

**MORGAN VIEW AND THURGOOD MARSHALL HALL
STUDENT HOUSING,
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

**MORGAN VIEW AND THURGOOD MARSHALL HALL
STUDENT HOUSING,
A PROJECT OF MARYLAND ECONOMIC
DEVELOPMENT CORPORATION (MEDCO)**

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MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

As management of Morgan View and Thurgood Marshall Hall Student Housing (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 deficit totaled \$11,440,000 as of June 30, 2022, primarily as a result of the excess of net non-operating expenses over operating income on a cumulative basis.
- Occupancy ranged between 35.9% during the summer term to 98.6% during the academic year and averaged 84.6% for the fiscal year.
- On April 28, 2022, the Series 2012 bonds were refunded using proceeds from the issuance of Series 2022 bonds as well as funds on deposit with the bond trustee (Note 4).
- The Project has met the Release Test in the trust indenture for distribution of excess cash, however, no payment of accrued and unpaid ground rent will be made to Morgan State University each fiscal release date until fiscal year 2023 in accordance with the Series 2020 bonds trust indenture.
- The Project incurred \$36,810,000 of capital asset expenditures primarily for the ongoing construction of the Thurgood Marshall Hall facility, which totaled \$36,559,000, as well as \$251,000 on the replacement of HVAC units, computers, and furniture and fixtures. Management anticipates continuing expenditures to replace and renew additional capital assets each year in the future. A reserve fund held by the bond trustee has \$1,153,000 dedicated to these expenditures (Note 2).

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

- The Project's net deficit totaled \$7,866,000 as of June 30, 2021, primarily as a result of the excess of net non-operating expenses over operating income on a cumulative basis.
- During the year ended June 30, 2021, average occupancy was 72.4% compared to 92.7% during the year ended June 30, 2020, due to the ongoing impact of the coronavirus (COVID-19) pandemic. In August 2020, Morgan State University (the University) announced that courses would be delivered exclusively via remote modality with special housing accommodations for students with extenuating circumstances. The Project allowed students to cancel their leases for the 2020-2021 academic year. At that time, the Project issued refunds to residents and the University agreed to pay the Project the rent that was refunded.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

Financial Highlights – continued

- On December 10, 2020, \$80,825,000 of Series 2020 bonds were issued for the construction, furnishing, refurbishing, and equipping of a student housing facility, TMH, containing approximately 670 beds (Note 4). Construction of the TMH facility commenced in January 2021 and occupancy is projected to begin in August 2022. The new student housing facility will be part of a multi-use building at the University.
- The Project has met the Release Test in the trust indenture for distribution of excess cash, however, no payment of accrued and unpaid ground rent will be made to the University on each fiscal release date until fiscal year 2023 in accordance with the Series 2020 bonds trust indenture.
- The Project incurred \$15,326,000 of capital asset expenditures primarily for the ongoing construction of the TMH facility, which totaled \$14,826,000, as well as \$499,000 on new exterior lighting, computers, furniture and fixtures and the replacement of roofing, water heaters, carpeting and furniture and fixtures. Management anticipates continuing expenditures to replace and renew additional capital assets each year in the future. A reserve fund held by the bond trustee has \$1,207,000 dedicated to these expenditures (Note 2).

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.

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 and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. MEDCO issued limited obligation revenue bonds to provide capital financing for construction of student housing for Morgan State University. The proceeds were deposited with a trustee and invested, generally in United States government or agency securities, guaranteed investment contracts or repurchase agreements, until disbursed for the acquisition or construction of capital assets or retained for the establishment of certain required reserves. The revenue bonds were issued in MEDCO's name; however, neither MEDCO nor the State of Maryland has any 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.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

The Financial Statements – continued

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 licensing 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 Morgan State University.

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 15-27 of this report.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

Financial Analysis of Morgan View and Thurgood Marshall Hall Student Housing

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 6,263,982	\$ 11,129,318	\$ 2,584,930
Other assets	101,499,108	99,752,654	21,531,807
Total Assets	<u>107,763,090</u>	<u>110,881,972</u>	<u>24,116,737</u>
Deferred outflow of resources	<u>-</u>	<u>554,842</u>	<u>620,941</u>
Current liabilities	11,417,511	9,658,136	4,196,042
Non-current liabilities	106,721,746	109,104,954	26,310,716
Total Liabilities	<u>118,139,257</u>	<u>118,763,090</u>	<u>30,506,758</u>
Deferred inflow of resources	<u>1,063,345</u>	<u>539,486</u>	<u>591,540</u>
Net investments in capital assets	(40,348,247)	(78,282,449)	(9,556,930)
Restricted under trust indenture	28,908,735	70,416,687	3,196,310
Total Net Position	<u>\$ (11,439,512)</u>	<u>\$ (7,865,762)</u>	<u>\$ (6,360,620)</u>

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

- Current assets decreased \$4,865,000 primarily as a result of a decrease in deposits with bond trustee of \$4,702,000. The decrease is due primarily to the payment of interest on the 2020 bonds from the capitalized interest fund, and a decrease in the senior interest and principal fund account balances due to the refunding of the 2012 bonds and issuance of the 2022 bonds. These decreases are partially offset by deposits made to the operating reserve fund per the 2022 bond indenture.
- Other assets increased \$1,746,000 as a result of capital asset additions of \$36,810,000 for the ongoing construction of the TMH facility and the replacement of HVAC units, computers, and furniture and fixtures. This increase is partially offset by a decrease in deposits with bond trustee of \$33,850,000 primarily due to the payment of capital expenditures for the ongoing construction of the TMH facility from the construction fund, and the amortization of right to use building assets of \$1,213,000.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

Financial Analysis of Morgan View and Thurgood Marshall Hall Student Housing – continued

- Current liabilities increased \$1,759,000 primarily as a result of an increase in accounts payable and accrued expenses of \$1,823,000, primarily due to an increase in accrued capital expenditures related to the ongoing construction of the TMH facility, and accrued ground rent of \$1,477,000, as current year cash flow resulted in an increase of cumulative rent due (Note 6). These increases are partially offset by a decrease in accrued interest of \$640,000 and bonds payable of \$900,000 due to the refunding of the Series 2012 bonds and issuance of the Series 2022 bonds in April 2022 (Note 4).
- Non-current liabilities decreased \$2,383,000 due to a decrease in bonds payable of \$1,962,000 primarily as a result of the refunding of the Series 2012 bonds and issuance of the Series 2022 bonds in April 2022 (Note 4), and \$250,000 of scheduled bond and \$172,000 of scheduled note principal payments becoming current.
- Net deficit increased \$3,574,000 as a result of the excess of the Project's net non-operating expenses of \$4,943,000 over operating income of \$1,369,000.

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

- Current assets increased \$8,544,000 primarily as a result of an increase in deposits with bond trustee of \$8,246,000 due to the funding of the capitalized interest, principal and cost of issuance accounts in connection with the issuance of the Series 2020 bonds, accounts receivable of \$216,000 due to the impact of the COVID-19 pandemic on the timing of rental payments and collections, and cash and cash equivalents of \$104,000 in response to anticipated future cost needs as pandemic related restrictions on operations begin to ease.
- Other assets increased \$78,221,000 as a result of an increase in deposits with bond trustee of \$64,035,000 primarily due to the funding of the construction and debt service reserve accounts in connection with the issuance of the Series 2020 bonds, \$15,326,000 of capital expenditures for the ongoing construction of the TMH facility, new exterior lighting, computers, furniture and fixtures and the replacement of HVAC units, roofing, water heaters, carpeting and furniture and fixtures. These increases were partially offset by the amortization of right to use building assets of \$1,139,000.
- Current liabilities increased \$5,462,000 primarily as a result of an increase in accounts payable and accrued expenses of \$3,780,000 primarily due to capital expenditures related to the TMH facility included in accounts payable at year-end and accrued interest of \$2,084,000 due to the issuance of Series 2020 bonds. These increases were partially offset by a decrease in accrued ground rent of \$385,000 as current year cash flows resulted in a reduction of cumulative rent due (Note 6).
- Non-current liabilities increased \$82,794,000 primarily due to an increase in bonds payable of \$82,959,000 as a result of the issuance of the Series 2020 bonds at a premium. This increase was partially offset by \$1,150,000 of scheduled bond and \$165,000 of scheduled note principal payments becoming current and current year amortization of the bond issue premium, which totaled \$221,000.
- Net deficit increased \$1,505,000 as a result of the excess of the Project's net non-operating expenses of \$3,821,000 over operating income of \$2,316,000.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

Financial Analysis of Morgan View and Thurgood Marshall Hall Student Housing – continued

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	\$ 7,392,772	\$ 6,106,612	\$ 6,792,438
Service fees	63,080	60,047	79,636
Other	<u>137,056</u>	<u>70,145</u>	<u>93,556</u>
Total Operating Revenues	7,592,908	6,236,804	6,965,630
Operating Expenses:			
Property operating costs	2,971,224	2,523,152	2,596,219
Management and service fees	320,325	245,583	341,469
Administrative and general	221,692	391,324	258,303
Sales and marketing	20,712	6,432	10,361
Ground rent	1,476,651	(384,863)	851,116
Amortization	<u>1,213,134</u>	<u>1,139,378</u>	<u>1,308,162</u>
Total Operating Expenses	<u>6,223,738</u>	<u>3,921,006</u>	<u>5,365,630</u>
Operating Income	1,369,170	2,315,798	1,600,000
Net Non-operating Expense	<u>(4,942,920)</u>	<u>(3,820,940)</u>	<u>(1,112,782)</u>
Change in Net Position	(3,573,750)	(1,505,142)	487,218
Net Position, beginning of year	<u>(7,865,762)</u>	<u>(6,360,620)</u>	<u>(6,847,838)</u>
Net Position, end of year	<u><u>\$ (11,439,512)</u></u>	<u><u>\$ (7,865,762)</u></u>	<u><u>\$ (6,360,620)</u></u>

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

- Occupancy ranged between 35.9% during the summer term to 98.6% during the academic year and averaged 84.6% for the fiscal year.
- Operating revenues increased \$1,356,000 primarily due to resuming in-person classes during fiscal year 2022; whereas, the University conducted primarily online classes during fiscal year 2021 due to the impact of COVID-19.
- Property operating costs increased \$448,000 primarily due to increases in staffing needs and maintenance and repair costs due to occupancy increases during fiscal year 2022 as in-person classes resumed.
- Administrative and general expenses decreased \$170,000 primarily due to a decrease in bad debt expense due to the impact of the COVID-19 pandemic on the timing of rental payments and collections in fiscal year 2021.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

Financial Analysis of Morgan View and Thurgood Marshall Hall Student Housing – continued

- Ground rent expense increased \$1,862,000 primarily as a result of the increase in cash provided by gross revenues resulting in an increase to cumulative rent due and recognized in fiscal year 2022.

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

- Occupancy ranged between 65.9% during the summer term to 75.7% during the regular academic year and averaged 72.4% for the fiscal year.
- Operating revenues decreased \$729,000 primarily due to the ongoing impact of the COVID-19 pandemic on occupancy as the University continued to conduct instruction primarily online during fiscal year 2021.
- Management and service fees decreased \$96,000 primarily due to a decrease in variable management fees due to the impact of the COVID-19 pandemic on the timing of rental payments and collections.
- Administrative and general expenses increased \$133,000 primarily due to an increase in bad debt expense as a result of COVID-19.
- Ground rent expense decreased \$1,236,000 primarily as a result of the decrease in cash provided by gross revenues resulting in a reduction to cumulative rent due and recognized in fiscal year 2021.

Capital Asset and Debt Administration

Capital Assets

The most significant capital asset events during the year ended June 30, 2022 were expenditures for the ongoing construction of the TMH facility, totaling \$36,559,000 as well as \$251,000 on the replacement of HVAC units, computers, and furniture and fixtures. The most significant capital asset events during the year ended June 30, 2021 were expenditures for the ongoing construction of the TMH facility, totaling \$14,826,000 as well as \$499,000 on new exterior lighting, computers, furniture and fixtures and the replacement of HVAC units, roofing, water heaters, carpeting and furniture and fixtures.

Debt

As of June 30, 2022 and 2021, the Project had total bond debt outstanding net of unamortized premium and discounts of \$106,793,000 and \$109,905,000, respectively.

In April 2022, the Series 2012 bonds were refunded with the proceeds from the issuance of Series 2022 bonds and funds on deposit with the trustee. Additional information relating to the refunding is provided in Note 4 to the financial statements.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

Capital Asset and Debt Administration – continued

Debt – continued

Additional bond debt of \$84,323,000, including \$3,498,000 of premiums/discounts, was recognized in fiscal year 2021 as Series 2020 Bonds were issued for the construction, furnishing, refurbishing, and equipping of TMH.

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.

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 Morgan View and Thurgood Marshall Hall Student Housing. If you have questions about this report or need additional information, contact Maryland Economic Development Corporation, 7 Saint 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 Morgan View and Thurgood Marshall Hall Student Housing (the Project), a project of Maryland Economic Development Corporation (MEDCO), 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 Morgan View and Thurgood Marshall Hall Student Housing 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Morgan View and Thurgood Marshall Hall Student Housing 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.

Responsibility 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 Morgan View and Thurgood Marshall Hall Student Housing'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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Morgan View and Thurgood Marshall Hall Student Housing'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 Morgan View and Thurgood Marshall Hall Student Housing'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.

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.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SC&H Attest Services, P.C.

September 14, 2022

**MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING,
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	\$ 602,025	\$ 570,878
Licensee security deposits	276,215	172,249
Deposits with bond trustee – restricted	5,271,193	9,973,081
Accounts receivable, net of allowance for doubtful accounts of \$273,000 and \$302,000, respectively	44,915	340,002
Interest receivable	-	613
Prepaid expenses and other assets	69,634	72,495
Total Current Assets	6,263,982	11,129,318
Non-current Assets:		
Deposits with bond trustee – restricted	34,319,965	68,170,022
Right to use buildings, net of accumulated amortization of \$21,264,949 and \$20,189,736, respectively	67,179,143	31,582,632
Total Non-current Assets	101,499,108	99,752,654
Total Assets	107,763,090	110,881,972
Deferred Outflow of Resources		
Deferred advance refunding costs	-	554,842
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and other accrued expenses	6,377,501	4,554,154
Accrued interest	2,083,644	2,723,308
Licensee security deposits payable	162,960	170,517
Accrued ground rent	2,371,839	895,188
Bonds payable	250,000	1,150,000
Related party note payable	171,567	164,969
Total Current Liabilities	11,417,511	9,658,136
Non-current Liabilities:		
Bonds payable	106,543,316	108,754,956
Related party note payable	178,430	349,998
Total Non-current Liabilities	106,721,746	109,104,954
Total Liabilities	118,139,257	118,763,090
Deferred Inflow of Resources		
Deferred advance refunding gain	384,077	-
Rents and fees collected in advance	679,268	539,486
Total Deferred Inflow of Resources	1,063,345	539,486
Commitments and Contingencies (Note 6)		
Net Position:		
Net investments in capital assets	(40,348,247)	(78,282,449)
Restricted under trust indenture	28,908,735	70,416,687
Total Net Position	\$ (11,439,512)	\$ (7,865,762)

The accompanying notes are an integral part of these financial statements. 12

**MORGAN VIEW AND THURGOOD MARSHALL HALL
STUDENT HOUSING,
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	\$ 7,392,772	\$ 6,106,612
Service fees	63,080	60,047
Other	137,056	70,145
Total Operating Revenues	7,592,908	6,236,804
Operating Expenses:		
Property operating costs	2,971,224	2,523,152
Management and service fees	320,325	245,583
Administrative and general	221,692	391,324
Sales and marketing	20,712	6,432
Ground rent	1,476,651	(384,863)
Amortization	1,213,134	1,139,378
Total Operating Expenses	6,223,738	3,921,006
Operating Income	1,369,170	2,315,798
Non-operating Revenues (Expenses):		
Interest income	27,735	5,493
Interest expense	(4,705,614)	(3,188,791)
Settlement income	25,346	19,813
Bond issuance costs	(290,387)	(657,455)
Net Non-operating Expense	(4,942,920)	(3,820,940)
Change in Net Position	(3,573,750)	(1,505,142)
Net Position, beginning of year	(7,865,762)	(6,360,620)
Net Position, end of year	\$ (11,439,512)	\$ (7,865,762)

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

**MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING,
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 licensees	\$ 7,842,004	\$ 5,654,436
Cash paid for operating expenses	(3,414,378)	(2,937,357)
Net Cash and Cash Equivalents Provided by Operating Activities	4,427,626	2,717,079
Cash Flows from Capital and Related Financing Activities:		
Right to use building expenditures	(35,028,762)	(11,505,960)
Payments of related party note payable	(164,970)	(158,623)
Refunding of bonds payable	(23,875,699)	-
Proceeds from issuance of bonds	22,707,071	84,322,721
Payment of bond issuance costs	(290,387)	(657,455)
Interest paid	(5,199,371)	(1,252,470)
Principal payments on bonds payable	(1,150,000)	(1,105,000)
Net Cash and Cash Equivalents Provided by (Used in) Capital and Related Financing Activities	(43,002,118)	69,643,213
Cash Flows from Investing Activities:		
Net sales (purchases) of deposits with bond trustee - restricted	38,551,945	(72,280,524)
Interest received	28,348	4,880
Proceeds from settlement income	25,346	19,813
Net Cash and Cash Equivalents Provided by (Used in) Investing Activities	38,605,639	(72,255,831)
Net Increase in Cash and Cash Equivalents	31,147	104,461
Cash and Cash Equivalents, beginning of year	570,878	466,417
Cash and Cash Equivalents, end of year	\$ 602,025	\$ 570,878
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 1,369,170	\$ 2,315,798
Adjustment to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Amortization	1,213,134	1,139,378
Provision for doubtful accounts	74,250	247,116
Changes in operating assets and liabilities		
Licensee security deposits	(103,966)	625
Accounts receivable	220,837	(462,660)
Prepaid expenses and other assets	2,861	21,445
Accounts payable and other accrued expenses	42,464	(39,427)
Rents and fees collected in advance	139,782	(52,054)
Licensee security deposits payable	(7,557)	(68,279)
Accrued ground rent	1,476,651	(384,863)
Net cash and cash equivalents provided by operating activities	\$ 4,427,626	\$ 2,717,079
Non-cash capital and related financing activities:		
Amortization of premium	\$ 290,876	\$ 221,461
Amortization of discount	\$ 14,301	\$ 7,946
Amortization of deferred advance refunding costs	\$ 52,686	\$ 66,099
Amortization of deferred advance refunding gain	\$ 8,492	\$ -
Defeasance of series 2012 bond discount	\$ 502,156	\$ -
Recognition of deferred advanced refunding gain	\$ 392,569	\$ -
Right to use building expenditures included in accounts payable and other accrued expenses	\$ 1,780,883	\$ 3,819,581

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

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, 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

Morgan View and Thurgood Marshall Hall Student Housing (the Project), located in Baltimore City, Maryland, is a project of the Maryland Economic Development Corporation (MEDCO). The Project consists of apartments with 732 beds, known as Morgan View, and apartments with 670 beds, known as Thurgood Marshall Hall. The Project is located on land leased from the State of Maryland on behalf of Morgan State University (MSU). The Morgan View Project accepted its first residents in August 2003. Thurgood Marshall Hall Student Housing is anticipated to open for occupancy in August 2022.

Effective July 1, 2006, MEDCO entered into a management agreement with ACC SC Management LLC (ACC) to provide management, licensing and administrative services for the Project. The agreement had an initial term of three years.

Effective July 1, 2009, the management agreement was extended for an additional term of three years, expiring on June 30, 2012, and provided for a fixed fee of \$12,670 per month (the Fixed Fee) and an amount (the Variable Fee Amount) by which four percent (4%) of the Rental Revenues collected during such semester exceeded the Fixed Amount paid during such semester. The Variable Fee Amount was subordinated to all payments on the Series 2002 A and Series 2012 bonds and deposits to the Repair and Replacement Fund. Effective July 1, 2012, July 1, 2014, July 1, 2016, July 1, 2018, and July 1, 2020, the management agreement was extended for an additional term of two years at the same terms, set to expire on June 30, 2022. Effective December 10, 2020, MEDCO entered into a restated and amended management agreement with ACC for a term of five years. The restated and amended management agreement provides for a monthly fee equal to two percent (2%) of rental revenues collected during such month (the Monthly Amount) and a fee at the end of each semester equal to one percent (1%) of rental revenues collected during such semester (the Term Amount). The Monthly and Term Amounts are subordinate to the ground lease and bond payments, as stipulated within the restated and amended management agreement. Management fee expense was \$237,740 and \$189,825 for the years ended June 30, 2022 and 2021, respectively.

Pursuant to the Second Supplemental Trust Schedule dated November 1, 2012 and the Third Supplemental Trust Indenture dated December 10, 2020, 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 \$44,465 and \$24,470 for the years ended June 30, 2022 and 2021, respectively. Administrative fees were \$38,120 and \$31,288 for the years ended June 30, 2022 and 2021, respectively.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, 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 these 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.

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.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, 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

Licensee Security Deposits

Licensee security deposits are held in a non-interest bearing checking account and represent licensee security deposits not restricted by law. Licensee security deposits were overfunded by \$113,255 and \$1,732 as of June 30, 2022 and 2021, respectively. The differences result from the timing of receipts and refunds that are transacted in the operating account of the Project. Periodically, funds are transferred from cash and cash equivalents to licensee security deposits in order to meet the minimum funding requirements.

Deferred Outflows/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, 2022, the Project did not recognize any deferred outflows of resources. As of June 30, 2021, the Project 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, 2022 and 2021, the Project recognized a deferred advanced refunding gain 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.

Accounts Receivable

Accounts receivable represent past-due rent and various fees charged to residents. The Project provides an allowance for doubtful accounts based on the estimated collectability of resident accounts. Management's evaluation is based upon an analysis of past-due accounts and historical collection experience. The allowance for doubtful accounts totaled \$273,000 and \$302,000 as of June 30, 2022 and 2021, respectively.

Accounts receivable are written off when it is determined that amounts are uncollectible. Bad debt expense totaled \$74,000 and \$247,000 for the years ended June 30, 2022 and 2021, respectively.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, 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

Service Concession Arrangement with MSU

In 2002 and 2021, MEDCO was requested to assist in the development of a student housing project for MSU. The land underlying the Project is leased from the State of Maryland and title to the Project will revert to MSU 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, *Accounting and Financial Reporting for Service Concession Arrangements*, the arrangement between MEDCO and MSU qualifies as a service concession arrangement. GASB 60 requires that the Project recognize the cost of the student housing facility as an intangible asset, and amortize the asset using the straight line method over the shorter of the 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, 2022 and 2021.

Licensee Security Deposits Payable

A security deposit is collected from each licensee at Morgan View upon signing a license agreement. The security deposit is refunded to the licensee with interest upon termination of the license provided there are no damages or charges outstanding on the licensee's account. Security deposits payable as of June 30, 2022 and 2021 totaled \$162,960 and \$170,517, respectively.

Net Position

Net position is presented as 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 licensing of apartments. Revenues are recognized monthly over the terms of the respective licenses.

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, interest expense, and bond issuance costs, are reported as non-operating revenues and expenses.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, 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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$247 and \$0 during the years ended June 30, 2022 and 2021, respectively.

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 or benefit for income taxes is included in the accompanying financial statements.

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:		
Senior interest fund	\$ 185,122	\$ 600,050
Capitalized interest fund	4,097,055	8,094,385
Cost of issuance fund	19,837	96,079
Principal fund	250,000	1,150,000
Management fee fund	34,465	12,673
Operating reserve fund	677,515	-
Insurance fund	-	19,902
Revenue fund	7,199	(8)
Current portion	<u>5,271,193</u>	<u>9,973,081</u>
Non-current assets:		
Debt service reserve fund	8,253,896	8,387,886
Repair and replacement fund	1,153,257	1,206,717
Construction fund	23,727,456	58,452,313
Surplus fund	1,185,356	123,106
Non-current portion	<u>34,319,965</u>	<u>68,170,022</u>
Total Deposits with Bond Trustee	<u><u>\$ 39,591,158</u></u>	<u><u>\$ 78,143,103</u></u>

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

2. DEPOSITS WITH BOND TRUSTEE – continued

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 \$28,000 and \$5,000 for the years ended June 30, 2022 and 2021, respectively. Investments of deposits with trustee 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 circumstance), for which cost approximates fair value due to the nature of the contract. The Project 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 \$39,591,158 and \$78,143,103 as of June 30, 2022 and 2021, respectively.

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

Interest Rate Risk – The trustee has limited investments to 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 the Project and a fixed rate investment contract that is guaranteed as to the face of the investment as a means of managing interest rate risk. As a result, the Project is not subject to interest rate risk.

Credit Risk – The Project's trust indenture limits 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 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 or commercial paper as of June 30, 2022 and 2021.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

2. DEPOSITS WITH BOND TRUSTEE – continued

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.

The 2012 trust indenture requires the Project to set aside \$300 per bed per year, 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. The last engineers' report was completed in September 2018. Based on the engineer's report, \$500,000 is to be deposited for the fiscal year beginning July 1, 2018, escalating 3% annually. These funds are to be segregated in a separate account within the trust. The repair and replacement fund was funded at its required balance as of June 30, 2022 and 2021.

3. RIGHT TO USE BUILDINGS

Pursuant to GASB 60 and the service concession arrangement between MEDCO and MSU, 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 approximately 39 years and the portion attributable to furnishings and equipment is being amortized over 3 to 10 years.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, 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	\$ 29,784,084	\$ -	\$ -	\$ 29,784,084
Furnishings and equipment	7,162,058	250,630	(137,921)	7,274,767
Construction in progress	14,826,226	36,559,015	-	51,385,241
	51,772,368	36,809,645	(137,921)	88,444,092
Less: Accumulated amortization				
Buildings and improvements	(14,282,672)	(745,903)	-	(15,028,575)
Furnishings and equipment	(5,907,064)	(467,231)	137,921	(6,236,374)
	(20,189,736)	(1,213,134)	137,921	(21,264,949)
Right to use buildings, net	<u>\$ 31,582,632</u>	<u>\$ 35,596,511</u>	<u>\$ -</u>	<u>\$ 67,179,143</u>

2021	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	\$ 29,784,084	\$ -	\$ -	\$ 29,784,084
Furnishings and equipment	6,888,988	499,315	(226,245)	7,162,058
Construction in progress	-	14,826,226	-	14,826,226
	36,673,072	15,325,541	(226,245)	51,772,368
Less: Accumulated amortization				
Buildings and improvements	(13,536,728)	(745,944)	-	(14,282,672)
Furnishings and equipment	(5,739,875)	(393,434)	226,245	(5,907,064)
	(19,276,603)	(1,139,378)	226,245	(20,189,736)
Right to use buildings, net	<u>\$ 17,396,469</u>	<u>\$ 14,186,163</u>	<u>\$ -</u>	<u>\$ 31,582,632</u>

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, 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 4% and maturing from July 1, 2017 through July 1, 2022	\$ -	\$ 2,340,000
Series 2012 Term bonds bearing interest at 5% and payable in annual sinking fund installments from July 1, 2023 through July 1, 2034	-	22,130,000
Series 2020 Term bonds bearing interest at 4% and payable in annual sinking fund installments from July 1, 2035 through July 1, 2040	14,945,000	14,945,000
Series 2020 Term bonds bearing interest at 5% and payable in annual sinking fund installments from July 1, 2041 through July 1, 2050	20,270,000	20,270,000
Series 2020 Term bonds bearing interest at 4.25% and payable in annual sinking fund installments from July 1, 2041 through July 1, 2050	15,000,000	15,000,000
Series 2020 Term bonds bearing interest at 5% and payable in annual sinking fund installments from July 1, 2051 through July 1, 2056	30,610,000	30,610,000
Series 2022 Term bonds bearing interest at 5% and payable in annual sinking fund installments from July 1, 2022 through July 1, 2034	21,145,000	-
Unamortized issue discount	(361,672)	(375,973)
Unamortized issue premium	5,184,988	4,985,929
Total bonds payable	106,793,316	109,904,956
Less: current portion	(250,000)	(1,150,000)
Bonds payable, less current portion	<u>\$ 106,543,316</u>	<u>\$ 108,754,956</u>

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

4. BONDS PAYABLE – continued

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 Series 2012 bonds were refunded in April 2022 using proceeds from the issuance of Series 2022 bonds as well as funds on deposit with a bond trustee. Interest on the Series 2012 bonds was payable semiannually on January 1 and July 1 and was approximately \$955,300 and \$1,200,100 for the years ended June 30, 2022 and 2021, respectively. An issue premium was being amortized using the effective interest method over the term of the bonds. The Series 2020 bonds bear interest at rates ranging from 4.0% to 5.0% and mature in annual installments through July 1, 2056. Interest on the Series 2020 bonds is payable semiannually on January 1 and July 1 and was approximately \$3,779,300 and \$2,110,100 for the years ended June 30, 2022 and 2021, respectively.

The Series 2022 bonds bear interest at 5.0% and mature in annual installments through July 1, 2034. Interest on the Series 2022 bonds is payable semiannually on January 1 and July 1 and was approximately \$185,100 for the year ended June 30, 2022.

On April 28, 2022, the Project issued \$21,145,000 of Series 2022 bonds to refund \$23,320,000 of outstanding Series 2012 bonds. The net proceeds of the Series 2022 issuance, including an original issue premium of \$1,562,071, along with funds from the Series 2012 trust accounts were used to redeem the Series 2012 bonds.

As a result of the refunding, the Project decreased its aggregate debt service payments by approximately \$3,006,000 over the next 12 years and obtained an economic gain of approximately \$2,639,000. The Project also recorded a deferred advance refunding gain of \$392,568 in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* (GASB 23). The deferred advance 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 2022 bonds. In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the deferred advance refunding gain is classified as a deferred inflow of resources on the accompanying statements of net position.

On December 10, 2020, the Project issued \$80,825,000 of Series 2020 bonds to (i) pay for the costs of the construction, furnishing, refurbishing, and equipping of a student housing facility, TMH, containing approximately 670 beds, (ii) make a deposit to the debt service reserve fund for the Series 2020 Bonds, (iii) pay the interest expected to accrue on the Series 2020 Bonds through February 1, 2023, and (iv) pay the costs of issuance and other transaction costs of the Series 2020 bonds, in accordance with the trust indenture. The net proceeds of the Series 2020 issuance include a bond premium of \$3,881,640 and bond discount of \$383,919. The issue premium and discount are being amortized using the effective interest method over the term of the bonds.

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

4. BONDS PAYABLE – continued

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 met the coverage ratio as of June 30, 2022 and 2021.

The Project obtained a bond rating of BBB-Stable and BBB-Negative as of June 30, 2022 and 2021, respectively.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30,:			
2023	\$ 5,183,400	\$ 250,000	\$ 4,933,400
2024	6,055,800	1,170,000	4,885,800
2025	6,048,550	1,225,000	4,823,550
2026	6,043,300	1,285,000	4,758,300
2027	6,039,800	1,350,000	4,689,800
2028 – 2032	30,119,500	7,825,000	22,294,500
2033 – 2037	34,850,800	15,075,000	19,775,800
2038 – 2042	30,702,300	13,740,000	16,962,300
2043 – 2047	30,922,500	17,120,000	13,802,500
2048 – 2052	31,139,000	21,545,000	9,594,000
2053 – 2057	25,429,000	21,385,000	4,044,000
	<u>212,533,950</u>	<u>101,970,000</u>	<u>110,563,950</u>
Plus: unamortized bond premium	5,184,988	5,184,988	-
Less: unamortized bond discount	<u>(361,672)</u>	<u>(361,672)</u>	<u>-</u>
	<u>\$ 217,357,266</u>	<u>\$ 106,793,316</u>	<u>\$ 110,563,950</u>

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

4. BONDS PAYABLE – continued

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

	<u>Bonds Payable</u>
Balance June 30, 2020	\$ 26,900,750
Bond issuance	84,322,721
Principal payments	(1,105,000)
Amortization of bond premium	(221,461)
Amortization of bond discount	7,946
Balance June 30, 2021	<u>\$ 109,904,956</u>
Bond issuance	22,707,071
Bond refunding	(24,392,136)
Principal payments	(1,150,000)
Amortization of bond premium	(290,876)
Amortization of bond discount	14,301
Balance June 30, 2022	<u>\$ 106,793,316</u>
Due within one year	<u>\$ 250,000</u>

5. RELATED PARTY NOTE PAYABLE

On December 23, 2016, the Project entered into a related party note payable with MEDCO in the amount of \$1,113,785 to finance technology upgrades. The related party note bears interest at 4% and requires annual payments of principal and interest commencing on November 9, 2017. The note matures on November 9, 2023. The outstanding balance of the related party note payable as of June 30, 2022 and 2021 totaled \$349,997 and \$514,967, respectively.

Future maturities of the related party note payable are as follows as of June 30, 2022:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30,:			
2023	\$ 185,529	\$ 171,567	\$ 13,962
2024	185,606	178,430	7,176
	<u>\$ 371,135</u>	<u>\$ 349,997</u>	<u>\$ 21,138</u>

MORGAN VIEW AND THURGOOD MARSHALL HALL STUDENT HOUSING, A PROJECT OF MEDCO

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

6. COMMITMENTS AND CONTINGENCIES

Ground Lease

The land underlying the Project is leased from the State of Maryland under a non-cancellable operating lease, as most recently amended, effective December 1, 2020, expiring on the earlier to occur of (i) July 1, 2061 or (ii) the date on which the bonds have been fully repaid. Rent payable under the lease is equal to “net revenues,” as defined in the lease. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. Payments toward ground rent are limited to the amount of cash available in the surplus fund as of June 30 of each year. Accrued ground rent will exceed ground rent expense to the extent that cumulative additions to ground rent expense are greater than the amount of cash available in the surplus fund for ground rent payments. Accrued ground rent will be reduced for ground rent payments and to the extent that negative ground rent expense can be credited against past due ground rent payments. Cumulative negative ground rent expense in excess of accrued ground rent may be deducted against ground rent due and payable for the succeeding year and shall not be refundable. Ground rent expense totaled \$1,476,651 and (\$384,863) during the years ended June 30, 2022 and 2021, respectively. Ground rent payments from the surplus fund totaled \$0 during the years ended June 30, 2022 and 2021. Accrued ground rent totaled \$2,371,839 and \$895,188 as of June 30, 2022 and 2021, 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 MSU 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 MSU upon termination of the lease.

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.