MARYLAND ECONOMIC DEVELOPMENT CORPORATION

Annual Activities Report& Audited Annual Financials Fiscal Year Ending: June 30, 2019

300 E. Lombard Street
Suite 1000
Baltimore, MD 21202
(410) 625-0051
www.medco-corp.com

AT A GLANCE

$5.7B
Bonds Issued

307
Projects Since 1984

36
Local, State, and Federal Agency Partners

42
Buildings Built or Redeveloped

174
Conduit Financing

42
Industrial Parks Developed

8,323
Beds in Student Housing Facilities

5
Incubators and Innovation Centers

**Data inclusive of all projects from 1984 to June 30, 2019*

BOARD OF DIRECTORS AND OFFICERS

Scott Dorsey, *Chairman*
Chairman and CEO, Merritt Properties, LLC.
Baltimore County

Richard Woo, *Vice Chairman*
Senior Vice President, Revere Bank
Montgomery County

Tehma Hallie Smith Wilson, *Treasurer*
Attorney, Law Office of Tehma H. Smith Wilson
Owner, Invested Management, Inc.
Co-Owner, Earth's Enrichments
Baltimore City

Nicole Alt Myers
Director of Marketing and Community Outreach, Myers Building Systems, Inc.
Allegany County

Barry Glassman
County Executive, Harford County Government
Harford County

Michael Cottingham
President, Rommel USA
Talbot County

David Schellhardt
President, American Mechanical Services
Montgomery County

Harry Shasho
Broker, Shasho Consulting, P.A.
Charles County

Warren Williams
The Warrenton Group
Montgomery County

The Honorable Peter K. Rahn *(Ex-Officio)*
Secretary, MD Department of Transportation

The Honorable Kelly Schulz *(Ex-Officio)*
Secretary, MD Department of Commerce

Robert C. Brennan
Executive Director and Secretary

LEGISLATION

The Maryland Economic Development Corporation (MEDCO) functions under the provisions of Title 10, Subtitle 1 of the Economic Development Article of the Annotated Code of Maryland.

MEDCO's legislative purposes are to relieve unemployment in the State; encourage the increase of business activity and commerce and a balanced economy in the State; help retain and attract business activity and commerce in the State; promote economic development; and promote the health, safety, right of gainful employment, and welfare of residents of the State.

The General Assembly intends that MEDCO operate and exercise its corporate powers in all areas of the State to assist governmental units and State and local economic development agencies to contribute to the expansion, modernization, and retention of existing enterprises in the State, as well as attraction of new business to the State; cooperate with workforce investment boards, private industry councils, representatives of labor, and governmental units in maximizing new economic opportunities for residents of the State; and accomplish at least one of its legislative purposes and complement existing State marketing and financial assistance programs by owning projects, leasing projects to other persons, or lending the proceeds of bonds to other persons to finance the cost of acquiring or improving projects.

CORPORATE OVERVIEW

MEDCO is staffed with eleven full-time employees and one part-time employee. A significant portion of MEDCO's ongoing project management responsibilities include reviewing and providing management oversight to projects. MEDCO monitors its projects' compliance with the provisions of financing documents to ensure that participants' current financial statements are available, required compliance benchmarks are achieved, and appropriate insurance requirements are met. MEDCO also collects and periodically reviews financials for MEDCO-owned projects.

MEDCO structures its bond financings on a non-recourse basis. Repayment of MEDCO issued bonds is limited to the revenues and resources of the applicable project; neither MEDCO nor the State of Maryland or any of its agencies is responsible for the repayment of MEDCO issued bonds.

Additional information including MEDCO's projects, annual audited financials, project highlights, Board Members, and Board Meeting Schedule can be found at www.medco-corp.com.

BOND FINANCED PROJECTS IN FY 2019

MEDCO's bond financed projects encourage business activities, retain businesses, relieve unemployment, promote the welfare of State residents, and generally promote economic development in the State. For the fiscal year ending June 30, 2019, MEDCO provided bond financing for the following projects:

Baltimore City Garages Series 2018

$66,725,000

- Maryland Economic Development Corporation Parking Facilities Revenue Bonds (Baltimore City Project) Series 2018
  - Series 2018 A Bonds (Tax-Exempt): $16,700,000
    - Interest rate: 5% fixed
    - Longest Maturity: 2058
  - Series 2018 B Bonds (Taxable): $34,800,000
    - Interest Rate: 3.260% - 5.320% fixed
    - Longest Maturity: 2051
  - Series 2018 C Bonds (Tax-Exempt): $15,225,000
    - Interest Rate: 2% - 4.090% fixed
    - Longest Maturity: 2058

On July 31, 2018, MEDCO issued its non-recourse, taxable and tax-exempt bonds for the Baltimore City Garages Project Series 2018 and loaned the proceeds to the Mayor and City Council of Baltimore. Proceeds of the bonds were used to finance or refinance the costs of acquiring a leasehold interest in financing and operating three existing parking garages, which were owned by the Mayor and City Council of Baltimore; to fund deposits into the certain reserve funds; and to pay costs of bond issuance. The Mayor and City Council used the bond proceeds to create and fund a redevelopment fund.

The three parking garages, with inventory of 2,455 spaces, are located in or near the Inner Harbor in Baltimore City. The garages provide necessary parking to several downtown Baltimore City customers including, but not limited to, University of Maryland Medical Center; 414 Water Street Condominiums; University of Maryland, Baltimore; Redwood Towers Apartments; and MECU of Baltimore, Inc.

Seagirt Marine Terminal Series 2019

$103,215,000

- Maryland Economic Development Corporation Economic Development Revenue Bonds (Terminal Project) Series 2019
  - Series 2019 A Bonds (Tax-Exempt): $41,005,000
    - Interest rate: 5% fixed
    - Longest Maturity: 2049

- Series 2019 B Bonds (Federally Taxed): $62,210,000
  - Interest Rate: 3.250% - 4.750%
  - Longest Maturity: 2042

On May 22, 2019, MEDCO issued its non-recourse, taxable and tax-exempt bonds for the Seagirt Marine Terminal Series 2019 Project, and loaned the proceeds to Ports America Chesapeake, LLC (PAC). PAC operates the Seagirt Marine Terminal (Seagirt Terminal), a containerized cargo-handling facility at the Port of Baltimore, pursuant to a Lease and Concession Agreement between PAC and the Maryland Port Administration.

Proceeds of the 2019 A Bonds were used to finance a portion of the renovation and dredging of an existing Berth III and adjacent infrastructure at the Seagirt Terminal, construction of cargo and machinery buildings, electrical infrastructure and other improvements; a deposit into the 2019 A Debt Service Reserve Account; and costs of issuance of the Series 2019 A Bonds. Proceeds of the 2019 B Bonds were used to finance certain improvements to the Seagirt Terminal and the purchase and installation of equipment to be used by PAC at the Seagirt Terminal, including four new Super Post-Panamax Cranes, a deposit into the Series 2019 B Debt Service Reserve Account, and costs of issuance for the Series 2019 B Bonds.

The Seagirt Marine Terminal, a critical generator of economic activity for the State of Maryland, currently employs approximately 800 union members. The Maryland Port Administration estimates that in Maryland, the Port of Baltimore generates over 13,000 direct jobs and over 127,600 jobs linked to Port activities. The Seagirt Terminal's Twenty Foot Equivalent Unit (TEU) volume is forecasted to grow approximately 3.3% per annum from 2018 to 2037, with its TEU volume expected to increase from 1.019 million TEU in 2018 to 1.868 million TEU in 2037.

PEPCO Series 2019

- Maryland Economic Development Corporation Pollution Control Revenue Refunding Bonds (Potomac Electric Power Company Project) Series 2019
  - Series 2019 Bonds: $109,500,000
    - Interest Rate: 1.70% fixed
    - Maturity: 2022

On June 27, 2019, MEDCO issued its non-recourse, tax-exempt limited obligation bonds for the PEPCO Series 2019 Bonds and loaned the proceeds to Potomac Electric Power Company (PEPCO). Proceeds of the bonds were used to refinance previously issued Pollution Control Revenue Refunding Bonds (Potomac Electric Project) 2006 Series, which bond proceeds refinanced the cost of certain air pollution control facilities at the Chalk Point Generating Station in Prince George's County, Maryland, and certain air and water pollution control facilities at the Dickerson Generating Station in Montgomery County, Maryland.

PEPCO, a unit of Exelon Corporation, is a regulated public utility engaged in the transmission, distribution, and support of electricity in the District of Columbia, and major portions of Prince George's County and Montgomery County, Maryland. The Chalk Point and Dickerson Generating Stations collectively employ over 200 employees and provide energy to approximately 883,000 customers in the District of Columbia and Maryland.

STUDENT HOUSING PROJECTS

MEDCO provides assistance to Maryland's higher education entities through bond financing and ownership of student housing projects, enabling Maryland's higher education entities to attract and house students without adversely affecting their State-mandated debt capacities.

MEDCO assumes project ownership of student housing projects by way of ground leases that terminate contemporaneously with the repayment of the MEDCO-issued bonds used to finance the project. Upon repayment of the bonds, ownership reverts to the ground lessor.

Student housing projects currently owned and ground leased by MEDCO, and the outstanding balances of those projects as of June 30, 2019:

Projects that revert to the University System of Maryland upon repayment :

Bowie State University, *Prince George's County* - $14,200,000 - 460 beds

Frostburg State University, *Allegany County* - $12,420,000 - 406 beds

Salisbury University, *Wicomico County* - $19,940,000 - 890 beds

Towson University, *Baltimore County* - $41,060,000 - 1,088 beds

University of Maryland, ***Baltimore,*** *Baltimore City* - $24,605,000 - 337 beds

University of Maryland*, Baltimore County,* *Baltimore County* - $17,785,000 - 578 beds

University of Maryland, College Park, *Prince George's County* - $122,420,000 - 2,933 beds

Projects that revert to Capitol Technology University Foundation upon repayment:

Capitol Technology University, *Prince George's County* - $14,200,700 - 222 beds

Projects that revert to Morgan State University upon repayment:

Morgan State University, *Baltimore City* - $26,640,000 - 794 beds

Projects that revert to Sheppard Pratt Health Systems upon repayment:

University Village at Sheppard Pratt, *Baltimore County* - $17,725,000 - 615 beds

PORTFOLIO PROJECT UPDATES

MEDCO assists governmental units and state and local economic development agencies by providing coordination of capital improvements and operational management support.

National Cybersecurity Center of Excellence (NCCOE)

The NCCoE, a program dedicated to furthering innovation through the rapid identification, integration and adoption of practical cybersecurity solutions, was established in 2012 through a partnership and Memorandum of Understanding between the National Institute of Standards and Technologies (NIST), the Maryland Department of Commerce (Commerce), and Montgomery County's Department of Economic Development (Montgomery County). In 2013, Commerce and Montgomery County requested MEDCO's assistance to redevelop a 57,000 square foot Shady Grove biology and information technology facility, located at 9700 Great Seneca Highway, Rockville, MD to accommodate an off-campus facility for NCCoE and its auxiliary cybersecurity incubator efforts. To complete the project, MEDCO worked with the County to amend certain agreements for the facility, engaged an architecture firm to create a redevelopment plan, secured redevelopment funding through MEDCO, and oversaw the facility's redevelopment. In December 2015 MEDCO completed the approximately $11,000,000 renovation.

The NCCoE is part of the NIST Information Technology Laboratory and operates in close collaboration with NIST's Computer Security Division. The NCCoE integrates commercially available technologies to build practical cybersecurity solutions that can be rapidly applied to real challenges businesses face each day. The off-campus facility is used to attract private companies to collaborate on advanced, innovative solutions for the private sector's cybersecurity needs.

Since the completion of the renovations, MEDCO, in coordination with NIST, has continued to support the facility by providing ongoing operational management services and capital improvements, including:

- $600,000 upgrade to one of the facility's data rooms, nearly doubling the Facilities data storage and computing capabilities (2017)
- Upgrades to the building's exterior lighting and parking lot (2018)

Maryland State Archives

In 2014, MEDCO issued its non-recourse, tax-exempt revenue bonds in the amount of $9,200,000 and used the bond proceeds, along with $2,300,000 of MEDCO funds, to acquire approximately 5.9 acres of land in Baltimore County located at 2255 Rolling Run Drive, Woodlawn, Maryland 21244, which contained an approximately 134,240 square foot building previously used by the Social Security Administration as a record retention facility. The facility is leased to the Maryland State Archives (MSA), which uses the Project with specialty storage units, State records, artistic property, and data management devices. Through the Project, MSA has been able to consolidate its operations from three separate leased facilities into one site, while benefitting from the building's environmental control to protect its stored records.

MEDCO owns the Project and entered into an Intergovernmental Lease Agreement with MSA for an initial fifteen-year term with the option to renew for up to two additional ten-year terms. MSA makes monthly payments to MEDCO, as required by the Lease, which repay the outstanding debt service and MEDCO's contribution. In addition to Lease Payments, MSA pays operating expenses associated with the Project.

MEDCO continues to make renovations to the Project to improve and accommodate MSA's archival storage, restoration, and preservation efforts, including:

- Complete overhaul of the HVAC system, including roof top cooling units (2017)
- New roofing system (2017)
- Addition of a back-up generator (2017)
- Reconfiguration and refinishing two stories of office space (2017)
- Installation of specialty signage (2017)
- Painted exterior envelope of the building (2017)
- Upgraded interior lighting system to more energy efficient LEDs (2018)

Department of Health and Mental Hygiene Building (DHMH)

In 2011 MEDCO issued its non-recourse, tax-exempt revenue bonds in the amount of $170,910,000 and used the bond proceeds to acquire a parcel in Baltimore City formerly known as 1746 Ashland Avenue, and to build an approximately 235,000 square-foot, state-of-the-art public health laboratory for the State of Maryland's Department of Health. The project enabled the Department of Health to expand its services, move labs from outdated facilities, and provide infrastructure resiliencies and redundancies necessary to maintain Center for Disease Control credentials. The project is used by the Department of Health for various health-related activities and other critical lab testing essential for ensuring the general public's health.

MEDCO owns the project and entered into a Lease Agreement with the Department of Health for an initial twenty-year term with the option to renew for three subsequent, but immediately consecutive additional ten-year periods. The Department of Health makes monthly lease payments to MEDCO, which pay for operating expenses for the building, as well as an annual debt service payment for the MEDCO-issued bonds.

MEDCO continues to accommodate the Department of Health's ongoing operations by holding and coordinating various contracts for the building, including:

- Facilities management contract with a third-party vendor
- Security and building automation system contracts with a third-party vendor
- Telecommunications and internet service contracts

OTHER FINANCED PROJECTS

4445 Indian Head Highway, LLC (“Ely’s Warehouse”) Construction Loan

In May 2018, MEDCO agreed to provide a $550,000 bridge loan to 4445 Indian Head Highway, LLC to finance environmental remediation and demolition relating to redevelopment of the Ely’s Warehouse Building, located at 4445 Indian Head Highway, Indian Head, Maryland. Remediation and demolition efforts were completed in late November 2018. On January 31, 2019, Ely’s Warehouse fully repaid the loan.

Habitat for Humanity of the Chesapeake

In April 2019, MEDCO’s board of directors approved a revolving line of credit to Habitat for Humanity of the Chesapeake, Inc. and/or its affiliates (Habitat for Humanity), a Maryland nonprofit housing organization, to finance the acquisition of land and/or buildings to be rehabilitated by Habitat for Humanity. The line of credit will not exceed $250,000 and bears interest at 4% per year on the outstanding amounts drawn. Habitat for Humanity will utilize the MEDCO line of credit funds on homes in Baltimore City, Baltimore, Anne Arundel, and Howard Counties.

Maryland Center for Construction Education and Innovation

In September 2016, MEDCO extended a one-time bridge loan to the Maryland Center for Construction Education and Innovation (MCCEI), an industry-led workforce intermediary established to create a world-class education system for Maryland’s construction industry. The bridge loan, not exceeding $200,000, bears interest at 4% on the outstanding loan amount. MCCEI utilizes the funding to support its operational goals of ensuring Maryland’s education system meets construction industry demand; raising awareness of career opportunities in construction; creating a new paradigm for construction professionals at all education levels; and creating a network for Maryland’s fragmented construction industry to include training, education, and other resources for career seekers, training providers, the industry, and governmental leaders.

CONSULTANCIES, STUDIES, and REPORTS

Magnetic Levitation (MAGLEV) Train Project

The Maryland Department of Transportation (MDOT) requested MEDCO’s assistance in its application for Federal Railway Administration grant funding in a study to develop a “super conducting” MAGLEV train between Washington DC and Baltimore. MEDCO also entered into an Economic Development Cooperative Agreement with the Baltimore-Washington Rapid Rail, LLC (BWRR), a private firm, which in cooperation with the Japanese Central Railroad, is proposing to construct the system and provide the 20% non-federal match funds to perform the environmental and engineering study. MEDCO aids MDOT in administering and managing federal and private grant funds to complete the study.

Prince George's Stadium Repurposing Feasibility Study

The Maryland National Capital Park and Planning Commission (MNCPPC) requested MEDCO's assistance in the procurement and oversight of a study to determine the feasibility and sustainability of repurposing the Prince George's Stadium into a multi-sports stadium. MNCPPC funded the entire cost of the study. Preliminary study findings were released in early 2018; MEDCO is awaiting further direction.

DEPARTMENT OF COMMERCE

MEDCO partners with the Department of Commerce by utilizing Commerce's One Maryland Tax Credit and Advantage Maryland (MEDAAF) to develop flex buildings and business parks.

Barton Farms Business Park, Allegany County

Developed by MEDCO and located south of Cumberland on US Route 220, the project initially included land acquisition, permitting, utility installation, and site preparation. Throughout the project's lifespan, MEDCO has sold parts of the property: in 2004, American Woodmark Corporation purchased approximately 40 acres; in 2015, Allegany County purchased approximately 27.5 acres of land and constructed a flex building to attract businesses to the project. MEDCO, Allegany County, and Commerce continue to market the remaining property to technology-based businesses looking to relocate to the Western Maryland region.

Pocomoke Flex Building, Worchester County

Constructed by MEDCO in 2002, the Pocomoke Flex Building is a 43,000 square foot industrial shell building that provides marketable flex space in Worchester County. In 2006, Mid-Atlantic Institute for Space and Technology (MIST) master leased the entire building. In 2007, MIST and MEDCO were awarded a $200,000 EDA grant. The award provided for interior improvements to expand existing workspace. In February 2012, MIST relinquished its master lease of the facility. In June 2015, MEDCO master leased the entire facility to Hardwire, LLC for a ten-year term. Hardwire, LLC, a leading manufacturer of protective armor used by the military and other consumers, utilizes the building to expand its manufacturing capabilities and workspace, and has an option to purchase the building at the end of the lease term.

Patuxent Business Park

In 2000, with Commerce financing, MEDCO purchased approximately 92 acres of land to develop a business park in Calvert County, Maryland. The park was designed for Class A office and flex space. In 2005, MEDCO secured additional Commerce funding for the ongoing costs of engineering, design, permitting, and infrastructure. In 2016, Dominion Cove Point LNG purchased Lot 6 of the park and constructed an approximately 20,000 square foot office and warehouse building, and a helicopter pad, furthering Dominion's liquid natural gas initiatives in Calvert County. MEDCO and Calvert County continue to employ a commercial broker to assist with marketing efforts and increase exposure to potential buyers. Grey Ops LLC, a federal technology contracting firm, is anticipated to construct an 18,000 square-foot office headquarters and manufacturing facility at the park.

McHenry-Garrett County Flex Building

At the request of the Garrett County Commissioners, in 2019, MEDCO applied for and received $2,000,000 in MEDAAF funds to cover the cost of site improvements and building construction costs for a 20,000 square foot flexible use facility within the McHenry Business Park, located in Garrett County, MD. The facility will be marketed to new and expanding businesses in the Garrett County region. As of October 2019, MEDCO is in active negotiations and design discussions with a prospective tenant interested in leasing approximately 6,500 square foot of the facility. MEDCO will collaborate and coordinate marketing efforts for the remaining portions of the facility with Garrett County and Commerce.

ACTIVE FINANCED PROJECTS

Since its inception in 1984, MEDCO has provided financing for hundreds of projects. Below is a list of MEDCO's active financed projects as of June 30, 2019:

Owned Bond Financed Projects

- Laboratory for Telecommunications Science Facility Series 2003
- Chesapeake Resort and Conference Center Series 2006
- Maryland Department of Transportation Headquarters Series 2010
- Maryland Public Health Laboratory Series 2011
- University of Maryland, College Park Utility Infrastructure Series 2011
- Morgan State University Series 2012
- Salisbury University Series 2012
- Sheppard University Series 2012
- Towson University Series 2012
- Maryland Aviation Administration Series 2012
- Salisbury University Series 2013
- Frostburg State University Series 2013
- Maryland State Archives Series 2014
- Bowie State University Series 2015
- University of Maryland, Baltimore Series 2015
- University of Maryland, College Park Series 2016
- University of Maryland, Baltimore County Series 2016
- Metro Centre at Owings Mills Series 2017
- Towson University Series 2017
- Capitol Technology University Series 2017
- Baltimore City Garages Series 2018

Conduit Bond Financed Projects

- Maryland Soccer Foundation Series 2000
- Phenix (Redrock, LLC) Technologies, Inc. Series 2002
- Blind Industries and Services of Maryland Series 2003
- University of Maryland Alumni Association Series 2003
- Maryland Science Center Series 2003
- Prologue Series 2005
- Catholic Relief Services, Inc. Series 2006
- Constellation Energy Group Series 2006
- Lutheran World Relief Series 2007
- United States Bullet Proofing Series 2007
- Howard Hughes Medical Institute Series 2008
- Linemark Printing Series 2008
- Crossroads Partnership, LLC Series 2009
- Ardmore Enterprises, Inc. Series 2009
- CNX Marine Terminal Series 2010
- Gold Crust Baking Series 2010
- Emerge Series 2010
- Cornell Associates Series 2010
- Living Classrooms Foundation Series 2010
- Providence Center Series 2010
- The Baltimore Museum of Art Series 2010
- The Arc of Prince George's County Series 2010
- Goodwill Monocacy Series 2010
- United States Pharmacopeial Convention Series 2012
- Your Public Radio Corporation Series 2012
- American Urological Association Series 2012
- Universities Space Research Association Series 2012
- Arundel Lodge Series 2013
- Washington Research Library Consortium Series 2013
- Chesapeake Bay Foundation Series 2013
- Hospice of the Chesapeake Series 2014
- Allegany College Series 2014
- 929 N. Wolfe Street Series 2014
- Lyon Bakery Series 2014
- Compass, Inc. Series 2015
- Purple Line Light Rail Series 2016
- Easter Seals Series 2016
- Annie E. Casey Foundation, Inc. Series 2017
- AFCO BWI II, LLC Series 2017
- PRG Towson Place Properties, LLC Series 2017
- Young Men's Christian Association of Maryland, Inc. Series 2017
- Seagirt Marine Terminal Series 2017
- Arc of Baltimore Series 2018
- Seagirt Marine Terminal Series 2019
- Potomac Electric Power Company Series 2019

Loan and Grant Financed Projects

- UMBC Research Park
- Chesapeake College
- Simon Pearce
- Barton Business Park
- Pocomoke Flex Building
- Patuxent Business Park
- National Cybersecurity Center of Excellence
- Maryland Center for Construction Education and Innovation, Inc.

MINORITY BUSINESS ENTERPRISE PARTICIPATION

MEDCO promotes economic development in the State by purchasing supplies and services from entities that operate within the State. While most of MEDCO's projects are privately funded, MEDCO complies with applicable minority business enterprise requirements for projects that involve governmental funding sources. In addition to working with MBE businesses, MEDCO works with various businesses that are part of the Women's Business Enterprise (WBE), Disadvantaged Business Enterprise (DBE), and Small Business Enterprise (SBE) programs.

During the fiscal year ending June 30, 2019, MEDCO purchased goods and services pertaining to operation, administration, and procurement from the following MBE, WBE, SBE, and DBE businesses:

The Canton Group *(MBE, SBE, & DBE)*
$8,100
Database restructuring and monthly servicing

Crossroads Consulting Services, LLC *(WBE)*
$3,500
Professional feasibility study services

FiveL *(WBE)*
$399
Human Resources consulting

Curry Printing and Copy Center *(WBE)*
$2,523
Printing and business cards

Centric Business Solutions, LLC *(MBE)*
$3,082.69
Copier/scanner maintenance services

Site Resources, Inc. *(MBE)*
$8,000
Civil engineering, landscape architecture, construction design, and studies for the new Bowie Residence Hall Project

In addition, MEDCO staff attend MBE networking and procurement events where minority businesses promote their products and services. MEDCO utilizes the Governors' Office of Minority Affairs and other directories to learn about upcoming MBE events.

MBE event MEDCO staff attended during Fiscal Year ending June 30, 2019:

- Washington Minority Companies Association's 16th Annual 2019 Spring Breakfast Meeting/Business Showcase Expo

MBE Memberships:

- Member Maryland Washington Minority Companies Association since 2012
- Member Maryland Minority Contractors Association since 2012

ADVISORY CAPACITY

Through its staff's active service in board memberships and advisory positions within various organizations throughout the State, MEDCO directly promotes economic development and helps maximize new economic opportunities. These organizations include:

Maryland Industrial Partnership (MIPS)

MIPS promotes the development and commercialization of products and processes through research partnerships between universities and industries. MEDCO's Executive Director is a member of MIPS advisory board.

Bainbridge Development Corporation (BDC)

BDC's purpose is to develop the Bainbridge Naval Training Center and to accelerate the site's transfer to the private sector. MEDCO's Executive Director is an ex-officio member of the board of directors. MEDCO's Assistant Director for Special Projects serves as BDC's Executive Director via an Inter-Agency Agreement with BDC.

Maryland Economic Development Association (MEDA)

MEDA, a nonprofit organization for economic development professionals, promotes economic well-being by working to improve the state's business climate and encouraging professionalism in economic development. MEDCO's Executive Director is a member of MEDA's Past Presidents. Past Presidents provide economic development consulting services to parties requesting services.

Maryland Department of Housing and Community Development, Revenue Bond Advisory Board

The Revenue Bond Advisory Board provides independent advice and expertise on the issuance of revenue bonds to the Department of Housing and Community Development. MEDCO's Executive Director serves as a member of the Revenue Bond Advisory Board.

Baltimore Community Lending (BCL)

BCL is a non-profit community development financial institution that provides financing to support the revitalization and strengthening of underserved neighborhoods in Baltimore City. MEDCO's Director of Bond Financing is a member of BCL's Board of Directors.

Tri County Council of Western Maryland, Video Lottery Terminal Fund (VLT)

The Tri County Council of Western Maryland manages the VLT which makes loans to small and minority business using revenues from video lottery terminals. The Council is based in Frostburg, Maryland and services markets in western Maryland. MEDCO's Executive Director serves on the VLT's loan committee.

MARYLAND ECONOMIC DEVELOPMENT CORPORATION

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

For the Years Ended June 30, 2019 and 2018

MARYLAND ECONOMIC DEVELOPMENT CORPORATION

TABLE OF CONTENTS

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, 2019 and 2018. 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 politic 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:

- Christa McAuliffe Student Housing (Bowie) 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 Student Housing (Morgan) at Morgan State University
- National Cybersecurity Center of Excellence (NCCoE) in Montgomery County, Maryland
- Rockville Innovation Center (RIC) in Montgomery County, Maryland
- University Park Phase I and II (Salisbury) at Salisbury University
- West Village and Millennium Hall Student Housing (Towson WV & MH) at Towson University
- Fayette Square Student Housing (UMAB) at University of Maryland, Baltimore
- Walker Avenue Student Housing (UMBC) at University of Maryland, Baltimore County

General – continued

- 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, 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 financing leases 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 19-58 of this report.

Financial Analysis of MEDCO

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

	2019	2018	2017
Current assets	$ 67,594,890	$ 62,131,481	$ 57,839,783
Net capital assets and right to use buildings	392,588,839	397,409,708	410,295,074
Other non-current assets	71,302,143	65,082,376	68,126,489
Total Assets	$ 531,485,872	$ 524,623,565	$ 536,261,346
Deferred outflow of resources	$ 7,533,844	$ 8,465,884	$ 9,471,245
Current liabilities	$ 226,430,619	$ 222,973,335	$ 185,357,896
Bonds and notes payable, net of current portion	579,224,903	545,120,400	581,345,996
Other non-current liabilities	46,071	396,767	445,535
Total Liabilities	$ 805,701,593	$ 768,490,502	$ 767,149,427
Deferred inflow of resources	$ 3,198,397	$ 3,448,069	$ 3,676,743
Net investment in capital assets	$ (222,281,684)	$ (198,098,970)	$ (193,544,328)
Restricted under trust indentures	65,686,704	62,544,376	62,050,279
Restricted - other purposes	-	2,250	75,350
Unrestricted - Projects	(134,871,155)	(123,962,513)	(112,808,511)
Unrestricted - MEDCO	21,585,861	20,665,735	19,133,631
Total Net Position	$ (269,880,274)	$ (238,849,122)	$ (225,093,579)

Significant factors in the changes in MEDCO's financial position for the year ended June 30, 2019 include:

- Current assets increased primarily as a result of an increase in cash and cash equivalents, $3,712,000, primarily due to advances received for the planning and construction of future projects, and an increase in rent and other receivables, $2,096,000, primarily due to reimbursable design and development expenditures for new projects. These increases were partially offset by a decrease in funds deposited with the trustee at Towson WV & MH, $1,667,000, primarily as a result of the use of funds to complete the renovations of the Towson MH building envelope and HVAC system.

Financial Analysis of MEDCO – continued

- Net capital assets and right to use buildings decreased due to current year depreciation and amortization of $30,824,000, the sale of a building asset to the current lessee under the rights granted by the lease and upon repayment of the maturing debt, $24,411,000, and the disposition of the capital assets of NCCoE, $16,424,000, and RIC, $1,513,000. These decreases were partially offset by the acquisition of the leasehold interest in and capital asset additions for the Baltimore City Garages, $56,755,000, the completion of a student housing project at CTU, $3,074,000, and various other capital expenditures at Projects totaling $9,838,000.

- Other non-current assets increased primarily as a result of funds deposited with the trustee for future debt service, capital and operating reserve requirements for the Baltimore City Garages, $10,513,000. This increase was partially offset by the use of funds on deposit with the trustee for capital, debt service and operational expenditures at various other Projects, $3,187,000.

- Current liabilities increased primarily as a result of additional accruals at CBCC for interest payable, deferred ground rent and management and service fees, $11,732,000, an increase in the current portion of bonds payable due to CBCC not being able to fund the amount due during the year ended June 30, 2019, $6,885,000, advances received for the planning and construction of future projects, $5,575,000, and an increase in accounts payable primarily for operations at the Baltimore City Garages and CBCC, $1,046,000. These increases were partially offset by a MEDCO bond issuance maturing, $21,285,000, and the payment of accrued capital asset costs at CTU, Towson MH and UMCP Energy, $904,000.

- Bonds and notes payable, net of current portion, increased primarily as a result of the issuance of bonds to finance the acquisition of a leasehold interest in the Baltimore City Garages, $68,236,000. This increase was partially offset by the reclassification of fiscal year 2019 principal payments from non-current to current liabilities, $24,150,000, the amortization of bond premium/discounts, $2,462,000, and the early repayment of bonds and notes payable, $7,519,000.

Significant factors in the changes in MEDCO's financial position for the year ended June 30, 2018 include:

- Current assets increased primarily as a result of an increase in deposits with bond trustees at Towson WV & MH, $3,291,000, primarily due to construction funds on deposit to complete the building envelope and HVAC renovations and at Metro Centre, $711,000, due to an increase in TIF funds on deposit to pay the bond principal and interest payments due July 1, 2018.

- Net capital assets and right to use buildings decreased primarily as a result of current year depreciation of $29,769,000, the retirement of a building asset, net of depreciation, of $4,542,000 due to the scheduled repayment of the outstanding debt and subsequent ownership transfer of the building per the loan documents, and the retirement of fixed assets, net of depreciation, at Towson MH as a result of the renovations of the building envelope and HVAC system, $2,890,000. These decreases were partially offset by capital expenditures at CTU, $12,841,000, CBCC, $2,084,000, Towson WV & MH, $5,252,000, UMCP Energy, $702,000, UMCP Housing, $1,449,000, and various other capital expenditures at Projects totaling $2,119,000.

Financial Analysis of MEDCO – continued

- Other non-current assets decreased as a result of a decrease in funds deposited with the trustee primarily for the renovations of the Towson WV & MH building envelope and HVAC renovations, $3,999,000, reclassifying funds held in the construction fund to short term given the expected use for the building envelope project, $2,096,000, as well as a decrease in the Towson WV & MH surplus trust fund of $464,000 as a result of the ground rent payment and a decrease in the subordinated debt trust fund of $192,000 to pay interest on the Series2007B bonds as a result of the early redemption of bonds. These decreases were offset by the increase in funds deposited with the trustee for the construction of the CTU student housing project using proceeds derived from the issuance of Series 2017 bonds, $4,183,000.

- Current liabilities increased primarily as a result of additional accruals at CBCC for interest payable, deferred ground rent and management and service fees, $10,815,000, an increase in the current portion of bonds payable due to CBCC not being able to fund the amount due during the year ended June 30, 2018, $6,185,000, an outstanding MEDCO bond issuance maturing in the next year, $19,505,000, and an increase in accounts payable primarily for the accrual of capital asset costs at CTU, Towson MH and UMCP Energy, $879,000. These increases were partially offset by the directed use of funds previously advanced for the benefit of the Maryland State Archives, Montgomery County Department of Economic Development, an Excel Maryland study and UMAB, $1,786,000.

- Bonds and notes payable, net of current portion, decreased primarily as a result of the reclassification of fiscal year 2019 principal payments from non-current to current liabilities, $45,591,000, and the amortization of bond premium/discounts, $2,605,000, and the early repayment of bonds and notes payable, $2,231,000. These decreases were partially offset by the issuance of bonds for the construction of the CTU student housing project, $14,201,000.

MEDCO's net position as of June 30, 2019, 2018 and 2017 (after considering the effects of eliminations and adjustments in consolidation) are detailed by source as follows:

	2019	2018	2017
Operating facilities	$ (293,483,724)	$ (264,732,926)	$ (254,000,317)
Other operations	23,603,450	25,883,804	28,906,738
Net position	$ (269,880,274)	$ (238,849,122)	$ (225,093,579)

As discussed in greater detail below, the majority of MEDCO's operating income for 2019, 2018 and 2017 relate to its operating facilities.

Financial Analysis of MEDCO – continued

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

	2019	2018	2017
Operating Revenues:			
Operating facilities	$ 139,829,582	$ 133,843,588	$ 131,719,326
Other property and equipment rentals	900,806	2,697,393	4,178,828
Consulting and management fees	1,360,867	1,292,146	1,404,110
Total Operating Revenues	142,091,255	137,833,127	137,302,264
Operating Expenses:			
Operating facilities	96,866,027	90,463,204	90,686,847
Rent	92,726	85,442	81,306
Compensation and benefits	1,504,551	1,425,948	1,285,766
Administrative and general	499,901	519,078	567,010
Depreciation and amortization	30,823,791	29,768,786	29,314,874
Total Operating Expenses	129,786,996	122,262,458	121,935,803
Operating Income	12,304,259	15,570,669	15,366,461
Non-operating Revenues and Expenses:			
Interest income	1,983,859	1,224,343	695,297
Interest expense	(27,921,670)	(25,883,118)	(26,653,760)
Issuance expense	(1,452,896)	(658,270)	(1,729,062)
Settlement income	846,347	128,185	76,840
Gain (loss) on sales and retirements of assets	(16,117,617)	(7,380,241)	27,791,100
Capital grants	629,466	3,370,534	1,713
Other grants from government agencies	41,100	1,106,387	1,691,650
Surplus funds distribution	(1,344,000)	(1,234,032)	(1,097,263)
Net Non-operating Revenues (Expenses)	(43,335,411)	(29,326,212)	776,515
Change in Net Position	(31,031,152)	(13,755,543)	16,142,976
Net Position, beginning of year	(238,849,122)	(225,093,579)	(241,236,555)
Net Position, end of year	$(269,880,274)	$(238,849,122)	$(225,093,579)

Financial Analysis of MEDCO – continued

The change in net position for the years ended June 30, 2019, 2018 and 2017 (after considering the effects of eliminations and adjustments in consolidation) is detailed by source as follows:

	2019	2018	2017
Operating facilities	$ (28,750,798)	$ (10,732,609)	$ (13,705,937)
Other operations	(2,280,354)	(3,022,934)	29,848,913
Change in Net Position	$ (31,031,152)	$ (13,755,543)	$ 16,142,976

Significant factors in the results for the year ended June 30, 2019 include:

- As of June 30, 2019, 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. Effective 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. This agreement, as extended, expires December 31, 2019. Additional information relating to this agreement is provided in Note 11 to the financial statements.

- Losses from operating facilities increased approximately $18,018,000 for the year ended June 30, 2019 in comparison to the year ended June 30, 2018. This is primarily attributable to the loss recognized on the initial year of operations for the Baltimore City Garages, $1,387,000, a decrease in capital grants at CTU as construction on the project was completed and operations commenced, $2,557,000, a decrease in capital recovery charges at UMCP Energy, $4,632,000, and the disposition of the NCCoE project, $13,800,000. These increases in the losses from operating facilities were partially offset by $2,543,000 at RIC, primarily due to the gain recognized on the disposition of the project, and at Towson, $2,142,000, primarily due to a decrease in the loss recognized for the early retirement of assets at Towson MH as renovations to the building envelope and HVAC system were completed.

- Losses from other operations decreased $743,000 for the year ended June 30, 2019 in comparison to the year ended June 30, 2018. This decrease is primarily attributable to the loss recognized on the sale of a building asset in the current year, $2,848,000, as compared to the loss recognized in the prior year for the retirement of a building asset due to the scheduled repayment of outstanding debt and ownership transfer of the building per the loan documents, $4,542,000. This decrease in the loss from other operations was partially offset by the decrease in property rental revenue net of depreciation expense, $1,016,000, as a result of the building asset sale.

Financial Analysis of MEDCO – continued

- Net Non-operating revenues (expenses) decreased $14,009,000. This decrease is attributable to the loss recognized on the retirement of assets primarily due to the sale of a building asset, the early retirement of right to use building assets due to the renovations to the building envelope and HVAC system at Towson MH and the disposition of the NCCoE and RIC projects, $16,118,000, as compared to the loss recognized on the retirement of assets in the prior year, $7,380,000, a decrease in capital grants from the CTU Foundation as construction on the student housing project was completed, $2,741,000, a decrease in other grants due to the disposition of the NCCoE and RIC projects, $1,065,000, and an increase in issuance expense, $795,000, and interest expense, $2,039,000, primarily due to the issuance of bonds to acquire the leasehold interest in the Baltimore City Garages.

Significant factors in the results for the year ended June 30, 2018 include:

- As of June 30, 2018, 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. Effective 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. This agreement, as extended, expires December 31, 2019. Additional information relating to this agreement is provided in Note 11 to the financial statements.

- Losses from operating facilities decreased approximately $2,973,000 for the year ended June 30, 2018 in comparison to the year ended June 30, 2017. This is primarily attributable to a capital grant received from the CTU Foundation for the construction of the CTU student housing project, $3,371,000, and a decrease in issuance expense due to a reduction in the amount of bond debt issued as compared to the prior year, $1,071,000. These decreases were partially offset by an increase in the loss recognized for the early retirement of right to use building assets of $2,307,000 primarily as a result of the renovations to the building envelope and HVAC system at Towson MH.

- Income from other operations decreased $32,872,000 for the year ended June 30, 2018 in comparison to the year ended June 30, 2017. This decrease is primarily attributable to the loss recognized on the retirement of a building asset of $4,542,000, due to the scheduled repayment of the outstanding debt and ownership transfer of the building per the loan documents as compared to the gain recognized in the year ended June 30, 2017 on the retirement of a building asset of $28,323,000, due to the early repayment of the outstanding bonds and subsequent ownership transfer of the building per the bond documents.

Financial Analysis of MEDCO – continued

- Net Non-operating revenues (expenses) decreased $30,103,000. This decrease is primarily attributable to the loss recognized on the retirement of assets, $7,380,000, as compared to the gain recognized on the retirement of assets in the prior year, $27,791,000. This decrease in net non-operating revenue was partially offset by an increase in capital grants as a result of the grant received from the CTU Foundation for the construction of the CTU student housing project, $3,371,000, and a decrease in issuance expense due to a reduction in the amount of bond debt issued as compared to the prior year, $1,071,000

Additional information relating to the operating results of the operating facilities for the years ended June 30, 2019 and 2018 is provided in Note 7 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 were $69,667,000 and $24,447,000 during the years ended June 30, 2019 and 2018, respectively.

During 2019, MEDCO entered into a 50 year lease with the City of Baltimore for the use of three parking garages. Proceeds from the issuance of tax-exempt and taxable bonds were used for the initial lease payment of the Baltimore City Garages, to fund required reserve funds and to pay for costs of issuing the bonds. An acquisition value of approximately $56,000,000 was assigned to the parking garages. Projects totaling $802,000 were completed in 2019 to replace parking access revenue control systems in all three of the garages.

There were $3,074,000 in capital expenditures in 2019 at CTU, for the installation of all mechanical systems, including the HVAC and elevators, as well as the purchase of furniture, fixtures and equipment. There were $12,841,000 of construction, development and equipment expenditures in 2018 at CTU for the initial design, construction and furnishing of the student housing project. The project opened in August 2018.

There were $1,411,000 in capital expenditures in 2019 at CBCC, primarily for lobby renovations and improvements to the facilities. Such expenditures will continue to be incurred in order to maintain the property as a first-class hotel, conference center and resort. There were $2,084,000 in capital expenditures in 2018 at CBCC, primarily for the completion of guestroom and lobby renovations and the replacement of golf carts

The major capital asset events during the year ended June 30, 2019 at Morgan were new access control systems, fencing, security system upgrades and the replacement of carpeting and furniture and fixtures, $593,000. The major capital asset events during the year ended June 30, 2018 at Morgan were security system upgrades, replacement of furniture and fixtures, repair of mechanical systems and new computers, $300,000.

The major capital asset events during the year ended June 30, 2019 at Salisbury were a pool deck renovation and the replacement of carpeting and furniture, $453,000. The major capital asset events during the year ended June 30, 2018 at Salisbury were step replacements, land grading, wireless internet upgrades, and the replacement of carpeting and furniture, $196,000.

Capital Assets and Debt Administration – continued

Capital Assets and Right to Use Buildings – continued

The major capital asset events during the year ended June 30, 2019 at Towson WV & MH were the renovations to the Millennium Hall building envelope and HVAC system totaling $1,022,000, the replacement of furniture and fixtures and mechanical systems totaling $632,000. The major capital asset events during the year ended June 30, 2018 at Towson WV & MH were renovations to the Millennium Hall building envelope and HVAC system totaling $4,699,000, and the replacement of carpeting, security cameras, furniture and fixtures and mechanical systems totaling $553,000.

The major capital asset events during the year ended June 30, 2019 at UMBC were drywall repairs and insulation, roof, asphalt and sidewalk repairs and window, smoke detector, carpet, shower, lighting, HVAC and heat pump replacement, $689,000. The major capital asset events during the year ended June 30, 2018 at UMBC were drywall and attic insulation, key box systems, roof, picnic table, sidewalk and ramp repairs and water heater, smoke detector, carpet, appliance, HVAC and heat pump replacement, $525,000.

During 2019 and 2018 at UMCP Energy there were capital expenditures of $292,000 and $702,000, respectively, primarily to purchase equipment to automate the collection of utility data.

The major capital asset events during the year ended June 30, 2019 at UMCP Housing were elevator upgrades, concrete step repairs, and the replacement of roofing, beams, exterior doors and windows, HVAC, heat pump, thermostat, carpet, tile, furniture and appliances, $3,059,000. The major capital asset events during the year ended June 30, 2018 at UMCP Housing were kitchen and bathroom renovations, concrete step repairs, and the replacement of beams, hot water generators, HVAC, heat pump, boiler, carpet, tile, furniture and appliances, $1,449,000.

The major capital asset events during the year ended June 30, 2019 at University Village were the replacement of windows, roofing, flooring, furniture and fixtures and mechanical system repairs, $912,000. The major capital asset events during the year ended June 30, 2018 at University Village were the replacement of flooring, furniture and fixtures, mechanical system repairs and the addition of equipment to provide wifi access to the residents, $553,000.

Additional information relating to capital assets is provided in Notes 5 and 6 to the financial statements.

Debt

As of June 30, 2019, MEDCO had total bonds and notes payable outstanding of $631,365,000, an increase of 3.0% from June 30, 2018. 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 2019, MEDCO issued debt totaling $68,236,000, including an original issue premium and discount, to finance the acquisition of a leasehold interest in the Baltimore City Garages. Aggregate principal payments/reductions on bonds and notes payable during the year were $40,647,000.

Capital Assets and Debt Administration – continued

Debt – continued

As of June 30, 2018, MEDCO had total bonds and notes payable outstanding of $613,157,000, a decrease of 1.5% from June 30, 2017. 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 2018, MEDCO issued debt totaling $14,201,000, to finance the development of a student housing project for the CTU Foundation, through the issuance of its tax-exempt bonds. The proceeds of the bonds were used for the initial design, construction and furnishing of the project which opened in August 2018. Aggregate principal payments/reductions on bonds and notes payable during the year were $20,959,000.

Additional information relating to debt and capital lease obligations is provided in Note 8 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, 300 E. Lombard Street Suite 1000, Baltimore, MD 21202.

SC&H ATTEST SERVICES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Maryland Economic Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Maryland Economic Development Corporation (MEDCO), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MEDCO as of June 30, 2019 and 2018, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 supplementary 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 21, 2019

MARYLAND ECONOMIC DEVELOPMENT CORPORATION

Statements of Net Position

As of June 30,		*2019*		*2018*
Assets				
Current Assets:				
Cash and cash equivalents	$	23,258,744	$	19,546,362
Short-term investments		8,190,893		8,082,072
Tenant security deposits		718,992		729,536
Deposits with bond trustees — restricted		22,173,665		23,720,569
Funds for replacement of and additions to furnishings and equipment		1,841,826		1,050,846
Loans receivable, net		97,771		171,849
Receivables under direct financing leases		151,507		145,482
Rent and other receivables, net		9,244,149		7,147,699
Interest receivable, net		118,369		105,640
Inventory		344,189		403,890
Prepaid expenses and other assets		1,454,785		1,027,536
Total Current Assets		67,594,890		62,131,481
Non-current Assets:				
Interest rate swap asset		-		95,126
Long-term investments		-		510,075
Deposits with bond trustees — restricted		68,584,850		61,259,208
Loans receivable, net		125,000		393,526
Receivables under direct financing leases		1,131,787		1,283,294
Prepaid expenses and other assets		1,460,506		1,541,147
Right to use buildings, net of accumulated amortization of $166,780,934 and $154,873,025		271,310,725		222,121,282
Capital assets:				
Buildings and improvements		194,131,416		266,012,752
Furnishings and equipment		90,589,368		89,752,195
Construction in progress		16,625		216,038
		284,737,409		355,980,985
Less: accumulated depreciation and amortization		(163,459,295)		(180,692,559)
Net Capital Assets		121,278,114		175,288,426
Total Non-current Assets		463,890,982		462,492,084
Total Assets	$	531,485,872	$	524,623,565
Deferred Outflow of Resources:				
Deferred advance refunding costs		7,533,844		8,465,884
Total Deferred Outflow of Resources	$	7,533,844	$	8,465,884

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

MARYLAND ECONOMIC DEVELOPMENT CORPORATION

Statements of Net Position - continued

As of June 30,		*2019*		*2018*
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and accrued expenses	$	13,969,972	$	12,537,072
Sales tax payable		535,691		332,145
Advances		7,039,920		1,464,817
Accrued interest		31,322,348		29,652,109
Advance deposits		3,090,037		2,615,556
Security deposits		706,544		727,871
Accrued ground rent		57,578,718		53,502,408
Bonds and notes payable		52,139,629		68,036,148
Deferred management and service fees payable		60,047,760		54,105,209
Total Current Liabilities		226,430,619		222,973,335
Non-current Liabilities:				
Advances		-		314,725
Bonds and notes payable		579,224,903		545,120,400
Other liabilities		46,071		82,042
Total Non-current Liabilities		579,270,974		545,517,167
Total Liabilities	$	805,701,593	$	768,490,502
Deferred Inflow of Resources:				
Accumulated increase in fair value of hedging derivatives		-		95,126
Rents and fees collected in advance		2,916,925		3,044,145
Deferred advance refunding gains		281,472		308,798
Total Deferred Inflow of Resources	$	3,198,397	$	3,448,069
Commitments and Contingencies (Notes 10 and 11)				
Net Position:				
Net investment in capital assets		(222,281,684)		(198,098,970)
Restricted under trust indentures		65,686,704		62,544,376
Restricted - other purposes		-		2,250
Unrestricted - Projects		(134,871,155)		(123,962,513)
Unrestricted - MEDCO		21,585,861		20,665,735
Total Net Position	$	(269,880,274)	$	(238,849,122)

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,	*2019*	*2018*
Operating Revenues:		
Operating facilities	$ 139,829,582	$ 133,843,588
Other property and equipment rentals	900,806	2,697,393
Consulting and management fees	1,360,867	1,292,146
Total Operating Revenues	142,091,255	137,833,127
Operating Expenses:		
Operating facilities	96,866,027	90,463,204
Rent	92,726	85,442
Compensation and benefits	1,504,551	1,425,948
Administrative and general	499,901	519,078
Depreciation and amortization	30,823,791	29,768,786
Total Operating Expenses	129,786,996	122,262,458
Operating Income	12,304,259	15,570,669
Non-operating Revenues and Expenses:		
Interest income	1,983,859	1,224,343
Interest expense	(27,921,670)	(25,883,118)
Issuance expense	(1,452,896)	(658,270)
Settlement income	846,347	128,185
Loss on sales and retirements of assets, net	(16,117,617)	(7,380,241)
Capital grants	629,466	3,370,534
Other grants from government agencies	41,100	1,106,387
Surplus funds distribution	(1,344,000)	(1,234,032)
Net Non-operating Expenses	(43,335,411)	(29,326,212)
Change in Net Position	(31,031,152)	(13,755,543)
Net Position, beginning of year	(238,849,122)	(225,093,579)
Net Position, end of year	$ (269,880,274)	$ (238,849,122)

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,	*2019*	*2018*
Cash Flows from Operating Activities:		
Cash received from tenants	$ 78,596,524	$ 75,698,653
Cash received from guests	39,503,796	40,542,917
Cash received from customer charges	12,962,102	14,674,441
Cash received from parkers	6,236,772	-
Cash received from tax increment financing	1,991,945	1,899,849
Cash received from consulting and management fees	1,363,180	1,400,498
Cash received from property and equipment rentals	878,223	2,697,393
Cash received from licensees	65,318	366,785
Cash paid for operating expenses	(4,226,256)	(2,326,417)
Cash paid for expenses of operating facilities	(83,246,044)	(80,845,946)
Net Cash and Cash Equivalents Provided by Operating Activities	54,125,560	54,108,173
Cash Flows from Non-capital Financing Activities:		
Other grants from government agencies	41,100	1,106,387
Advances	4,309,336	(1,388,935)
Interest payments on bonds and notes payable	(563,526)	(679,479)
Principal payments on bonds and notes payable	(21,726,387)	(2,881,444)
Net Cash and Cash Equivalents Used in Non-capital Financing Activities	(17,939,477)	(3,843,471)
Cash Flows from Capital and Related Financing Activities:		
Distribution of surplus funds	(1,344,000)	(1,234,032)
Right to use buildings expenditures	(67,688,941)	(20,296,859)
Construction, development and equipment expenditures	(2,731,023)	(3,270,650)
Capital grants	629,466	3,370,534
Proceeds from sale of capital assets	21,593,366	183,253
Proceeds from issuance of bonds and notes payable	68,235,851	14,200,700
Bond issuance expenditures	(1,452,896)	(658,270)
Net funding (use) of funds for replacement of and additions to furnishings and equipment	(790,980)	350,919
Interest paid	(27,232,559)	(24,238,770)
Principal payments on bonds and notes payable	(18,920,162)	(18,077,160)
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities	(29,701,878)	(49,670,335)
Cash Flows from Investing Activities:		
Principal payments received on direct financing leases	145,482	139,765
Issuance of loans receivable	(336,987)	(184,500)
Principal payments on loans receivable	679,591	338,513
Proceeds from settlement	171,347	128,185
Net purchases of deposits with bond trustees	(5,778,738)	(551,096)
Net (purchases) sales of investments	391,173	(1,073,590)
Interest received	1,956,309	1,162,698
Net Cash and Cash Equivalents Used In Investing Activities	(2,771,823)	(40,025)
Net Increase in Cash and Cash Equivalents	3,712,382	554,342
Cash and Cash Equivalents, beginning of year	19,546,362	18,992,020
Cash and Cash Equivalents, end of year	$ 23,258,744	$ 19,546,362

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

Statements of Cash Flows - continued

For the Years Ended June 30,	*2019*	*2018*
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	$ 12,304,259	$ 15,570,669
Adjustment to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	30,823,791	29,768,786
Provision for doubtful accounts	349,975	542,617
Changes in operating assets and liabilities:		
Tenant security deposits	10,544	141,047
Rent and other receivables	(2,441,901)	(514,854)
Inventory	59,701	24,831
Prepaid expenses and other assets	(362,669)	226,806
Accounts payable and accrued expenses	6,247,560	3,428,484
Sales tax payable	203,546	(66,744)
Advances	(101,494)	(397,305)
Advance deposits	474,481	(60,983)
Security deposits	9,968	(114,432)
Accrued ground rent	761,700	494,527
Deferred management and service fees payable	5,942,551	5,393,134
Deferred inflow of resources - rents and fees collected in advance	(120,481)	(295,578)
Other liabilities	(35,971)	(32,832)
Net cash and cash equivalents provided by operating activities	$ 54,125,560	$ 54,108,173
Schedule of non-cash capital and related financing activities:		
Loss on sales and retirements of assets, net	$ (16,147,583)	$ (7,563,494)
Construction, development, and equipment expenditures included in accounts payable and accrued expenses	18,234	771,172
Capitalization of interest in right to use buildings	73,741	108,233
Amortization of lease allowance	22,978	22,978
Amortization of issue premium on bonds	2,669,969	2,821,867
Amortization of issue discount on bonds	207,776	217,149
Amortization of deferred inflow of resources - deferred advance refunding gain	27,326	28,765
Amortization of deferred outflow of resources - deferred advance refunding costs	932,040	989,425

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 politic 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 has elected to report its conduit debt as allowed under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations.* 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, management has elected to exclude certain conduit debt obligations, the related assets, revenues, expenses and cash flows from its financial statements. In circumstances where the related assets and liabilities do not fully offset, management has elected to continue reporting the related assets, liabilities, revenues, expenses, and cash flows in its financial statements; however, MEDCO, as with all other conduit bonds and notes, has no obligation for the conduit debt beyond the resources provided under the related leases or loans with the parties on whose behalf the debt was issued.

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.

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, 2019 and 2018, bank deposits were properly collateralized.

As of June 30, 2019 and 2018, $8,626,637 and $4,263,652, respectively, of cash and cash equivalents were restricted under third party agreements and not available to pay general operating expenses of MEDCO.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

Investments include certificates of deposit, 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

Security deposits are held in checking and money market accounts and represent cash restricted under state law. As of June 30, 2019, security deposits were underfunded at Morgan View Student Housing at Morgan State University (Morgan), $50,912, and overfunded at South Campus Commons and The Courtyards at University of Maryland, College Park (UMCP Housing), $34,982, and University Village at Sheppard Pratt (University Village), $28,378. As of June 30, 2018, security deposits were underfunded at Morgan, $19,415, and overfunded at UMCP Housing, $42,716, and University Village, $9,472. The over and underfundings are a result of the timing of receipts and refunds that are transacted in the operating accounts of the facilities. Periodically, funds are transferred from cash and cash equivalents to security deposits to meet the minimum funding requirements.

Fund for Replacement of and Additions to Furnishings and Equipment

The Hyatt Hotels Corporation of Maryland (Hyatt) management agreement for the Chesapeake Bay Conference Center (CBCC) requires that a reserve fund for replacement of and additions to furnishings and equipment be established. An interest-bearing account is maintained for the fund. As of June 30, 2019 and 2018, 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 during the forbearance period, the amount to be contributed to the fund is capped at 5% of gross receipts. As of June 30, 2019 and 2018, the reserve fund was underfunded by approximately $278,000 and $241,000, respectively. These shortfalls resulted from the time required to calculate and remit the contribution based on June's revenues. The shortfall for each year was funded in July 2019 and 2018, respectively.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2019 and 2018.

Receivables under Direct Financing Leases

Leases which transfer substantially all the risks and benefits of ownership to tenants are considered finance leases and the present values of the minimum lease payments and the estimated residual values of the leased properties, if any, are accounted for as receivables. In general, revenues under the financing leases are recognized when due from tenants.

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, 2019 and 2018 totaled $1,010,540 and $940,062, 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.

Service Concession Arrangements

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 Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60), the arrangement between MEDCO and the universities qualifies as a service concession arrangement.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Service Concession Arrangements – continued

MEDCO also assisted in the development of a student housing project for Capitol Technology University. The land underlying the project is subleased from CTU Foundation, Inc. (CTU Foundation) and leased from Capitol Technology University and title to the Project will revert to CTU Foundation upon termination of the sublease. In accordance with GASB 60, the arrangement between MEDCO and CTU Foundation qualifies as a service concession arrangement.

MEDCO also assists in the operations of three parking garages for the City of Baltimore. The land underlying thr Project is leased from the City of Baltimore and title to the Project will revert to the City of Baltimore upon termination of the lease. In accordance with GASB 60, the arrangement between MEDCO and the City of Baltimore qualifies as a service concession arrangement.

MEDCO will operate and collect revenues from the Projects for the duration of the lease terms. GASB 60 requires that the Projects 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, 2019 and 2018.

Service concession arrangements 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, 2019 and 2018, management does not believe that any of the service concession arrangements of MEDCO 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets and Depreciation and Amortization – continued

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, 2019 and 2018, management does not believe that any of the capital assets of MEDCO meet the criteria for impairment as set forth in GASB 42.

Acquisition, development, and construction costs of properties under development, including interest on related debt, are capitalized. 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.

Rents and Fees Collected in Advance

Rents and fees collected in advance represent amounts received for future rental periods on leases or parking agreements in effect as of June 30, 2019 and 2018.

Security Deposits

As of June 30, 2019 and 2018, 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 $706,544 and $727,871 as of June 30, 2019 and 2018, respectively.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Advances

Advances represent funds received from third parties, which are non-interest bearing and are to be repaid or utilized in future years. Advances as of June 30, 2019 and 2018 are as follows:

Respective Operating Facility	Advancer of Funds	2019	2018
MEDCO - for the benefit of Maryland State Archives	Maryland State Archives	$ 243,868	$ 576,120
MEDCO - for the benefit of Maryland National Park and Planning Commission	Maryland National Park and Planning Commission	7,000	10,500
MEDCO - for the benefit of Montgomery County Dept of Economic Development	Montgomery County	446,196	394,690
MEDCO - for the benefit of National Institute of Standards and Technology	National Institute of Standards and Technology	582,559	-
MEDCO - for the benefit of Excel Maryland Study	Johns Hopkins University, University of Maryland and Tech Council of Maryland	-	14,715
MEDCO - for the benefit of National Park Service	US Department of Interior	5,037,685	-
Christa McAuliffe Student Housing at Bowie State University	Bowie State University	204,653	46,960
Rockville Innovation Center	Montgomery County	32,400	314,725
Fayette Square Student Housing at University of Maryland, Baltimore	University of Maryland, Baltimore	162,645	421,832
NCCoE - for the benefit of Montgomery County Dept of Economic Development	Montgomery County	322,914	-
Total advances		$ 7,039,920	$ 1,779,542

Derivative Instruments

MEDCO applies the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), which requires governments to measure derivative instruments at fair value. There were no derivative instruments outstanding as of June 30, 2019. Derivative instruments outstanding as of June 30, 2018 consisted of an interest rate swap (the swap). Changes in fair value of hedging derivative instruments were reported as either deferred outflows of resources or deferred inflows of resources on the statements of net position.

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-other purposes or unrestricted. Net investment in capital assets represents the difference between capital assets and right to use buildings and the 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-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 outstanding encumbrances at year-end and 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.

Revenue Recognition

Revenues related to the leasing of apartments and office space are recognized monthly over the terms of the leases. 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. Revenues 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 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, 2019 and 2018, 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, 2019, MEDCO recognized deferred advance refunding gains, and rents and fees collected in advance, which do not meet the availability criteria, as a deferred inflow of resources on the accompanying statements of net position. As of June 30, 2018, MEDCO recognized deferred advance refunding gains, the accumulated increase in fair value of hedging derivatives, and rents and fees collected in advance, which do not meet the availability criteria, as a deferred inflow of resources on the accompanying statements of net position.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled $1,158,526 and $1,191,620 for the years ended June 30, 2019 and 2018, 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, capital grants and grants from government agencies, issuance expense, and surplus fund distributions 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.

Recently Issued Acounting Pronouncements

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. This new guidance is effective for annual reporting periods beginning after June 15, 2018. MEDCO adopted the new debt Statement during the year ended June 30, 2019. The adoption of this Statement did not have an impact on the accompanying financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangement associated with conduit debt obligations and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation and improves required note disclosures. This new guidance is effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted. MEDCO is currently evaluating the timing of its adoption and the impact of adopting the new Statement on the accompanying financial statements.

Subsequent Events

MEDCO has evaluated for disclosure any subsequent events through October 21, 2019, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure.

2. DEPOSITS WITH BOND TRUSTEES – RESTRICTED

Pursuant to the provisions of the trust indentures relating to certain bonds payable (Note 8), deposits with bond trustees include the following reserve funds and restricted accounts as of June 30,:

	2019	2018
Current Assets:		
Working capital and operating expense funds	$ 1,420,817	$ 1,505,305
Revenue funds	4,246,711	3,041,632
Interest funds	4,787,728	4,069,130
Principal funds	8,838,767	11,157,943
Construction funds	407,444	2,096,205
Other funds	2,472,198	1,850,354
Current portion	22,173,665	23,720,569
Non-current Assets:		
Debt service reserve funds	38,288,687	34,261,017
Dedicated reserve funds	2,206,279	2,168,334
Surplus funds	9,967,782	10,036,573
Repairs and replacement funds	7,902,113	7,953,007
Construction funds	955,904	2,959,009
Operating reserve funds	3,243,757	3,074,798
Capital reserve funds	5,809,519	-
Other funds	210,809	806,470
Non-current portion	68,584,850	61,259,208
Total deposits with bond trustees	$ 90,758,515	$ 84,979,777

2. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued

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 $1,757,000 and $985,000 for the years ended June 30, 2019 and 2018, 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. Investments of deposits with trustees are summarized as follows as of June 30,:

	2019	2018
Purchase and resale agreements:		
Bearing interest at rates from 5.76% to 6.36% and maturing through June 1, 2031	$ 3,765,830	$ 3,765,830
Guaranteed investment contract:		
Bearing interest at 2.43% and maturing on July 1, 2019	4,019,500	4,019,500
Government obligations:		
United States treasury bills purchased at a discount and maturing on July 18, 2019	13,006,732	-
United States treasury notes bearing interest at rates from 1.25% to 1.625% and maturing through August 31, 2019	19,890,329	-
United States treasury notes bearing interest at rates from 0.625% to 1.375% and maturing through July 31, 2018	-	27,340,508
Money market funds:		
United States government money market funds	50,076,124	49,853,939
Total deposits with bond trustees	$ 90,758,515	$ 84,979,777

The credit ratings of these investments were rated between Aaa and A1 by Moody's and AA and A+ by Standard and Poor's as of June 30, 2019. The credit ratings of these investments were rated between Aaa and A1 by Moody's and AA and A by Standard and Poor's as of June 30, 2018.

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

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

2. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued

Credit Risk – Trust indentures generally limit MEDCO's investments to obligations of the United States of America (Government Obligations) and certain defined federal agencies obligations provided they are backed by the full faith and credit of the United States of America, are not callable at the option of the obligor prior to maturity and are not subject to redemption at less than the par amount thereof; certificates of deposit and time deposits with commercial banks, trust companies or savings and loan associations secured by Government Obligations; obligations guaranteed as to principal and interest by the State of Maryland or any department, agency, political subdivision or unit thereof; United States dollar denominated deposit accounts with commercial banks in the State of Maryland; bonds or other obligations of any state of the United States of America, or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity; general obligations of states; investment agreements; repurchase agreements for Government Obligations; guaranteed investment contracts; commercial paper; public sector pool funds so long as MEDCO's deposit does not exceed 5% of the aggregate pool balance at any time; and money market or short-term Government Obligations. As defined in the trust indentures, certain investments listed above must meet specific requirements to be a qualifying investment, such as high rating qualifications based on information from the major rating agencies, collateralization requirements, guaranteed repayment, and maturity requirements. MEDCO's investments were in compliance with these limitations as of June 30, 2019 and 2018.

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, 2019 and 2018.

Custodial Risk – MEDCO is not subject to custodial risk because mutual funds 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. The repair and replacement funds were underfunded only at CBCC by $278,000 and $241,000 as of June 30, 2019 and 2018, respectively. The shortfall for each year was funded in July 2019 and 2018, respectively.

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.

2. DEPOSITS WITH BOND TRUSTEES – RESTRICTED – continued

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, 2019:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Debt securities				
Purchase and resale agreement	$ -	$ 3,765,830	$ -	$ 3,765,830
U.S. treasury obligations	32,897,061	-	-	32,897,061
Guaranteed investment contract	-	4,019,500	-	4,019,500
Total investments by fair value level	$ 32,897,061	$ 7,785,330	$ -	$ 40,682,391

The following table sets forth by level, within the fair value hierarchy, MEDCO's investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Debt securities				
Purchase and resale agreement	$ -	$ 3,765,830	$ -	$ 3,765,830
U.S. treasury obligations	27,340,508	-	-	27,340,508
Guaranteed investment contract	-	4,019,500	-	4,019,500
Total investments by fair value level	$ 27,340,508	$ 7,785,330	$ -	$ 35,125,838

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, 2019 and 2018.

MEDCO also invests in a money market fund that has a remaining maturity of one year or less at the time of purchase. The investment in this fund is valued at cost, which approximates fair value, and is excluded from the scope of GASB 72, *Fair Value Measurement and Application*, and totaled $50,076,124 and $49,853,939 as of June 30, 2019 and 2018, respectively.

3. LOANS RECEIVABLE

The loans receivable are due in periodic installments (generally monthly or quarterly) and generally provide for payments of principal and interest on the same terms as the debt issued to finance them. Substantially all of the loans have been assigned as security for the related notes or revenue bonds payable (Note 8).

Future payments on the loans receivable are due as follows as of June 30, 2019:

	Total	Principal	Interest
2020	$ 104,673	$ 97,771	$ 6,902
2021	29,000	25,000	4,000
2022	28,000	25,000	3,000
2023	27,000	25,000	2,000
2024	26,000	25,000	1,000
2025	25,000	25,000	-
Total	$ 239,673	$ 222,771	$ 16,902

As of June 30, 2019 and 2018, there was one loan receivable totaling $730,908 recorded in the accompanying financial statements, on non-accrual status and fully reserved. Balances due under this loan are not reflected in the table above.

4. RECEIVABLES UNDER DIRECT FINANCING LEASES

The leasing operations of MEDCO consist primarily of the leasing of office buildings and other facilities. The receivables under financing leases are summarized as follows as of June 30,:

	2019	2018
Total minimum rent payments to be received over lease terms	$ 1,642,544	$ 1,836,550
Unearned income	(359,250)	(407,774)
Receivables under direct financing leases	$ 1,283,294	$ 1,428,776

4. RECEIVABLES UNDER DIRECT FINANCING LEASES - continued

The minimum rent payments to be received from tenants under direct financing leases in effect as of June 30, 2019 are as follows:

2020	$	194,008
2021		130,554
2022		109,380
2023		109,380
2024		109,380
2025-2029		530,687
2030-2034		382,629
2035		76,526
Total	$	1,642,544

As of June 30, 2019 and 2018, notes payable related to direct financing leases totaled $188,574 and $291,172, respectively and are included in bonds and notes payable in the accompanying financial statements.

5. RIGHT TO USE BUILDINGS

Pursuant to GASB 60 and the service concession arrangements between MEDCO and certain student housing projects of the University System of Maryland, CTU Foundation, and the City of Baltimore, the Projects have recorded a right to use buildings asset on the accompanying statements of net position. Under GASB 60, 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.

5. RIGHT TO USE BUILDINGS - continued

Right to use building activity for the years ended June 30, 2019 and 2018 is summarized as follows:

2019	Beginning balance	Additions	Sales and retirements	Ending balance
Buildings and improvements	$ 326,321,701	$ 59,815,642	$ (1,968,475)	$ 384,168,868
Furnishings and equipment	50,672,606	7,219,194	(3,969,009)	53,922,791
	376,994,307	67,034,836	(5,937,484)	438,091,659
Less: accumulated amortization	(154,873,025)	(16,312,837)	4,404,928	(166,780,934)
Right to use buildings, net	$ 222,121,282	$ 50,721,999	$ (1,532,556)	$ 271,310,725

2018	Beginning balance	Additions	Sales and retirements	Ending balance
Buildings and improvements	$ 312,923,245	$ 17,642,302	$ (4,243,846)	$ 326,321,701
Furnishings and equipment	49,568,348	3,416,896	(2,312,638)	50,672,606
	362,491,593	21,059,198	(6,556,484)	376,994,307
Less: accumulated amortization	(143,964,196)	(14,443,614)	3,534,785	(154,873,025)
Right to use buildings, net	$ 218,527,397	$ 6,615,584	$ (3,021,699)	$ 222,121,282

6. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2019 and 2018 is summarized as follows:

2019	Beginning balance	Additions	Sales and retirements	Ending balance
Buildings and improvements	$266,012,752	$ 226,497	$(72,107,833)	$ 194,131,416
Furnishings and equipment	89,752,195	2,605,107	(1,767,934)	90,589,368
Construction in progress	216,038	(199,413)	-	16,625
	355,980,985	2,632,191	(73,875,767)	284,737,409
Less: accumulated depreciation	(180,692,559)	(14,510,953)	31,744,217	(163,459,295)
Net capital assets	$175,288,426	$ (11,878,762)	$(42,131,550)	$ 121,278,114

2018	Beginning balance	Additions	Sales and retirements	Ending balance
Buildings and improvements	$275,571,501	$ 56,537	$ (9,615,286)	$ 266,012,752
Furnishings and equipment	87,932,194	3,893,925	(2,073,924)	89,752,195
Construction in progress	778,784	(562,746)	-	216,038
	364,282,479	3,387,716	(11,689,210)	355,980,985
Less: accumulated depreciation	(172,514,802)	(15,325,172)	7,147,415	(180,692,559)
Net capital assets	$191,767,677	$ (11,937,456)	$ (4,541,795)	$ 175,288,426

7. OPERATING FACILITIES

Operating facilities in operation or development during the years ended June 30, 2019 and 2018 included the following:

- 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.
- 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 Price George's County, Maryland. The project was completed and opened in August 2018.

7. OPERATING FACILITIES – continued

- 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 Student Housing at Morgan State University (Morgan), an apartment project located in Baltimore City, Maryland. The project was completed and opened in August 2003.

- National Cybersecurity Center of Excellence (NCCoE), (formerly William Hanna Innovation Center), an office/laboratory facility designed for use by biotechnology and computer technology companies located in Montgomery County, Maryland. During the year ended June 30, 2015, the project ceased operations and was repurposed for use by the National Institute of Standards and Technology (NIST). The redevelopment was completed and re-opened in January 2016. The total costs of construction for the repurposing of the building was approximately $12,969,000. The project was disposed of in August 2018 (Note 12).

- Rockville Innovation Center (RIC), an office facility designed for use by technology companies located in Montgomery County, Maryland. The project was completed and opened in June 2007. The project was disposed of in August 2018 (Note 12).

- 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.

7. 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, with the exception of NCCoE which is leased to a single federal technology agency, 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) for the years ended June 30, 2019 and 2018 totaling $1,685,047 and $1,530,581, respectively. Net non-operating expenses for the years ended June 30, 2019 and 2018 include interest expense related to debt service of operating facilities totaling $27,403,472 and $25,192,874, 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, 2019 and 2018 are included on the following pages:

Statement of Net Position
As of June 30, 2019

Assets	MEDCO, exclusive of operating facilities	Operating Facilities: Bowie	City Garages	CTU	CBCC	Frostburg	Metro Centre	Morgan	NCCoE	RIC	Salisbury	Towson WV & MH	UMAB	UMBC	UMCP Energy	UMCP Housing	University Village	Eliminations	Total
Current Assets:																			
Cash and cash equivalents	$ 11,212,527	$ 1,127,719	$ 102,860	$ 73,403	$ 1,124,237	$ 532,878	$ 200,164	$ 251,339	$ 322,914	$ 32,400	$ 810,381	$ 1,452,142	$ 685,284	$ 1,266,944	$ -	$ 3,517,711	$ 545,841	$ -	$ 23,258,744
Short-term investments	8,190,893	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,190,893
Tenant security deposits	-	-	-	-	-	-	-	188,374	-	-	-	-	-	-	-	492,550	38,068	-	718,992
Deposits with bond trustees — restricted	-	119,600	315,453	319,645	4,180,129	586,725	1,131,126	1,708,413	-	-	222,002	3,030,968	1,690,848	1,227,584	4,820,869	1,150,012	1,670,291	-	22,173,665
Funds for replacement of and additions to									-	-	-								
furnishings and equipment	-	-	-	-	1,841,826	-	-	-	-	-	-	-	-	-	-	-	-	-	1,841,826
Loans receivable, net	250,294	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(152,523)	97,771
Receivables under direct financing leases	151,507	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151,507
Rent and other receivables, net	3,021,274	52,258	282,356	68,812	3,998,553	23,376	-	50,186	-	-	21,154	78,461	28,843	19,298	1,925,062	77,464	39,216	(442,164)	9,244,149
Related party receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,749	-	-	(9,749)	-
Interest receivable, net	44,447	1,341	6,021	7,001	6,773	2,160	19,511	-	-	-	4,585	-	2,457	5,168	11,949	28,141	-	(21,185)	118,369
Inventory	-	-	-	-	344,189	-	-	-	-	-	-	-	-	-	-	-	-	-	344,189
Prepaid expenses and other assets	24,322	23,047	613,675	814	302,268	16,890	-	46,209	-	-	3,028	96,758	26,844	25,825	53,508	139,154	82,443	-	1,454,785
Total Current Assets	22,895,264	1,323,965	1,320,365	469,675	11,797,975	1,162,029	1,350,801	2,244,521	322,914	32,400	1,061,150	4,658,329	2,434,276	2,544,819	6,821,137	5,405,032	2,375,859	(625,621)	67,594,890
Non-current Assets:																			
Deposits with bond trustees — restricted	-	1,998,574	10,512,636	2,270,227	2,034,547	1,769,323	2,754,052	3,980,595	-	-	4,899,400	5,551,710	1,439,252	3,634,097	6,291,852	17,966,786	3,481,799	-	68,584,850
Loans receivable, net	798,590	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(673,590)	125,000
Receivables under direct financing leases	1,131,787	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,131,787
Related party receivable	6,922,772	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,922,772)	-
Prepaid expenses and other assets	-	-	-	-	-	-	-	-	-	-	-	1,036,584	-	-	-	423,922	-	-	1,460,506
Right to use buildings, net of accumulated amortization	-	8,626,921	55,426,951	15,264,183	-	7,576,657	-	18,211,819	-	-	14,823,805	27,824,512	14,248,925	14,278,262	-	95,387,073	-	(358,383)	271,310,725
Capital assets:					-		-		-	-	-								
Buildings and improvements	11,310,153	-	-	-	132,332,503	-	26,362,372	-	-	-	-	-	-	-	-	-	24,854,909	(728,521)	194,131,416
Furnishings and equipment	277,559	-	-	-	21,223,147	-	-	-	-	-	-	-	-	-	65,042,092	-	4,046,570	-	90,589,368
Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,625	-	-	-	16,625
	11,587,712	-	-	-	153,555,650	-	26,362,372	-	-	-	-	-	-	-	65,058,717	-	28,901,479	(728,521)	284,737,409
Less: accumulated depreciation and amortization	(2,473,877)	-	-	-	(79,184,677)	-	(4,055,537)	-	-	-	-	-	-	-	(64,136,396)	-	(13,957,624)	348,816	(163,459,295)
Net Capital Assets	9,113,835	-	-	-	74,370,973	-	22,306,835	-	-	-	-	-	-	-	922,321	-	14,943,855	(379,705)	121,278,114
Total Non-current Assets	17,966,984	10,625,495	65,939,587	17,534,410	76,405,520	9,345,980	25,060,887	22,192,414	-	-	19,723,205	34,412,806	15,688,177	17,912,359	7,214,173	113,777,781	18,425,654	(8,334,450)	463,890,982
Total Assets	$ 40,862,248	$ 11,949,460	$ 67,259,952	$ 18,004,085	$ 88,203,495	$ 10,508,009	$ 26,411,688	$ 24,436,935	$ 322,914	$ 32,400	$ 20,784,355	$ 39,071,135	$ 18,122,453	$ 20,457,178	$ 14,035,310	$ 119,182,813	$ 20,801,513	$ (8,960,071)	$ 531,485,872
Deferred Outflow of Resources:																			
Deferred advance refunding costs	-	53,510	-	-	3,972,668	225,015	-	689,811	-	-	124,173	-	265,277	-	-	2,020,088	183,302	-	7,533,844
Total Deferred Outflow of Resources	$ -	$ 53,510	$ -	$ -	$ 3,972,668	$ 225,015	$ -	$ 689,811	$ -	$ -	$ 124,173	$ -	$ 265,277	$ -	$ -	$ 2,020,088	$ 183,302	$ -	$ 7,533,844
Liabilities and Net Position																			
Current Liabilities:																			
Accounts payable and accrued expenses	$ 2,688,933	$ 180,853	$ 514,033	$ 128,085	$ 3,640,064	$ 326,924	$ 158,530	$ 630,060	$ -	$ -	$ 308,533	$ 234,985	$ 828,341	$ 413,525	$ 2,719,139	$ 1,299,845	$ 340,286	$ (442,164)	$ 13,969,972
Sales tax payable	-	-	-	-	535,691	-	-	-	-	-	-	-	-	-	-	-	-	-	535,691
Related party payable	7,929	-	-	-	-	-	1,820	-	-	-	-	-	-	-	-	-	-	(9,749)	-
Advances	6,317,308	204,653	-	-	-	-	-	-	322,914	32,400	-	-	162,645	-	-	-	-	-	7,039,920
Accrued interest	594	57,933	257,953	176,177	25,714,143	147,975	698,878	664,635	-	-	79,919	979,206	1,173,444	375,015	49,481	481,225	486,955	(21,185)	31,322,348
Advance deposits	-	-	-	-	3,090,037	-	-	-	-	-	-	-	-	-	-	-	-	-	3,090,037
Security deposits	-	-	-	-	-	-	-	239,286	-	-	-	-	-	-	-	457,568	9,690	-	706,544
Accrued ground rent	-	829,215	298,407	578,222	36,097,036	1,167,863	-	905,217	-	-	1,572,855	309,685	-	-	-	7,546,580	8,273,638	-	57,578,718
Bonds and notes payable	454,266	740,000	690,000	343,600	35,005,000	585,000	305,000	1,217,523	-	-	1,195,000	1,610,000	1,210,000	840,000	3,045,000	4,170,000	881,763	(152,523)	52,139,629
Deferred management and service fees payable	-	-	-	-	66,551,867	-	-	-	-	-	-	-	-	-	-	-	-	(6,504,107)	60,047,760
Total Current Liabilities	9,469,030	2,012,654	1,760,393	1,226,084	170,633,838	2,227,762	1,164,228	3,656,721	322,914	32,400	3,156,307	3,133,876	3,374,430	1,628,540	5,813,620	13,955,218	9,992,332	(7,129,728)	226,430,619
Non-current Liabilities:																			
Related party payable	-	-	-	-	418,665	-	-	-	-	-	-	-	-	-	-	-	-	(418,665)	-
Bonds and notes payable	7,709,730	13,880,810	66,867,091	13,857,100	146,446,279	12,199,203	31,997,822	27,721,383	-	-	19,665,404	42,372,588	25,569,126	18,333,335	-	133,615,119	19,663,503	(673,590)	579,224,903
Other liabilities	46,071	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,071
Total Non-current Liabilities	7,755,801	13,880,810	66,867,091	13,857,100	146,864,944	12,199,203	31,997,822	27,721,383	-	-	19,665,404	42,372,588	25,569,126	18,333,335	-	133,615,119	19,663,503	(1,092,255)	579,270,974
Total Liabilities	$ 17,224,831	$ 15,893,464	$ 68,627,484	$ 15,083,184	$ 317,498,782	$ 14,426,965	$ 33,162,050	$ 31,378,104	$ 322,914	$ 32,400	$ 22,821,711	$ 45,506,464	$ 28,943,556	$ 19,961,875	$ 5,813,620	$ 147,570,337	$ 29,655,835	$ (8,221,983)	$ 805,701,593
Deferred Inflow of Resources:																			
Rents and fees collected in advance	33,967	129,857	19,316	46,315	-	8,261	-	596,480	-	-	383,429	321,411	181,488	127,729	53,508	611,901	403,263	-	2,916,925
Deferred advance refunding gains	-	-	-	-	-	-	-	-	-	-	-	195,929	-	85,543	-	-	-	-	281,472
Total Deferred Inflow of Resources	$ 33,967	$ 129,857	$ 19,316	$ 46,315	$ -	$ 8,261	$ -	$ 596,480	$ -	$ -	$ 383,429	$ 517,340	$ 181,488	$ 213,272	$ 53,508	$ 611,901	$ 403,263	$ -	$ 3,198,397
Net Position:																			
Net investments in capital assets	1,191,476	(5,940,379)	(12,130,140)	1,063,483	(94,107,638)	(4,982,531)	(9,995,987)	(10,037,276)	-	-	(5,912,426)	(16,354,005)	(12,264,924)	(4,980,616)	(2,122,679)	(40,377,958)	(5,418,109)	88,025	(222,281,684)
Restricted under trust indentures	-	1,920,028	10,743,292	1,811,103	-	1,280,329	3,245,625	3,189,438	-	-	3,615,814	9,401,336	1,527,610	5,262,647	10,290,861	13,398,621	-	-	65,686,704
Unrestricted - Projects	-	-	-	-	(131,214,981)	-	-	-	-	-	-	-	-	-	-	-	(3,656,174)	-	(134,871,155)
Unrestricted - MEDCO	22,411,974	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(826,113)	21,585,861
Total Net Position	$ 23,603,450	$ (4,020,351)	$ (1,386,848)	$ 2,874,586	$ (225,322,619)	$ (3,702,202)	$ (6,750,362)	$ (6,847,838)	$ -	$ -	$ (2,296,612)	$ (6,952,669)	$ (10,737,314)	$ 282,031	$ 8,168,182	$ (26,979,337)	$ (9,074,283)	$ (738,088)	$ (269,880,274)

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

		Operating Facilities																	
	MEDCO, exclusive of operating facilities	Bowie	City Garages	CTU	CBCC	Frostburg	Metro Centre	Morgan	NCCoE	RIC	Salisbury	Towson WV & MH	UMAB	UMBC	UMCP Energy	UMCP Housing	University Village	Eliminations	Total
Operating Revenues:																			
Operating facilities	$ -	$ 4,215,344	$ 7,113,487	$ 1,542,097	$ 39,970,230	$ 3,065,887	$ 1,991,945	$ 6,733,047	$ -	$ 63,879	$ 6,999,479	$ 9,345,085	$ 4,577,905	$ 5,432,397	$ 11,605,083	$ 30,392,232	$ 6,781,485		$ 139,829,582
Other property and equipment rentals	900,806	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		900,806
Consulting and management fees	3,095,291	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,734,424)	1,360,867
Total Operating Revenues	3,996,097	4,215,344	7,113,487	1,542,097	39,970,230	3,065,887	1,991,945	6,733,047	-	63,879	6,999,479	9,345,085	4,577,905	5,432,397	11,605,083	30,392,232	6,781,485	(1,734,424)	142,091,255
Operating Expenses:																			
Operating facilities	-	2,614,725	3,107,739	1,052,791	39,231,933	1,813,439	369,273	3,959,985	11,358	83,899	4,259,849	4,435,196	2,034,339	2,644,527	8,748,611	19,497,756	4,685,654	(1,685,047)	96,866,027
Rent	92,726	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92,726
Compensation and benefits	1,504,551	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,504,551
Administrative and general	499,901	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	499,901
Depreciation and amortization	1,074,835	852,043	1,327,726	651,328	6,294,274	667,448	902,078	1,469,996	143,966	74,587	1,165,200	2,055,092	1,143,435	1,248,279	5,065,691	5,756,889	980,284	(49,360)	30,823,791
Total Operating Expenses	3,172,013	3,466,768	4,435,465	1,704,119	45,526,207	2,480,887	1,271,351	5,429,981	155,324	158,486	5,425,049	6,490,288	3,177,774	3,892,806	13,814,302	25,254,645	5,665,938	(1,734,407)	129,786,996
Operating Income (Loss)	824,084	748,576	2,678,022	(162,022)	(5,555,977)	585,000	720,594	1,303,066	(155,324)	(94,607)	1,574,430	2,854,797	1,400,131	1,539,591	(2,209,219)	5,137,587	1,115,547	(17)	12,304,259
Non-operating Revenues and Expenses:																			
Interest income	261,511	20,878	211,989	51,834	121,312	26,092	81,631	50,037	482	6	142,636	152,725	35,257	52,679	209,420	544,657	55,863	(35,150)	1,983,859
Interest expense	(518,198)	(667,969)	(2,823,128)	(360,380)	(10,448,899)	(581,098)	(1,386,516)	(1,244,416)	(20,826)	(20,976)	(892,779)	(1,612,871)	(1,096,450)	(579,827)	(42,855)	(4,699,036)	(960,596)	35,150	(27,921,670)
Issuance expense	-	-	(1,453,731)	-	-	-	-	-	-	-	835	-	-	-	-	-	-	-	(1,452,896)
Settlement income	-	-	-	-	-	-	-	114,338	-	-	-	-	-	-	675,000	-	57,009	-	846,347
Gain (loss) on sales and retirements of assets	(2,847,751)	-	-	-	29,966	-	-	-	(14,092,929)	2,108,437	(508)	(1,290,521)	-	-	-	(241,527)	(90,617)	307,833	(16,117,617)
Capital grants	-	-	-	629,466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	629,466
Other grants from government agencies	-	-	-	-	-	-	-	-	-	41,100	-	-	-	-	-	-	-	-	41,100
Surplus funds distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,344,000)	-	-	-	(1,344,000)
Net Non-operating Revenues (Expenses)	(3,104,438)	(647,091)	(4,064,870)	320,920	(10,297,621)	(555,006)	(1,304,885)	(1,080,041)	(14,113,273)	2,128,567	(749,816)	(2,750,667)	(1,061,193)	(527,148)	(502,435)	(4,395,906)	(938,341)	307,833	(43,335,411)
Changes in Net Position	(2,280,354)	101,485	(1,386,848)	158,898	(15,853,598)	29,994	(584,291)	223,025	(14,268,597)	2,033,960	824,614	104,130	338,938	1,012,443	(2,711,654)	741,681	177,206	307,816	(31,031,152)
Net Position, beginning of year	25,883,804	(4,121,836)	-	2,715,688	(209,469,021)	(3,732,196)	(6,166,071)	(7,070,863)	14,268,597	(2,033,960)	(3,121,226)	(7,056,799)	(11,076,252)	(730,412)	10,879,836	(27,721,018)	(9,251,489)	(1,045,904)	(238,849,122)
Net Position, end of year	$ 23,603,450	$ (4,020,351)	$ (1,386,848)	$ 2,874,586	$ (225,322,619)	$ (3,702,202)	$ (6,750,362)	$ (6,847,838)	$ -	$ -	$ (2,296,612)	$ (6,952,669)	$ (10,737,314)	$ 282,031	$ 8,168,182	$ (26,979,337)	$ (9,074,283)	$ (738,088)	$ (269,880,274)

Statement of Cash Flows
For the Year Ended June 30, 2019

	MEDCO, exclusive of operating facilities	Operating Facilities: Bowie	City Garages	CTU	CBCC	Frostburg	Metro Centre	Morgan	NCCoE	RIC	Salisbury	Towson WV & MH	UMAB	UMBC	UMCP Energy	UMCP Housing	University Village	Eliminations	Total
Cash Flows from Operating Activities:																			
Cash received tenants	$ -	$ 4,260,132	$ -	$ 1,545,471	$ -	$ 2,997,227	$ -	$ 6,707,273	$ -	$ -	$ 7,000,926	$ 9,191,647	$ 4,547,901	$ 5,375,028	$ -	$ 30,253,754	$ 6,717,165	$ -	$ 78,596,524
Cash received from guests	-	-	-	-	39,503,796	-	-	-	-	-	-	-	-	-	-	-	-	-	39,503,796
Cash received from customer charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,962,102	-	-	-	12,962,102
Cash received from parkers	-	-	6,236,772	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,236,772
Cash received from tax increment financing	-	-	-	-	-	-	1,991,945	-	-	-	-	-	-	-	-	-	-	-	1,991,945
Cash received from consulting and management fees	2,460,382	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,097,202)	1,363,180
Cash received from property and equipment rentals	878,223	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	878,223
Cash received from licensees	-	-	-	-	-	-	-	-	-	65,318	-	-	-	-	-	-	-	-	65,318
Cash paid for operating expenses	(3,868,772)	-	-	-	-	-	(357,484)	-	-	-	-	-	-	-	-	-	-	-	(4,226,256)
Cash paid for expenses of operating facilities	-	(2,341,425)	(2,295,299)	(373,169)	(28,581,212)	(1,340,858)	-	(4,080,251)	(3,077)	(75,758)	(4,529,097)	(4,781,363)	(2,254,600)	(2,510,253)	(8,144,423)	(18,945,797)	(4,001,847)	1,012,385	(83,246,044)
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	(530,167)	1,918,707	3,941,473	1,172,302	10,922,584	1,656,369	1,634,461	2,627,022	(3,077)	(10,440)	2,471,829	4,410,284	2,293,301	2,864,775	4,817,679	11,307,957	2,715,318	(84,817)	54,125,560
Cash Flows from Non-capital Financing Activities:																			
Other grants from government agencies	-	-	-	-	-	-	-	-	-	41,100	-	-	-	-	-	-	-	-	41,100
Advances	4,315,024	-	-	-	-	-	-	-	(6,158)	470	-	-	-	-	-	-	-	-	4,309,336
Advances from (to) related party	(34,890)	-	-	-	31,813	-	-	-	3,077	-	-	-	-	-	-	-	-	-	-
Interest payments on bonds and notes payable	(563,526)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(563,526)
Principal payments on bonds and notes payable	(21,726,387)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,726,387)
Net Cash and Cash Equivalents Provided by (Used in) Non-capital Financing Activities	(18,009,779)	-	-	-	31,813	-	-	-	(3,081)	41,570	-	-	-	-	-	-	-	-	(17,939,477)
Cash Flows from Capital and Related Financing Activities:																			
Distribution of surplus funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,344,000)	-	-	-	(1,344,000)
Right to use buildings expenditures	-	(297,958)	(56,754,677)	(3,074,202)	-	(205,340)	-	(592,701)	-	-	(453,067)	(2,343,354)	(303,777)	(689,457)	-	(3,059,225)	-	84,817	(67,688,941)
Construction, development, and equipment expenditures	(2,365)	-	-	-	(1,410,678)	-	(8,466)	-	-	-	-	-	-	-	(397,900)	-	(911,614)	-	(2,731,023)
Capital grants	-	-	-	629,466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	629,466
Proceeds from sale of capital assets	21,563,400	-	-	-	29,966	-	-	-	-	-	-	-	-	-	-	-	-	-	21,593,366
Proceeds from issuance of bonds and notes payable	-	-	68,235,851	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68,235,851
Refund (payment) of bond issuance costs	-	-	(1,453,731)	-	-	-	-	-	-	-	835	-	-	-	-	-	-	-	(1,452,896)
Net expenditures for replacement of and additions to furnishings and equipment	-	-	-	-	(790,980)	-	-	-	-	-	-	-	-	-	-	-	-	-	(790,980)
Interest paid	-	(716,651)	(2,603,935)	(292,436)	(7,964,459)	(603,100)	(1,402,069)	(1,349,654)	(24,585)	(24,652)	(1,004,823)	(2,054,764)	(1,188,300)	(774,465)	(235,212)	(5,932,501)	(1,100,077)	39,124	(27,232,559)
Principal payments on bonds and notes payable	-	(715,000)	(640,000)	-	-	(560,000)	(230,000)	(1,166,657)	(81,000)	(28,399)	(1,145,000)	(2,539,000)	(675,000)	(1,035,000)	(5,450,000)	(3,945,000)	(856,763)	146,657	(18,920,162)
Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities	21,561,035	(1,729,609)	6,783,508	(2,737,172)	(10,136,151)	(1,368,440)	(1,640,535)	(3,109,012)	(105,585)	(53,051)	(2,602,055)	(6,937,118)	(2,167,077)	(2,498,922)	(7,427,112)	(12,936,726)	(2,868,454)	270,598	(29,701,878)
Cash Flows from Investing Activities:																			
Principal payments received on direct financing leases	145,482	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145,482
Issuance of loans receivable	(336,987)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(336,987)
Principal payments on loans receivable	826,248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(146,657)	679,591
Proceeds from settlement	-	-	-	-	-	-	-	114,338	-	-	-	-	-	-	-	-	57,009	-	171,347
Net sales (purchases) of deposits with bond trustees-restricted	873	(71,976)	(10,828,089)	1,593,440	(1,125,705)	(198,245)	(93,339)	67,845	-	-	238,804	2,364,463	71,820	(329,724)	2,411,419	46,753	72,923	-	(5,778,738)
Net sales (purchases) of investments	391,179	-	-	-	-	-	-	-	-	(6)	-	-	-	-	-	-	-	-	391,173
Interest received	271,775	20,480	205,968	44,833	118,662	25,136	82,338	50,037	482	6	141,488	152,725	35,062	50,780	198,014	541,784	55,863	(39,124)	1,956,309
Net Cash and Cash Equivalents Provided by (Used in) Investing Activities	1,298,570	(51,496)	(10,622,121)	1,638,273	(1,007,043)	(173,109)	(11,001)	232,220	482	-	380,292	2,517,188	106,882	(278,944)	2,609,433	588,537	185,795	(185,781)	(2,771,823)
Net Increase (Decrease) in Cash and Cash Equivalents	4,319,659	137,602	102,860	73,403	(188,797)	114,820	(17,075)	(249,770)	(111,261)	(21,921)	250,066	(9,646)	233,106	86,909	-	(1,040,232)	32,659	-	3,712,382
Cash and Cash Equivalents, beginning of year	6,892,868	990,117	-	-	1,313,034	418,058	217,239	501,109	434,175	54,321	560,315	1,461,788	452,178	1,180,035	-	4,557,943	513,182	-	19,546,362
Cash and Cash Equivalents, end of year	$ 11,212,527	$ 1,127,719	$ 102,860	$ 73,403	$ 1,124,237	$ 532,878	$ 200,164	$ 251,339	$ 322,914	$ 32,400	$ 810,381	$ 1,452,142	$ 685,284	$ 1,266,944	$ -	$ 3,517,711	$ 545,841	$ -	$ 23,258,744
Reconciliation of operating income (loss) to net cash and cash equivalents provided by (used in) operating activities:																			
Operating income (loss)	$ 824,084	$ 748,576	$ 2,678,022	$ (162,022)	$ (5,555,977)	$ 585,000	$ 720,594	$ 1,303,066	$ (155,324)	$ (94,607)	$ 1,574,430	$ 2,854,797	$ 1,400,131	$ 1,539,591	$ (2,209,219)	$ 5,137,587	$ 1,115,547	$ (17)	$ 12,304,259
Adjustment to reconcile operating income (loss) to net cash and cash equivalents provided by (used in) operating activities:																			
Depreciation and amortization	1,074,835	852,043	1,327,726	651,328	6,294,274	667,448	902,078	1,469,996	143,966	74,587	1,165,200	2,055,092	1,143,435	1,248,279	5,065,691	5,756,889	980,284	(49,360)	30,823,791
Provision for (recovery of) doubtful accounts	14,821	44,131	-	5,270	(5,388)	53,026	-	59,479	-	1,340	5,084	67,655	414	27,274	-	47,413	29,456	-	349,975
Changes in operating assets and liabilities:																			
Tenant security deposits	-	-	-	-	-	-	-	(2,203)	-	-	-	-	-	-	-	7,184	5,563	-	10,544
Rent and other receivables	(2,073,872)	27,617	(282,356)	(74,082)	(940,915)	(62,995)	-	(52,989)	-	(5,724)	(26,144)	(140,414)	4,354	(16,267)	1,393,755	(63,612)	(33,063)	(95,194)	(2,441,901)
Related party receivable	(732,414)	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,749)	-	-	742,163	-
Inventory	-	-	-	-	59,701	-	-	-	-	-	-	-	-	-	-	-	-	-	59,701
Prepaid expenses and other assets	25,840	(6,403)	(613,675)	(814)	(128,188)	1,563	-	15,351	-	3,212	(144)	235,167	37,686	5,265	17,607	12,894	31,970	-	(362,669)
Accounts payable and accrued expenses	390,289	(33,831)	514,033	128,085	3,846,085	176,719	9,969	82,381	8,281	4,742	21,408	(62,130)	826	101,735	577,201	365,076	56,937	59,754	6,247,560
Sales tax payable	-	-	-	-	203,546	-	-	-	-	-	-	-	-	-	-	-	-	-	203,546
Related party payable	7,929	-	-	-	-	-	1,820	-	-	-	-	-	-	-	-	-	-	(9,749)	-
Advances	-	157,693	-	-	-	-	-	-	-	-	-	-	(259,187)	-	-	-	-	-	(101,494)
Advance deposits	-	-	-	-	474,481	-	-	-	-	-	-	-	-	-	-	-	-	-	474,481
Security deposits	-	-	-	-	-	-	-	33,700	-	187	-	-	-	-	-	550	(24,469)	-	9,968
Accrued ground rent	-	111,710	298,407	578,222	-	241,273	-	(277,477)	-	-	(295,596)	(586,859)	-	-	-	126,576	565,444	-	761,700
Deferred management and service fees payable	-	-	-	-	6,674,965	-	-	-	-	-	-	-	-	-	-	-	-	(732,414)	5,942,551
Deferred inflow of resources-rents and fees collected in advance	(25,708)	17,171	19,316	46,315	-	(5,665)	-	(4,282)	-	5,823	27,591	(13,024)	(34,358)	(41,102)	(17,607)	(82,600)	(12,351)	-	(120,481)
Other liabilities	(35,971)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,971)
Net cash and cash equivalents provided by (used in) operating activities	$ (530,167)	$ 1,918,707	$ 3,941,473	$ 1,172,302	$ 10,922,584	$ 1,656,369	$ 1,634,461	$ 2,627,022	$ (3,077)	$ (10,440)	$ 2,471,829	$ 4,410,284	$ 2,293,301	$ 2,864,775	$ 4,817,679	$ 11,307,957	$ 2,715,318	$ (84,817)	$ 54,125,560
Schedule of non-cash capital and related financing activities:																			
Gain (loss) on sales and retirements of assets	$ (2,847,751)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (14,092,929)	$ 2,108,437	$ (508)	$ (1,290,521)	$ -	$ -	$ -	$ (241,527)	$ (90,617)	$ 307,833	$ (16,147,583)
Construction, development, and equipment expenditures included in accounts payable and accrued expenses	7,168	-	-	-	-	-	-	-	-	-	-	-	-	-	11,066	-	-	-	18,234
Capitalization of interest in right to use buildings	-	-	-	73,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,741
Amortization of lease allowance	22,978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,978
Amortization of issue premium on bonds	-	53,726	45,215	-	-	42,919	11,240	152,712	-	-	123,367	290,882	138,712	164,267	61,966	1,442,297	142,666	-	2,669,969
Amortization of issue discount on bonds	-	-	6,455	-	197,053	-	-	-	-	-	343	-	-	-	3,925	-	-	-	207,776
Amortization of deferred inflow of resources - deferred advance refunding gains	-	-	-	-	-	-	-	-	-	-	-	17,205	-	10,121	-	-	-	-	27,326
Amortization of deferred outflow of resources - deferred advance refunding costs	-	6,832	-	-	544,660	26,517	-	71,526	-	-	14,796	-	22,112	-	1,934	221,982	21,681	-	932,040

Statement of Net Position
As of June 30, 2018

Assets	MEDCO, exclusive of operating facilities	Operating Facilities: Bowie	CTU	CBCC	Frostburg	Metro Centre	Morgan	NCCoE	RIC	Salisbury	Towson WV & MH	UMAB	UMBC	UMCP Energy	UMCP Housing	University Village	Eliminations	Total
Current Assets:																		
Cash and cash equivalents	$ 6,892,868	$ 990,117	$ -	$ 1,313,034	$ 418,058	$ 217,239	$ 501,109	$ 434,175	$ 54,321	$ 560,315	$ 1,461,788	$ 452,178	$ 1,180,035	$ -	$ 4,557,943	$ 513,182	$ -	$ 19,546,362
Short-term investments	8,082,072	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,082,072
Tenant security deposits	-	-	-	-	-	-	186,171	-	-	-	-	-	-	-	499,734	43,631	-	729,536
Deposits with bond trustees — restricted	873	124,507	-	3,086,989	577,703	1,045,443	1,683,853	-	-	224,152	4,697,568	1,275,900	1,216,965	7,283,377	823,125	1,680,114	-	23,720,569
Funds for replacement of and additions to furnishings and equipment	-	-	-	1,050,846	-	-	-	-	-	-	-	-	-	-	-	-	-	1,050,846
Loans receivable, net	318,506	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(146,657)	171,849
Receivables under direct financing leases	145,482	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145,482
Rent and other receivables, net	947,402	124,006	-	3,052,250	13,407	-	56,676	-	5,913	94	5,702	33,611	30,305	3,318,817	61,265	35,609	(537,358)	7,147,699
Related party receivable	-	-	-	31,813	-	-	-	1,009,336	-	-	-	-	-	-	-	-	(1,041,149)	-
Interest receivable, net	69,532	943	-	4,123	1,204	20,218	-	-	-	3,437	-	2,262	3,269	543	25,268	-	(25,159)	105,640
Inventory	-	-	-	403,890	-	-	-	-	-	-	-	-	-	-	-	-	-	403,890
Prepaid expenses and other assets	50,162	16,479	-	174,080	18,330	-	61,560	-	19,273	2,662	277,380	64,338	30,893	63,852	134,114	114,413	-	1,027,536
Total Current Assets	16,506,897	1,256,052	-	9,117,025	1,028,702	1,282,900	2,489,369	1,443,511	79,507	790,660	6,442,438	1,828,289	2,461,467	10,666,589	6,101,449	2,386,949	(1,750,323)	62,131,481
Non-current Assets:																		
Interest rate swap asset	-	-	-	-	-	-	-	95,126	-	-	-	-	-	-	-	-	-	95,126
Long-term investments	500,000	-	-	-	-	-	-	-	10,075	-	-	-	-	-	-	-	-	510,075
Deposits with bond trustees — restricted	-	1,921,691	4,183,312	2,001,982	1,580,100	2,746,396	4,073,000	-	-	5,136,054	6,249,573	1,926,020	3,314,992	6,240,763	18,340,426	3,544,899	-	61,259,208
Loans receivable, net	1,219,639	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(826,113)	393,526
Receivables under direct financing leases	1,283,294	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,283,294
Related party receivable	6,190,358	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,190,358)	-
Prepaid expenses and other assets	-	165	-	-	123	-	-	-	-	222	1,091,129	192	197	7,263	441,856	-	-	1,541,147
Right to use buildings, net of accumulated amortization	-	9,181,006	12,841,309	-	8,038,765	-	19,089,114	-	-	15,536,446	29,516,316	15,088,583	14,837,084	-	98,326,264	-	(333,605)	222,121,282
Capital assets:																		
Land, buildings and improvements	58,332,563	-	-	132,332,503	-	26,353,906	-	18,718,767	6,565,360	-	-	-	-	-	-	24,793,276	(1,083,623)	266,012,752
Furnishings and equipment	275,198	-	-	20,984,574	-	-	-	-	38,932	-	-	-	-	64,550,779	-	3,902,712	-	89,752,195
Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	216,038	-	-	-	216,038
	58,607,761	-	-	153,317,077	-	26,353,906	-	18,718,767	6,604,292	-	-	-	-	64,766,817	-	28,695,988	(1,083,623)	355,980,985
Less: accumulated depreciation and amortization	(24,017,473)	-	-	(74,062,508)	-	(3,153,459)	-	(2,150,718)	(5,016,174)	-	-	-	-	(59,070,705)	-	(13,592,846)	371,324	(180,692,559)
Net Capital Assets	34,590,288	-	-	79,254,569	-	23,200,447	-	16,568,049	1,588,118	-	-	-	-	5,696,112	-	15,103,142	(712,299)	175,288,426
Total Non-current Assets	43,783,579	11,102,862	17,024,621	81,256,551	9,618,988	25,946,843	23,162,114	16,663,175	1,598,193	20,672,722	36,857,018	17,014,795	18,152,273	11,944,138	117,108,546	18,648,041	(8,062,375)	462,492,084
Total Assets	$ 60,290,476	$ 12,358,914	$ 17,024,621	$ 90,373,576	$ 10,647,690	$ 27,229,743	$ 25,651,483	$ 18,106,686	$ 1,677,700	$ 21,463,382	$ 43,299,456	$ 18,843,084	$ 20,613,740	$ 22,610,727	$ 123,209,995	$ 21,034,990	$ (9,812,698)	$ 524,623,565
Deferred Outflow of Resources:																		
Deferred advance refunding costs	-	60,342	-	4,517,328	251,532	-	761,337	-	-	138,969	-	287,389	-	1,934	2,242,070	204,983	-	8,465,884
Total Deferred Outflow of Resources	$ -	$ 60,342	$ -	$ 4,517,328	$ 251,532	$ -	$ 761,337	$ -	$ -	$ 138,969	$ -	$ 287,389	$ -	$ 1,934	$ 2,242,070	$ 204,983	$ -	$ 8,465,884
Liabilities and Net Position																		
Current Liabilities:																		
Accounts payable and accrued expenses	$ 2,291,476	$ 214,684	$ -	$ 3,108,589	$ 150,205	$ 148,561	$ 547,679	$ 9,403	$ 49,687	$ 287,125	$ 986,660	$ 827,515	$ 311,790	$ 2,922,938	$ 934,769	$ 283,349	$ (537,358)	$ 12,537,072
Sales tax payable	-	-	-	332,145	-	-	-	-	-	-	-	-	-	-	-	-	-	332,145
Related party payable	1,041,149	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,041,149)	-
Advances	996,025	46,960	-	-	-	-	-	-	-	-	-	421,832	-	-	-	-	-	1,464,817
Accrued interest	45,922	59,721	108,233	23,971,416	153,575	703,191	688,687	12,560	7,700	83,735	1,113,012	1,148,694	395,265	185,731	494,375	505,451	(25,159)	29,652,109
Advance deposits	-	-	-	2,615,556	-	-	-	-	-	-	-	-	-	-	-	-	-	2,615,556
Security deposits	-	-	-	-	-	-	205,586	-	31,108	-	-	-	-	-	457,018	34,159	-	727,871
Accrued ground rent	-	717,505	-	32,782,426	926,590	-	1,182,694	-	-	1,868,451	896,544	-	-	-	7,420,004	7,708,194	-	53,502,408
Bonds and notes payable	21,726,387	715,000	-	28,120,000	560,000	230,000	1,166,657	497,000	173,998	1,145,000	1,602,000	1,185,000	810,000	5,450,000	3,945,000	856,763	(146,657)	68,036,148
Deferred management and service fees payable	-	-	-	59,876,902	-	-	-	-	-	-	-	-	-	-	-	-	(5,771,693)	54,105,209
Total Current Liabilities	26,100,959	1,753,870	108,233	150,807,034	1,790,370	1,081,752	3,791,303	518,963	262,493	3,384,311	4,598,216	3,583,041	1,517,055	8,558,669	13,251,166	9,387,916	(7,522,016)	222,973,335
Non-current Liabilities:																		
Related party payable	-	-	-	418,665	-	-	-	-	-	-	-	-	-	-	-	-	(418,665)	-
Advances	-	-	-	-	-	-	-	-	314,725	-	-	-	-	-	-	-	-	314,725
Bonds and notes payable	8,163,996	14,674,536	14,200,700	153,134,226	12,827,122	32,314,062	29,091,618	3,224,000	3,133,526	20,983,428	45,210,470	26,407,838	19,562,602	3,103,041	139,227,416	20,687,932	(826,113)	545,120,400
Other liabilities	82,042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,042
Total Non-current Liabilities	8,246,038	14,674,536	14,200,700	153,552,891	12,827,122	32,314,062	29,091,618	3,224,000	3,448,251	20,983,428	45,210,470	26,407,838	19,562,602	3,103,041	139,227,416	20,687,932	(1,244,778)	545,517,167
Total Liabilities	$ 34,346,997	$ 16,428,406	$ 14,308,933	$ 304,359,925	$ 14,617,492	$ 33,395,814	$ 32,882,921	$ 3,742,963	$ 3,710,744	$ 24,367,739	$ 49,808,686	$ 29,990,879	$ 21,079,657	$ 11,661,710	$ 152,478,582	$ 30,075,848	$ (8,766,794)	$ 768,490,502
Deferred Inflow of Resources:																		
Accumulated increase in fair value of hedging derivatives	-	-	-	-	-	-	-	95,126	-	-	-	-	-	-	-	-	-	95,126
Rents and fees collected in advance	59,675	112,686	-	-	13,926	-	600,762	-	916	355,838	334,435	215,846	168,831	71,115	694,501	415,614	-	3,044,145
Deferred advance refunding gains	-	-	-	-	-	-	-	-	-	-	213,134	-	95,664	-	-	-	-	308,798
Total Deferred Inflow of Resources	$ 59,675	$ 112,686	$ -	$ -	$ 13,926	$ -	$ 600,762	$ 95,126	$ 916	$ 355,838	$ 547,569	$ 215,846	$ 264,495	$ 71,115	$ 694,501	$ 415,614	$ -	$ 3,448,069
Net Position:																		
Net investments in capital assets	5,095,563	(6,148,188)	(1,359,391)	(88,482,329)	(5,096,825)	(9,343,615)	(10,407,824)	12,942,175	(1,719,406)	(6,453,013)	(17,509,288)	(12,216,866)	(5,631,182)	(2,854,995)	(42,604,082)	(6,236,570)	(73,134)	(198,098,970)
Restricted under trust indentures	120,256	2,026,352	4,075,079	-	1,364,629	3,177,544	3,336,961	-	-	3,331,787	10,452,489	1,140,614	4,900,770	13,734,831	14,883,064	-	-	62,544,376
Restricted - other purposes	2,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,250
Unrestricted - Projects	-	-	-	(120,986,692)	-	-	-	1,326,422	(314,554)	-	-	-	-	-	-	(3,014,919)	(972,770)	(123,962,513)
Unrestricted - MEDCO	20,665,735	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,665,735
Total Net Position	$ 25,883,804	$ (4,121,836)	$ 2,715,688	$ (209,469,021)	$ (3,732,196)	$ (6,166,071)	$ (7,070,863)	$ 14,268,597	$ (2,033,960)	$ (3,121,226)	$ (7,056,799)	$ (11,076,252)	$ (730,412)	$ 10,879,836	$ (27,721,018)	$ (9,251,489)	$ (1,045,904)	$ (238,849,122)

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

	MEDCO, exclusive of operating facilities	Operating Facilities																
		Bowie	CTU	CBCC	Frostburg	Metro Centre	Morgan	NCCoE	RIC	Salisbury	Towson WV & MH	UMAB	UMBC	UMCP Energy	UMCP Housing	University Village	Eliminations	Total
Operating Revenues:																		
Operating facilities	$ -	$ 4,126,232	$ -	$ 39,463,611	$ 2,876,452	$ 1,899,849	$ 6,875,289	$ -	$ 375,255	$ 6,954,584	$ 9,219,073	$ 4,332,736	$ 5,429,608	$ 15,931,816	$ 29,533,738	$ 6,825,345	$ -	$ 133,843,588
Other property and equipment rentals	2,697,393	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,697,393
Consulting and management fees	3,016,819	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,724,673)	1,292,146
Total Operating Revenues	5,714,212	4,126,232	-	39,463,611	2,876,452	1,899,849	6,875,289	-	375,255	6,954,584	9,219,073	4,332,736	5,429,608	15,931,816	29,533,738	6,825,345	(1,724,673)	137,833,127
Operating Expenses:																		
Operating facilities	-	2,418,925	-	38,721,324	1,360,780	304,978	4,306,916	96,685	731,364	4,590,780	4,413,990	1,917,127	2,813,672	8,394,617	17,378,494	4,544,133	(1,530,581)	90,463,204
Rent	85,442	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,442
Compensation and benefits	1,425,948	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,425,948
Administrative and general	519,078	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	519,078
Depreciation and amortization	1,765,811	823,690	-	6,152,934	675,399	900,988	1,475,266	862,403	447,523	1,131,390	2,248,126	1,139,661	1,249,223	4,317,872	5,713,175	917,179	(51,854)	29,768,786
Total Operating Expenses	3,796,279	3,242,615	-	44,874,258	2,036,179	1,205,966	5,782,182	959,088	1,178,887	5,722,170	6,662,116	3,056,788	4,062,895	12,712,489	23,091,669	5,461,312	(1,582,435)	122,262,458
Operating Income (Loss)	1,917,933	883,617	-	(5,410,647)	840,273	693,883	1,093,107	(959,088)	(803,632)	1,232,414	2,556,957	1,275,948	1,366,713	3,219,327	6,442,069	1,364,033	(142,238)	15,570,669
Non-operating Revenues and Expenses:																		
Interest income	278,879	26,019	-	47,468	18,587	47,661	40,565	1,224	35	113,506	111,032	24,082	34,694	147,185	338,638	35,672	(40,904)	1,224,343
Interest expense	(690,244)	(686,670)	-	(10,409,154)	(600,123)	(1,410,686)	(1,287,016)	(171,141)	(151,577)	(929,489)	(1,815,369)	(1,120,251)	(619,963)	(214,938)	(4,813,802)	(1,003,599)	40,904	(25,883,118)
Issuance expense	-	-	(654,846)	-	-	-	-	-	-	-	(3,424)	-	-	-	-	-	-	(658,270)
Settlement income	12,293	1,664	-	839	882	-	2,589	-	-	342	2,686	5,883	2,681	3,075	27,317	67,934	-	128,185
Gain (loss) on sales and retirements of assets	(4,541,795)	-	-	183,253	-	-	-	-	-	-	(2,890,152)	(6,828)	-	-	(124,719)	-	-	(7,380,241)
Capital grants	-	-	3,370,534	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,370,534
Other grants from government agencies	-	-	-	-	-	-	-	660,000	446,387	-	-	-	-	-	-	-	-	1,106,387
Surplus funds distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,234,032)	-	-	-	(1,234,032)
Net Non-operating Revenues (Expenses)	(4,940,867)	(658,987)	2,715,688	(10,177,594)	(580,654)	(1,363,025)	(1,243,862)	490,083	294,845	(815,641)	(4,595,227)	(1,097,114)	(582,588)	(1,298,710)	(4,572,566)	(899,993)	-	(29,326,212)
Change in Net Position	(3,022,934)	224,630	2,715,688	(15,588,241)	259,619	(669,142)	(150,755)	(469,005)	(508,787)	416,773	(2,038,270)	178,834	784,125	1,920,617	1,869,503	464,040	(142,238)	(13,755,543)
Net Position, beginning of year	28,906,738	(4,346,466)	-	(193,880,780)	(3,991,815)	(5,496,929)	(6,920,108)	14,737,602	(1,525,173)	(3,537,999)	(5,018,529)	(11,255,086)	(1,514,537)	8,959,219	(29,590,521)	(9,715,529)	(903,666)	(225,093,579)
Net Position, end of year	$ 25,883,804	$ (4,121,836)	$ 2,715,688	$ (209,469,021)	$ (3,732,196)	$ (6,166,071)	$ (7,070,863)	$ 14,268,597	$ (2,033,960)	$ (3,121,226)	$ (7,056,799)	$ (11,076,252)	$ (730,412)	$ 10,879,836	$ (27,721,018)	$ (9,251,489)	$ (1,045,904)	$ (238,849,122)

Statement of Cash Flows
For the Year Ended June 30, 2018

	MEDCO, exclusive of operating facilities	Operating Facilities															Eliminations	Total
		Bowie	CTU	CBCC	Frostburg	Metro Centre	Morgan	NCCoE	RIC	Salisbury	Towson WV & MH	UMAB	UMBC	UMCP Energy	UMCP Housing	University Village		
Cash Flows from Operating Activities:																		
Cash received from tenants	$ -	$ 3,987,394	$ -	$ -	$ 2,851,559	$ -	$ 6,810,175	$ -	$ -	$ 6,891,802	$ 9,213,905	$ 4,362,113	$ 5,419,637	$ -	$ 29,415,139	$ 6,746,929	$ -	$ 75,698,653
Cash received from guests	-	-	-	40,542,917	-	-	-	-	-	-	-	-	-	-	-	-	-	40,542,917
Cash received from customer charges	-	-	-	-	-	-	-	-	-	-	-	-	-	14,674,441	-	-	-	14,674,441
Cash received from tax increment financing	-	-	-	-	-	1,899,849	-	-	-	-	-	-	-	-	-	-	-	1,899,849
Cash received from consulting and management fees	2,397,244	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(996,746)	1,400,498
Cash received from property and equipment rentals	2,697,393	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,697,393
Cash received from licensees	-	-	-	-	-	-	-	-	366,785	-	-	-	-	-	-	-	-	366,785
Cash paid for operating expenses	(2,326,417)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,326,417)
Cash paid for expenses of operating facilities	-	(2,461,323)	-	(29,952,827)	(1,370,542)	(369,633)	(3,795,523)	(92,637)	(718,689)	(4,841,885)	(4,173,913)	(2,457,115)	(2,842,586)	(6,941,146)	(17,233,588)	(4,432,632)	838,093	(80,845,946)
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	2,768,220	1,526,071	-	10,590,090	1,481,017	1,530,216	3,014,652	(92,637)	(351,904)	2,049,917	5,039,992	1,904,998	2,577,051	7,733,295	12,181,551	2,314,297	(158,653)	54,108,173
Cash Flows from Non-capital Financing Activities:																		
Other grants from government agencies	-	-	-	-	-	-	-	660,000	446,387	-	-	-	-	-	-	-	-	1,106,387
Advances	(1,388,935)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,388,935)
Advances from (to) related party	(38,187)	-	-	(31,813)	-	-	-	-	70,000	-	-	-	-	-	-	-	-	-
Interest payments on bonds and notes payable	(679,479)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(679,479)
Principal payments on bonds and notes payable	(2,881,444)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,881,444)
Net Cash and Cash Equivalents Provided by (Used in) Non-capital Financing Activities	(4,988,045)	-	-	(31,813)	-	-	-	660,000	516,387	-	-	-	-	-	-	-	-	(3,843,471)
Cash Flows from Capital and Related Financing Activities:																		
Distribution of surplus funds	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,234,032)	-	-	-	(1,234,032)
Right to use buildings expenditures	-	(266,632)	(12,733,076)	-	(226,098)	-	(299,605)	-	-	(196,273)	(4,562,740)	(196,474)	(524,970)	-	(1,448,834)	-	157,843	(20,296,859)
Construction, development, and equipment expenditures	-	-	-	(2,084,053)	-	-	-	(50,169)	-	-	-	-	-	(584,636)	-	(552,602)	810	(3,270,650)
Capital grants from government and other agencies	-	-	3,370,534	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,370,534
Advances from (to) related party	(142,807)	-	-	-	-	-	-	142,807	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	183,253	-	-	-	-	-	-	-	-	-	-	-	-	-	183,253
Proceeds from issuance of bonds and notes payable	-	-	14,200,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,200,700
Bond issuance expenditures	-	-	(654,846)	-	-	-	-	-	-	-	(3,424)	-	-	-	-	-	-	(658,270)
Net funding of funds for replacement of and additions to furnishings and equipment	-	-	-	350,919	-	-	-	-	-	-	-	-	-	-	-	-	-	350,919
Interest paid	-	(737,500)	-	(7,969,609)	(620,143)	(738,350)	(1,388,929)	(158,306)	(151,964)	(1,046,776)	(1,691,528)	(1,214,801)	(829,430)	(501,338)	(6,080,900)	(1,148,011)	38,815	(24,238,770)
Principal payments on bonds and notes payable	-	(695,000)	-	-	(550,000)	-	(1,121,015)	(478,000)	(166,396)	(1,105,000)	(2,296,000)	(650,000)	(1,425,000)	(5,195,000)	(3,710,000)	(826,764)	141,015	(18,077,160)
Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities	(142,807)	(1,699,132)	4,183,312	(9,519,490)	(1,396,241)	(738,350)	(2,809,549)	(543,668)	(318,360)	(2,348,049)	(8,553,692)	(2,061,275)	(2,779,400)	(7,515,006)	(11,239,734)	(2,527,377)	338,483	(49,670,335)
Cash Flows from Investing Activities:																		
Principal payments received on direct financing leases	139,765	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	139,765
Issuance of loans receivable	(184,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(184,500)
Principal payments on loans receivable	479,528	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(141,015)	338,513
Proceeds from settlement	12,293	1,664	-	839	882	-	2,589	-	-	342	2,686	5,883	2,681	3,075	27,317	67,934	-	128,185
Net sales (purchases) of deposits with bond trustees	740,847	364,925	(4,183,312)	(281,364)	(14,425)	(718,569)	(99,876)	-	-	66,555	3,710,036	282,041	127,095	(368,277)	(575,020)	398,248	-	(551,096)
Net purchases of investments	(1,073,555)	-	-	-	-	-	-	-	(35)	-	-	-	-	-	-	-	-	(1,073,590)
Interest received	249,070	25,344	-	44,164	19,392	27,912	40,565	1,224	35	116,650	111,032	22,437	32,182	146,913	328,921	35,672	(38,815)	1,162,698
Net Cash and Cash Equivalents Provided by (Used in) Investing Activities	363,448	391,933	(4,183,312)	(236,361)	5,849	(690,657)	(56,722)	1,224	-	183,547	3,823,754	310,361	161,958	(218,289)	(218,782)	501,854	(179,830)	(40,025)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,999,184)	218,872	-	802,426	90,625	101,209	148,381	24,919	(153,877)	(114,585)	310,054	154,084	(40,391)	-	723,035	288,774	-	554,342
Cash and Cash Equivalents, beginning of year	8,892,052	771,245	-	510,608	327,433	116,030	352,728	409,256	208,198	674,900	1,151,734	298,094	1,220,426	-	3,834,908	224,408	-	18,992,020
Cash and Cash Equivalents, end of year	$ 6,892,868	$ 990,117	$ -	$ 1,313,034	$ 418,058	$ 217,239	$ 501,109	$ 434,175	$ 54,321	$ 560,315	$ 1,461,788	$ 452,178	$ 1,180,035	$ -	$ 4,557,943	$ 513,182	$ -	$ 19,546,362
Reconciliation of operating income (loss) to net cash and cash equivalents provided by (used in) operating activities:																		
Operating income (loss)	$ 1,917,933	$ 883,617	$ -	$ (5,410,647)	$ 840,273	$ 693,883	$ 1,093,107	$ (959,088)	$ (803,632)	$ 1,232,414	$ 2,556,957	$ 1,275,948	$ 1,366,713	$ 3,219,327	$ 6,442,069	$ 1,364,033	$ (142,238)	$ 15,570,669
Adjustment to reconcile operating income (loss) to net cash and cash equivalents provided by (used in) operating activities:																		
Depreciation and amortization	1,765,811	823,690	-	6,152,934	675,399	900,988	1,475,266	862,403	447,523	1,131,390	2,248,126	1,139,661	1,249,223	4,317,872	5,713,175	917,179	(51,854)	29,768,786
Provision for (recovery of) doubtful accounts	14,821	183,651	-	3,360	29,675	-	59,474		(2,084)	(2,844)	56,675	12,702	35,541		99,551	52,095	-	542,617
Changes in operating assets and liabilities:																		
Tenant security deposits	-	-	-	-	-	-	22,208	-	-	-	-	-	-	-	28,771	90,068	-	141,047
Rent and other receivables	(162,523)	(226,030)	-	1,140,289	(18,191)	-	(64,906)	-	(2,470)	4,360	(52,656)	(17,826)	(42,065)	(994,758)	(81,656)	(33,724)	37,302	(514,854)
Related party receivable	(690,625)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	690,625	-
Inventory	-	-	-	24,831	-	-	-	-	-	-	-	-	-	-	-	-	-	24,831
Prepaid expenses and other assets	(875)	(538)	-	14,497	(4,062)	2,916	677	-	(103)	5,125	34,858	(30,678)	(6,493)	262,617	(5,981)	(45,154)	-	226,806
Accounts payable and accrued expenses	(40,365)	(23,908)	-	2,708,794	9,732	(67,571)	206,788	4,048	13,698	18,836	56,486	(153,249)	(57,962)	1,190,854	(369,446)	(66,388)	(1,863)	3,428,484
Sales tax payable	-	-	-	(66,744)	-	-	-	-	-	-	-	-	-	-	-	-	-	(66,744)
Advances	-	(28,542)	-	-	-	-	-	-	-	-	-	(368,763)	-	-	-	-	-	(397,305)
Advance deposits	-	-	-	(60,983)	-	-	-	-	-	-	-	-	-	-	-	-	-	(60,983)
Security deposits	-	-	-	-	-	-	(18,156)	-	1,164	-	-	-	-	-	(6,321)	(91,119)	-	(114,432)
Accrued ground rent	-	(173,061)	-	-	(45,107)	-	244,454	-	-	(272,222)	148,733	-	-	-	420,782	170,948	-	494,527
Deferred management and service fees payable	-	-	-	6,083,759	-	-	-	-	-	-	-	-	-	-	-	-	(690,625)	5,393,134
Deferred inflow of resources-rents and fees collected in advance	(3,125)	87,192	-	-	(6,702)	-	(4,260)	-	(6,000)	(67,142)	(9,187)	47,203	32,094	(262,617)	(59,393)	(43,641)	-	(295,578)
Other liabilities	(32,832)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,832)
Net cash and cash equivalents provided by (used in) operating activities	$ 2,768,220	$ 1,526,071	$ -	$ 10,590,090	$ 1,481,017	$ 1,530,216	$ 3,014,652	$ (92,637)	$ (351,904)	$ 2,049,917	$ 5,039,992	$ 1,904,998	$ 2,577,051	$ 7,733,295	$ 12,181,551	$ 2,314,297	$ (158,653)	$ 54,108,173
Schedule of non-cash capital and related financing activities:																		
Gain (loss) on sales and retirements of assets	$ (4,541,795)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,890,152)	$ (6,828)	$ -	$ -	$ (124,719)	$ -	$ -	$ (7,563,494)
Construction, development, and equipment expenditures included in accounts payable and accrued expenses	-	-	-	-	-	-	-	-	-	-	689,545	-	-	117,066	-	-	(35,439)	771,172
Capitalization of interest in right to use buildings	-	-	108,233	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,233
Amortization of lease allowance	22,978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,978
Amortization of issue premium on bonds	-	56,245	-	-	44,740	11,322	158,158	-	-	129,568	301,274	142,518	171,688	172,876	1,484,976	148,502	-	2,821,867
Amortization of issue discount on bonds	-	-	-	205,834	-	-	-	-	-	364	-	-	-	10,951	-	-	-	217,149
Amortization of deferred inflow of resources - deferred advance refunding gains	-	-	-	-	-	-	-	-	-	-	17,643	-	11,122	-	-	-	-	28,765
Amortization of deferred outflow of resources - deferred advance refunding costs	-	7,152	-	569,305	27,642	-	74,076	14,906	-	15,413	-	22,718	-	5,400	230,245	22,568	-	989,425

8. DEBT AND CAPITAL LEASE OBLIGATIONS

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

	2019	2018
Revenue bonds payable	$ 617,295,192	$ 591,772,899
Notes payable, including $241,636 in 2019 and $395,657 in 2018 to State of Maryland Department of Business and Economic Development (DBED)	14,069,340	21,383,649
Total	$ 631,364,532	$ 613,156,548

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 2058 and, as of June 30, 2019 and 2018, bears interest at a weighted average effective rate of 4.56% and 4.45%, respectively, including an average effective rate of 0% and 1.96% on variable rate bonds of $0 and $21,285,000, respectively. The interest rates on the variable rate bonds are primarily based on the London Interbank Offered Rate (LIBOR).

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, 2019 and 2018, bears interest at a weighted average effective rate of 8.27% and 6.69%, respectively, including an average effective rate of 7.28% and 6.47%, 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.

To protect against rising interest rates on NCCoE's variable rate notes payable, MEDCO entered into an interest rate swap agreement with a financial institution. The swap was terminated in August 2018 in connection with the disposal of the project (Note 12). The objective of the swap was to hedge changes in cash flow and effectively fix the rate on the variable rate note payable. The notional amount of the swap was equal to the outstanding principal balance on the note payable. The swap had a fair value of $95,126 as of June 30, 2018. The fair value of the swap and accumulated increase in the fair value of the swap are included in other assets and deferred inflows of resources in the accompanying statements of net position.

Total interest on bonds and notes payable totaled $27,921,670 and $25,883,118 during the years ended June 30, 2019 and 2018 respectively.

8. DEBT AND CAPITAL LEASE OBLIGATIONS – continued

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

	2019	2018
MEDCO debt obligations	$ 8,163,996	$ 29,890,383
Operating facilities debt obligations	623,200,536	583,266,165
Total	$ 631,364,532	$ 613,156,548

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.

Future payments on the bonds and notes payable are due as follows as of June 30,:

	Total	Principal	Interest
2020	$ 79,356,278	$ 52,139,629	$ 27,216,649
2021	47,792,737	21,374,248	26,418,489
2022	47,833,138	22,394,676	25,438,462
2023	47,873,964	23,469,282	24,404,682
2024	47,922,656	24,618,873	23,303,783
2025-2029	239,740,659	142,366,383	97,374,276
2030-2034	225,132,916	170,430,318	54,702,598
2035-2039	90,059,505	64,075,226	25,984,279
2040-2044	46,117,739	30,521,565	15,596,174
2045-2049	36,087,725	27,762,200	8,325,525
2050-2054	18,607,652	13,565,000	5,042,652
2055-2058	14,265,150	12,710,000	1,555,150
	940,790,119	605,427,400	335,362,719
Less: unamortized discount	(1,605,907)	(1,605,907)	-
Plus: unamortized premium	27,543,039	27,543,039	-
Total	$ 966,727,251	$ 631,364,532	$ 335,362,719

8. DEBT AND CAPITAL LEASE OBLIGATIONS – continued

Activity in debt for the years ended June 30, 2019 and 2018 is summarized as follows:

	Bonds payable	Notes payable
Balance June 30, 2017	$ 599,537,525	$ 22,981,645
Amortization of issue discount	217,149	-
Amortization of issue premium	(2,821,867)	-
Additions	14,200,700	-
Principal payments/reductions	(19,360,608)	(1,597,996)
Balance June 30, 2018	591,772,899	21,383,649
Amortization of issue discount	207,776	-
Amortization of issue premium	(2,669,969)	-
Additions	68,235,851	-
Principal payments/reductions	(40,251,365)	(7,314,309)
Balance June 30, 2019	$ 617,295,192	$ 14,069,340

9. 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, 2019 and 2018 is summarized as follows:

Balance June 30, 2017	$	1,688,450,012
Additions		311,536,480
Principal payments/reductions		(311,217,213)
Balance June 30, 2018		1,688,769,279
Additions		216,770,796
Principal payments/reductions		(163,880,222)
Balance June 30, 2019	$	1,741,659,853

During the year ended June 30, 2019, MEDCO issued bonds on behalf of The ARC Baltimore, Inc., $4,055,796, in order to refinance costs of installation, construction and equipping facilities located in Baltimore, County, Maryland, the Potomac Electric Power Company Project, $109,500,000, in order to refinance the costs of the acquisition, construction, equipping and installation of certain water and air pollution control facilities in Prince George's County, Maryland and Montgomery County, Maryland, and Ports America Chesapeake, Inc., $103,215,000, in order to refinance the costs of issuance, renovation and capital replacements and improvements of the Seagirt Marine Terminal by refunding the prior bonds.

During the year ended June 30, 2018, MEDCO issued bonds on behalf of AFCO Cargo BWI II LLC, $7,175,000, in order to finance costs of the acquisition, renovation and improvement of airport facilities at the Baltimore/Washington International Airport in Anne Arundel County, Maryland, the PRG- Towson Place Properties LLC., $44,306,480, in order to finance and refinance the costs of the acquisition, furnishings and improvements of apartments located in Baltimore County, Maryland, the Young Men's Christian Association of Central Maryland. Inc., $32,000,000, to finance and refinance costs of issuance, acquisition and improvements of several buildings related to health and wellness centers in Abingdon, Catonsville and Towson, Maryland, and Ports America Chesapeake, Inc., $228,055,000, in order to refinance the costs of issuance, renovation and capital replacements and improvements of the Seagirt Marine Terminal by refunding the prior bonds.

10. COMMITMENTS AND CONTINGENCIES

Leases

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. Ground rent expense totaled $650,461 and $497,098 for the years ended June 30, 2019 and 2018, respectively. Accrued ground rent totaled $829,215 and $717,505 as of June 30, 2019 and 2018, 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.

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 allocable will be held for the account of the City of the Baltimore. The Additional Rent expense for the year ended June 30, 2019 was $298,407. Accrued ground rent totaled $298,407 as of June 30, 2019.

CTU

The land underlying CTU is subleased from the CTU Foundation under a non-cancelable sublease expiring 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 $578,222 and $0 for the years ended June 30, 2019 and 2018, respectively. Accrued grount rent totaled $578,222 and $0 as of June 30, 2019 and 2018, respectively.

10. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

CTU – continued

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. Title to the project improvements will revert to CTU Foundation upon termination of the sublease.

CBCC

The land underlying CBCC is leased from Chesapeake Resort, LLC under a non-cancellable operating lease expiring 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.

As of June 30, 2019 and 2018, no payments of ground rents had been made due to the subordination provision. Ground rent expense totaled $3,314,610 and $3,066,859 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, accrued ground rent under this lease totaled $36,097,036 and $32,782,426, respectively. Accrued interest on the unpaid ground rents totaled $12,721,763 and $11,141,446 as of June 30, 2019 and 2018, respectively.

10. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

Frostburg

The land underlying Frostburg is leased from the State of Maryland under a non-cancellable operating lease expiring 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. Ground rent expense totaled $445,004 and $125,744 for the years ended June 30, 2019 and 2018, respectively. Accrued ground rent totaled $1,167,863 and $926,590 as of June 30, 2019 and 2018, 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.

Morgan

The land underlying Morgan is leased from the State of Maryland under a non-cancellable operating lease expiring on the earlier to occur of April 30, 2042, 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 subordinated to all payments required under the bonds payable and related trust indenture. Ground rent expense totaled $513,007 and $800,192 for the years ended June 30, 2019 and 2018, respectively. Accrued ground rent totaled $905,217 and $1,182,694 as of June 30, 2019 and 2018, 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 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.

10. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

NCCoE

The land underlying NCCoE was leased from Montgomery County, Maryland under a non-cancellable operating lease expiring in 2048. On August 22, 2018, in connection with the transfer of the NCCoE assets to Montgomery County (Note 12), this lease was terminated. The annual rent under this lease was $10.

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. Ground rent expense totaled $1,572,855 and $1,851,509 for the years ended June 30, 2019 and 2018, respectively. Accrued ground rent totaled $1,572,855 and $1,868,451 as of June 30, 2019 and 2018, 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.

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. Ground rent amortization expense was $54,545 for each of the years ended June 30, 2019 and 2018. 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 $309,685 and $494,666 for the years ended June 30, 2019 and 2018, respectively. Accrued ground rent totaled $309,685 and $896,544 as of June 30, 2019 and 2018, respectively.

10. 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. No ground rent was due for the years ended June 30, 2019 and 2018.

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 the earlier of June 5, 2042 or the date on which the bonds have been fully repaid. 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.

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.

10. COMMITMENTS AND CONTINGENCIES – continued

Leases – continued

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 $5,662,661 and $4,561,554 for the years ended June 30, 2019 and 2018, respectively. Accrued ground rent totaled $7,546,580 and $7,420,004 as of June 30, 2019 and 2018, respectively. 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 right to use buildings exceed cumulative draws made from the renewal and replacement fund. 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, 2019 and 2018.

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

University Village

The land underlying University Village is leased from Sheppard Pratt Health System, Inc. (SPHSI) under a non-cancellable operating lease expiring 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 2018 bears interest at 12.65% annually beginning 90 days after the end of the related lease year. Ground rent expense totaled $2,255,645 and $2,149,090 for the years ended June 30, 2019 and 2018, respectively, including interest on unpaid ground rent of $792,049 and $728,122, respectively. Accrued ground rent totaled $8,273,638 and $7,708,194 as of June 30, 2019 and 2018, respectively, including accrued interest on unpaid ground rent of $516,908 and $506,844, respectively. Title to the operating facility improvements will revert to SPHSI upon termination of the lease.

10. COMMITMENTS AND CONTINGENCIES – continued

Future Minimum Lease Payments

Future minimum rent under these leases is due as follows as of June 30,:

2020	$ 60,872,655
2021	3,392,752
2022	3,494,532
2023	3,599,364
2024	3,707,342
2025-2029	20,273,212
2030-2034	23,501,620
2034-2039	19,348,411
2040-2044	5,527,181
2045-2049	54
2050-2054	50
Total	$ 143,717,173

Minimum rent payable during the year ending June 30, 2019 includes accrued but unpaid rents for prior years of approximately $57,578,718 including interest on unpaid rents of $13,238,671.

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.

10. COMMITMENTS AND CONTINGENCIES – continued

University System Operating Reserve – continued

As of June 30, 2019 and 2018, 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, 2019 a $157,549 deposit to the operating reserve fund has been made by MEDCO on behalf of UMCP Housing, a $147,580 deposit has been made by MEDCO on behalf of Salisbury, a $133,707 deposit has been made by MEDCO on behalf of Towson WV and MH and a $61,164 deposit has been made by MEDCO on behalf of Bowie. As of June 30, 2018 a $169,058 deposit to the operating reserve fund has been made by MEDCO on behalf of UMCP Housing, a $155,220 deposit has been made by MEDCO on behalf of Salisbury, a $135,962 deposit has been made by MEDCO on behalf of Towson WV and MH and a $40,362 deposit has been made by MEDCO on behalf of Bowie.

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.

Other Leasing Activities

MEDCO leases office space under a lease agreement which is classified as an operating lease and will expire during August 2020. Rent expense under these leases totaled $92,726 and $85,442 during the years ended June 30, 2019 and 2018. Minimum rents due under these leases are summarized as follows as of June 30,:

2020	$ 120,512
2021	20,427
Total	$ 140,939

MEDCO records rent expense on a straight-line basis over the terms of its leases. Deferred rent totaled $19,262 and $32,255 as of June 30, 2019 and 2018, respectively, and represents the excess of recorded rent expense over amounts paid to date under the terms of the lease agreements.

MEDCO owns certain properties which are leased to tenants under long-term operating leases expiring at various dates to fiscal year 2030, subject to renewal options in certain cases. The leases generally provide for annual minimum rentals sufficient to pay principal and interest on the debt issued to finance the acquisition of and/or improvements to the related properties. Insurance and maintenance costs are generally the responsibility of the tenants.

10. COMMITMENTS AND CONTINGENCIES – continued

Other Leasing Activities – continued

The minimum rents to be received from tenants for properties owned by MEDCO under operating leases in effect are summarized as follows as of June 30,:

2020	$ 687,074
2021	685,669
2022	684,224
2023	682,739
2024	681,213
2025-2029	3,381,653
2030	167,953
Total	$ 6,970,525

The capitalized cost and accumulated depreciation and amortization relating to assets under leased properties is as follows as of June 30,:

	2019	2018
Buildings and improvements	$ 11,136,858	$ 58,159,268
Accumulated depreciation and amortization	(2,071,145)	(23,646,934)
Net capital assets	$ 9,065,713	$ 34,512,334

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.

11. GOING CONCERN - CBCC

CBCC has an accumulated negative net position of $225,322,619 and its current liabilities exceed its current assets by $158,835,863 at June 30, 2019. In addition, CBCC incurred operating losses of approximately $5,556,000 and $5,411,000 during the years ended June 30, 2019 and 2018, respectively. Management believes the projected future operating results of CBCC will provide CBCC with adequate cash flow to meet its operating needs; however, it is uncertain if CBCC will be able to make the current principal and interest payments on the bonds, which includes missed principal payments from December 2018, December 2017, December 2016, December 2015, December 2014 and December 2013 should the forbearance agreement (see below) not be extended past its current expiration date of December 31, 2019. These factors create significant doubt about CBCC's ability to continue as a going concern.

11. GOING CONCERN – CBCC – continued

Pursuant to an eighth amendment to the forbearance agreement dated September 23, 2019, the forbearance agreement effective May 1, 2014 was extended to December 31, 2019. 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.

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.

12. DISPOSAL OF PROJECTS – RIC and NCCoE

On July 17, 2018, Montgomery County, Maryland (the County) provided notice to MEDCO regarding the County's intent to refinance and payoff NCCoE's term note dated February 6, 2015 (NCCoE Loan) and RIC's promissory note dated June 12, 2007 (RIC Loan), collectively "the Loans" and transfer the assets and liabilities comprising the RIC and NCCoE operations to the County.

On August 10, 2018, in connection with the Loan payoffs, the County provided notice to MEDCO of its intent to terminate the RIC Consolidated, Amended and Restated Management Agreement (the Management Agreement), effective December 31, 2018 and amend the RIC and NCCoE Grant Agreements dated July 21, 2016. The notice required that MEDCO terminate all agreements with subcontractors related to RIC by December 31, 2018. MEDCO terminated all agreements with subcontractors related to RIC effective November 30, 2018. Under the terms of the amended Grant Agreements any further payments to MEDCO were indefinitely deferred in anticipation of a forthcoming termination of, or an amendment to, the Grant Agreements and transitioning of management duties for RIC to the County. MEDCO will continue to manage NCCoE.

On August 22, 2018, the County refinanced and paid off the Loans, including all principal and interest outstanding under the NCCoE Loan and RIC Loan in the amount of $3,551,401 and $3,283,141, respectively. The NCCoE interest rate swap contract was terminated in connection with the repayment of the NCCoE Loan. Proceeds from the termination of the interest rate swap totaling $97,400 were applied to the NCCoE Loan payoff amount. As a result of the transfer, MEDCO recognized a loss of approximately $14,093,000 and a gain of approximately $2,108,000 on the disposal of the NCCoE and RIC projects, respectively, during the year ended June 30, 2019, which are included in the loss on sales and retirements of assets, net in the accompanying statements of revenues, expenses and changes in net position (see Note 7 for individual project financial statements).

12. DISPOSAL OF PROJECTS – RIC and NCCoE – continued

In accordance with GASB 69, *Government Combinations and Disposals of Government Operations*, the effective date of transfer was August 22, 2018, the date the County obtained control of the assets and became obligated for the liabilities of RIC and NCCoE. There was no consideration paid as part of the transfer. No expenditures directly related with the disposal were incurred during the year ended June 30, 2019.