

**WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT
TOWSON UNIVERSITY,
A PROJECT OF MARYLAND ECONOMIC
DEVELOPMENT CORPORATION**

**Management's Discussion and
Analysis and Financial Statements
Together With Independent Auditors' Report
For the Years Ended June 30, 2022 and 2021**

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

TABLE OF CONTENTS

	Page
Management's Discussion and Analysis	1-9
Independent Auditors' Report	10-12
Financial Statements:	
Statements of Net Position as of June 30, 2022 and 2021	13
Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2022 and 2021	14
Statements of Cash Flows for the Years Ended June 30, 2022 and 2021	15
Notes to Financial Statements	16-28

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

As management of West Village and Millennium Hall Student Housing at Towson University (the Project), a project of Maryland Economic Development Corporation (MEDCO), we offer readers of the Project's financial statements this narrative overview and analysis of the financial activities of the Project for the fiscal years ended June 30, 2022 and 2021. 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 the Project's financial activity, and (c) identify changes in the Project's financial position. We encourage readers to consider the information presented here in conjunction with the Project's financial statements and accompanying notes.

Financial Highlights

The financial highlights of the Project for the year ended June 30, 2022 were as follows:

- The Project's net position is a deficit of \$9,601,000 as of June 30, 2022 as a result of a cumulative excess of net non-operating expenses, primarily interest expense and loss on retirement of capital assets, over operating income through 2021.
- Occupancy ranged between 77.4% and 82.9% for West Village Student Housing and 86.2% and 89.1% for Millennium Hall Student Housing during the academic year, with an average of 81.0% and 87.0% for West Village Student Housing and Millennium Hall Student Housing, respectively. During fiscal year 2021, occupancy ranged between 89.1% and 93.7% for West Village Student Housing and 79.4% and 89.0% for Millennium Hall Student Housing during the academic year. The occupancy numbers do not reflect the actual percentage of students in their rooms, rather it represents the percentage of rooms that were leased of the rooms available to lease for the academic year in accordance with the reduced densities implemented by the University in accordance with federal, state and local health and safety guidance.
- The Project incurred \$10,100 of right to use building additions primarily on the purchase of furniture, fixtures and equipment of \$5,300, and the replacement of an HVAC compressor for \$4,800.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

Financial Highlights – continued

The financial highlights of the Project for the year ended June 30, 2021 were as follows:

- The Project's net position is a deficit of \$9,801,000 as of June 30, 2021 as a result of a cumulative excess of net non-operating expenses, primarily interest expense and loss on retirement of capital assets, over operating income since Project inception.
- During the year ended June 30, 2021 occupancy has continued to be lower than experienced in prior years due to the ongoing impact of the coronavirus (COVID-19) pandemic. In August 2020, Towson University (the University) announced that the fall 2020 semester would consist of 85% of instruction being online and less than 50% occupancy of University residence halls. In October 2020, the University announced that the spring 2021 semester would consist of 85% of instruction being offered remotely with face-to-face and hybrid courses being conducted along with reduced densities of University residence halls in accordance with federal, state and local health and safety guidance. For the spring term, the University directed, in an effort to combat the spread of COVID-19 among students, that MEDCO follow the University announced housing standards for the Project. The University requested that MEDCO release certain students who requested to cancel their licenses from some or all of their payment obligations under the license without penalty to the students.
- On January 20, 2021, the Maryland General Assembly appropriated funds to be used by the University System of Maryland (USM) to compensate MEDCO for losses incurred on behalf of students at USM institutions who exited apartment leases as a result of the COVID-19 pandemic. USM allocated \$500,000 of the supplemental appropriation to the Project.
- The Project incurred \$793,000 of right to use building additions primarily on the purchase of furniture, fixtures and equipment of \$694,000, PVI water tanks of \$92,000 and building repairs of \$7,000.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Project's financial statements. The Project is intended to be 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 the Project.

These statements are presented in a manner similar to a private business such as a commercial real estate project. The Project's statements consist of two parts: the financial statements and notes to the financial statements.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

The Financial Statements

The Project'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 the Project's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. In 2007, MEDCO issued limited obligation revenue bonds to provide capital financing for construction of West Village Student Housing at Towson University. The proceeds were deposited with a trustee and invested, generally in United States government or agency securities, until disbursed for the acquisition or construction of capital assets or retained for the establishment of certain required reserves. In 2012, MEDCO issued limited obligation revenue bonds to acquire the Millennium Hall leasehold estate. The proceeds were used to redeem bonds originally issued to design, construct and furnish Millennium Hall Student Housing at Towson University. The 2007 and 2012 revenue bonds were issued in MEDCO's name; however, MEDCO has no obligation for the bonds beyond the resources of the Project.

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

The statements of cash flows present summarized sources and uses of funds for the Project. Cash flows from operating activities generally represent the results of leasing and operating the Project, exclusive of interest income and expense. Cash flows from capital and related financing and investing activities generally reflect the incurrence of debt obligations, the subsequent investment of debt proceeds in the Project, periodic principal and interest payments on the debt and earnings on investments.

The Project is owned by MEDCO; however, at the end of the ground lease, ownership of the Project will revert to the University System of Maryland.

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 16 – 28 of this report.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

Financial Analysis of West Village and Millennium Hall Student Housing at Towson University

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

	2022	2021	2020
Current assets	\$ 5,030,716	\$ 4,141,851	\$ 4,764,322
Other assets	28,031,316	29,363,043	31,855,300
Total Assets	<u>33,062,032</u>	<u>33,504,894</u>	<u>36,619,622</u>
Current liabilities	5,583,455	4,169,944	3,004,835
Non-current liabilities	36,351,185	38,418,525	40,422,472
Total Liabilities	<u>41,934,640</u>	<u>42,588,469</u>	<u>43,427,307</u>
Deferred inflow of resources	<u>728,671</u>	<u>717,310</u>	<u>528,940</u>
Net investments in capital assets	(15,832,517)	(15,685,426)	(16,049,012)
Restricted under trust indenture	6,231,238	5,884,541	8,712,387
Total Net Position	<u>\$ (9,601,279)</u>	<u>\$ (9,800,885)</u>	<u>\$ (7,336,625)</u>

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

- Current assets increased \$889,000 primarily due to an increase in cash and cash equivalents of \$1,120,000 as a result of the payment deferral of approximately \$1,000,000 for services provided by the University and approximately \$90,000 for management and owner's fees. This deferral of payments was done to ensure adequate cash flow was available for operations of the Project and to replenish reserve accounts underfunded during the COVID-19 pandemic. This increase was partially offset by a decrease in deposits with bond trustee due to a reduction in deposits required for future debt service of \$51,000 and the use of funds on deposit for the payment of management fees of \$126,000.
- Other assets decreased \$1,332,000 primarily due to current year amortization on right to use buildings of \$2,165,000. This decrease was partially offset by an increase in the repair and replacement trust fund of \$830,000, primarily due to current year deposits made to the repair and replacement fund per the trust indenture exceeding capital expenditures, and asset additions of \$10,100.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

Financial Analysis of West Village and Millennium Hall Student Housing at Towson University – continued

- Current liabilities increased \$1,414,000 primarily due to an increase in accounts payable of \$1,288,000 as a result of the deferral of approximately \$1,000,000 for services provided by the University and \$90,000 for management and owner's fees. This deferral of payments was done to ensure adequate cash flow was available for operations of the Project and to replenish reserve accounts underfunded during the COVID-19 pandemic. Additionally, the Project received an advance of \$73,400 in fiscal year 2022 from MEDCO, recorded as a related party advance on the statement of net position, to undertake critical capital expenditures at the Project.
- Non-current liabilities decreased \$2,067,000 as a result of the \$1,810,000 of scheduled bond principal payments becoming current and the amortization of the bond issue premium, which totaled \$257,000.
- Net position increased \$200,000 as a result of the Project's operating income of \$1,638,000 over net non-operating expenses of \$1,438,000.

Significant factors in the changes in the Project's financial position for the year ended June 30, 2021 include:

- Current assets decreased \$622,000 primarily due to a decrease in cash and cash equivalents of \$515,000 and deposits with bond trustee of \$180,000 as funds were used to pay operational expenses due to the reductions in occupancy and cash flow as a result of the ongoing impact of the COVID-19 pandemic. These decreases were partially offset by an increase in accounts receivable of \$56,000 due to the ongoing negative impact of the COVID-19 pandemic on the timing of rental payments and collections.
- Other assets decreased \$2,492,000 primarily due to current year amortization on right to use buildings of \$2,210,000, asset retirements of \$175,000, and decreases in the repair and replacement trust fund of replacement fund per the trust indenture, and the redemption fund of \$558,000 due to the reduction in cash flow requiring the transfer of funds to other trust accounts. These decreases were partially offset by asset additions of \$793,000.
- Current liabilities increased \$1,165,000 primarily due to an increase in accounts payable of \$1,165,000. Due to the ongoing negative impact of the COVID-19 pandemic on revenue and cash flow, MEDCO agreed to defer payment of subordinated management and owner's fees of approximately \$120,000 and the University agreed to the deferral of payment of up to \$930,000 of Project expenses for services provided by the University. Additionally, as a result of the decreases in revenue and cash flow the Project received an advance of \$125,000, recorded in accounts payable and accrued expenses on the statement of net position, from the operating reserve fund necessary to undertake critical capital expenditures at the Project (Note 5).

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

Financial Analysis of West Village and Millennium Hall Student Housing at Towson University – continued

- Non-current liabilities decreased \$2,004,000 as a result of the \$1,735,000 of scheduled bond principal payments becoming current and the amortization of the bond issue premium, which totaled \$269,000.
- Net position decreased \$2,464,000 as a result of the Project's operating loss of \$766,000 and net non-operating expenses of \$1,698,000.

The following table summarizes the Project's revenues and expenses for the years ended June 30,:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Apartment rentals	\$ 7,788,669	\$ 6,321,551	\$ 7,118,892
Other	233,444	671,065	206,757
Total Operating Revenues	<u>8,022,113</u>	<u>6,992,616</u>	<u>7,325,649</u>
Operating Expenses:			
Property operating costs	2,615,328	2,237,384	2,526,067
Management and service fees	431,710	409,903	411,920
Administrative and general	1,084,107	2,841,668	967,208
Sales and marketing	33,563	5,477	13,613
Ground rent	54,545	54,545	54,545
Amortization	2,165,306	2,210,091	2,101,427
Total Operating Expenses	<u>6,384,559</u>	<u>7,759,068</u>	<u>6,074,780</u>
Operating Income (Loss)	1,637,554	(766,452)	1,250,869
Net Non-operating Expenses	<u>(1,437,948)</u>	<u>(1,697,808)</u>	<u>(1,634,825)</u>
Change in Net Position	199,606	(2,464,260)	(383,956)
Net Position, beginning of year	(9,800,885)	(7,336,625)	(6,952,669)
Net Position, end of year	<u><u>\$ (9,601,279)</u></u>	<u><u>\$ (9,800,885)</u></u>	<u><u>\$ (7,336,625)</u></u>

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

Financial Analysis of West Village and Millennium Hall Student Housing at Towson University – continued

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

- Occupancy ranged between 77.4% and 82.9% for West Village Student Housing and 86.2% and 89.1% for Millennium Hall Student Housing during the academic year, with an average of 81.0% and 87.0% for West Village Student Housing and Millennium Hall Student Housing, respectively.
- Operating revenues increased \$1,029,000 due to an increase in apartment rental revenue of \$1,467,000 primarily as a result of the negative impact of the COVID-19 pandemic on occupancy in fiscal year 2021. This increase was partially offset by a decrease in other revenue of \$438,000 primarily due to funds received in fiscal year 2021 from the University System of Maryland, as appropriated by the Maryland General Assembly, to compensate MEDCO for losses incurred on behalf of students at USM institutions who exited apartment leases during fiscal year 2021 as a result of the COVID-19 pandemic. The Project received \$500,000 of this appropriation from the USM in fiscal year 2021.
- Property operating costs increased \$378,000 primarily as a result of higher occupancy levels leading to increases in the services and staff needed to operate the facility.
- Administrative and general expenses decreased \$1,758,000 primarily due to a decrease in bad debt expense of \$1,744,000 due to the impact of the COVID-19 pandemic on the timing of rental payments and collections in fiscal year 2021.

Significant factors in the results for the year ended June 30, 2021 include:

- Occupancy ranged between 89.1% and 93.7% for West Village Student Housing and 79.4% and 89.0% for Millennium Hall Student Housing during the academic year. The occupancy numbers do not reflect the actual percentage of students in their rooms, rather it represents the percentage of rooms that were leased of the rooms available to lease for the academic year in accordance with the reduced densities implemented by the University in accordance with federal, state and local health and safety guidance.
- Operating revenues decreased \$333,000 due to a decrease in apartment rental revenue of \$797,000 primarily as a result of the ongoing negative impact of the COVID-19 pandemic on occupancy. This decrease was partially offset by an increase in other revenue of \$464,000 primarily due to funds received from the University System of Maryland, as appropriated by the Maryland General Assembly, to compensate MEDCO for losses incurred on behalf of students at USM institutions who exited apartment leases as a result of the COVID-19 pandemic. The Project received \$500,000 of this appropriation from the USM.
- Property operating costs decreased \$289,000 primarily as a result of lower occupancy levels leading to decreases in the services and staff needed to operate the facility.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

Financial Analysis of West Village and Millennium Hall Student Housing at Towson University – continued

- Administrative and general expenses increased \$1,874,000 primarily as a result of an increase in bad debt expense of \$1,716,000 due to the negative impact of the COVID-19 pandemic on the timing and collection of rental payments.

Capital Asset and Debt Administration

Capital Assets

In 2007, MEDCO was requested to assist in the development of a student housing project for Towson University through issuance of its tax-exempt bonds. The proceeds of the bonds were used for the initial design, construction and furnishing of West Village Student Housing at Towson University.

In 2012, Millennium Hall Student Housing at Towson University was acquired. In conjunction with the purchase of the Millennium Hall leasehold estate, \$15,545,000 of proceeds from the issuance of the Series 2012 bonds were used to redeem the Millennium Hall Series 1999A bonds originally issued to design, construct and furnish the project. An acquisition value of approximately \$13,676,000 was assigned to the Millennium Hall Student Housing assets, which is equal to the redemption price of the Series 1999A bonds adjusted for cash balances in trust and operating accounts as well as other rights and obligations associated with the operation of the facility that were acquired with the project.

The most significant capital asset events during the year ended June 30, 2022 were the purchase of furniture, fixtures and equipment of \$5,300, and the replacement of an HVAC compressor for \$4,800. The most significant capital asset events during the year ended June 30, 2021 were the purchase of furniture, fixtures and equipment of \$694,000, PVI water tanks of \$92,000 and building repairs of \$7,000.

Debt

As of June 30, 2022 and 2021, the Project had total bond debt outstanding, net of unamortized bond discount and premium, of \$38,161,000 and \$40,154,000, respectively. None of this debt is backed by the full faith and credit of the State of Maryland or MEDCO. The debt is secured solely by the revenues and assets of the Project.

In May 2017, the Series 2007A bonds were refunded and funds were deposited with the bond trustee for upcoming renovations to the Millennium Hall Student Housing building envelope and HVAC system with proceeds from the issuance of the Series 2017 bonds. Additional information relating to the refunding is provided in Note 4 to the financial statements.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

Management's Discussion and Analysis For the Years Ended June 30, 2022 and 2021

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 West Village and Millennium Hall Student Housing at Towson University. If you have questions about this report or need additional information, contact Maryland Economic Development Corporation, 7 St. Paul Street, Suite 940, Baltimore, MD 21202.



Independent Auditors' Report

To the Board of Directors of
Maryland Economic Development Corporation:

Opinion

We have audited the accompanying financial statements of West Village and Millennium Hall Student Housing at Towson University (the Project), a project of Maryland Economic Development Corporation (MEDCO) (a Maryland corporation), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Village and Millennium Hall Student Housing at Towson University, a project of MEDCO, as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position, changes in financial position and cash flows of the Project and do not purport to, and do not present fairly the financial position of MEDCO as of June 30, 2022 and 2021, the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West Village and Millennium Hall Student Housing at Towson University, a project of MEDCO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of West Village and Millennium Hall Student Housing at Towson University, a project of MEDCO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West Village and Millennium Hall Student Housing at Towson University, a project of MEDCO's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by The Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SC's H Attest Services, P.C.

September 15, 2022

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING
AT TOWSON UNIVERSITY,
A PROJECT OF MEDCO

Statements of Net Position

<i>As of June 30,</i>	<i>2022</i>	<i>2021</i>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,205,184	\$ 1,084,891
Deposits with bond trustee - restricted	2,692,625	2,869,678
Accounts receivable, net of allowance for doubtful accounts of \$2,246,058 and \$2,120,207, respectively	21,913	60,394
Prepaid expenses and other assets	110,994	126,888
Total Current Assets	5,030,716	4,141,851
Non-current Assets		
Deposits with bond trustee - restricted	4,682,805	3,804,770
Right to use buildings, net of accumulated amortization of \$23,261,212 and \$21,103,468, respectively	22,475,785	24,631,001
Other assets	872,726	927,272
Total Non-current Assets	28,031,316	29,363,043
Total Assets	33,062,032	33,504,894
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	2,817,430	1,529,469
Accrued interest	882,625	905,475
Related party advance	73,400	-
Bonds payable	1,810,000	1,735,000
Total Current Liabilities	5,583,455	4,169,944
Non-current Liabilities		
Bonds payable	36,351,185	38,418,525
Total Liabilities	41,934,640	42,588,469
Deferred Inflow of Resources		
Deferred advance refunding gain	147,117	162,902
Rents and fees collected in advance	581,554	554,408
Total Deferred Inflow of Resources	728,671	717,310
Commitments and Contingencies (Note 5)		
Net Position		
Net investments in capital assets	(15,832,517)	(15,685,426)
Restricted under trust indenture	6,231,238	5,884,541
Total Net Position	\$ (9,601,279)	\$ (9,800,885)

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

**WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING
AT TOWSON UNIVERSITY,
A PROJECT OF MEDCO**

Statements of Revenues, Expenses and Changes in Net Position

<i>For the Years Ended June 30,</i>	<i>2022</i>	<i>2021</i>
Operating Revenues:		
Apartment rentals	\$ 7,788,669	\$ 6,321,551
Other	233,444	671,065
 Total Operating Revenues	 8,022,113	 6,992,616
Operating Expenses:		
Property operating costs	2,615,328	2,237,384
Management and service fees	431,710	409,903
Administrative and general	1,084,107	2,841,668
Sales and marketing	33,563	5,477
Ground rent	54,545	54,545
Amortization	2,165,306	2,210,091
 Total Operating Expenses	 6,384,559	 7,759,068
 Operating Income (Loss)	 1,637,554	 (766,452)
Non-operating Revenues (Expenses):		
Interest income	66,027	22,540
Loss on retirement of capital assets	-	(175,023)
Interest expense	(1,503,975)	(1,545,325)
 Total Non-operating Expenses, net	 (1,437,948)	 (1,697,808)
 Change in Net Position	 199,606	 (2,464,260)
Net Position, beginning of year	(9,800,885)	(7,336,625)
Net Position, end of year	\$ (9,601,279)	\$ (9,800,885)

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

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING
AT TOWSON UNIVERSITY,
A PROJECT OF MEDCO

		Statements of Cash Flows	
<i>For the Years Ended June 30,</i>		<i>2022</i>	<i>2021</i>
Cash Flows From Operating Activities			
Cash received from tenants	\$ 7,962,601	\$ 5,272,595	
Cash paid for operating expenses	(2,735,713)	(2,508,436)	
Net Cash and Cash Equivalents Provided by Operating Activities	5,226,888	2,764,159	
Cash Flows From Capital and Related Financing Activities			
Right to use buildings expenditures	(10,090)	(793,476)	
Advances from related party	73,400	-	
Bond principal payments	(1,735,000)	(1,670,000)	
Interest paid	(1,799,950)	(1,864,331)	
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities	(3,471,640)	(4,327,807)	
Cash Flows From Investing Activities			
Net (purchases) sales of deposits with bond trustee	(700,982)	1,026,215	
Interest received	66,027	22,540	
Net Cash and Cash Equivalents (Used in) Provided by Investing Activities	(634,955)	1,048,755	
Net Increase (Decrease) in Cash and Cash Equivalents	1,120,293	(514,893)	
Cash and Cash Equivalents, beginning of year	1,084,891	1,599,784	
Cash and Cash Equivalents, end of year	\$ 2,205,184	\$ 1,084,891	
Reconciliation of operating income (loss) to net cash and cash equivalents provided by operating activities:			
Operating income (loss)	\$ 1,637,554	\$ (766,452)	
Adjustment to reconcile operating income (loss) to net cash and cash equivalents provided by operating activities:			
Amortization	2,165,306	2,210,091	
Provision for doubtful accounts	125,139	1,868,993	
Changes in operating assets and liabilities:			
Accounts receivable	(86,658)	(1,924,668)	
Prepaid expenses and other assets	70,440	37,657	
Accounts payable and accrued expenses	1,287,961	1,133,891	
Rents and fees collected in advance	27,146	204,647	
Net Cash and Cash Equivalents Provided by Operating Activities	\$ 5,226,888	\$ 2,764,159	
Non-cash capital and related financing activities:			
Amortization of issue premium on bonds	\$ 257,340	\$ 268,947	
Amortization of deferred inflow of resources - deferred advance refunding gain	\$ 15,785	\$ 16,277	
Loss on disposal of assets	\$ -	\$ 175,023	

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

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Ownership and Management

West Village and Millennium Hall Student Housing at Towson University (the Project), located in Towson, Maryland, is a project of the Maryland Economic Development Corporation (MEDCO). The Project consists of 668 dormitory style beds and 420 apartment style beds and is located on land leased from the State of Maryland on behalf of Towson University (TU). West Village Student Housing accepted its first residents in August 2008. Millennium Hall Student Housing, which accepted its first residents in the fall of 2000, was acquired by MEDCO in July 2012.

Effective May 30, 2007, MEDCO entered into a management agreement with Capstone On-Campus Management, LLC (COCM) pursuant to which COCM provides certain management, leasing and administrative services for the Project. The agreement had a term of ten years, expiring June 30, 2017, and provided for a fee beginning on January 1, 2008 of \$12,500 per month, increased by a factor equal to the change in the Consumer Price Index as defined for each consecutive year thereafter. The agreement was consolidated, amended and restated on July 26, 2012 in conjunction with the acquisition of Millennium Hall Student Housing. The amended, consolidated and restated agreement provides for a fee of \$25,000 per month beginning on July 1, 2012, increased by a factor equal to the change in Consumer Price Index as defined for each consecutive year thereafter. The amended, consolidated, and restated agreement expired on June 30, 2018, however, the agreement was amended on June 29, 2018 to extend the term through June 30, 2019, continuing thereafter for successive one year terms unless sooner terminated. Subject to the provisions of the agreement, 25% of the fee is subordinated and paid in two installments, January and July of each lease year beginning January 2013, to the extent that revenues are available after payment of debt service and other items as defined. Any portion of the fee earned but not paid in one lease year may be carried over for payment in the next year in which revenues are sufficient for such purpose. Management fee expense was \$355,224 and \$337,047, for the years ended June 30, 2022 and 2021, respectively. Management fees payable totaled \$311,123 and \$221,179 as of June 30, 2022 and 2021, respectively, and are included in accounts payable and accrued expenses on the accompanying statements of net position.

Pursuant to the trust indenture dated May 1, 2007, first supplemental trust indenture dated July 1, 2012, and second supplemental trust indenture dated May 1, 2017, MEDCO is entitled to an issuer's fee and an administrative service fee for administrative support and other services provided. The issuer's fee is 0.1% of the principal amount of the outstanding bonds. The administrative fee is 0.5% of revenues, paid in arrears. Issuer's fees were \$36,045 and administrative fees were \$40,441 for the year ended June 30, 2022. Issuer's fees were \$37,780 and administrative fees were \$35,076 for the year ended June 30, 2021. Administrative fees payable totaled \$113,127 and \$72,686 as of June 30, 2022 and 2021, respectively, and are included in accounts payable and accrued expenses on the accompanying statements of net position.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued

Basis of Presentation

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the Project based on amounts specifically identifiable in MEDCO's accounting records. The Project is a project of MEDCO and as such all financial data presented herein is also included in the financial statements of MEDCO as of and for the years ended June 30, 2022 and 2021. However, the accompanying financial statements present only the Project and do not purport to, and do not, present the financial position of MEDCO as of June 30, 2022 and 2021 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. MEDCO utilizes the economic resources measurement focus and the accrual basis of accounting in preparing its financial statements, 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*.

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 as of the date of the financial statements and the reported amounts of revenues and expenses recognized during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Short-term investments with maturities of three months or less at 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.

The Project maintains substantially all of its cash with one commercial bank. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Project periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued

Cash and Cash Equivalents – continued

The Project 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, 2022 and 2021, bank deposits were properly collateralized.

Accounts Receivable

Accounts receivable represents past due rent and various fees charged to residents. The Project provides an allowance for doubtful accounts based on the estimated collectability of residents' accounts. Management's evaluation is based upon analysis of past-due accounts and historical collection experience. The allowance for doubtful accounts totaled \$2,246,058 and \$2,120,207 as of June 30, 2022 and 2021, respectively. Accounts receivable are written off when it is determined that amounts are uncollectible.

Service Concession Arrangement with University System of Maryland

In 2007, MEDCO was requested to assist in the development of West Village Student Housing, a student housing project for Towson University. In July 2012, Millennium Hall Student Housing at Towson University was acquired. The land underlying the Project is leased from the State of Maryland and title to the Project will revert to the University System of Maryland upon termination of the lease. MEDCO will operate and collect revenues from the Project for the duration of the lease term. In accordance with GASB 60, the arrangement between MEDCO and the University System of Maryland qualifies as a service concession arrangement. GASB 60 requires that the Project recognize the cost of the student housing facilities as an intangible asset, and amortize the asset using the straight line method over the shorter of the life of the ground lease agreement or the useful life of the asset. The intangible asset is reflected as right to use buildings in the accompanying statements of net position as of June 30, 2022 and 2021.

Deferred Inflows of Resources

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, 2022 and 2021, the Project recognized 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, 2022 and 2021, the Project also recognized a deferred advance refunding gain, which does not meet the availability criteria, as a deferred inflow of resources on the accompanying statements of net position.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued

Net Position

Net position is presented as either net investments in capital assets or restricted under the trust indenture. Net investments in capital assets represents the difference between the right to use buildings and the related debt obligations. Restricted under trust indenture represents the difference between net investments in capital assets and total net position, as all other funds are restricted as to their use under the terms of the trust indenture.

Revenue Recognition

The Project's revenues are derived primarily from leasing of apartments. Revenues are recognized monthly over the terms of the respective leases.

Classification of Revenues and Expenses

Revenues and expenses related to the day-to-day activities of the Project are reported as operating revenues and expenses. Other revenues and expenses, consisting primarily of interest income and interest expense, are reported as non-operating revenues and expenses.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$28,262 and \$5,477 for the years ended June 30, 2022 and 2021, respectively, and are included in sales and marketing expenses within the accompanying statements of revenues, expenses, and changes in net position.

Income Taxes

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 benefits is included in the accompanying financial statements.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

2. DEPOSITS WITH BOND TRUSTEE

Pursuant to the provisions of the trust indenture relating to the bonds payable (Note 4), deposits with bond trustee include the following reserve funds and restricted accounts as of June 30,:

	<u>2022</u>	<u>2021</u>
Current assets:		
Construction fund	\$ -	\$ 2
Principal fund	1,810,000	1,826,228
Interest fund	882,625	917,325
Management fee fund	-	126,123
Current Portion	<u>2,692,625</u>	<u>2,869,678</u>
Non-current assets:		
Replacement fund	1,080,307	250,007
Redemption fund	1	1
Debt service reserve fund	<u>3,602,497</u>	<u>3,554,762</u>
Non-current Portion	<u>4,682,805</u>	<u>3,804,770</u>
Total Deposits with Bond Trustee	<u><u>\$ 7,375,430</u></u>	<u><u>\$ 6,674,448</u></u>

The trust indenture authorizes MEDCO or its trustee bank to invest the deposits as detailed under *Credit Risk* below. Interest earned on these investments was approximately \$66,000 and \$23,000 for the years ended June 30, 2022 and 2021, respectively. Investments of deposits with bond trustee are carried at fair value, except that non-participating investment contracts (i.e., contracts which are not able to realize market-based increases or decreases in value under any circumstance) are carried at cost. Investments of deposits with bond trustee are summarized as follows as of June 30,:

	<u>2022</u>	<u>2021</u>
Forward delivery agreement with Wells Fargo bearing interest at 5.76% and maturing on June 1, 2029.	\$ 723,430	\$ 723,430
Money market funds	<u>6,652,000</u>	<u>5,951,018</u>
Total deposits with bond trustee	<u><u>\$ 7,375,430</u></u>	<u><u>\$ 6,674,448</u></u>

Wells Fargo was rated Aa1 by Moody and A+ by Standard and Poor's as of June 30, 2022 and 2021, respectively.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

2. DEPOSITS WITH BOND TRUSTEE – continued

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

Interest Rate Risk – The trustee has limited investments to mutual funds that invest in US government securities that can be liquidated at any time to meet the cash flow requirements of the Project, a fixed rate investment contract that is guaranteed as to the face of the investment as a means of managing interest rate risk and short term US Treasury notes and government obligation bonds which are subject to minimal interest rate risk due to their short term nature. As a result, the Project is not subject to significant interest rate risk.

Credit Risk – The Project's trust indenture limits MEDCO's investments to government obligations; obligations of federal agencies; certificates of deposit issued by and time deposits with commercial banks, trust companies or savings and loan associations; repurchase agreements for government obligations; obligations issued by the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation; senior debt obligations of the Federal Home Loan Bank System; commercial paper; US Dollar denominated deposit accounts; money market funds; public sector investment pools so long as MEDCO's deposit does not exceed 5% of the aggregate pool balance at any time; bonds or other obligations of any state of the United States of America, 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; and investment agreements. As defined in the trust indenture, 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. The Project's investments were in compliance with these limitations as of June 30, 2022 and 2021.

Concentrations 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. The Project held no investments in public sector pool funds as of June 30, 2022 and 2021.

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 the Project's name.

As of July 1, 2012 the first supplemental trust indenture required the project to set aside \$235 per bed per year for the West Village Student Housing building and \$300 per bed per year for the Millennium Hall Student Housing building, increasing annually by the greater of 3% or the recommendation of an independent engineer or independent architect, from cash flows for future capital repairs and replacement of furnishings and equipment. In accordance with the second supplemental trust indenture dated May 1, 2017, on the closing date of the Series 2017 bonds a one-time deposit was made to the replacement fund in the amount of \$411,505. The second supplemental trust indenture required the Project to set aside \$157, \$161, and \$327 per bed for the West Village Student Housing building and \$273, \$281, and \$546 per bed for the Millennium Hall Student Housing building for the years ended June 30, 2018, 2019, and 2020, respectively.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

2. DEPOSITS WITH BOND TRUSTEE – continued

As of July 1, 2021, pursuant to an independent engineer's recommendation, the amount to be set aside was increased to \$371,118 annually for Millennium Hall Student Housing and \$339,155 annually for West Village Student Housing, increasing 3% per year thereafter. These funds are to be segregated in a separate account within the trust. As a result of an agreement reached with the University on the deferral of required deposits, the replacement fund was underfunded by \$1,416,002 and \$1,619,145 at June 30, 2022 and June 30, 2021, 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.
- Level 3 – Pricing inputs are unobservable for the investment and includes 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, the Project's investments at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Debt securities				
Forward delivery agreement	\$ -	\$ 723,430	\$ -	\$ 723,430
Total investments by fair value level	\$ -	\$ 723,430	\$ -	\$ 723,430

The following table sets forth by level, within the fair value hierarchy, the Project's investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Debt securities				
Forward delivery agreement	\$ -	\$ 723,430	\$ -	\$ 723,430
Total investments by fair value level	\$ -	\$ 723,430	\$ -	\$ 723,430

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

2. DEPOSITS WITH BOND TRUSTEE – continued

As described above, the Project's 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. The Project's investments were in compliance with these limitations as of June 30, 2022 and 2021.

The Project 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 totaled \$6,652,000 and \$5,951,018 of June 30, 2022 and 2021, respectively.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

3. RIGHT TO USE BUILDINGS

Pursuant to GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and the service concession arrangement between MEDCO and the University System of Maryland, the Project has recorded a right to use buildings asset on the accompanying statements of net position. Under GASB 60, any costs of improvements made to the facility during the term of the service concession arrangement increase the right to use buildings asset. The right to use buildings asset should be amortized in a systematic and rational manner. The Project has amortized the right to use buildings asset using the straight-line method based on the useful lives of the underlying asset to which the Project has 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 32 years and the portion attributable to furnishings and equipment is being amortized over 3 to 10 years using the straight-line method.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

3. RIGHT TO USE BUILDINGS – continued

Right to use buildings activity for the years ended June 30, 2022 and 2021 is summarized as follows:

2022	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	\$ 38,949,182	\$ -	\$ -	\$ 38,949,182
Furnishings and equipment	6,785,287	10,090	(7,562)	6,787,815
	45,734,469	10,090	(7,562)	45,736,997
Less accumulated amortization:				
Buildings and improvements	(15,765,307)	(1,825,266)	-	(17,590,573)
Furnishings and equipment	(5,338,161)	(340,040)	7,562	(5,670,639)
	(21,103,468)	(2,165,306)	7,562	(23,261,212)
Right to use buildings, net	<u>\$ 24,631,001</u>	<u>\$ (2,155,216)</u>	<u>\$ -</u>	<u>\$ 22,475,785</u>

2021	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	\$ 38,947,685	\$ 7,731	\$ (6,234)	\$ 38,949,182
Furnishings and equipment	6,666,167	785,745	(666,625)	6,785,287
	45,613,852	793,476	(672,859)	45,734,469
Less accumulated amortization:				
Buildings and improvements	(13,952,831)	(1,814,895)	2,419	(15,765,307)
Furnishings and equipment	(5,438,382)	(395,196)	495,417	(5,338,161)
	(19,391,213)	(2,210,091)	497,836	(21,103,468)
Right to use buildings, net	<u>\$ 26,222,639</u>	<u>\$ (1,416,615)</u>	<u>\$ (175,023)</u>	<u>\$ 24,631,001</u>

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

4. BONDS PAYABLE

Bonds payable consists of the following as of June 30,:

	<u>2022</u>	<u>2021</u>
Series 2012 Serial Bonds bearing interest at rates ranging from 2.00% to 4.00% and maturing from July 1, 2013 through July 1, 2022	\$ 915,000	\$ 1,795,000
Series 2012 Term Bonds bearing interest at 5.00% and payable in annual sinking fund installments from July 1, 2023 through July 1, 2029	7,730,000	7,730,000
Series 2017 Serial Bonds bearing interest at rates ranging from 4.00% to 5.00% and maturing from July 1, 2018 through July 1, 2032	14,620,000	15,475,000
Series 2017 Term Bonds bearing interest at 5.00% and payable in annual sinking fund installments from July 1, 2033 through July 1, 2036	5,280,000	5,280,000
Series 2017 Term Bonds bearing interest at 5.00% and payable in annual sinking fund installments from July 1, 2033 through July 1, 2037	7,500,000	7,500,000
Unamortized issue premium	2,116,185	2,373,525
Total bonds payable	38,161,185	40,153,525
Less: current portion	(1,810,000)	(1,735,000)
Bonds payable, less current portion	<u>\$ 36,351,185</u>	<u>\$ 38,418,525</u>

The bonds are secured by a deed of trust on the Project and a general assignment of related revenues and deposits. They are limited obligations of MEDCO and are payable solely from the Project's revenues, as defined in the trust indenture. Interest on the Series 2012 bonds is payable semiannually on January 1 and July 1 and aggregated approximately \$423,000 and \$458,000 for the years ended June 30, 2022 and 2021, respectively. The issue premium is being amortized using the effective interest method.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

4. BONDS PAYABLE - continued

During May 2017 the Project issued \$30,625,000 of Series 2017 bonds. Interest on the Series 2017 bonds is payable semiannually on January 1 and July 1 with the first payment of interest in the amount of \$212,000 due in July 2017. Interest on the Series 2017 bonds is payable semiannually on January 1 and July 1 and aggregated approximately \$1,342,000 and \$1,376,000 for the years ended June 30, 2022 and 2021, respectively. The original issue premium is being amortized using the effective interest method over the term of the bonds. The bonds are secured by a deed of trust on the Project and a general assignment of related revenues and deposits. They are limited obligations of MEDCO and are payable solely from the Project's revenues, as defined in the trust indenture.

The Project also recorded a deferred refunding gain of \$233,276 in accordance with GASB 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. The deferred refunding gain is the difference between the reacquisition price and the net carrying amount of the old debt on the date of refunding. This cost is being amortized to interest expense using the effective interest method over the term of the Series 2017 bonds. In accordance with GASB 65, the deferred advance refunding gain is classified as a deferred inflow of resources on the accompanying statements of net position.

Upon issuance and delivery of the Series 2017 bonds, the Project redeemed its outstanding Series 2007A bonds in the total principal amount of \$26,530,000. The net proceeds of the Series 2017 issuance, including an original issue premium of \$3,053,990, were used to purchase securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest and redemption premiums on the redeemed bonds. This advance refunding transaction resulted in an extinguishment of debt since the Project was legally released from its obligation on the Series 2007A bonds at the time of redemption.

As a result of the refunding, the Project obtained an economic gain of approximately \$2,798,000. The total decrease in aggregate debt service payments from the refunding totals approximately \$3,293,000.

In accordance with the trust indenture, the Project is required to produce a coverage ratio, as defined, of not less than 1.20 as of the last day of each fiscal year. The project did not meet the coverage ratio as of June 30, 2022.

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

4. BONDS PAYABLE - continued

Future payments on bonds payable are due as follows as of June 30, 2022:

Year ending June 30,:	Total	Principal	Interest
2023	\$ 3,502,850	\$ 1,810,000	\$ 1,692,850
2024	3,483,350	1,875,000	1,608,350
2025	3,480,000	1,960,000	1,520,000
2026	3,462,750	2,045,000	1,417,750
2027	3,460,250	2,150,000	1,310,250
2028-2032	16,058,000	11,225,000	4,833,000
2033-2037	14,149,500	12,170,000	1,979,500
2038	2,810,000	2,810,000	-
	<u>50,406,700</u>	<u>36,045,000</u>	<u>14,361,700</u>
Plus unamortized bond premium	2,116,185	2,116,185	-
	<u><u>\$ 52,522,885</u></u>	<u><u>\$ 38,161,185</u></u>	<u><u>\$ 14,361,700</u></u>

Activity in bonds payable for the years ended June 30, 2022 and 2021 is summarized as follows:

Balance June 30, 2020	\$ 42,092,472
Amortization of bond premium	(268,947)
Principal payments	<u>(1,670,000)</u>
Balance June 30, 2021	40,153,525
Amortization of bond premium	(257,340)
Principal payments	<u>(1,735,000)</u>
Balance June 30, 2022	<u><u>\$ 38,161,185</u></u>
 Due within one year	 <u><u>\$ 1,810,000</u></u>

WEST VILLAGE AND MILLENNIUM HALL STUDENT HOUSING AT TOWSON UNIVERSITY, A PROJECT OF MEDCO

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

5. COMMITMENTS AND CONTINGENCIES

Ground Lease

The land underlying the Project 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 the 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, 2022 and 2021. The annual rent under the lease for the 1999 lease parcel (Millennium Hall Student Housing) is equal to “net revenues” from the Millennium Hall facility, as defined. Ground rent expense for the 1999 lease parcel was \$0 for the years ended June 30, 2022 and 2021, respectively.

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 annual deposits to the operating reserve fund on or before November 30 of each year, in the amount of \$20,000 for each of the Bowie State University, Salisbury University and the University of Maryland, Baltimore Projects, and commencing in November, 2009, \$20,000 for the Towson University Project, and commencing in November, 2011, \$40,000 for the University of Maryland, College Park Project; provided however, if the deposit of the full amount would cause the operating reserve fund to exceed the maximum amount per the Amended and Restated Memorandum of Understanding, the amount deposited under each ground lease shall be reduced proportionately. As a result of the decreases in revenue and cash flow experienced during the ongoing Covid-19 pandemic, and in accordance with an Agreement reached with the University dated December 14, 2020, the Project received an advance of \$125,000 in fiscal year 2021 from the operating reserve fund necessary to undertake critical capital expenditures. As of June 30, 2020, \$131,522 of deposits had been made by MEDCO on behalf of the Project to the operating reserve fund, no deposits were made to the operating reserve fund on behalf of the Project in fiscal year 2022 or fiscal year 2021.

Litigation

Lawsuits and claims are filed against the Project from time to time in the ordinary course of business. The Project does not believe that any lawsuits or claims pending against the Project, individually or in the aggregate, are material, or will have a material adverse effect on the Project’s financial condition or results of operations.