvements thereon, subject to and without any liability on the part of the project for the then existing condition and state of repair of such property excepting the project's obligations, as defined in the lease agreement. Accrued ground rent will exceed ground rent expense to the extent that cumulative additions to ground rent expense are greater than the amount of cash available in the surplus fund for ground rent payments. Accrued ground rent will be reduced for ground rent payments and to the extent that negative ground rent expense can be credited against past due ground rent payments. Cumulative negative ground rent expense in excess of accrued ground rent may be deducted against ground rent due and payable for the succeeding year and shall not be refundable. Ground rent amortization expense was $54,545 for each of the years ended June 30, 2024 and 2023. The annual rent under the lease for the 1999 lease parcel (Millennium Hall Student Housing) is equal to "net revenues" from the Millennium Hall facility, as defined. Ground rent expense for the 1999 lease parcel was $0 for the years ended June 30, 2024 and 2023.

**11. COMMITMENTS AND CONTINGENCIES – continued**

**Leases – continued**

**UMAB**

The land underlying UMAB is leased from the State of Maryland on behalf of University of Maryland, Baltimore under a non-cancellable operating lease expiring the earlier of February 12, 2043 or the date on which bonds have been fully repaid. Rent payable under the lease is equal to "net revenues," as defined. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. Effective July 1, 2007, MEDCO entered into a Memorandum of Understanding with the University of Maryland, Baltimore. The terms of the Memorandum of Understanding include a cash basis calculation of ground rent expense and an evaluation of total ground rent due and accrued since the inception of the project. Payments of ground rent are limited to the amount of cash available in the surplus fund as of June 30 each year. If on any release date funds are not eligible, under the terms of the trust indenture, to distribute ground rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities and operating expenses. Upon the expiration of the lease, the project shall surrender and deliver up possession of the student housing facilities and any fixtures, structures, and other improvements thereon, subject to and without any liability on the part of the project for the then existing condition and state of repair of such property excepting the project's obligations, as defined in the lease agreement. No ground rent was due for the years ended June 30, 2024 and 2023.

The lease provides various conditions and restrictions on the use, operations and maintenance of the project and provides the State of Maryland, on behalf of University of Maryland, Baltimore, an option to purchase the project improvements for a price of $1 plus the outstanding balance of the bonds payable (or other permitted debt) at any time during the lease term. Title to the project improvements will revert to the University System of Maryland upon termination of the lease.

**UMBC**

The land underlying UMBC is leased from the State of Maryland under a non-cancellable operating lease expiring on the earlier of June 5, 2042 or the date on which the bonds have been fully repaid. Real estate taxes, insurance and maintenance expenses are obligations of the project. The project is exempt from real estate taxes under Section 10-129 of the Economic Development Article of the Annotated Code of Maryland. The annual rent under the lease is $1.

The lease provides various conditions and restrictions on the use, operations and maintenance of the project and provides the State of Maryland, on behalf of University of Maryland, Baltimore County, an option to purchase the operating facility improvements for a price of $1 plus the outstanding balance of the bonds payable (or other permitted debt) at any time during the lease term. Title to the operating facility improvements will revert to the University System of Maryland upon termination of the ground lease.

## 11. COMMITMENTS AND CONTINGENCIES – continued

### Leases – continued

### UMCP Energy

MEDCO leases the facility that houses the energy and utility infrastructure at the University of Maryland, College Park and the related land from the University System of Maryland under an operating lease expiring in 2029. The lease provides for annual rent of $100.

### UMCP Housing

The land underlying UMCP Housing is leased from the State of Maryland under a non-cancellable operating lease expiring July 31, 2043. Annual rent is defined as "net revenues" less certain amounts, including, among other items, debt service on the bonds. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. Effective July 1, 2007, MEDCO entered into a Memorandum of Understanding with the University of Maryland, College Park that includes a cash basis calculation of ground rent expense and an evaluation of total ground rent due and accrued since the inception of the project. Ground rent expense totaled $8,252,351 and $3,976,119 for the years ended June 30, 2024 and 2023, respectively. Ground rent payments from the surplus fund totaled $2,886,334 and $4,383,329 during the years ended June 30, 2024 and 2023, respectively. Accrued ground rent totaled $13,751,864 and $8,385,847 as of June 30, 2024 and 2023, respectively. Payments toward ground rent are limited to the amount of cash available in the surplus fund as of June 30 of each year. If on any release date funds are not eligible under the terms of the trust indenture, to distribute the ground rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to ground rent, taxes, utilities, and operating expenses. Upon expiration of the lease, the project shall surrender and deliver up possession of the student housing facilities and any fixates, structures and other improvements thereon, subject to and without any liability on the project for the then existing condition and state of repair of such property excepting the project's obligations, as defined in the lease agreement.

Accrued ground rent will exceed ground rent expense to the extent that cumulative additions to right-to-use buildings exceed cumulative draws made from the renewal and replacement fund. Accrued ground rent will be reduced for ground rent payments and to the extent that negative ground rent expense can be credited against past due ground rent payments. Cumulative negative ground rent expense in excess of accrued ground rent may be deducted against ground rent due and payable for the succeeding year and shall not be refundable. Additionally, at closing for the 2006 bonds, a leasehold payment of $680,000 was made to the University of Maryland, College Park for the leasehold interest during the term of the ground lease for the 2006 lease parcel. This payment is being amortized to ground rent expense over the term of the bonds and totaled $17,934 for each of the years ended June 30, 2024 and 2023.

## 11. COMMITMENTS AND CONTINGENCIES – continued

### Leases – continued

### UMCP Housing – continued

The lease provides various conditions and restrictions on the use, operation and maintenance of the project and provides the State of Maryland, on behalf of University of Maryland, College Park an option to purchase the project's improvements for a price of $1 plus the outstanding balance of the bonds payable (or other permitted debt) at any time during the lease term. Title to the project improvements will revert to the University System of Maryland, upon termination of the lease.

### University Village

The land underlying University Village is leased from Sheppard Pratt Health System, Inc. (SPHSI) under a non-cancellable operating lease expiring on June 30, 2041. Rent payable under the lease totaled $885,500 in the initial lease year (which commenced July 1, 2001), and increases by 3% each lease year thereafter. Payment of the rent is subordinated to all payments required under the project's bonds payable and related trust indenture. Unpaid ground rent for the years ended June 30, 2008 through 2021 bears interest at 12.65% annually beginning 90 days after the end of the related lease year. Title to the operating facility improvements will revert to SPHSI upon termination of the lease.

The project accounts for this operating lease under GASB 87. Lease payments due totaled $1,696,710 and $1,647,291 for the years ended June 30, 2024 and 2023, respectively. Cumulative accrued lease payments included in the current portion of lease liability in the accompanying statements of net position as of June 30, 2024 and 2023 totaled $12,927,626 and $11,180,015, respectively, as the payment of the rent is subordinate to all payments required under the bonds payable and related trust indenture. Future minimum rent payments for fiscal year 2025 include the accrued but unpaid rents for prior years of approximately $12,398,000.

Interest expense on past due accrued lease payments totaled $1,771,293 and $1,323,870, for the years ended June 30, 2024 and 2023, respectively, and is recorded in interest expense on the accompanying statements of revenues, expenses and changes in net position. Interest expense on the lease liability totaled $1,218,382 and $1,241,160 for the years ended June 30, 2024 and 2023, respectively, and is recorded in interest expense on the accompanying statements of revenues, expenses and changes in net position. Accrued interest on past due accrued lease payments totaled $6,049,682 and $4,278,389 as of June 30, 2024 and 2023, respectively, and is recorded in accrued interest on the accompanying statements of net position.

**11. COMMITMENTS AND CONTINGENCIES – continued**

**Leases – continued**

**University Village – continued**

No cash payments were made for ground rent during the years ended June 30, 2024 and 2023. Cash payments are first applied to accrued interest and then to the amount of the accrued lease payments. The weighted average remaining lease term of the lease is 17 years and 18 years as of June 30, 2024 and 2023, respectively. The weighted average discount rate of the lease is 5.0% as of June 30, 2024 and 2023, respectively.

**Other Leasing Activities**

Effective August 15, 2020, MEDCO entered into a lease agreement for office space that expires in April 2029.

MEDCO accounts for this operating lease under GASB 87. Interest expense on the lease liability totaled $9,054 and $10,583 for the years ended June 30, 2024 and 2023, respectively, and is recorded in interest expense on the accompanying statements of revenues, expenses, and changes in net position. Cash paid for amounts included in the measurement of the lease liability totaled $125,671 and $131,527 for the years ended June 30, 2024 and 2023, respectively. The weighted-average remaining lease term is 4.8 years and 5.8 years as of June 30, 2024 and 2023, respectively, and the weighted-average discount rate of the lease is 1.24% as of June 30, 2024 and 2023.

**Future Minimum Lease Payments**

Future minimum rent under these leases, excluding MEDCO, CBCC and University Village, are due as follows for the years ending June 30,:

| | |
|---|---|
| 2025 | $ 18,435,091 |
| 2026 | 12 |
| 2027 | 12 |
| 2028 | 12 |
| 2029 | 12 |
| 2030-2034 | 60 |
| 2035-2039 | 60 |
| 2040-2044 | 58 |
| 2045-2049 | 54 |
| 2050-2053 | 50 |
| 2054 | 10 |
| Total | $ 18,435,431 |

## 11. COMMITMENTS AND CONTINGENCIES – continued

### Future Minimum Lease Payments – continued

The following table presents future minimum lease principal and interest due for MEDCO, CBCC and UV for the years ending June 30,:

| | Total | Principal | Interest |
|---|---|---|---|
| 2025 | $ 49,373,755 | $ 43,226,942 | $ 6,146,813 |
| 2026 | 4,128,455 | 1,838,906 | 2,289,549 |
| 2027 | 4,248,110 | 2,047,428 | 2,200,682 |
| 2028 | 4,356,683 | 2,255,224 | 2,101,459 |
| 2029 | 4,416,343 | 2,424,229 | 1,992,114 |
| 2030-2034 | 23,501,733 | 15,595,522 | 7,906,211 |
| 2035-2039 | 19,348,260 | 15,931,256 | 3,417,004 |
| 2040-2042 | 5,524,051 | 3,915,358 | 1,608,693 |
| | $ 114,897,390 | $ 87,234,865 | $ 27,662,525 |

### University System Operating Reserve

In accordance with the Ground Lease Agreement, a Memorandum of Understanding effective July 2, 2003, and an Amended and Restated Memorandum of Understanding effective April 2, 2007, the Lessee (MEDCO) shall create, hold and maintain a single fund for all projects, referred to in each Ground Lease as the operating reserve fund to be held and used in accordance with each Ground Lease and Memorandum.

From monies which otherwise would be rent, MEDCO is authorized to make, on behalf of the projects, annual deposits to the operating reserve fund on or before November 30 of each year in the amount of $20,000 for each of the Bowie State University, Salisbury University and the University of Maryland, Baltimore projects, and commencing in November 2009, $20,000 for the Towson University project, and commencing in November 2011, $40,000 for the University of Maryland, College Park project; provided however, if the deposit of the full amount would cause the operating reserve fund to exceed the maximum amount per the Amended and Restated Memorandum of Understanding, the amount deposited under each ground lease shall be reduced proportionately.

As of June 30, 2024 and 2023, no deposits in lieu of ground rent have been made by MEDCO on behalf of the UMAB project to the operating reserve fund as the project, since inception, has not incurred ground rent expense. As of June 30, 2024 deposits have been made by MEDCO on behalf of Bowie ELLC, $20,000, Salisbury $20,000, and UMCP Housing $40,000. As of June 30, 2023, deposis have been made by MEDCO on behalf of Bowie, $20,000, and Bowie ELLC, $20,000.

## 11. COMMITMENTS AND CONTINGENCIES – continued

### University System Operating Reserve – continued

If any of the projects' revenues are not sufficient to meet permitted expenses as defined by the Memorandum of Understanding and the Amended and Restated Memorandum of Understanding, the project can draw funds that they deposited in the operating reserve fund. When these funds are not sufficient, the operating reserve fund and MEDCO will advance matching funds to the respective project, which bear interest at 10%.

### Litigation

Various lawsuits and other claims occur in the normal course of business and are pending against MEDCO and its projects. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material effect on the accompanying financial statements.

## 12. GOING CONCERN - CBCC

CBCC has an accumulated negative net position of $238,469,000 and its current liabilities exceed its current assets by $188,028,000 at June 30, 2024.

Pursuant to the seventh amendment of the restated and amended forbearance agreement effective June 30, 2024, the forbearance agreement was extended to December 31, 2024. The agreement, to the extent there is no event of default or forbearance termination event as defined, provides for a partial deferral of interest and principal payments owed under the bonds. During the forbearance period, no payments of interest are to be made from the debt service reserve fund unless directed by the bondholders. Upon expiration of the forbearance period, the deficiency between the interest and principal payments required to be made under the terms of the trust indenture and the amount available to be paid from funds deposited in the debt service trust accounts during the forbearance period shall be immediately due and payable.

Management believes the projected future operating results of CBCC will provide CBCC with adequate cash flow to meet its operating needs; however, CBCC will not be able to make the current principal and interest payments on the bonds, which includes missed principal payments from December 2023, December 2022, December 2021, December 2020, December 2019, December 2018, December 2017, December 2016, December 2015, December 2014 and December 2013 should the restated and amended forbearance agreement not be extended past its current expiration date of December 31, 2024. These factors create significant doubt about CBCC's ability to continue as a going concern.

The ability of CBCC to continue as a going concern is dependent upon a resolution with the bondholders regarding the outstanding bond principal payments. The financial statements do not include any adjustments that might be necessary if CBCC is unable to continue as a going concern.