MARYLAND ECONOMIC DEVELOPMENT CORPORATION

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

For the Years Ended June 30, 2023 and 2022

MARYLAND ECONOMIC DEVELOPMENT CORPORATION

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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, 2023 and 2022. 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 Mixed Use Facility Student Housing (Bowie Mixed Use) 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 22-69 of this report.

Financial Analysis of MEDCO

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

	2023	2022	2021
Current assets	$ 130,289,951	$ 101,262,605	$ 106,734,421
Net right-of-use assets, capital assets, and right-to-use buildings	630,074,548	588,035,548	584,974,572
Other non-current assets	258,783,894	205,167,486	252,617,011
Total Assets	$ 1,019,148,393	$ 894,465,639	$ 944,326,004
Deferred outflow of resources	$ 3,830,022	$ 4,516,141	$ 5,803,422
Current liabilities	$ 306,512,547	$ 281,727,734	$ 326,655,071
Bonds and notes payable, net of current portion	851,552,253	734,599,772	774,735,663
Other non-current liabilities	46,830,926	45,647,600	48,168,828
Total Liabilities	$ 1,204,895,726	$ 1,061,975,106	$ 1,149,559,562
Deferred inflow of resources	$ 104,687,860	$ 118,418,731	$ 131,456,838
Net investment in capital assets	$ (393,670,877)	$ (307,352,682)	$ (340,989,312)
Restricted under trust indentures	163,442,299	79,162,232	120,915,930
Restricted for capital and other purposes	145,615	47,703	36,779
Unrestricted - Projects	(87,152,153)	(81,028,466)	(136,685,569)
Unrestricted - MEDCO	30,629,945	27,759,156	25,835,198
Total Net Position	$ (286,605,171)	$ (281,412,057)	$ (330,886,974)

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, anticipated to open 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 Notes 1 and 2 to the financial statements.

Financial Analysis of MEDCO – continued

- 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 for 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 lease receivable of $14,120,000 for MEDCO due to payments received from leases during the current year in which MEDCO is the lessor.

- 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.

Financial Analysis of MEDCO – continued

- 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 2023 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.

Significant factors in the changes in MEDCO's financial position for the year ended June 30, 2022 include:

- During the year ended June 30, 2022, operations at the student housing operating facilities fully recovered from COVID-19 related difficulties as students have returned to campus full time. In addition, revenue increased at MEDCO's City Garages facilities as both monthly and transient business returned to Baltimore's central business district and the inner harbor, and at CBCC as a result of increased travel demand, group bookings and returning business from the COVID-19 period.

- During the year ended June 30, 2022, MEDCO adopted GASB Statement No. 87, *Leases* (GASB 87), using the retrospective approach, which requires a restatement for all prior periods presented. As a result of the adoption of GASB 87, MEDCO recognized a lease liability, right-of-use asset, leases receivable and deferred inflow of resources as of July 1, 2020. Additional information is provided in Notes 1 and 2 to the financial statements.

- Current assets decreased primarily as a result of a decrease in cash and cash equivalents at MEDCO, $11,127,000, primarily due to the use of funds that had been advanced for the planning and construction of future projects and the short-term investment of cash as interest rates increased. This decrease was partially offset by increases in cash and cash equivalents at Bowie Mixed Use, $1,073,000, as a result of the project opening in August 2021, and at other operating projects, $2,276,000, as operations have recovered from the COVID-19 period. Deposits with bond trustees – restricted decreased at Morgan, $4,702,000, primarily due to the use of funds on deposit for capitalized interest payments and a decrease in the required deposits for interest and principal due to the issuance of 2022 bonds and the refunding of the 2012 bonds, and at CBCC, $3,075,000, primarily to make additional payments toward deferred senior interest. Funds for replacement and additions of furnishings and equipment at CBCC increased, $1,062,000, due to current year capital expenditures being less than the amount contributed per the management agreement. These decreases were partially offset by increases in rent and other receivables primarily at MEDCO, $1,856,000, as a result of construction fees paid on behalf of Morgan that were awaiting reimbursement, CBCC, $2,851,000, due to increases in billings as occupancy continued to recover from COVID-19, and UMCP Energy, $2,547,000, as a result of increased billings due for maintenance and repairs.

Financial Analysis of MEDCO – continued

- Net right-of-use assets, capital assets and right-to-use buildings increased due to development expenditures for Morgan TMH, $36,559,000, and various other capital expenditures at Projects totaling $9,994,000. These increases were partially offset by current year depreciation and amortization of $42,684,000.

- Other non-current assets decreased primarily as a result of funds deposited with the trustee primarily due to development expenditures for Morgan TMH, $34,725,000, and Bowie Mixed Use, $2,089,000, as well as capital, debt service and operational expenditures at various other Projects totaling $3,966,000. These decreases were partially offset by increases in surplus funds deposited with the trustee at UMCP Housing, $4,864,000, and various other Projects, $3,276,000, as operations recovered from the COVID-19 period. Leases receivable decreased $14,120,000 for MEDCO due to payments received during the current year in which MEDCO is the lessor.

- Current liabilities decreased primarily as a result of the gain on extinguishment of management fee payable related to CBCC deferred management fees and accrued interest in the amount of $61,034,000, and advances, $13,379,000, due to the use of funds that had been advanced for the planning and construction of future projects. These decreases were partially offset by increases in accounts payable and accrued expenses of $2,801,000 at UMCP Energy as a result of increased billings due for maintenance and repairs that were performed in May and June, Morgan, $1,823,000, due to outstanding construction invoices related to the TMH facility at year end, the current portion of bonds payable due to CBCC not being able to fund the amount due during the year ended June 30, 2022, $7,925,000, accrued ground rent primarily due to increases in cash flow resulting in increases to cumulative rent due at Bowie, $1,749,000, Morgan, $1,477,000, and UMCP, $4,362,000, accrued interest at University Village, $2,585,000, primarily due to an increase in lease liability interest due, and lease liability at CBCC, $1,940,000, and University Village, $1,647,000.

- Bonds and notes payable, net of current portion, decreased primarily as a result of the refunding of 2012 bonds, $23,320,000, and the issuance of 2022 bonds, $22,707,000, at Morgan. The reclassification of fiscal year 2023 principal payments from non-current to current liabilities, $22,529,000, and the amortization of bond premium/discounts, $2,580,000.

- Other non-current liabilities increased primarily due to a increase in the lease liability of $9,352,000 at University Village, slightly offset by a decrease in lease liability at CCBC of $2,014,000 due to ground rent payments becoming current.

MEDCO's net position as of June 30, 2023, 2022 and 2021 (after considering the effects of eliminations and adjustments in consolidation) are detailed by source as follows:

	2023	2022	2021
Operating facilities	$ (314,980,266)	$ (307,504,043)	$ (355,912,320)
Other operations	28,375,095	26,091,986	25,025,346
Net position	$ (286,605,171)	$ (281,412,057)	$ (330,886,974)

Financial Analysis of MEDCO – continued

As discussed in greater detail below, the majority of MEDCO's operating income for 2023, 2022 and 2021 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,:

	2023	2022	2021
Operating Revenues:			
Operating facilities	$ 176,947,588	$ 155,283,429	$ 116,037,061
Lease	14,061,177	13,725,256	12,207,255
Consulting and management fees	1,668,859	1,677,027	2,041,011
Total Operating Revenues	192,677,624	170,685,712	130,285,327
Operating Expenses:			
Operating facilities	111,392,679	99,774,972	79,224,410
Compensation and benefits	2,143,367	1,888,712	1,861,112
Administrative and general	1,194,263	705,425	563,979
Depreciation and amortization	44,696,264	42,683,962	41,782,910
Total Operating Expenses	159,426,573	145,053,071	123,432,411
Operating Income	33,251,051	25,632,641	6,852,916
Non-operating Revenues and Expenses:			
Interest income	9,899,833	2,531,896	4,521,654
Interest expense	(45,303,418)	(39,000,994)	(39,643,598)
Settlement income	250,703	296,451	36,938
Gain on extinguishment of management fee payable	-	61,034,190	-
Bond issuance costs	(2,632,685)	(290,387)	(680,529)
Loss on sales and retirements of assets, net	(658,598)	(728,880)	(368,436)
Net Non-operating Revenues (Expenses)	(38,444,165)	23,842,276	(36,133,971)
Change in Net Position	(5,193,114)	49,474,917	(29,281,055)
Net Position, beginning of year	(281,412,057)	(330,886,974)	(301,605,919)
Net Position, end of year	$ (286,605,171)	$ (281,412,057)	$ (330,886,974)

Financial Analysis of MEDCO – continued

The change in net position for the years ended June 30, 2023, 2022 and 2021 (after considering the effects of eliminations and adjustments in consolidation) is detailed by source as follows:

	2023	2022	2021
Operating facilities	$ (7,476,223)	$ 48,408,277	$ (29,169,900)
Other operations	2,283,109	1,066,640	(111,155)
Change in Net Position	$ (5,193,114)	$ 49,474,917	$ (29,281,055)

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 had 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 fifth 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 June 30, 2023, a cash flow 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 13 to the financial statements.

Financial Analysis of MEDCO – continued

- 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. 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.

- 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.

Financial Analysis of MEDCO – continued

Significant factors in the results for the year ended June 30, 2022 include:

- As of June 30, 2022, 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 had 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 third amendment to the amended and restated forbearance agreement, the forbearance period was extended to December 31, 2022. In accordance with the terms of the most recent amendment, effective July 1, 2022, a proposed budget through December 31, 2022 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 13 to the financial statements.

Financial Analysis of MEDCO – continued

- As of June 30, 2022, management has identified City Garages, UMBC, UMAB, Bowie, and Towson WV and MH student housing projects as "Watch" projects, as defined in MEDCO's loan classification policy. City Garages revenue increased during 2022 as both monthly and transient business returned to Baltimore's central business district and the inner harbor. In September 2022, City Garages was removed from being classified as a "Watch" project. In March 2020, as a result of COVID-19, the University System of Maryland transitioned all undergraduate in-person instruction to virtual instruction for the remainder of the Spring 2020 semester. In connection with the University of Maryland's decision, all universities in the system closed their on-campus residential halls. During the year ended June 30, 2021 occupancy rates began to improve as the University System of Maryland institutions offered a mix of both virtual and in-person instruction. During the year ended June 30, 2022 student housing projects 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. If in any fiscal year, the coverage ratio is not met, a management consultant must be employed. In September 2022, UMBC and Bowie were removed from being classified as a "Watch" project, and Frostburg was added to "Watch" in September 2022. UMAB, Towson WV and MH, and Frostburg were added to "Watch" as they did not meet their respective coverage ratios as of June 30, 2022. During the year ending June 30, 2022, MEDCO retained a management consultant for the City Garages, UMBC, UMAB, Bowie, and Towson WV and MH student housing projects.

- Operating income from operating facilities increased approximately $17,549,000 for the year ended June 30, 2022 in comparison to the year ended June 30, 2021. This is primarily attributable to CBCC, $12,902,000, and UMBC, $2,200,000, due to an increase in occupancy causing revenue to increase post COVID-19. Increases at other operating projects, $844,000, were primarily due to operations having fully recovered from the pandemic related difficulties, and Bowie Mixed Use, $1,958,000, as the project opened for the first time in August 2021. These increases are offset by increases in operating facility expenses of $20,752,000 due to the increase in activity due to operations recovering from COVID-19.

- Net Non-operating revenues (expenses) increased $59,976,000. This increase is primarily due to the recognition of a gain on extinguishment of management fees payable at CBCC, $61,034,000, 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. This increase in net non-operating revenue was partially offset by an decrease in interest expense, $1,990,000, primarily due to MEDCO.

Additional information relating to the operating results of the operating facilities for the years ended June 30, 2023 and 2022 is provided in Note 9 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 $87,214,000 and $46,649,000 during the years ended June 30, 2023 and 2022, respectively.

During 2023, MEDCO was requested to enter into a 30-year concession agreement with the City of Annapolis for the use of a the Annapolis Garage through the issuance of its tax-exempt and taxable 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 2023, projects totaling $312,000, primarily for replacement of carpeting and various furniture, fixtures and equipment items, were completed at Bowie. During 2022, projects totaling $262,000, primarily for HVAC repairs, elevator repairs, and replacement of carpeting, were completed at Bowie.

During 2023, projects totaling $230,000, primarily for building updates and various furniture, fixtures and equipment items, were completed at Bowie Mixed Use. During 2022, there were $1,712,000 of construction, development and equipment expenditures for the Bowie Mixed Use facility for the construction of the student housing Project. Proceeds from the 2020 issuance of tax-exempt bonds were used to pay for the cost of issuing the bonds, fund required reserve deposits and to pay for the development of the Project. The Project opened in August 2021.

During 2023 and 2022, there were $2,917,000 and $1,432,000, respectively, in capital expenditure at City Garages for architectural fees, slab repairs, construction equipment, and elevator and lighting repairs.

During 2023, there were $3,281,000 in capital expenditures at CBCC primarily for improvements to the facilities. During 2022, there were $1,355,000 in capital expenditures at CBCC for improvements to the facilities and repairs made to the pier.

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, 2022 at Morgan were expenditures for the ongoing construction of the TMH facility, totaling $36,559,000, as well as $251,000 on the replacement of HVAC units, computers, and furniture and fixtures.

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 major capital asset events during the year ended June 30, 2022 at Salisbury were window, roof, HVAC, carpet, furniture, and appliance replacement, $2,049,000.

Capital Assets and Debt Administration - continued

Capital Assets and Right-to-Use Buildings - continued

The most significant capital asset events during the year ended June 30, 2023 at Towson WV & MH were the replacement of a chiller and a boiler with several minor updates for $396,000. The major capital asset events during the year ended June 30, 2022 at Towson WV & MH were furniture, fixtures and equipment, PVI water tanks, and building repairs, $10,000.

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. The major capital asset events during the year ended June 30, 2022 at UMAB were elevator refurbishment and replacements of roofs, expansion tank, computers, and carpets, $89,000.

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, 2022 at UMBC were drywall repairs and insulation, roof repairs, parking lot rejuvenations, exterior concrete replacement, a roof condenser, appliance and flooring replacement, $377,000.

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, 2022 at UMCP Housing were the replacement of support beams, HVAC, heat pump, lighting panel, carpet, tile, furniture, appliances, and drainage system upgrades, $2,177,000.

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. The major capital asset events during the year ended June 30, 2022 at University Village were the replacement of roofing, HVAC systems, furniture and fixtures, security camera installation, and property access control, $449,000, and construction in progress for kitchen renovations, $242,000.

Additional information relating to capital assets is provided in Notes 7 and 8 to the financial statements.

Capital Assets and Debt Administration – continued

Debt

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.

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 and funding of required reserves for the Annapolis Garage project. Aggregate principal payments/reductions on bonds and notes payable during the year were $49,238,000.

As of June 30, 2022, MEDCO had total bonds and notes payable outstanding of $820,942,000, a decrease of 4% from June 30, 2021. 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.

During 2022, MEDCO issued debt totaling $22,707,000, including an original issue premium and discount, to currently refund the outstanding Series 2012 bonds, fund a deposit to the debt service reserve fund and pay costs of issuance for the Series 2022 bonds for the Morgan TMH student housing facility. Aggregate principal payments/reductions on bonds and notes payable during the year were $27,798,000.

Additional information relating to debt and capital lease obligations is provided in Note 10 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.

SC&H

ATTEST SERVICES

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, 2023 and 2022, and the related notes to the 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, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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.

Changes in Accounting Principles

As discussed in Note 1 to the financial statements, in 2023 and 2022 MEDCO adopted new accounting guidance, Government Accounting Standards Board (GASB) No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and GASB No.87, *Leases*, respectively. Our opinion is not modified with respect to these matters.

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 on pages 1-14 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SC&H Attest Services, P.C.

October 23, 2023

MARYLAND ECONOMIC DEVELOPMENT CORPORATION

Statements of Net Position

As of June 30,		*2023*		*2022 (as restated)*
Assets				
Current Assets:				
Cash and cash equivalents	$	38,695,242	$	37,358,568
Short-term investments		9,287,048		7,592,491
Security deposits		390,553		314,321
Deposits with bond trustees — restricted		51,213,971		26,485,498
Funds for replacement of and additions to furnishings and equipment		2,119,550		1,476,041
Loans receivable, net		25,000		25,000
Leases receivable		14,116,826		13,825,807
Rent and other receivables, net		7,826,446		11,973,591
Interest receivable, net		3,514,379		161,743
Inventory		499,867		367,151
Prepaid expenses and other assets		2,601,069		1,682,394
Total Current Assets		130,289,951		101,262,605
Non-current Assets:				
Long-term investments		75,000		75,000
Deposits with bond trustees — restricted		170,613,860		102,780,409
Loans receivable, net		25,000		50,000
Leases receivable		86,899,667		101,019,231
Prepaid expenses and other assets		1,170,367		1,242,846
Right-of-use assets, net of accumulated amortization of $9,008,254 and $6,002,219, respectively		44,914,273		47,740,320
Right-to-use buildings, net of accumulated amortization of $224,603,249 and $208,060,981, respectively		394,445,053		331,947,160
Capital assets:				
Buildings and improvements		329,999,076		329,999,076
Furnishings and equipment		93,090,712		92,036,569
Construction in progress		125,419		241,740
		423,215,207		422,277,385
Less: accumulated depreciation and amortization		(232,499,985)		(213,929,317)
Net Capital Assets		190,715,222		208,348,068
Total Non-current Assets		888,858,442		793,203,034
Total Assets	$	1,019,148,393	$	894,465,639
Deferred Outflow of Resources:				
Deferred advance refunding costs		3,830,022		4,516,141
Total Deferred Outflow of Resources	$	3,830,022	$	4,516,141

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

MARYLAND ECONOMIC DEVELOPMENT CORPORATION

Statements of Net Position - continued

As of June 30,		*2023*		*2022 (as restated)*
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and accrued expenses	$	48,074,327	$	39,280,683
Sales tax payable		443,794		530,720
Advances		2,991,945		3,137,328
Reserve deposits		8,153,636		8,476,542
Accrued interest		76,819,240		70,334,059
Advance deposits		3,196,715		2,330,165
Security deposits		595,902		630,279
Accrued ground rent		13,598,425		15,167,820
Lease liability		40,542,319		41,734,360
Bonds and notes payable		97,140,962		86,341,872
Deferred management and service fees payable		14,955,282		13,763,906
Total Current Liabilities		306,512,547		281,727,734
Non-current Liabilities:				
Lease liability		46,830,926		45,647,600
Bonds and notes payable		851,552,253		734,599,772
Total Non-current Liabilities		898,383,179		780,247,372
Total Liabilities	$	1,204,895,726	$	1,061,975,106
Deferred Inflow of Resources:				
Deferred rents and fees		104,176,134		117,833,655
Deferred advance refunding gains		511,726		585,076
Total Deferred Inflow of Resources	$	104,687,860	$	118,418,731
Commitments and Contingencies (Notes 12 and 13)				
Net Position:				
Net investment in capital assets		(393,670,877)		(307,352,682)
Restricted under trust indentures		163,442,299		79,162,232
Restricted for capital and other purposes		145,615		47,703
Unrestricted-Projects		(87,152,153)		(81,028,466)
Unrestricted-MEDCO		30,629,945		27,759,156
Total Net Position	$	(286,605,171)	$	(281,412,057)

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,		*2023*		*2022 (as restated)*
Operating Revenues:				
Operating facilities	$	176,947,588	$	155,283,429
Lease		14,061,177		13,725,256
Consulting and management fees		1,668,859		1,677,027
Total Operating Revenues		192,677,624		170,685,712
Operating Expenses:				
Operating facilities		111,392,679		99,774,972
Compensation and benefits		2,143,367		1,888,712
Administrative and general		1,194,263		705,425
Depreciation and amortization		44,696,264		42,683,962
Total Operating Expenses		159,426,573		145,053,071
Operating Income		33,251,051		25,632,641
Non-operating Revenues and Expenses:				
Interest income		9,899,833		2,531,896
Interest expense		(45,303,418)		(39,000,994)
Settlement income		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		(658,598)		(728,880)
Net Non-operating Revenues (Expenses)		(38,444,165)		23,842,276
Change in Net Position		(5,193,114)		49,474,917
Net Position, beginning of year, as restated		(281,412,057)		(330,886,974)
Net Position, end of year	$	(286,605,171)	$	(281,412,057)

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,	*2023*	*2022 (as restated)*
Cash Flows from Operating Activities:		
Cash received from leases	$ 14,201,986	$ 14,399,794
Cash received from consulting and management fees	1,822,081	1,560,590
Cash received from guests	52,043,967	39,312,856
Cash received from customer charges	25,930,869	17,242,526
Cash received from parkers	7,415,979	7,226,028
Cash received from tenants	92,488,005	83,778,388
Cash received from tax increment financing	2,407,697	2,334,573
Cash paid for operating expenses	(1,359,683)	(3,685,381)
Cash paid for expenses of operating facilities	(115,454,033)	(84,537,431)
Net Cash and Cash Equivalents Provided by Operating Activities	79,496,868	77,631,943
Cash Flows from Non-capital Financing Activities:		
Advances	(225,889)	(10,811,232)
Principal payments on bonds and notes payable	(13,664,182)	(13,424,812)
Net Cash and Cash Equivalents Used in Non-capital Financing Activities	(13,890,071)	(24,236,044)
Cash Flows from Capital and Related Financing Activities:		
Payments of construction expenditures	-	(3,620,524)
Right-to-use buildings expenditures	(73,466,044)	(42,650,833)
Construction, development and equipment expenditures	(3,642,496)	(2,060,612)
Proceeds from sale of capital assets	-	9,510
Refunding of bonds and notes payable	-	(23,875,699)
Proceeds from issuance of bonds and notes payable	179,468,317	22,707,071
Bond issuance expenditures	(2,632,685)	(290,387)
Net funding of funds for replacement of and additions to furnishings and equipment	(643,509)	(1,062,109)
Interest paid	(38,796,777)	(35,647,291)
Interest payments on bonds and notes payable	(1,876,834)	(2,080,614)
Principal payments on bonds and notes payable	(35,573,838)	(14,373,100)
Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities	22,836,134	(102,944,588)
Cash Flows from Investing Activities:		
Principal payments on loans receivable	25,000	25,000
Related party payable deposits	-	-
Reserve deposits	(322,906)	614,946
Proceeds from settlement	250,703	296,451
Net sales (purchases) of deposits with bond trustees - restricted	(91,697,351)	39,610,994
Net purchases of investments	(1,694,557)	(1,185,946)
Interest received	6,332,854	2,409,389
Net Cash and Cash Equivalents Provided by (Used In) Investing Activities	(87,106,257)	41,770,834
Net Increase (Decrease) in Cash and Cash Equivalents	1,336,674	(7,777,855)
Cash and Cash Equivalents, beginning of year	37,358,568	45,136,423
Cash and Cash Equivalents, end of year	$ 38,695,242	$ 37,358,568

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

For the Years Ended June 30,		*2023*		*2022 (as restated)*
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:				
Operating income	$	33,251,051	$	25,632,641
Adjustment to reconcile operating income to net cash and cash equivalents provided by operating activities:				
Depreciation and amortization		44,696,264		42,683,962
Provision for doubtful accounts		1,052,542		738,839
Changes in operating assets and liabilities:				
Security deposits		(76,232)		(103,970)
Deposits with bonds trustees - restricted		864,573		195,537
Leases receivable		(13,828,445)		(11,860,204)
Rent and other receivables		3,109,424		(6,824,626)
Related party receivable		-		-
Inventory		(132,716)		(109,260)
Prepaid expenses and other assets		(846,196)		114,251
Accounts payable and accrued expenses		(1,849,896)		6,991,249
Lease liability		(185,481)		(190,210)
Sales tax payable		(86,926)		95,478
Advances		80,506		(38,895)
Advance deposits		866,550		(111,169)
Security deposits		(34,377)		(31,407)
Accrued ground rent		(1,569,395)		3,227,976
Deferred inflow of resources - deferred rents and fees		14,185,622		17,221,751
Net cash and cash equivalents provided by operating activities	$	79,496,868	$	77,631,943
Schedule of non-cash capital and related financing activities:				
Recognition of right-of-use asset	$	179,988	$	-
Recognition of lease liability		179,988		-
Accrued interest expense on the lease liability		3,721,616		5,017,153
Gain on extinguishment of management fee payable		-		61,034,190
Gain (loss) on sales and retirements of assets, net		658,598		(728,880)
Construction, development, and equipment expenditures for capital assets included in accounts payable and accrued expenses		567,924		1,780,883
Right-to-use building expenditures included in accounts payable and other accrued expenses		9,717,398		-
Retirement of bond premium		-		(516,437)
Amortization of lease allowance		28,361		28,361
Amortization of issue premium on bonds		2,678,110		2,775,444
Amortization of issue discount on bonds		249,343		195,903
Amortization of deferred inflow of resources - deferred advance refunding gains		73,349		411,215
Amortization of deferred outflow of resources - deferred advance refunding costs		686,119		1,287,281

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 No. 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 previously elected to report its conduit debt as allowed under GASB Interpretation No.2, *Disclosure of Conduit Debt Obligations.* During the year ended June 30, 2022, MEDCO adopted GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91), and elected to report its conduit debt under 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, 2021, MEDCO adopted GASB Statement No. 87, *Leases* (GASB 87), which modifies the guidance for lease accounting. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, with the exception of leases with an original term of 12 months or less, thereby enhancing the relevance and consistency of information about governments' leasing activities. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be 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. A lessor is required to recognize a lease receivable and deferred inflow of resources. 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. MEDCO used the retrospective approach to adopt this guidance, which requires a restatement for all prior periods presented (Note 2).

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Recently Adopted Accounting Principles – continued

Effective July 1, 2022, MEDCO adopted GASB Statement No. 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 No. 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 7).

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 No. 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 requires a restatement for all prior periods presented (Note 2). 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 No. 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 requires the retrospective approach to adopted this guidance, which requires 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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, 2023 and 2022, bank deposits were properly collateralized.

As of June 30, 2023 and 2022, $14,000,117 and $16,095,095, 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, 2023, security deposits were overfunded at Morgan View, Thurgood Marshall Hall and Legacy Hall Student Housing at Morgan State University (Morgan), $173,582, and University Village at Sheppard Pratt (University Village), $37,469. As of June 30, 2022, security deposits were overfunded at Morgan, $113,255, and University Village, $37,587. 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2023 and 2022, 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.

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, 2022, 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 $1,397,804 from the revenue fund for deposit into the capital reserve fund during fiscal year 2023.

As of June 30, 2023 and 2022, the reserve fund was underfunded by approximately $295,000 and $1,341,000, respectively. The shortfall at June 30, 2023 and 2022 is due to timing of the remittance of contributions for June's revenues As of October 23, 2023, the shortfall at June 30, 2023 and 2022 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, 2023 and 2022.

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 5). There is no allowance for the leases receivable recorded as of June 30, 2023 and 2022.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Rent and Other Receivables

Rent and other receivables consist of amounts due for rent, management 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, 2023 and 2022 totaled $5,028,760 and $5,200,984, respectively.

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 No. 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, 2023 and 2022, 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, 2023 and 2022.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Right-to-use Buildings and Amortization – continued

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 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..

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, 2023 and 2022.

SCAs and PPPs are evaluated for impairment on an annual basis under GASB 51. As of June 30, 2023 and 2022, 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 No. 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, 2023 and 2022, 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 $8,153,636 and $8,476,542 as of June 30, 2023 and 2022, respectively.

Security Deposits Liabilities

As of June 30, 2023 and 2022, 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 $595,902 and $630,279 as of June 30, 2023 and 2022, respectively.

Advances

Advances represent funds received from third parties, which are non-interest bearing and are to be repaid or utilized in future years. Advances as of June 30, 2023 and 2022 are as follows:

Respective Operating Facility	Advancer of Funds	2023	2022
MEDCO - for the benefit of Maryland State Archives	Maryland State Archives	$ 901,515	$ 894,146
MEDCO - for the benefit of Howard County-Economic Development Authority	Howard County-Economic Development Authority	46,735	-
MEDCO - for the benefit of Maryland Department of Health	Montgomery County	-	382
MEDCO - for the benefit of University of Maryland College Park Child Care Facility	University of Maryland College Park	42,496	42,700
MEDCO - for the benefit of St. Mary's County	St Mary's County	126,360	-
MEDCO - for the benefit of University of Maryland College Park City Hall Project	University of Maryland College Park	277,721	591,180
MEDCO - for the benefit of National Institute of Standards and Technology	National Institute of Standards and Technology	198,302	300,259
MEDCO - for the benefit of National Park Service	National Park Service, US Department of Interior	1,318,309	1,308,661
Fayette Square Student Housing at University of Maryland, Baltimore (UMAB)	University of Maryland, Baltimore	80,507	-
Total Advances		$ 2,991,945	$ 3,137,328

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, 2023 and 2022, 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, 2023 and 2022, 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 5). 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 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, 2023 and 2022.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled $1,395,779 and $1,167,677 for the years ended June 30, 2023 and 2022, respectively.

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, gain on extinguishment of management fee payable and bond issuance costs, are reported as non-operating revenues and expenses.

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation. The reclassification had no effect on previously reported revenues, expenses and changes in net position or net position.

Subsequent Events

MEDCO has evaluated for disclosure any subsequent events through October 23, 2023, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure.

2. RESTATEMENT

The accompanying financial statements as of and for the year ended June 30, 2022 have been restated to recognize the impact of GASB 87. The effects of the restatement as of and for the year ended June 30, 2022 are as follows:

Financial Statement Line Item	As Previously Reported	Effect of Restatement	As Restated
Deposits with bond trustees - restricted, current	$ 23,715,088	$ 2,770,410	$ 26,485,498
Leases receivable, current	483,807	13,342,000	13,825,807
Deposits with bond trustees - restricted, non-current	96,402,323	6,378,086	102,780,409
Leases receivable, non-current	3,536,231	97,483,000	101,019,231
Right-of-use-assets, net of accumulated amortization	40,083,999	7,656,321	47,740,320
Buildings and improvements	194,532,076	135,467,000	329,999,076
Accumulated depreciation and amortization	(186,674,226)	(27,255,091)	(213,929,317)
Accounts payable and accrued expenses	30,132,188	9,148,495	39,280,683
Lease liability, current	44,271,494	(2,537,134)	41,734,360
Bonds and notes payable, current	72,999,872	13,342,000	86,341,872
Lease liability, non-current	34,648,217	10,999,383	45,647,600
Bonds and notes payable, non-current	637,116,772	97,483,000	734,599,772
Deferred rents and fees	7,008,655	110,825,000	117,833,655
Lease revenue	545,256	13,180,000	13,725,256
Administrative and general expenses	605,425	100,000	705,425
Depreciation and amortization	28,653,453	14,030,509	42,683,962
Operating income	26,938,252	(950,509)	25,987,743
Interest income	681,798	1,850,098	2,531,896
Interest expense	(37,150,896)	(1,850,098)	(39,000,994)
Net position, end of year	(277,993,039)	(3,419,018)	(281,412,057)

3. DEPOSITS WITH BOND TRUSTEES – RESTRICTED

Pursuant to the provisions of the trust indentures relating to certain bonds payable (Note 10), deposits with bond trustees include the following reserve funds and restricted accounts as of June 30,:

	2023	2022
Current Assets:		
Working capital and operating expense funds	$ 697,163	$ 677,515
Revenue funds	6,977,853	6,653,112
Interest funds	8,666,247	8,435,058
Principal funds	10,579,308	8,475,799
Construction funds	1,224,895	-
Other funds	23,068,505	2,244,014
Current portion	51,213,971	26,485,498
Non-current Assets:		
Debt service reserve funds	56,538,685	43,374,208
Surplus funds	10,301,279	9,099,641
Repairs and replacement funds	21,290,747	18,983,340
Construction funds	76,597,853	23,736,155
Operating reserve funds	4,844,489	3,418,233
Capital reserve funds	841,695	3,494,714
Other funds	199,112	674,118
Non-current portion	170,613,860	102,780,409
Total deposits with bond trustees	$ 221,827,831	$ 129,265,907

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 $7,562,000 and $384,000 for the years ended June 30, 2023 and 2022, 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.

3. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued

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

	2023	2022
Purchase and resale agreements:		
Bearing interest at rates from 5.76% to 6.36% and maturing through June 1, 2031	$ 2,598,580	$ 3,765,830
Guaranteed investment contracts:		
Bearing interest at 5.12% and maturing through November 9, 2025	94,981,613	-
Government obligations:		
United States treasury bills purchased at a discount and maturing through May 15, 2031	1,157,441	-
Money market funds:		
United States government money market funds	123,090,197	125,500,077
Total deposits with bond trustees	$ 221,827,831	$ 129,265,907

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 credit ratings of these investments were rated between AA1 and AA2 by Moody's and A+ by Standard and Poor's as of June 30, 2022.

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.

3. 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, 2023 and 2022.

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, 2023 and 2022.

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, 2023, the repair and replacement funds were underfunded at CBCC, $295,000, Edgewood Commons Student Housing at Frostburg State University (Frostburg), $678,500, West Village (Towson WV) and Millennium Hall (Towson MH) Student Housing at Towson University, $2,025,000, Fayette Square Student Housing at University of Maryland, Baltimore (UMAB), $109,000, Walker Avenue Student Housing at University of Maryland, Baltimore County (UMBC), $190,000, Christa McAuliffe Student Housing at Bowie State University (Bowie), $1,153,000 and University Village, $850,000. As of June 30, 2022 the repair and replacement funds were underfunded at CBCC, $313,000, Frostburg, $405,000, Towson WV and Towson MH Student Housing at Towson University, $1,416,000, UMAB, $268,000, and University Village, $597,400. As of October 23, 2023, the shortfalls have not been funded.

3. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued

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.

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, 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

The following table sets forth by level, within the fair value hierarchy, MEDCO's investments at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Debt securities				
Purchase and resale agreements	$ -	$ 3,765,830	$ -	$ 3,765,830
Certificates of deposit	-	-	-	-
Total investments by fair value level	$ -	$ 3,765,830	$ -	$ 3,765,830

As described above, MEDCO's Level 1 and Level 2 investments are required to be invested in accordance with the trust indenture. As such they must meet specific requirements to be a qualifying investment, such as high rating qualifications, collateralization requirements, guaranteed repayment and maturity requirements. MEDCO's investments were in compliance with these limitations as of June 30, 2023 and 2022.

3. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued

MEDCO also invests in money market funds that have a remaining maturity of one year or less at the time of purchase. The investments in this fund are valued at cost, which approximates fair value, and is excluded from the scope of GASB 72, *Fair Value Measurement and Application*, and totaled $123,090,197 and $125,500,077 as of June 30, 2023 and 2022, respectively.

4. 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 10).

Future payments on the loans receivable are due as follows as of June 30, 2023:

	Total	Principal	Interest
2024	$ 27,000	$ 25,000	$ 2,000
2025	26,000	25,000	1,000
Total	$ 53,000	$ 50,000	$ 3,000

As of June 30, 2023 and 2022, 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.

5. LEASES RECEIVABLE

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

During the year ended June 30, 2022, MEDCO implemented 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 $101,016,493 and $114,845,038 as of June 30, 2023 and 2022, respectively. Interest income totaled $1,853,862 and $2,072,301 for the years ended June 30, 2023 and 2022, respectively, as reflected in the accompanying statements of revenues, expenses, and changes in net position.

The weighted-average remaining lease term is 7.66 and 8.55 years as of June 30, 2023 and 2022, respectively, and the weighted-average discount rate is 5.25% as of June 30, 2023 and 2022.

5. 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
2024	$ 15,681,577	$ 14,116,826	$ 1,564,750
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
2029-2031	37,331,546	36,448,586	882,960
	$ 107,086,365	$ 101,016,494	$ 6,069,871

6. RIGHT-OF-USE ASSETS

Right-of-use assets activity for the years ended June 30, 2023 and 2022 is summarized as follows:

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

2022	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	$ 53,742,539	$ -	$ -	$ 53,742,539
Less: accumulated amortization	(2,988,097)	(3,014,122)	-	(6,002,219)
Right-of-use assets, net	$ 50,754,442	$ (3,014,122)	$ -	$ 47,740,320

7. 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.

Right-to-use building activity for the years ended June 30, 2023 and 2022 is summarized as follows:

2023	Beginning balance	Additions	Sales and retirements	Ending balance
Buildings and improvements	$ 480,723,720	$ 76,007,179	$ (686,277)	$ 556,044,622
Furnishings and equipment	59,284,421	6,996,275	(3,277,016)	63,003,680
	540,008,141	83,003,454	(3,963,293)	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	$ 62,880,674	$ (382,781)	$ 394,445,053

2022	Beginning balance	Additions	Sales and retirements	Ending balance
Buildings and improvements	$ 442,767,155	$ 39,176,816	$ (1,220,251)	$ 480,723,720
Furnishings and equipment	56,189,366	5,420,322	(2,325,267)	59,284,421
	498,956,521	44,597,138	(3,545,518)	540,008,141
Less: accumulated amortization	(193,171,605)	(17,742,981)	2,853,605	(208,060,981)
Right-to-use buildings, net	$ 305,784,916	$ 26,854,157	$ (691,913)	$ 331,947,160

8. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2023 and 2022 is summarized as follows:

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

2022	Beginning balance	Additions	Sales and retirements	Ending balance
Buildings and improvements	$329,703,323	$ 776,318	$ (480,565)	$ 329,999,076
Furnishings and equipment	91,670,476	1,414,652	(1,048,559)	92,036,569
Construction in progress	381,098	(139,358)	-	241,740
	421,754,897	2,051,612	(1,529,124)	422,277,385
Less: accumulated depreciation	(193,319,683)	(21,926,859)	1,317,225	(213,929,317)
Net capital assets	$228,435,214	$ (19,875,247)	$ (211,899)	$ 208,348,068

9. OPERATING FACILITIES

Operating facilities in operation or development during the years ended June 30, 2023 and 2022 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 Mixed Use Facility Student Housing at Bowie State University (Bowie Mixed Use), an apartment project located in Prince George's County, Maryland. The project was completed and opened in August 2021.

9. 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, 2023 of approximately $23,755,000. Legacy Hall is anticipated to open for occupancy 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.

9. 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 $2,841,892 (including $1,320,289 capitalized within capital assets) and $2,220,496, for the years ended June 30, 2023 and 2022, respectively. Net non-operating expenses for the years ended June 30, 2023 and 2022 include interest expense related to debt service of operating facilities totaling $43,406,947 and $36,908,326, 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, 2023 and 2022 are included on the following pages:

Statement of Net Position
As of June 30, 2023

		Operating Facilities																	
Assets	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
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

	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	$ -	$ 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

		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
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

Statement of Net Position
As of June 30, 2022

Assets	MEDCO, exclusive of operating facilities	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 Facilities																
Current Assets:																		
Cash and cash equivalents	$ 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
Short-term investments	7,592,491	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,592,491
Security deposits	-	-	-	-	-	-	-	-	276,215	-	-	-	-	-	-	38,106	-	314,321
Deposits with bond trustees — restricted	2,770,410	460,210	967,067	314,124	241,533	6,545,359	630,587	1,264,322	5,271,193	227,766	2,692,625	1,678,020	1,259,115	-	847,108	1,316,059	-	26,485,498
Funds for replacement of and additions to																		
furnishings and equipment	-	-	-	-	-	1,476,041	-	-	-	-	-	-	-	-	-	-	-	1,476,041
Loans receivable, net	196,567	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(171,567)	25,000
Leases receivable	13,825,807	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,825,807
Rent and other receivables, net	3,256,927	40,435	170,202	64,545	26,792	3,747,788	34,091	-	44,915	38,834	21,913	72,789	20,153	5,299,381	94,935	22,018	(982,127)	11,973,591
Related party receivable	274,400	-	-	-	-	-	-	-	-	-	-	-	-	10,582,131	-	-	(10,856,531)	-
Interest receivable, net	48,389	1,941	-	4,837	1,016	4,004	1,226	1,152	-	71,178	-	4,313	2,996	1,837	27,829	-	(8,975)	161,743
Inventory	-	-	-	-	-	367,151	-	-	-	-	-	-	-	-	-	-	-	367,151
Prepaid expenses and other assets	163,113	23,519	28,660	719,778	9,766	183,247	14,003	-	69,634	42,968	110,994	37,142	31,323	80,046	108,393	59,808	-	1,682,394
Total Current Assets	51,374,515	2,243,845	2,238,777	1,386,409	351,366	14,058,425	1,086,783	1,611,911	6,263,982	1,388,451	5,030,716	2,151,506	2,483,651	15,963,395	3,442,513	2,205,560	(12,019,200)	101,262,605
Non-current Assets:																		
Long-term investments	75,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,000
Deposits with bond trustees — restricted	6,378,086	3,030,931	5,166,073	7,306,448	1,047,427	2,057,395	1,457,571	2,728,684	34,319,965	3,661,314	4,682,805	1,922,559	3,224,547	-	23,487,262	2,309,342	-	102,780,409
Loans receivable, net	228,430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(178,430)	50,000
Leases receivable	101,019,231	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	101,019,231
Related party receivable	9,383,525	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,383,525)	-
Prepaid expenses and other assets	-	-	-	-	-	-	-	-	-	-	872,726	-	-	-	370,120	-	-	1,242,846
Right-of-use assets, net of accumulated amortization	571,301	-	-	-	-	22,663,198	-	-	-	-	-	-	-	-	-	24,505,821	-	47,740,320
Right-to-use buildings, net of accumulated amortization	-	6,604,317	41,951,612	53,663,293	13,004,496	-	5,957,370	-	67,179,143	14,273,313	22,475,785	11,079,034	12,486,798	-	84,282,481	-	(1,010,482)	331,947,160
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	287,234	-	-	-	-	21,963,865	-	-	-	-	-	-	-	65,042,092	-	4,743,378	-	92,036,569
Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	241,740	-	241,740
	147,136,888	-	-	-	-	154,569,031	-	26,362,372	-	-	-	-	-	65,042,092	-	29,895,523	(728,521)	422,277,385
Less: accumulated depreciation and amortization	(30,974,721)	-	-	-	-	(95,793,214)	-	(6,764,432)	-	-	-	-	-	(65,042,092)	-	(15,769,077)	414,219	(213,929,317)
Net Capital Assets	116,162,167	-	-	-	-	58,775,817	-	19,597,940	-	-	-	-	-	-	-	14,126,446	(314,302)	208,348,068
Total Non-current Assets	233,817,740	9,635,248	47,117,685	60,969,741	14,051,923	83,496,410	7,414,941	22,326,624	101,499,108	17,934,627	28,031,316	13,001,593	15,711,345	-	108,139,863	40,941,609	(10,886,739)	793,203,034
Total Assets	$ 285,192,255	$ 11,879,093	$ 49,356,462	$ 62,356,150	$ 14,403,289	$ 97,554,835	$ 8,501,724	$ 23,938,535	$ 107,763,090	$ 19,323,078	$ 33,062,032	$ 15,153,099	$ 18,194,996	$ 15,963,395	$ 111,582,376	$ 43,147,169	$ (22,905,939)	$ 894,465,639
Deferred Outflow of Resources:																		
Deferred advance refunding costs	-	35,038	-	-	-	2,510,004	152,552	-	-	83,810	-	202,823	-	-	1,407,974	123,940	-	4,516,141
Total Deferred Outflow of Resources	-	35,038	-	-	-	2,510,004	152,552	-	-	83,810	-	202,823	-	-	1,407,974	123,940	-	4,516,141
Liabilities and Net Position																		
Current Liabilities:																		
Accounts payable and accrued expenses	$ 11,954,537	$ 1,140,190	$ 550,972	$ 436,114	$ 312,657	$ 3,100,494	$ 365,020	$ 201,029	$ 6,377,501	$ 791,904	$ 2,817,430	$ 338,079	$ 824,256	$ 7,359,104	$ 3,326,184	$ 367,339	$ (982,127)	$ 39,280,683
Sales tax payable	-	-	-	-	-	530,720	-	-	-	-	-	-	-	-	-	-	-	530,720
Related party payable	10,582,131	-	190,000	-	-	11,000	-	-	-	-	73,400	-	-	-	-	-	(10,856,531)	-
Advances	3,137,328	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,137,328
Reserve deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	8,476,542	-	-	-	8,476,542
Accrued interest	504	49,583	964,500	250,373	163,004	56,963,581	128,087	679,097	2,083,644	67,121	882,625	1,244,394	319,115	-	437,108	6,110,298	(8,975)	70,334,059
Advance deposits	-	-	-	-	-	2,330,165	-	-	-	-	-	-	-	-	-	-	-	2,330,165
Security deposits	-	-	-	-	-	-	-	-	162,960	-	-	-	-	-	466,800	519	-	630,279
Accrued ground rent	-	1,749,020	-	200,918	-	-	335,249	-	2,371,839	1,717,737	-	-	-	-	8,793,057	-	-	15,167,820
Lease liability	120,878	-	-	-	-	30,889,017	-	-	-	-	-	-	-	-	-	10,724,465	-	41,734,360
Bonds and notes payable	13,666,921	835,000	-	765,000	497,600	57,655,000	670,000	450,000	421,567	1,350,000	1,810,000	1,300,000	940,000	-	4,920,000	1,232,351	(171,567)	86,341,872
Deferred management and service fees payable	-	-	-	-	-	22,728,766	-	-	-	-	-	-	-	-	-	-	(8,964,860)	13,763,906
Total Current Liabilities	39,462,299	3,773,793	1,705,472	1,652,405	973,261	174,208,743	1,498,356	1,330,126	11,417,511	3,926,762	5,583,455	2,882,473	2,083,371	15,835,646	17,943,149	18,434,972	(20,984,060)	281,727,734
Non-current Liabilities:																		
Related party payable	-	-	-	-	-	418,665	-	-	-	-	-	-	-	-	-	-	(418,665)	-
Lease liability	793,232	-	-	-	-	20,031,186	-	-	-	-	-	-	-	-	-	24,823,182	-	45,647,600
Bonds and notes payable	104,173,913	11,340,539	49,883,768	64,035,366	11,770,925	124,325,971	10,166,915	30,764,805	106,721,746	15,460,996	36,351,185	22,897,343	14,901,229	-	115,585,903	16,397,598	(178,430)	734,599,772
Total Non-current Liabilities	104,967,145	11,340,539	49,883,768	64,035,366	11,770,925	144,775,822	10,166,915	30,764,805	106,721,746	15,460,996	36,351,185	22,897,343	14,901,229	-	115,585,903	41,220,780	(597,095)	780,247,372
Total Liabilities	$ 144,429,444	$ 15,114,332	$ 51,589,240	$ 65,687,771	$ 12,744,186	$ 318,984,565	$ 11,665,271	$ 32,094,931	$ 118,139,257	$ 19,387,758	$ 41,934,640	$ 25,779,816	$ 16,984,600	$ 15,835,646	$ 133,529,052	$ 59,655,752	$ (21,581,155)	$ 1,061,975,106
Deferred Inflow of Resources:																		
Deferred rents and fees	114,670,825	301,550	125,391	49,489	32,106	-	95,950	-	679,268	204,495	581,554	184,402	213,962	80,046	516,976	97,641	-	117,833,655
Deferred advance refunding gains	-	-	-	-	-	-	-	-	384,077	-	147,117	-	53,882	-	-	-	-	585,076
Total Deferred Inflow of Resources	114,670,825	301,550	125,391	49,489	32,106	-	95,950	-	1,063,345	204,495	728,671	184,402	267,844	80,046	516,976	97,641	-	118,418,731
Net Position:																		
Net investments in capital assets	(2,017,167)	(5,536,184)	(7,932,156)	(11,137,073)	735,971	(139,952,155)	(4,726,993)	(11,616,865)	(40,348,247)	(2,453,873)	(15,832,517)	(12,915,486)	(3,408,313)	-	(34,815,448)	(14,421,389)	(974,787)	(307,352,682)
Restricted under trust indentures	-	2,034,433	5,573,987	7,755,963	891,026	-	1,620,048	3,460,469	28,908,735	2,268,508	6,231,238	2,307,190	4,350,865	-	13,759,770	-	-	79,162,232
Restricted for capital and other purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	47,703	-	-	-	47,703
Unrestricted-Projects	-	-	-	-	-	(78,967,571)	-	-	-	-	-	-	-	-	-	(2,060,895)	-	(81,028,466)
Unrestricted-MEDCO	28,109,153	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(349,997)	27,759,156
Total Net Position	$ 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)

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

	MEDCO, exclusive of operating facilities	Operating Facilities: Bowie	Bowie Mixed Use	City Garages	CTU	CBCC	Frostburg	Metro Centre	Morgan
Operating Revenues:									
Operating facilities	$ -	$ 4,655,730	$ 5,196,690	$ 7,315,182	$ 1,389,026	$ 42,285,636	$ 2,369,615	$ 2,334,573	$ 7,592,908
Lease	13,725,256	-	-	-	-	-	-	-	-
Consulting and management fees	4,072,171	-	-	-	-	-	-	-	-
Total Operating Revenues	17,797,427	4,655,730	5,196,690	7,315,182	1,389,026	42,285,636	2,369,615	2,334,573	7,592,908
Operating Expenses:									
Operating facilities	-	3,413,742	1,698,047	2,883,654	554,978	31,253,372	1,084,528	408,551	5,010,604
Compensation and benefits	1,888,712	-	-	-	-	-	-	-	-
Administrative and general	705,425	-	-	-	-	-	-	-	-
Depreciation and amortization	14,206,411	744,229	1,540,759	1,718,673	849,625	7,462,943	658,700	902,560	1,213,134
Total Operating Expenses	16,800,548	4,157,971	3,238,806	4,602,327	1,404,603	38,716,315	1,743,228	1,311,111	6,223,738
Operating Income (Loss)	996,879	497,759	1,957,884	2,712,855	(15,577)	3,569,321	626,387	1,023,462	1,369,170
Non-operating Revenues and Expenses:									
Interest income	2,153,429	3,749	16,017	10,204	1,922	10,054	2,380	2,943	27,735
Interest expense	(2,092,668)	(591,787)	(1,685,797)	(2,988,952)	(445,855)	(13,347,760)	(506,108)	(1,347,322)	(4,705,614)
Settlement income	-	160,949	-	-	-	110,000	-	-	25,346
Gain on extinguishment of management fee payable	-	-	-	-	-	61,034,190	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	(290,387)
Gain (loss) on sales and retirements of assets	9,000	-	-	-	-	(191,776)	-	-	-
Net Non-operating Revenues (Expenses)	69,761	(427,089)	(1,669,780)	(2,978,748)	(443,933)	47,614,708	(503,728)	(1,344,379)	(4,942,920)
Changes in Net Position	1,066,640	70,670	288,104	(265,893)	(459,510)	51,184,029	122,659	(320,917)	(3,573,750)
Net Position, beginning of year, as restated	25,025,346	(3,572,421)	(2,646,273)	(3,115,217)	2,086,507	(270,103,755)	(3,229,604)	(7,835,479)	(7,865,762)
Net Position, end 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)

	Operating Facilities: Salisbury	Towson WV & MH	UMAB	UMBC	UMCP Energy	UMCP Housing	University Village	Eliminations	Total
Operating Revenues:									
Operating facilities	$ 7,021,850	$ 8,022,113	$ 4,498,933	$ 5,856,321	$ 19,987,864	$ 32,120,838	$ 4,636,150	$ -	$ 155,283,429
Lease	-	-	-	-	-	-	-	-	13,725,256
Consulting and management fees	-	-	-	-	-	-	-	(2,395,144)	1,677,027
Total Operating Revenues	7,021,850	8,022,113	4,498,933	5,856,321	19,987,864	32,120,838	4,636,150	(2,395,144)	170,685,712
Operating Expenses:									
Operating facilities	4,250,218	4,219,253	2,254,803	2,797,532	19,987,964	19,689,838	2,133,282	(1,865,394)	99,774,972
Compensation and benefits	-	-	-	-	-	-	-	-	1,888,712
Administrative and general	-	-	-	-	-	-	-	-	705,425
Depreciation and amortization	1,447,098	2,165,306	1,035,711	1,097,974	-	5,302,262	2,390,867	(52,290)	42,683,962
Total Operating Expenses	5,697,316	6,384,559	3,290,514	3,895,506	19,987,964	24,992,100	4,524,149	(1,917,684)	145,053,071
Operating Income (Loss)	1,324,534	1,637,554	1,208,419	1,960,815	(100)	7,128,738	112,001	(477,460)	25,632,641
Non-operating Revenues and Expenses:									
Interest income	73,654	66,027	3,880	5,765	11,024	157,892	1,589	(16,368)	2,531,896
Interest expense	(767,209)	(1,503,975)	(1,019,228)	(442,619)	-	(4,312,315)	(3,260,153)	16,368	(39,000,994)
Settlement income	-	-	156	-	-	-	-	-	296,451
Gain on extinguishment of management fee payable	-	-	-	-	-	-	-	-	61,034,190
Bond issuance costs	-	-	-	-	-	-	-	-	(290,387)
Gain (loss) on sales and retirements of assets	(324,802)	-	(18,390)	(44,476)	-	(138,823)	(19,613)	-	(728,880)
Net Non-operating Revenues (Expenses)	(1,018,357)	(1,437,948)	(1,033,582)	(481,330)	11,024	(4,293,246)	(3,278,177)	-	23,842,276
Changes in Net Position	306,177	199,606	174,837	1,479,485	10,924	2,835,492	(3,166,176)	(477,460)	49,474,917
Net Position, beginning of year, as restated	(491,542)	(9,800,885)	(10,783,133)	(536,933)	36,779	(23,891,170)	(13,316,108)	(847,324)	(330,886,974)
Net Position, end of year, as restated	$ (185,365)	$ (9,601,279)	$ (10,608,296)	$ 942,552	$ 47,703	$ (21,055,678)	$ (16,482,284)	$ (1,324,784)	$ (281,412,057)

Statement of Cash Flows
For the Year Ended June 30, 2022

	MEDCO, exclusive of operating facilities	Operating Facilities: 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	$ 14,399,794	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,399,794
Cash received from consulting and management fees	2,757,653	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,197,063)	1,560,590
Cash received from guests	-	-	-	-	-	39,312,856	-	-	-	-	-	-	-	-	-	-	-	39,312,856
Cash received from customer charges	-	-	-	-	-	-	-	-	-	-	-	-	-	17,242,526	-	-	-	17,242,526
Cash received from parkers	-	-	-	7,226,028	-	-	-	-	-	-	-	-	-	-	-	-	-	7,226,028
Cash received from tenants	-	5,170,936	5,251,713	-	1,397,750	-	2,169,587	-	7,842,004	6,946,866	7,962,601	4,326,134	6,005,354	-	31,825,570	4,879,873	-	83,778,388
Cash received from tax increment financing	-	-	-	-	-	-	-	2,334,573	-	-	-	-	-	-	-	-	-	2,334,573
Cash paid for operating expenses	(3,685,381)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,685,381)
Cash paid for expenses of operating facilities	1,820	(1,646,360)	(1,242,921)	(2,882,557)	(380,467)	(28,314,481)	(1,038,509)	(422,188)	(3,414,378)	(3,331,568)	(2,735,713)	(2,339,605)	(2,920,254)	(17,242,526)	(15,048,147)	(2,246,890)	667,313	(84,537,431)
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	13,473,886	3,524,576	4,008,792	4,343,471	1,017,283	10,998,375	1,131,078	1,912,385	4,427,626	3,615,298	5,226,888	1,986,529	3,085,100	-	16,777,423	2,632,983	(529,750)	77,631,943
Cash Flows from Non-capital Financing Activities:																		
Advances	(10,811,232)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,811,232)
Advances from (to) related party	(34,352)	-	-	-	-	(39,048)	-	-	-	-	73,400	-	-	-	-	-	-	-
Principal payments on bonds and notes payable	(13,424,812)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,424,812)
Net Cash and Cash Equivalents Provided by (Used in) Non-capital Financing Activities	(24,270,396)	-	-	-	-	(39,048)	-	-	-	-	73,400	-	-	-	-	-	-	(24,236,044)
Cash Flows from Capital and Related Financing Activities:																		
Payments of construction expenditures	-	-	(3,620,524)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,620,524)
Right-to-use buildings expenditures	-	(261,649)	(1,711,749)	(1,432,208)	-	-	(44,700)	-	(35,028,762)	(2,048,930)	(10,090)	(89,464)	(376,521)	-	(2,176,510)	-	529,750	(42,650,833)
Construction, development, and equipment expenditures	(14,908)	-	-	-	-	(1,355,159)	-	-	-	-	-	-	-	-	-	(690,545)	-	(2,060,612)
Proceeds from sale of capital assets	9,000	-	-	-	-	510	-	-	-	-	-	-	-	-	-	-	-	9,510
Refunding of bonds and notes payable	-	-	-	-	-	-	-	-	(23,875,699)	-	-	-	-	-	-	-	-	(23,875,699)
Proceeds from issuance of bonds and notes payable	-	-	-	-	-	-	-	-	22,707,071	-	-	-	-	-	-	-	-	22,707,071
Bond issuance expenditures	-	-	-	-	-	-	-	-	(290,387)	-	-	-	-	-	-	-	-	(290,387)
Net funding of funds for replacement of and additions to furnishings and equipment	-	-	-	-	-	(1,062,109)	-	-	-	-	-	-	-	-	-	-	-	(1,062,109)
Lease payments	-																	-
Interest payments on bonds and notes payable	(2,080,614)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,080,614)
Interest paid	(12,117)	(635,001)	(1,929,000)	(3,030,075)	(455,088)	(11,881,171)	(528,226)	(1,365,694)	(5,199,371)	(862,100)	(1,799,950)	(1,102,400)	(656,330)	-	(5,431,501)	(779,809)	20,542	(35,647,291)
Principal payments on bonds and notes payable	-	(800,000)	-	(740,000)	(483,100)	-	(635,000)	(400,000)	(1,314,970)	(1,285,000)	(1,735,000)	(760,000)	(905,000)	-	(4,655,000)	(825,000)	164,970	(14,373,100)
Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities	(2,098,639)	(1,696,650)	(7,261,273)	(5,202,283)	(938,188)	(14,297,929)	(1,207,926)	(1,765,694)	(43,002,118)	(4,196,030)	(3,545,040)	(1,951,864)	(1,937,851)	-	(12,263,011)	(2,295,354)	715,262	(102,944,588)
Cash Flows from Investing Activities:																		
Principal payments on loans receivable	189,970	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(164,970)	25,000
Related party receivable deposits	625,133	-	-	-	-	-	-	-	-	-	-	-	-	(625,133)	-	-	-	-
Reserve deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	614,946	-	-	-	614,946
Proceeds from settlement	-	160,949	-	-	-	110,000	-	-	25,346	-	-	156	-	-	-	-	-	296,451
Net sales (purchases) of deposits with bond trustees - restricted	-	(1,372,248)	4,309,312	1,102,096	(36,406)	3,073,576	107,372	(75,101)	38,551,945	908,609	(700,982)	(96,647)	(885,985)	-	(4,870,947)	(403,600)	-	39,610,994
Net purchases of investments	(1,185,946)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,185,946)
Interest received	2,138,597	7,360	16,017	5,519	916	6,129	1,171	1,837	28,348	2,506	66,027	(406)	2,800	10,187	141,334	1,589	(20,542)	2,409,389
Net Cash and Cash Equivalents Provided by (Used in) Investing Activities	1,767,754	(1,203,939)	4,325,329	1,107,615	(35,490)	3,189,705	108,543	(73,264)	38,605,639	911,115	(634,955)	(96,897)	(883,185)	-	(4,729,613)	(402,011)	(185,512)	41,770,834
Net Increase (Decrease) in Cash and Cash Equivalents	(11,127,395)	623,987	1,072,848	248,803	43,605	(148,897)	31,695	73,427	31,147	330,383	1,120,293	(62,232)	264,064	-	(215,201)	(64,382)	-	(7,777,855)
Cash and Cash Equivalents, beginning of year	34,373,806	1,093,753	-	34,322	28,654	1,883,732	375,181	273,010	570,878	677,322	1,084,891	421,474	906,000	-	2,579,449	833,951	-	45,136,423
Cash and Cash Equivalents, end 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
Reconciliation of operating income (loss) to net cash and cash equivalents provided by operating activities:																		
Operating income (loss)	$ 996,879	$ 497,759	$ 1,957,884	$ 2,712,855	$ (15,577)	$ 3,569,321	$ 626,387	$ 1,023,462	$ 1,369,170	$ 1,324,534	$ 1,637,554	$ 1,208,419	$ 1,960,815	$ (100)	$ 7,128,738	$ 112,001	$ (477,460)	$ 25,632,641
Adjustment to reconcile operating income (loss) to net cash and cash equivalents provided by operating activities:																		
Depreciation and amortization	14,206,411	744,229	1,540,759	1,718,673	849,625	7,462,943	658,700	902,560	1,213,134	1,447,098	2,165,306	1,035,711	1,097,974	-	5,302,262	2,390,867	(52,290)	42,683,962
Provision for (recovery of) doubtful accounts	14,821	(374,073)	67,207	-	871	10,750	261,404	-	74,250	59,311	125,139	51,531	(19,141)	-	453,061	13,708	-	738,839
Changes in operating assets and liabilities:																		
Security deposits	-	-	-	-	-	-	-	-	(103,966)	-	-	-	-	-	-	(4)	-	(103,970)
Deposits with bond trustees- restricted	195,537																	195,537
Leases receivable	(11,860,204)																	(11,860,204)
Rent and other receivables	(1,856,000)	397,683	(204,970)	(122,423)	8,723	(2,861,611)	(231,657)	-	220,837	(56,994)	(86,658)	(84,261)	199,002	(2,547,047)	(176,724)	264,775	312,699	(6,824,626)
Related party receivable	(865,452)	-	-	-	-	-	-	-	-	-	-	-	-	(254,009)	-	-	1,119,461	-
Inventory	-	-	-	-	-	(109,260)	-	-	-	-	-	-	-	-	-	-	-	(109,260)
Prepaid expenses and other assets	35,933	(4,001)	(28,660)	-	(4,408)	18,363	2,620	-	2,861	6,774	70,440	(5,275)	423	(27,708)	50,262	(3,373)	-	114,251
Accounts payable and accrued expenses	(68,414)	399,498	551,181	1,097	178,049	2,997,572	86,630	(11,817)	42,464	450,781	1,287,961	(95,225)	(104,004)	2,801,156	(223,586)	(123,943)	(1,178,151)	6,991,249
Lease liability	(116,198)	-	-	-	-	(74,012)	-	-	-	-	-	-	-	-	-	-	-	(190,210)
Sales tax payable	-	-	-	-	-	95,478	-	-	-	-	-	-	-	-	-	-	-	95,478
Related party payable	255,829	-	-	-	-	-	-	(1,820)	-	-	-	-	-	-	-	-	(254,009)	-
Advances	-	(3,062)	-	-	-	-	-	-	-	-	-	(35,833)	-	-	-	-	-	(38,895)
Advance deposits	-	-	-	-	-	(111,169)	-	-	-	-	-	-	-	-	-	-	-	(111,169)
Security deposits	-	-	-	-	-	-	-	-	(7,557)	-	-	-	-	-	(23,700)	(150)	-	(31,407)
Accrued ground rent	-	1,749,020	-	-	-	-	(304,635)	-	1,476,651	401,784	-	-	-	-	(94,844)	-	-	3,227,976
Deferred inflow of resources - deferred rents and fees	12,534,744	117,523	125,391	33,269	-	-	31,629	-	139,782	(17,990)	27,146	(88,538)	(49,969)	27,708	4,361,954	(20,898)	-	17,221,751
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash and cash equivalents provided by (used in) operating activities	$ 13,473,886	$ 3,524,576	$ 4,008,792	$ 4,343,471	$ 1,017,283	$ 10,998,375	$ 1,131,078	$ 1,912,385	$ 4,427,626	$ 3,615,298	$ 5,226,888	$ 1,986,529	$ 3,085,100	$ -	$ 16,777,423	$ 2,632,983	$ (529,750)	$ 77,631,943
Schedule of non-cash capital and related financing activities:																		
Accrued interest expense on the lease liability	$ 504	$ -	$ -	$ -	$ -	$ 2,479,517	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,537,132	$ -	$ 5,017,153
Gain (loss) on sales and retirements of assets, net	-	-	-	-	-	(192,286)	-	-	-	(324,802)	-	(18,390)	(44,476)	-	(138,823)	(19,613)	-	(738,390)
Construction, development, and equipment expenditures for capital assets included in accounts payable and accrued expenses	-	-	-	-	-	-	-	-	1,780,883	-	-	-	-	-	-	-	-	1,780,883
Gain on extinguishment of management fee payable	-	-	-	-	-	61,034,190	-	-	-	-	-	-	-	-	-	-	-	61,034,190
Retirement of bond premium	(516,437)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(516,437)
Amortization of lease allowance	28,361	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,361
Amortization of issue premium on bonds	-	45,689	252,570	45,213	-	-	37,102	10,872	290,876	103,198	257,340	126,366	184,258	-	1,298,290	123,670	-	2,775,444
Amortization of issue discount on bonds	-	-	9,367	6,223	-	165,740	-	-	14,301	272	-	-	-	-	-	-	-	195,903
Amortization of deferred inflow of resources - deferred advance refunding gains	-	-	-	-	-	-	-	-	384,077	-	15,785	-	11,353	-	-	-	-	411,215
Amortization of deferred outflow of resources - deferred advance refunding costs	-	5,809	-	-	-	457,393	22,922	-	554,842	12,756	-	20,144	-	-	194,621	18,794	-	1,287,281

10. DEBT OBLIGATIONS

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

	2023	2022
Revenue bonds payable	$ 935,027,477	$ 807,274,338
Notes payable, including $2,739 in 2023 and $4,307 in 2022 to State of Maryland Department of Business and Economic Development (DBED)	13,665,738	13,667,306
Total	$ 948,693,215	$ 820,941,644

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, 2023 and 2022, bears interest at a weighted average effective rate of 4.47% and 4.59%, 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, 2023 and 2022, bears interest at a weighted average effective rate of 9.32% and 6.97%, respectively, including an average effective rate of 9.32% and 5.43%, 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 $45,292,835 and $38,988,877 during the years ended June 30, 2023 and 2022, respectively.

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

	2023	2022
MEDCO debt obligations	$ 104,176,652	$ 117,840,834
Operating facilities debt obligations	844,516,563	703,100,810
Total	$ 948,693,215	$ 820,941,644

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.

10. DEBT OBLIGATIONS – continued

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

	Total	Principal	Interest
2024	$ 137,394,461	$ 97,140,962	$ 40,253,499
2025	77,765,257	40,051,215	37,714,042
2026	74,856,148	38,818,912	36,037,236
2027	74,971,122	40,393,268	34,577,854
2028	76,207,556	43,276,993	32,930,563
2029-2033	356,783,785	221,011,271	135,772,514
2034-2038	204,935,374	107,184,290	97,751,084
2039-2043	152,146,541	73,813,339	78,333,202
2044-2048	142,990,500	82,975,325	60,015,175
2049-2053	121,055,431	79,645,000	41,410,431
2054-2058	97,010,825	77,215,000	19,795,825
2059	23,545,800	22,860,000	685,800
	1,539,662,800	924,385,575	615,277,225
Less: unamortized discount	(3,955,758)	(3,955,758)	-
Plus: unamortized premium	28,263,398	28,263,398	-
Total	$ 1,563,970,440	$ 948,693,215	$ 615,277,225

10. DEBT OBLIGATIONS – continued

Activity in debt for the years ended June 30, 2023 and 2022 is summarized as follows:

	Bonds payable	Notes payable
Balance June 30, 2021	$ 839,304,002	$ 13,700,160
Amortization of issue discount	195,903	-
Amortization of issue premium	(2,775,444)	-
Retirement of bond premium	(516,437)	-
Refundings of bonds and notes payable	(23,875,699)	-
Additions	22,707,071	-
Principal payments/reductions	(27,765,058)	(32,854)
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

11. 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, 2023 and 2022 is summarized as follows:

Balance June 30, 2021	$	1,905,227,885
Additions		740,545,000
Principal payments/reductions		(437,268,660)
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

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.

During the year ended June 30, 2022, MEDCO issued bonds on behalf of the East Baltimore Development, Inc., $69,990,000, in order to finance costs of the acquisition, construction, and capital asset improvements of facilities located in Baltimore City, Maryland, Maryland Department of Transportation, $643,455,000 in order to finance the costs of constructing the Purple Line project in Baltimore City, Maryland, and the Catholic Relief Services, $19,555,000, to refinance the costs of issuance, renovations and capital replacements and improvements of the Project by refunding the previously issued Series 2006 bonds.

12. COMMITMENTS AND CONTINGENCIES

Leases

During the year ended June 30, 2022, MEDCO implemented 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. MEDCO, as well as University Village and CBCC, were impacted by the adoption of GASB 87 (see below). All other leases noted below at the specific project level were not impacted by the adoption of GASB 87, due to the nature of the service concession arrangements or immaterial amount of future ground lease payments.

Annapolis Garages

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 year ended June 30, 2023 was $0.

12. 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 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 ground rent may be deducted against ground rent due and payable for the succeeding year and shall not be refundable. Ground rent expense was $159,132 and $1,749,020 for the years ended June 30, 2023 and 2022 and 2022, respectively. Ground rent payments from the surplus fund totaled $495,105 and $0 during the years ended June 30, 2023 and 2022, respectively. Accrued ground rent was $1,413,047 and $1,749,020 as of June 30, 2023 and 2022 and 2022, 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 Bowie 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.

12. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

Bowie Mixed Use

The land underlying the Project is leased from the State of Maryland on behalf of Bowie State University (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 $1,958,000 and $0 for the years ended June 30, 2023 and 2022, 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.

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 50th 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, 2023 and 2022. As of June 30, 2023 and 2022, the accrued rent due to the City of Baltimore totaled $200,918.

12. 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, 2023 and 2022. Accrued ground rent totaled $0 as of June 30, 2023 and 2022.

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 CTY 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. 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.

The Project also has various noncancelable operating lease agreements for office equipment with expiration dates through April 2028.

During the year ended June 30, 2022, the Project implemented GASB 87. Lease payments due totaled $2,021,943 and $1,973,342 for the years ended June 30, 2023 and 2022, respectively. Cumulative accrued lease payments included in the current portion of lease liability in the accompanying statements of net position as of June 30, 2023 and 2022 totaled $29,236,634 and $28,417,901 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 2024 include the accrued but unpaid rents for prior years of approximately $28,356,000.

12. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

CBCC – continued

Interest expense on past due accrued lease payments totaled $2,075,023 and $1,961,404, for the years ended June 30, 2023 and 2022, 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 $1,182,604 and $1,222,413 for the years ended June 30, 2023 and 2022, 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 $20,312,281 and $18,237,258 as of June 30, 2023 and 2022, 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 liabilities totaled $67,825 and $74,012 for the years ended June 30, 2023 and 2022, respectively. No cash payments were made for ground rent during the years ended June 30, 2023 and 2022. 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 13.3 years and 14.4 years as of June 30, 2023 and 2022, respectively. The weighted average discount rate of the leases is 5.24% as of June 30, 2023 and 2022, 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.

12. 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 ($335,249) and ($304,635) for the years ended June 30, 2023 and 2022, respectively. Ground rent payments from the surplus fund totaled $0 during the years ended June 30, 2023 and 2022. Accrued ground rent totaled $0 and $335,249 as of June 30, 2023 and 2022, 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.

12. 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 December 1, 2020, expiring on the earlier to occur of (ii) July 1, 2061 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 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. The ground lease was modified such that annual rent shall be paid beginning for the lease year ending June 30, 2025. Ground rent expense totaled $0 and $1,476,651 during the years ended June 30, 2023 and 2022, respectively. Ground rent payments from the surplus fund totaled $0 during the years ended June 30, 2023 and 2022. Accrued ground rent totaled $2,371,839 as of June 30, 2023 and 2022.

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.

12. 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. 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. 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 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 $252,512 and $1,167,944 during the years ended June 30, 2023 and 2022, respectively. Ground rent payments from the surplus fund totaled $743,475 and $766,160 during the years ended June 30, 2023 and 2022, respectively. Accrued ground rent totaled $1,226,774 and $1,717,737 as of June 30, 2023 and 2022, 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.

12. 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 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, 2023 and 2022. 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, 2023 and 2022.

12. 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 related 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, 2023 and 2022.

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.

12. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

UMCP Energy

MEDCO leases the facility that houses the energy and utility infrastructure at the University of Maryland 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 $3,976,119 and $4,361,954 for the years ended June 30, 2023 and 2022, respectively. Accrued ground rent totaled $8,385,847 and $8,793,057 as of June 30, 2023 and 2022, 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 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, 2023 and 2022.

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.

12. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

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.

During the year ended June 30, 2022, the Project implemented GASB 87. Lease payments due totaled $1,647,291 and $1,599,312 for the years ended June 30, 2023 and 2022, respectively. Cumulative accrued lease payments included in the current portion of lease liability in the accompanying statements of net position as of June 30, 2023 and 2022 totaled $11,180,015 and $10,724,465, 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 2023 include the accrued but unpaid rents for prior years of approximately $13,262,000.

Interest expense on past due accrued lease payments totaled $1,323,872 and $1,171,443, for the years ended June 30, 2023 and 2022, 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 $1,241,160 and $1,260,499 for the years ended June 30, 2023 and 2022, 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 $4,278,389 and $2,954,517 as of June 30, 2023 and 2022, 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 $0 for the years ended June 30, 2023 and 2022, respectively. 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 19 years and 20 years as of June 30, 2023 and 2022, respectively. The weighted average discount rate of the lease is 5.0% as of June 30, 2023 and 2022, respectively.

Other Leasing Activities

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

12. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

Other Leasing Activities - continued

During the year ended June 30, 2022, MEDCO implemented GASB 87. Interest expense on the lease liability totaled $10,583 and $12,117 for the years ended June 30, 2023 and 2022, 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 $131,527 and $128,315 for the years ended June 30, 2023 and 2022, respectively. The weighted-average remaining lease term is 5.8 years and 6.8 years as of June 30, 2023 and 2022, respectively, and the weighted-average discount rate of the lease is 2.89% as of June 30, 2023 and 2022.

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,:

2024	$ 13,598,425
2025	112
2026	12
2027	12
2028	12
2029-2033	60
2034-2038	60
2039-2043	59
2044-2048	55
2049-2053	50
2053-2054	10
Total	$ 13,598,867

12. 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
2024	$ 45,516,254	$ 40,542,319	$ 4,973,935
2025	3,998,493	1,631,385	2,367,108
2026	3,532,671	1,827,864	1,704,807
2027	4,236,127	2,035,890	2,200,237
2028	4,353,946	2,252,586	2,101,360
2029-2033	22,934,330	14,296,823	8,637,507
2034-2038	21,687,023	17,379,705	4,307,318
2039-2042	8,170,538	7,406,673	763,865
	$ 114,429,382	$ 87,373,245	$ 27,056,137

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, 2023 and 2022, no deposits in lieu of ground rent have been made by MEDCO on behalf of the UMAB project to the operating reserve fund due to the fact that the project, since inception, has not incurred ground rent expense. As of June 30, 2023 and 2022 no deposit has been made by MEDCO on behalf of UMCP Housing, Salisbury, Towson WV and MH, and Bowie.

12. 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 ten percent.

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.

13. GOING CONCERN - CBCC

CBCC has an accumulated negative net position of $226,771,000 and its current liabilities exceed its current assets by $170,603,000 at June 30, 2023.

Pursuant to the fifth amendment of the restated and amended forbearance agreement effective July 1, 2021, the forbearance agreement effective May 1, 2014 was extended to December 31, 2023. 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. Effective September 1, 2021, MEDCO and Hyatt Corporation (HC) agreed to a waiver of deferred fees pursuant to a new hotel services agreement between MEDCO and HC.Under the terms of the letter agreement, HC agreed to forever waive any and all deferred fees, including any and all interest accrued thereon, the total of which the parties agreed was $61,034,190, to which HC was entitled to under the management agreement. This amount has been recorded as a gain on extinguishment of management fee payable in non-operating revenues in the accompanying statements of revenues, expenses and changes in net position for the year ended June 30, 2022.

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 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, 2023. These factors create significant doubt about CBCC's ability to continue as a going concern.

13. GOING CONCERN – CBCC - continued

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.