

**CTU FOUNDATION STUDENT HOUSING AT  
CAPITOL TECHNOLOGY UNIVERSITY,  
A PROJECT OF MARYLAND ECONOMIC  
DEVELOPMENT CORPORATION**

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

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

**CTU FOUNDATION STUDENT HOUSING  
AT CAPITOL TECHNOLOGY UNIVERSITY,  
A PROJECT OF MARYLAND ECONOMIC  
DEVELOPMENT CORPORATION (MEDCO)**

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# **CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO**

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

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As management of the CTU Foundation Student Housing at Capitol Technology 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, 2024 and 2023. Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of 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, 2024 were as follows:

- Occupancy ranged between 97% and 99% and averaged 98% during the academic year.
- The Project's net position is a surplus of \$1,495,000 as of June 30, 2024 primarily as a result of cumulative excess of operating income over net non-operating expenses.
- The operating revenues totaled \$1,860,000 for the year ended June 30, 2024.

The financial highlights of the Project for the year ended June 30, 2023 were as follows:

- Occupancy ranged between 91% and 99% and averaged 95% during the academic year.
- The Project's net position is a surplus of \$1,393,000 as of June 30, 2023 primarily as a result of cumulative excess of operating income over net non-operating expenses.
- The operating revenues totaled \$1,665,000 for the year ended June 30, 2023.

### **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.

# **CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO**

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

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### **The Financial Statements – continued**

The statements of net position present information on all of the Project's assets, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. MEDCO issued limited obligation revenue bonds to provide capital financing for construction of student housing for Capitol Technology University (CTU). CTU Foundation also provided an equity contribution in the amount of \$4,000,000 to be applied towards the costs of improvements to the student housing facility and the issuance of bonds. 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. The revenue bonds were issued in MEDCO's name; however, neither MEDCO, the State of Maryland, CTU nor CTU Foundation 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.

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 grants received from CTU Foundation, the incurrence of debt obligations, the subsequent investment of debt proceeds in the Project, periodic principal and interest payments on the debt obligations, earnings on investments and right to use building expenditures.

The Project is owned by MEDCO; however, at the end of the ground sublease, ownership of the Project will revert to CTU Foundation.

### **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 12 – 24 of this report.

**CTU FOUNDATION STUDENT HOUSING  
AT CAPITOL TECHNOLOGY UNIVERSITY,  
A PROJECT OF MEDCO**

**Management’s Discussion and Analysis  
For the Years Ended June 30, 2024 and 2023**

**Financial Analysis of CTU Foundation Student Housing at Capitol Technology University**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	\$ 445,737	\$ 818,607	\$ 351,366
Other assets	<u>12,980,619</u>	<u>13,260,674</u>	<u>14,051,923</u>
Total Assets	<u><u>13,426,356</u></u>	<u><u>14,079,281</u></u>	<u><u>14,403,289</u></u>
Current liabilities	1,024,422	1,393,142	973,261
Non-current liabilities	<u>10,860,525</u>	<u>11,258,325</u>	<u>11,770,925</u>
Total Liabilities	<u><u>11,884,947</u></u>	<u><u>12,651,467</u></u>	<u><u>12,744,186</u></u>
Deferred inflow of resources	<u>46,899</u>	<u>34,482</u>	<u>32,106</u>
Net investment in capital assets	312,155	383,946	735,971
Restricted under trust indenture	<u>1,182,355</u>	<u>1,009,386</u>	<u>891,026</u>
Total Net Position	<u><u>\$ 1,494,510</u></u>	<u><u>\$ 1,393,332</u></u>	<u><u>\$ 1,626,997</u></u>

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

- Current assets decreased \$373,000 primarily due to a decrease in cash and cash equivalents of \$339,000 and deposits with bond trustee – restricted of \$67,000. This decrease is primarily due to additional payments made to CTU for operating expenses.
- Other assets decreased \$280,000 primarily as a result of \$737,000 of amortization, and \$153,000 in right to use building additions, offset by a \$304,000 increase in deposits with bond trustee. The increase in deposits with bond trustee was due to the funding of the reserve accounts to their required level after all required payments and transfers have been made.
- Current liabilities decreased \$369,000 primarily as a result of a \$115,000 decrease in payables due to CTU, a \$115,000 decrease in short term bonds payable as well as a \$130,000 decrease in accounts payable and other accrued expenses. The decrease in both payables due to CTU as well as accounts payable and other accrued expenses was mainly due to additional payments made to CTU during 2024 for prior year accrued management fees and other accrued expenses. The decrease in bonds payable, net of current portion is due to a reduction of principal payments to be made in fiscal year 2025 primarily due to Series 2017 B bonds having only one more quarterly principal payment due.

**CTU FOUNDATION STUDENT HOUSING  
AT CAPITOL TECHNOLOGY UNIVERSITY,  
A PROJECT OF MEDCO**

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

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**Financial Analysis of CTU Foundation Student Housing at Capitol Technology University – continued**

- Non-current liabilities decreased \$398,000 as a result of a reduction of bonds payable for scheduled payments to be made in fiscal year 2025.

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

- Current assets increased \$467,000 primarily due to an increase in cash and cash equivalents of \$409,000 and deposits with bond trustee – restricted of \$68,000. This increase was primarily due to increased revenues as a result of higher occupancy.
- Other assets decreased \$791,000 primarily as a result of \$850,000 of amortization, offset by a \$58,000 increase in deposits with bond trustee. The increase in deposits with bond trustee was due to the funding of the reserve accounts that were depleted during the COVID-19 pandemic.
- Current liabilities increased \$420,000 primarily as a result of a \$321,000 increase in payables due to CTU as well as a \$93,000 increase in accounts payable and other accrued expenses. The increase in both payables due to CTU as well as accounts payable and other accrued expenses was due to the increase in invoices paid by CTU on behalf of the Project and utilities expenses that were not paid by the end of the fiscal year.
- Non-current liabilities decreased \$513,000 as a result of a reduction of bonds payable for scheduled payments to be made in fiscal year 2024.

**CTU FOUNDATION STUDENT HOUSING  
AT CAPITOL TECHNOLOGY UNIVERSITY,  
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**Management's Discussion and Analysis  
For the Years Ended June 30, 2024 and 2023**

**Financial Analysis of CTU Foundation Student Housing at Capitol Technology University – continued**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues:			
Apartment rentals	\$ 1,785,595	\$ 1,611,570	\$ 1,320,249
Other	74,865	53,435	68,777
Total Operating Revenues	<u>1,860,460</u>	<u>1,665,005</u>	<u>1,389,026</u>
Operating expenses:			
Property operating costs	465,586	469,209	368,102
Management and service fees	137,450	128,106	125,669
Administrative and general	83,642	68,273	61,208
Amortization	<u>736,953</u>	<u>849,625</u>	<u>849,624</u>
Total Operating Expenses	<u>1,423,631</u>	<u>1,515,213</u>	<u>1,404,603</u>
Operating Income (Loss)	436,829	149,792	(15,577)
Net Non-operating Expenses	<u>(335,651)</u>	<u>(383,457)</u>	<u>(443,933)</u>
Change in Net Position	<u>101,178</u>	<u>(233,665)</u>	<u>(459,510)</u>
Net Position, beginning of year	<u>1,393,332</u>	<u>1,626,997</u>	<u>2,086,507</u>
Net Position, end of year	<u>\$ 1,494,510</u>	<u>\$ 1,393,332</u>	<u>\$ 1,626,997</u>

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

- Occupancy ranged between 97% and 99% and averaged 98% during the academic year.
- Operating revenues increased \$195,000 primarily due to the increase in occupancy compared to 2023.
- Operating expenses decreased \$92,000 primarily due to the decrease in amortization of \$113,000. The decrease in amortization is due to prior year additions becoming fully depreciated during the current year.

# CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO

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

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### Financial Analysis of CTU Foundation Student Housing at Capitol Technology University – continued

- Net position increased \$101,000 as a result of the combination of the Project's operating income of \$437,000 and net non-operating expenses of \$336,000.

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

- Occupancy ranged between 91% and 99% and averaged 95% during the academic year.
- Operating revenues increased \$276,000 primarily due to the increase in occupancy compared to 2022.
- Operating expenses increased \$111,000 primarily due to the increase in property operating costs of \$101,000. This property operating cost increase was mainly due to a \$54,000 increase in utility expenses, a \$45,000 increase in cable expenses that were paid for by CTU in prior years, and a \$3,000 increase in cleaning and maintenance expenses.

### Capital Asset and Debt Administration

#### *Capital Assets*

In 2016, MEDCO was requested to assist in the development of a student housing project for CTU and CTU Foundation through issuance of its tax-exempt bonds. The proceeds of the bonds were used for the initial design, construction and furnishing of the Project. The CTU Foundation also made an equity contribution to the Project, which was used for the costs of bond issuance as well as improvements to the Project.

During the year ended June 30, 2024, projects totaling \$153,000, for access control and smart thermostat installations, were completed. There were no major capital asset additions during the year ended June 30, 2023.

#### *Debt*

As of June 30, 2024 and 2023, the Project had total bond debt outstanding of \$11,258,000 and \$11,771,000, respectively. None of this debt is backed by the full faith and credit of the State of Maryland, MEDCO, CTU, or CTU Foundation. The debt is secured solely by the revenues and assets of the Project.

There were no major debt events during the years ended June 30, 2024 and 2023.

### 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 CTU Foundation Student Housing at Capitol Technology University. 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 CTU Foundation Student Housing at Capitol Technology University (the Project), a project of Maryland Economic Development Corporation (MEDCO), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CTU Foundation Student Housing at Capitol Technology University as of June 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Project'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.

### **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, 2024 and 2023, 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.



## **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 the Project'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 the Project'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 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 26, 2024

**CTU FOUNDATION STUDENT HOUSING  
AT CAPITOL TECHNOLOGY UNIVERSITY,  
A PROJECT OF MEDCO**

<b>Statements of Net Position</b>		
<i>As of June 30,</i>	<i>2024</i>	<i>2023</i>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 142,699	\$ 481,301
Deposits with bond trustee – restricted	241,964	309,084
Accounts receivable, net of allowance for doubtful accounts of \$6,665 and \$5,235, respectively	47,963	19,004
Interest receivable	7,414	5,931
Prepaid expenses and other current assets	5,697	3,287
Total Current Assets	445,737	818,607
Non-current Assets:		
Deposits with bond trustee – restricted	1,410,139	1,105,803
Right to use buildings, net of accumulated amortization of \$4,773,875 and \$4,036,922, respectively	11,570,480	12,154,871
Total Non-current Assets	12,980,619	13,260,674
Total Assets	\$ 13,426,356	\$ 14,079,281
<b>Liabilities and Net Position</b>		
Current Liabilities:		
Accounts payable and other accrued expenses	\$ 178,315	\$ 307,912
Accrued interest	85,911	89,974
Accrued bank fees	58,063	63,689
Due to CTU	304,333	418,967
Bonds payable	397,800	512,600
Total Current Liabilities	1,024,422	1,393,142
Non-current Liabilities:		
Bonds payable, net of current portion	10,860,525	11,258,325
Total Liabilities	11,884,947	12,651,467
Deferred Inflow of Resources		
Rents and fees collected in advance	46,899	34,482
Commitments and Contingencies (Note 5)		
Net Position:		
Net investment in capital assets	312,155	383,946
Restricted under trust indenture	1,182,355	1,009,386
Total Net Position	\$ 1,494,510	\$ 1,393,332

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

**CTU FOUNDATION STUDENT HOUSING  
AT CAPITOL TECHNOLOGY UNIVERSITY,  
A PROJECT OF MEDCO**

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

<i>For the Years Ended June 30,</i>	<i>2024</i>	<i>2023</i>
Operating Revenues:		
Apartment Rentals	\$ 1,785,595	\$ 1,611,570
Other	74,865	53,435
Total Operating Revenues	1,860,460	1,665,005
Operating Expenses:		
Property operating costs	465,586	469,209
Management and service fees	137,450	128,106
Administrative and general	83,642	68,273
Amortization	736,953	849,625
Total Operating Expenses	1,423,631	1,515,213
Operating Income	436,829	149,792
Non-operating Revenues (Expenses):		
Bank fees	(60,019)	(62,258)
Interest expense	(351,839)	(366,534)
Interest income	76,207	45,335
Net Non-operating Expenses	(335,651)	(383,457)
Change in Net Position	101,178	(233,665)
Net Position, beginning of year	1,393,332	1,626,997
Net Position, end of year	\$ 1,494,510	\$ 1,393,332

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

**CTU FOUNDATION STUDENT HOUSING  
AT CAPITOL TECHNOLOGY UNIVERSITY,  
A PROJECT OF MEDCO**

**Statements of Cash Flows**

<i>For the Years Ended June 30,</i>	<i>2024</i>	<i>2023</i>
Cash Flows from Operating Activities:		
Cash received from tenants	\$ 1,844,604	\$ 1,672,389
Cash paid for operating expenses	(934,005)	(242,107)
Net Cash and Cash Equivalents Provided by Operating Activities	910,599	1,430,282
Cash Flows from Capital and Related Financing Activities:		
Right to use buildings expenditures	(152,562)	-
Principal payments on bonds payable	(512,600)	(497,600)
Bank fees paid	(65,645)	(67,884)
Interest paid	(355,902)	(370,249)
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities	(1,086,709)	(935,733)
Cash Flows from Investing Activities:		
Net purchases of deposits with bond trustee - restricted	(237,216)	(125,927)
Interest received	74,724	40,420
Net Cash and Cash Equivalents Used in Investing Activities	(162,492)	(85,507)
Net Increase (Decrease) in Cash and Cash Equivalents	(338,602)	409,042
Cash and Cash Equivalents, beginning of year	481,301	72,259
Cash and Cash Equivalents, end of year	\$ 142,699	\$ 481,301
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 436,829	\$ 149,792
Adjustment to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Amortization	736,953	849,625
Provision for (recovery of) doubtful accounts	(685)	2,780
Changes in operating assets and liabilities:		
Accounts receivable	(28,274)	5,008
Prepaid expenses and other current assets	(2,410)	6,479
Accounts payable and other accrued expenses	(129,597)	93,014
Due to CTU	(114,634)	321,208
Rents and fees collected in advance	12,417	2,376
Net Cash and Cash Equivalents Provided by Operating Activities	\$ 910,599	\$ 1,430,282

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

# **CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO**

## **Notes to the Financial Statements For the Years Ended June 30, 2024 and 2023**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS**

#### **Ownership and Management**

CTU Foundation Student Housing at Capitol Technology University (the Project), located in Laurel, Maryland, is a project of Maryland Economic Development Corporation (MEDCO). The Project consists of apartments with 222 beds and is located on land subleased from CTU Foundation, Inc. (CTU Foundation) and leased from Capitol Technology University (CTU). On July 1, 2017, MEDCO issued limited obligation revenue bonds in the amount of \$14,200,700. The proceeds of these bonds were used to pay for the acquisition, construction, furnishing and equipping of the student housing facility. CTU Foundation also provided an equity contribution in the amount of \$4,000,000 to be applied towards the costs of improvements to the student housing facility and the issuance of the bonds. Construction of the Project was completed and the first students occupied the facility in August 2018.

Effective July 14, 2017, MEDCO entered into a management agreement with CTU Foundation under which the Project paid CTU Foundation a management fee of \$100,000 for the fiscal year ending June 30, 2019. The management fee increases each subsequent year by the lesser of 3% or the Consumer Price Index. Management fee expense was \$112,684 and \$107,407 for the years ended June 30, 2024 and 2023, respectively, and is reflected in management and service fees in the accompanying statements of revenues, expenses and changes in net position. Accounts payable related to this expense totaled \$112,684 and \$258,424 as of June 30, 2024 and 2023, respectively, and are reflected in accounts payable and other accrued expenses in the accompanying statements of net position.

As manager of the Project, CTU Foundation collects all housing fees, charges and other amounts receivable and pays for all operating expenses on behalf of the Project. Operating expenses incurred include salaries and related costs of management personnel working at the Project and aggregated approximately \$466,000 and \$469,000 for the years ended June 30, 2024 and 2023, respectively, and are reflected in property operating costs in the accompanying statements of revenues, expenses, and changes in net position.

Pursuant to the trust indenture dated July 1, 2017, MEDCO is entitled to an issuer's annual fee and an owner's annual fee for administrative support and other services provided. The issuer's annual fee is 0.1% of the principal amount of the outstanding bonds. The owner's annual fee is 0.5% of revenues, paid annually in arrears. Issuer's annual fees were \$11,645 and \$12,147, and owner's annual fees were \$13,121, and \$8,552 for the years ended June 30, 2024 and 2023, respectively. Issuer's and owner's annual fees payable totaled \$34,757 and \$21,637 as of June 30, 2024 and 2023, respectively, and are reflected in accounts payable and other accrued expenses on the accompanying statements of net position.

# CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO

## Notes to the Financial Statements For the Years Ended June 30, 2024 and 2023

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### 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, 2024 and 2023. 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, 2024 and 2023, 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 Governmental 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, 2024 and 2023, bank deposits were properly collateralized.

# CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO

## Notes to the Financial Statements For the Years Ended June 30, 2024 and 2023

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

#### 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 \$6,665 and \$5,235 as of June 30, 2024 and 2023, respectively. Accounts receivables are written off when it is determined that amounts are uncollectible.

#### Recently Adopted Accounting Principles

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

Effective July 1, 2022, the Project adopted GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), which improves financial reporting by addressing issues related to public-private and public-public partnerships (PPP) and provides guidance for accounting and financial reporting for availability payment arrangements (APA). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of GASB Statement No. 87, *Leases* (GASB 87), as amended (as clarified in this Statement).

An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs.



# CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO

## Notes to the Financial Statements For the Years Ended June 30, 2024 and 2023

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

#### Recently Adopted Accounting Principles – continued

For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term.

An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term. GASB 94 requires that PPPs that meet the definition of a lease apply the guidance in GASB 87, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

Additionally, GASB 94 requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate. GASB 94 requires the retrospective approach to adopt this guidance, which requires a restatement for all prior periods presented. There was no effect on operating income or net position as a result of the adoption of GASB 94. See Note 3 for additional information on SCA.

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

# CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO

## Notes to the Financial Statements For the Years Ended June 30, 2024 and 2023

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

#### **Service Concession Arrangement with Capitol Technology University**

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

SCAs are evaluated for impairment on an annual basis under GASB Statement 51, *Accounting and Financial Reporting for Impairment of Intangibles* (GASB 51). GASB 51 requires an evaluation of prominent events or changes in circumstances affecting intangibles to determine whether impairment of an intangible has occurred. Such events or changes in circumstances that may be indicative of impairment include expedited deterioration of an associated tangible asset, changes in the terms or status of a contract associated with an intangible asset, and a change from an indefinite to a finite useful life. As of June 30, 2024 and 2023, management does not believe that the SCA meets the criteria for impairment as set forth in GASB 51.

#### **Deferred Inflow 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, 2024 and 2023, 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.

#### **Net Position**

Net position is presented as either net investments in capital assets or restricted under 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.

**CTU FOUNDATION STUDENT HOUSING  
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**Notes to the Financial Statements  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS – continued**

**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 bank fees, interest income and interest expense are reported as non-operating revenues and expenses.

**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,:

	2024	2023
Current assets:		
Earned income fund	\$ 153	\$ -
Prepaid fund	25,980	80,804
Interest fund	85,911	89,974
Principal fund	129,300	125,500
Management fee fund	620	12,806
Current Portion	241,964	309,084
Non-current assets:		
Renewal and replacement fund	349,777	234,539
Surplus fund	192,123	3,025
Debt service reserve fund	868,239	868,239
Non-current portion	1,410,139	1,105,803
Total Deposits with Bond Trustee	\$ 1,652,103	\$ 1,414,887

**CTU FOUNDATION STUDENT HOUSING  
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A PROJECT OF MEDCO**

**Notes to the Financial Statements  
For the Years Ended June 30, 2024 and 2023**

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**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 \$76,000 and \$45,000 for the years ended June 30, 2024 and 2023, respectively. The Project invests in a money market fund that has a maturity date 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 \$1,652,103 and \$1,414,887 as of June 30, 2024 and 2023, respectively.

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

*Interest Rate Risk* – The trustee has limited investments to money markets 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 fixed rate government securities that are 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 significant interest rate risk.

*Credit Risk* – The Project’s trust indenture limits MEDCO’s investments to government obligations; federal agencies obligations so long as such obligations are backed by the full faith and credit of the United States of America; certificates of deposit issued by and time deposits with commercial banks, trust companies, or savings and loan associations; repurchase agreements for government obligations; direct obligations issued by the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation; senior debt obligations of the Federal Home Loan Bank System; commercial paper; U.S. dollar denominated deposit accounts federal funds and bankers’ acceptances; money market funds; public sector investment pools in which the Project’s investment does not exceed 5% of the aggregate pool balance; 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; 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, 2024 and 2023.

*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, 2024 and 2023.

*Custodial Risk* – MEDCO is not subject to custodial risk because the money market funds are not evidenced by securities that exist in physical form and all other deposits are held in the Project’s name.

**CTU FOUNDATION STUDENT HOUSING  
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**Notes to the Financial Statements  
For the Years Ended June 30, 2024 and 2023**

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**2. DEPOSITS WITH BOND TRUSTEE – continued**

The trust indenture requires the Project to fund the repair and replacement fund at a rate of \$200 per bed per year increasing 3% per year from cash flows for future capital repairs and replacement of furnishings and equipment. The amount will increase annually beginning on the first day of each fiscal year by the greater of 3% or the amount recommended by an independent engineer. These funds are to be segregated in a separate account within the trust. The repair and replacement fund was overfunded by \$50,000 as of June 30, 2024 and funded at its required balance as of June 30, 2023.

**3. RIGHT TO USE BUILDINGS**

Pursuant to GASB 94 and the SCA between MEDCO and CTU Foundation, the Project has recorded a right to use buildings asset on the accompanying statements of net position. Under GASB 94, 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 amortizes 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 thirty years and the portion attributable to furnishings and equipment is being amortized over three to ten years.

**CTU FOUNDATION STUDENT HOUSING  
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**Notes to the Financial Statements  
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**3. RIGHT TO USE BUILDINGS – continued**

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

<b>2024</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending balance</b>
Buildings and improvements	\$ 13,632,991	\$ -	\$ -	\$ 13,632,991
Furnishings and equipment	2,558,802	152,562	-	2,711,364
	16,191,793	152,562	-	16,344,355
Less accumulated amortization:				
Building and improvements	(2,344,114)	(473,446)	-	(2,817,560)
Furnishings and equipment	(1,692,808)	(263,507)	-	(1,956,315)
	(4,036,922)	(736,953)	-	(4,773,875)
Right to use buildings, net	<u>\$ 12,154,871</u>	<u>\$ (584,391)</u>	<u>\$ -</u>	<u>\$ 11,570,480</u>
<b>2023</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending balance</b>
Buildings and improvements	\$ 13,632,991	\$ -	\$ -	\$ 13,632,991
Furnishings and equipment	2,558,802	-	-	2,558,802
	16,191,793	-	-	16,191,793
Less accumulated amortization:				
Building and improvements	(1,870,668)	(473,446)	-	(2,344,114)
Furnishings and equipment	(1,316,629)	(376,179)	-	(1,692,808)
	(3,187,297)	(849,625)	-	(4,036,922)
Right to use buildings, net	<u>\$ 13,004,496</u>	<u>\$ (849,625)</u>	<u>\$ -</u>	<u>\$ 12,154,871</u>

**CTU FOUNDATION STUDENT HOUSING  
AT CAPITOL TECHNOLOGY UNIVERSITY,  
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**Notes to the Financial Statements  
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**4. BONDS PAYABLE**

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

	<b>2024</b>	<b>2023</b>
Series 2017A Term bonds bearing interest at 3.07% and maturing from October 1, 2019 through October 1, 2046	\$ 11,215,825	\$ 11,560,625
Series 2017B Term bonds bearing interest at 2.84% and matured from October 1, 2019 through July 1, 2024	42,500	210,300
Total bonds payable	11,258,325	11,770,925
Less: current portion, Series 2017A	(355,300)	(344,800)
Less: current portion, Series 2017B	(42,500)	(167,800)
Bonds payable, less current portion	<b>\$ 10,860,525</b>	<b>\$ 11,258,325</b>

On July 1, 2017, the Project issued \$14,200,700 of Series 2017 A and B bonds (Series 2017 bonds). The proceeds of the issuance were used to pay for the acquisition, construction, furnishing and equipping of the student housing facility.

The Series 2017 bonds bear interest at rates ranging from 2.84% to 3.07% and mature in annual installments through October 1, 2046. Interest on the Series 2017 bonds is payable quarterly on July 1, October 1, January 1 and April 1 and aggregated approximately \$352,000 and \$367,000 for the years ended June 30, 2024 and 2023, respectively.

The Series 2017 bonds are secured by a leasehold deed of trust on the Project and a general assignment of related revenues and deposits. They are limited obligations of MEDCO and payable solely from the Project's revenues, as defined in the trust indenture.

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. As of June 30, 2024 and 2023, the Project was in compliance with the coverage ratio.

In accordance with the bond purchase and continuing covenants agreement, MEDCO shall cause CTU Foundation to satisfy a liquidity covenant in which CTU Foundation shall demonstrate an unrestricted cash balance of \$300,000 and \$250,000 as of October 31, 2023 and 2022, respectively. As of October 31, 2023 and 2022, MEDCO and CTU Foundation were in compliance with the liquidity covenant.

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**Notes to the Financial Statements  
For the Years Ended June 30, 2024 and 2023**

**4. BONDS PAYABLE – continued**

Payments on bonds payable are due as follows as of June 30, 2024:

	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 738,368	\$ 397,800	\$ 340,568
2026	695,334	366,100	329,234
2027	695,659	377,800	317,859
2028	695,727	389,600	306,127
2029	695,433	401,400	294,033
Thereafter	12,062,226	9,325,625	2,736,601
	\$ 15,582,747	\$ 11,258,325	\$ 4,324,422

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

Balance June 30, 2022:	\$ 12,268,525
Principal payments on Series 2017A bonds	(334,200)
Principal payments on Series 2017B bonds	(163,400)
Balance June 30, 2023:	11,770,925
Principal payments on Series 2017A bonds	(344,800)
Principal payments on Series 2017B bonds	(167,800)
Balance June 30, 2024:	\$ 11,258,325
Due within one year	\$ 397,800

**5. COMMITMENTS AND CONTINGENCIES**

**Ground Sublease**

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



# CTU FOUNDATION STUDENT HOUSING AT CAPITOL TECHNOLOGY UNIVERSITY, A PROJECT OF MEDCO

## Notes to the Financial Statements For the Years Ended June 30, 2024 and 2023

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### 5. COMMITMENTS AND CONTINGENCIES – continued

#### Ground Sublease – continued

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

#### Master Lease Agreement

The Project's occupancy averaged 98% and 95% during the years ended June 30, 2024 and 2023, respectively. In order to maintain occupancy, the Project and MEDCO entered into a master lease agreement with the State of Maryland for the use of the University System of Maryland on behalf of Bowie State University (Bowie) for each of the years ended June 30, 2024 and 2023. Under the terms of the master lease agreements, Bowie will lease apartments from the Project to accommodate one-hundred and ten students for the period from August 22, 2022 through May 24, 2024. Rent payments received under the master lease agreements totaled \$741,336 and \$719,712 for the years ended June 30, 2024 and 2023, respectively.

#### Contingency Agreement

As a result of the termination of the master lease agreement with Bowie, management expects to replace the lost income with the launch of new graduate level programs beginning in Spring 2025 at CTU. Management anticipates the Project will be sufficiently leased for the Spring 2025 semester and beyond. Should there be insufficient occupancy in the future, pursuant to the Contingency Agreement between CTU Foundation and MEDCO, CTU Foundation has committed to contract beds at the Project, to the extent there are sufficient funds available, in an amount sufficient to produce a coverage ratio of not less than 1.20 (Note 4) and make payments to the Project, which will ensure the Project has adequate cash flow to fund operating expenses and debt obligations. During the years ended June 30, 2024 and 2023, the Project did not receive funding from CTU Foundation under the terms of the Contingency Agreement. Based on the projected occupancy and operating expectations of the Project, management anticipates the Project has the financial resources to meet its commitments on existing obligations and will not require financial assistance from CTU Foundation under the terms of the Contingency Agreement to pay its operating expenses and fund debt obligations during the year ended June 30, 2025.

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**5. COMMITMENTS AND CONTINGENCIES – continued**

**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.