UNIVERSITY PARK PHASE I AND II AT SALISBURY UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION

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

For the Years Ended June 30, 2024 and 2023

UNIVERSITY PARK PHASE I AND II AT SALISBURY UNIVERSITY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

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UNIVERSITY PARK PHASE I AND II AT SALISBURY UNIVERSITY, A PROJECT OF MEDCO

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

As management of University Park Phase I and II at Salisbury 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:

- The Project's net position is a surplus of $2,004,000 as of June 30, 2024, primarily as a result of the excess of operating income over net non-operating expenses on a cumulative basis.
- Occupancy ranged between 95% and 97% during the academic year.
- Total operating revenues increased $437,000 due to an increase in occupancy.

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

- The Project's net position is a surplus of $975,000 as of June 30, 2023, primarily as a result of the excess of operating income over net non-operating expenses on a cumulative basis.
- Occupancy ranged between 91% and 93% during the academic year.
- Total operating revenues decreased $125,000 due to a decrease in occupancy.

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 Financial Statements – continued

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. In 2003 and 2012, MEDCO issued limited obligation revenue bonds to provide capital financing for construction of student housing for Salisbury University (the 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. In 2013, the Series 2003 bonds were refunded using the proceeds from the issuance of the Series 2013 bonds. The revenue bonds were issued in MEDCO's name; however, MEDCO has no obligation for the bonds beyond the resources of the Project.

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 – 26 of this report.

Financial Analysis of University Park Phase I and II at Salisbury University

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

	2024	2023	2022
Current assets	$ 1,313,219	$ 1,315,882	$ 1,388,451
Other assets	16,689,538	16,918,683	17,934,627
Total Assets	18,002,757	18,234,565	19,323,078
Deferred outflow of resources	60,549	71,790	83,810
Current liabilities	3,494,438	3,191,972	3,926,762
Bonds payable, net of current portion	12,392,198	13,960,299	15,460,996
Total Liabilities	15,886,636	17,152,271	19,387,758
Deferred inflow of resources	172,966	179,211	204,495
Net investments in capital assets	(806,595)	(1,651,231)	(2,453,873)
Restricted under trust indenture	2,810,299	2,626,104	2,268,508
Total Net Position	$ 2,003,704	$ 974,873	$ (185,365)

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

- Other assets decreased $229,000 primarily due to current year amortization of $1,620,000, offset by asset additions of $1,140,000. This decrease was also offset by an increase of $444,000 in the surplus fund as this fund replenished after the payment for prior year ground rent and administrative fees to MEDCO were paid.
- Bonds payable, net of current portion, decreased $1,568,000 primarily due to $1,480,000 in bond principal payments for the Series 2012 bonds and Series 2013 bonds becoming current for the Project.
- Net position increased $1,029,000 as a result of the excess of the Project's operating income of $1,534,000 over net non-operating expenses of $505,000.

Financial Analysis of University Park Phase I and II at Salisbury University – continued

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

- Other assets decreased $1,016,000 primarily due to current year amortization of $1,596,000, offset by asset additions of $1,056,000. Other assets also decreased due to the depletion of the surplus fund, which was used to pay for prior year ground rent and administrative fees to MEDCO.
- Current liabilities decreased $735,000 primarily due to a decrease in accrued ground rent of $491,000 as well as a $294,000 decrease in accounts payable and other accrued expenses. The decrease in accrued ground rent was due to the November 2022 ground rent payment to the University, and the decrease in accounts payable and other accrued expenses is primarily due to payments for an ongoing project to replace windows throughout the student housing complex and utility bill invoices.
- Bonds payable, net of current portion, decreased $1,501,000 primarily due to the 2024 bond principal payments for the Series 2012 bonds and Series 2013 bonds moving to the current liabilities.
- Net position increased $1,160,000 as a result of the excess of the Project's operating income of $1,781,000 over net non-operating expenses of $621,000.

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

	2024	2023	2022
Operating Revenues:			
Apartment rentals	$ 6,906,276	$ 6,558,887	$ 6,769,766
Other	427,407	338,042	252,084
Total Operating Revenues	7,333,683	6,896,929	7,021,850
Operating Expenses:			
Property operating costs	2,156,446	2,453,161	2,326,406
Management and service fees	305,798	290,387	299,295
Administrative and general	817,118	475,285	425,903
Sales and marketing	32,385	48,784	30,670
Ground rent	867,846	252,512	1,167,944
Amortization	1,619,867	1,595,821	1,447,098
Total Operating Expenses	5,799,460	5,115,950	5,697,316
Operating Income	1,534,223	1,780,979	1,324,534
Non-operating Expenses, net	(505,392)	(620,741)	(1,018,357)
Change in Net Position	1,028,831	1,160,238	306,177
Net Position, beginning of year	974,873	(185,365)	(491,542)
Net Position, end of year	$ 2,003,704	$ 974,873	$ (185,365)

Financial Analysis of University Park Phase I and II at Salisbury University – continued

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

- Occupancy ranged between 95% and 97% for the 2023-2024 academic year.
- Total operating revenues increased by $437,000 primarily due to an increase in occupancy.
- Total operating expenses increased by $684,000 primarily due to a $615,000 increase in ground rent and a $342,000 increase in administrative and general costs, offset by a $297,000 decrease in property operating costs. The increase in ground rent is primarily due to an increase of $437,000 in net revenues, as a result of the increase in occupancy during the current year. The increase in administrative and general costs is primarily due to a $405,000 increase in third party labor, offset by a $74,000 decrease in payments to the US Treasury for arbitrage rebates. The decrease in property operating costs is primarily due to a $157,000 decrease in repairs and replacement of equipment, interior and exterior cleaning, and exterior painting and a $89,000 decrease in salaries. The increase in third party labor and decrease in salaries is primarily due to the Project outsourcing their maintenance department to a third party this fiscal year.

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

- Occupancy ranged between 91% and 93% for the 2022-2023 academic year.
- Total operating revenues decreased by $125,000 primarily due to a decrease in occupancy.
- Total operating expenses decreased by $581,000 primarily due to a $915,000 decrease in ground rent, offset by a $149,000 increase in amortization and a $127,000 increase in property operating costs. The decrease in ground rent is primarily due to a decrease of $891,000 in net revenues, as a result of the change in accounts payable and other accrued expenses during the current year. The increase in property operating costs is primarily due to a $67,000 increase in salaries, a $106,000 increase in interior repairs, and a $69,000 increase in HVAC repairs, offset by a $87,000 decrease in utilities and a $25,000 decrease in garbage services.

Capital Asset and Debt Administration

Capital Assets

In 2003, MEDCO was requested to assist in the development of a student housing project for Salisbury University through issuance of its tax-exempt revenue bonds. The proceeds of the bonds were used for the initial design, construction and furnishing of University Park Phase II.

In July 2012, University Park Phase I at Salisbury University was acquired at the request of the University. In conjunction with the purchase of the Phase I Project leasehold estate, $14,782,000 of proceeds from the issuance of the Series 2012 bonds were issued to redeem Series 1999 bonds originally issued to design, construct and furnish the University Park Phase I. An acquisition value of $11,066,000 was assigned to the Phase I assets, which was equal to the redemption price of the Series 1999 bonds adjusted for cash balances in trust and operating accounts as well as other rights and obligations associated with the operation of the facility that were acquired with the project.

Capital Asset and Debt Administration – continued

***Capital Assets* – continued**

During 2024, several capital projects were completed totaling $1,140,000, including furnace installation, bathroom remodeling, door replacements, computers, and replacing carpet, furniture, and appliances. During 2023, several capital projects were completed totaling $1,056,000, including gas furnace replacement, roof replacement, bathroom remodeling, wall repair, and replacing carpet, furniture, and appliances. There were no other major capital asset events during the years ended June 30, 2024 and 2023. These capital events were classified as an increase to the right to use buildings asset in accordance with Governmental Accounting Standards Board (GASB) 94.

Debt

As of June 30, 2024 and 2023, the Project had total bond debt outstanding, net of unamortized bond discount and premium, of $13,872,000 and $15,365,000, respectively. None of this debt is backed by the full faith and credit of the State of Maryland or MEDCO. The debt is secured solely by the revenues and assets of the Project.

In June 2013, the Series 2003 bonds were refunded with proceeds from the issuance of the Series 2013 bonds and funds on deposit with the trustee. Additional information relating to debt is provided in Note 4 to the financial statements.

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 University Park Phase I and II at Salisbury 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:

Opinions

We have audited the accompanying financial statements of University Park Phase I and II at Salisbury 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 the Project as of June 30, 2024 and 2023, and the respective changes in financial position, and where applicable, cash flows thereof 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 are intended to present only the financial position, changes in financial position and cash flows of the Project. They 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 11, 2024

UNIVERSITY PARK PHASE I AND II
AT SALISBURY UNIVERSITY,
A PROJECT OF MEDCO

Statements of Net Position

As of June 30,	*2024*	*2023*
Assets		
Current Assets:		
Cash and cash equivalents	$ 991,682	$ 686,037
Deposits with bond trustee – restricted	199,670	528,856
Accounts receivable, net of allowance for doubtful accounts of $118,366 and $93,067, respectively	53,351	33,121
Interest receivable	15,351	13,331
Prepaid expenses and other assets	53,165	54,537
Total Current Assets	1,313,219	1,315,882
Non-current Assets:		
Deposits with bond trustee – restricted	3,684,484	3,276,405
Right to use buildings, net of accumulated amortization of $16,222,298 and $15,058,718, respectively	13,005,054	13,642,278
Total Non-current Assets	16,689,538	16,918,683
Total Assets	18,002,757	18,234,565
Deferred Outflow of Resources		
Deferred advance refunding costs	60,549	71,790
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and other accrued expenses	397,612	498,240
Accrued interest	56,104	61,958
Accrued ground rent	1,560,722	1,226,774
Current portion of bonds payable	1,480,000	1,405,000
Total Current Liabilities	3,494,438	3,191,972
Non-current Liabilities:		
Bonds payable, net of current portion	12,392,198	13,960,299
Total Liabilities	15,886,636	17,152,271
Deferred Inflow of Resources		
Rents and fees collected in advance	172,966	179,211
Commitments and Contingencies (Note 5)		
Net Position:		
Net investments in capital assets	(806,595)	(1,651,231)
Restricted under trust indenture	2,810,299	2,626,104
Total Net Position	$ 2,003,704	$ 974,873

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

UNIVERSITY PARK PHASE I AND II
AT SALISBURY UNIVERSITY,
A PROJECT OF MEDCO

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,	*2024*	*2023*
Operating Revenues:		
Apartment rentals	$ 6,906,276	$ 6,558,887
Other	427,407	338,042
Total Operating Revenues	7,333,683	6,896,929
Operating Expenses:		
Property operating costs	2,156,446	2,453,161
Management and service fees	305,798	290,387
Administrative and general	817,118	475,285
Sales and marketing	32,385	48,784
Ground rent	867,846	252,512
Amortization	1,619,867	1,595,821
Total Operating Expenses	5,799,460	5,115,950
Operating Income	1,534,223	1,780,979
Non-operating Revenues (Expenses):		
Interest income	312,486	187,094
Interest expense	(660,787)	(716,610)
Loss on disposal of assets	(157,091)	(91,225)
Total Non-operating Expenses, net	(505,392)	(620,741)
Change in Net Position	1,028,831	1,160,238
Net Position, beginning of year	974,873	(185,365)
Net Position, end of year	$ 2,003,704	$ 974,873

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

UNIVERSITY PARK PHASE I AND II
AT SALISBURY UNIVERSITY,
A PROJECT OF MEDCO

Statements of Cash Flows

For the Years Ended June 30,		*2024*		*2023*
Cash Flows from Operating Activities:				
Cash received from tenants	$	7,233,530	$	6,802,853
Cash paid for operating expenses		(3,871,223)		(4,241,820)
Net Cash and Cash Equivalents Provided by Operating Activities		3,362,307		2,561,033
Cash Flows from Capital and Related Financing Activities:				
Right to use building expenditures		(1,139,734)		(1,056,011)
Principal payments on bonds payable		(1,405,000)		(1,350,000)
Interest paid		(743,501)		(805,450)
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities		(3,288,235)		(3,211,461)
Cash Flows from Investing Activities:				
Net sales (purchases) of deposits with bond trustee		(78,893)		83,819
Interest received		310,466		244,941
Net Cash and Cash Equivalents Provided by Investing Activities		231,573		328,760
Net Increase (Decrease) in Cash and Cash Equivalents		305,645		(321,668)
Cash and Cash Equivalents, beginning of year		686,037		1,007,705
Cash and Cash Equivalents, end of year	$	991,682	$	686,037
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:				
Operating Income	$	1,534,223	$	1,780,979
Adjustment to reconcile operating income to net cash and cash equivalents provided by operating activities:				
Amortization		1,619,867		1,595,821
Provision for doubtful accounts		73,677		74,505
Changes in operating assets and liabilities:				
Accounts receivable		(93,907)		(68,792)
Prepaid expenses and other assets		1,372		(11,569)
Accounts payable and other accrued expenses		(100,628)		(293,664)
Accrued ground rent		333,948		(490,963)
Rents and fees collected in advance		(6,245)		(25,284)
Net Cash and Cash Equivalents Provided by Operating Activities	$	3,362,307	$	2,561,033
Non-cash capital and related financing activities:				
Amortization of issue discounts on bonds	$	220	$	247
Amortization of issue premiums on bonds	$	88,321	$	95,944
Amortization of deferred advanced refunding costs	$	11,241	$	12,020
Loss on disposal of right to use buildings	$	157,091	$	91,225

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Ownership and Management

University Park Phase I and II at Salisbury University (the Project), located in Wicomico County, Maryland, is a project of the Maryland Economic Development Corporation (MEDCO). The Project consists of 890 beds in 252 apartments and is located on land leased from the State of Maryland on behalf of Salisbury University (SU). The Project accepted its first residents in August 2000.

Effective March 1, 2020, MEDCO entered into a management agreement (the Management Agreement) with Capstone On-Campus Management (COCM) to provide certain management, leasing and administrative services for the Project. The Management Agreement had an initial term beginning March 1, 2020 and ending June 30, 2023, with the option to continue for successive one year terms beginning on July 1, 2023. MEDCO exercised the option to continue the management agreement with COCM for an additional one year term beginning July 1, 2024. Beginning on March 16, 2020, the management fee is payable monthly in an amount equal to 3.5% of rental revenues, as defined in the Management Agreement. In accordance with the Management Agreement, 80% of the management fee shall be paid monthly, in arrears, on the 25th day of the following month and 20% of the management fee shall be subordinate and payable only after the payment of all amounts owed to other Persons, as defined in the Management Agreement, and shall be paid in two installments on January 25 and July 25 of each lease year beginning in July 2020. Any portion of the management fee earned but unpaid in one lease year may be carried over for payment in the next lease year in which rental revenues are sufficient for such purpose.

Management fee expense was $253,518, and $239,602 for the years ended June 30, 2024 and 2023, respectively.

Pursuant to the Second Supplemental Trust indenture dated June 3, 2013, 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, paid as an operating expense. The administrative fee is 0.5% of revenues, paid in arrears. Issuer's fees were $14,291 and administrative fees were $37,989 for the year ended June 30, 2024. Issuer's fees were $15,365 and administrative fees were $35,420 for the year ended June 30, 2023.

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.

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

Basis of Presentation – continued

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 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Recently Adopted Accounting Principles

Effective July 1, 2023, the Project adopted GASB 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 assets (the underlying PPP asset), for a period of time in an exchange or exchange like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide 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 87, *Leases* (GASB 87).

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

Recently Adopted Accounting Principles – continued

An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment 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. In accordance with GASB 94, the arrangements between MEDCO and the University System of Maryland qualifies as a public-public partnership requiring the Project to recognize the capital assets associated with the arrangements as an intangible asset (Note 3). The Project previously reported the capital assets associated with the arrangement as an intangible asset in accordance with GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60), which has been amended by GASB 94. Accordingly, there was no impact on operating income or net position as a result of the adoption of GASB 94.

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's) 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.

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

Public-Public Partnership with the University System of Maryland

In 2003, MEDCO was requested to assist in the development of a student housing project for the University. The land underlying the Project is leased from the State of Maryland and title to the Project will revert to the University System of Maryland upon termination of the lease. MEDCO will operate and collect revenues from the Project for the duration of the lease term. In accordance with GASB 94, the arrangement between MEDCO and the University System of Maryland qualifies as a PPP arrangement that meets the definition of 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 estimated useful life or the life of the ground lease agreement pursuant to the PPP arrangement. The intangible asset is reflected as right to use buildings in the accompanying statements of net position as of June 30, 2024 and 2023.

PPPs 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 or intangible assets under the SCA meets the criteria for impairment as set forth in GASB 51.

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.

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

Cash and Cash Equivalents – continued

The Project is required by Section 17-101(d) of the Local Government Article of the Annotated Code of Maryland to collateralize deposits in banks in excess of federal deposit insurance. Satisfactory collateral is enumerated at Section 6-202 of the State Finance and Procurement Article of the Code. As of June 30, 2024 and 2023, bank deposits were properly collateralized.

Accounts Receivable

Accounts receivable represents past due rent and various fees charged to residents. The Project provides an allowance for doubtful accounts based on the estimated collectability of residents' accounts. Management's evaluation is based upon analysis of past-due accounts and historical collection experience. The allowance for doubtful accounts totaled $118,366 and $93,067 as of June 30, 2024 and 2023, respectively. Accounts receivable are written off when it is determined that amounts are uncollectible.

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, 2024 and 2023, 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, 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 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.

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $32,385 and $48,784 during the years ended June 30, 2024 and 2023, 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,:

	2024	2023
Current assets:		
Interest fund	$ 56,104	$ 67,935
Principal fund	123,333	137,875
Revenue fund	-	308,246
Management fees fund	20,233	14,800
Current Portion	199,670	528,856
Non-current assets:		
Surplus fund	449,502	5,046
Repair and replacement fund	897,948	850,477
Cost of issuance fund	6	7
Debt service reserve fund	2,146,558	2,239,264
Redemption fund	5,316	5,068
Insurance fund	2	2
Rebate fund	185,152	176,541
Non-current Portion	3,684,484	3,276,405
Total Deposits with Bond Trustee	$ 3,884,154	$ 3,805,261

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 $312,000 and $187,000 in 2024 and 2023, respectively. Investments of deposits with bond 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). Investments of deposits with trustee are summarized as follows at June 30,:

	2024	2023
US Treasury Notes, maturing on May 15, 2031 purchased at a discount	$ 1,143,127	$ 1,157,441
US Treasury Bonds, maturing on May 15, 2040 purchased at a discount	62,766	-
Money market funds	2,678,261	2,647,820
Total Deposits with Bond Trustee	$ 3,884,154	$ 3,805,261

2. DEPOSITS WITH BOND TRUSTEE – continued

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

Interest Rate Risk – The trustee has limited investments to mutual funds that invest in 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, 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 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 $250 per bed per year for University Park Phase I and II, 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. As of July 1, 2021, pursuant to an independent engineer's recommendation, the amount to be set aside is $1,000,000 for the fiscal year beginning July 1, 2021, $1,100,000 for the fiscal year beginning July 1, 2022, $1,133,000 for the fiscal year beginning July 1, 2023, $1,166,990 for the fiscal year beginning July 1, 2024, and $1,202,000 for the fiscal year beginning July 1, 2025. 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, 2024 and 2023.

2. DEPOSITS WITH BOND TRUSTEE – continued

The Project obtained a rating of Baa3 by Moody's as of June 30, 2024 and 2023.

Investments are measured and reported at fair value and are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The following table sets forth by level, within the fair value hierarchy, the Project's investments at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Debt securities				
US treasury obligations	$ 1,143,127	$ -	$ -	$ 1,143,127
US government agencies	62,766	-	-	62,766
Total investments by fair value level	$ 1,205,893	$ -	$ -	$ 1,205,893

The following table sets forth by level, within the fair value hierarchy, the Project's investments at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Debt securities				
US treasury obligations	$1,157,441	$ -	$ -	$1,157,441
Total investments by fair value level	$1,157,441	$ -	$ -	$1,157,441

The Project also invests in a money market fund that has a remaining maturity of one year or less at the time of purchase. The investment in this fund is valued at cost, which approximates fair value, and totaled $2,678,261 and $2,647,820, as of June 30, 2024 and 2023, respectively.

3. RIGHT TO USE BUILDINGS

Pursuant to GASB 94, the PPP between MEDCO and the University System of Maryland, the Project has recorded a right to use buildings asset on the accompanying statements of net position. Under GASB 94, any costs of improvements made to the facility during the term of the SCA 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 assets 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 for the Phase I leasehold estate and Phase II project are being amortized over approximately twenty-two and twenty-nine years, respectively, and the portion attributable to furnishings and equipment is being amortized over three to ten years.

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

2024	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	$ 24,860,228	$ 717,670	$ (432,926)	$ 25,144,972
Furnishings and equipment	3,840,768	238,925	(180,452)	3,899,241
Construction in progress	-	183,139	-	183,139
	28,700,996	1,139,734	(613,378)	29,227,352
Less accumulated amortization:				
Buildings and improvements	(13,331,852)	(1,102,291)	275,835	(14,158,308)
Furnishings and equipment	(1,726,866)	(517,576)	180,452	(2,063,990)
	(15,058,718)	(1,619,867)	456,287	(16,222,298)
Right to Use Buildings, net	$ 13,642,278	$ (480,133)	$ (157,091)	$ 13,005,054

2023	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	$ 24,736,326	$ 320,481	$ (196,579)	$ 24,860,228
Furnishings and equipment	3,564,380	735,530	(459,142)	3,840,768
	28,300,706	1,056,011	(655,721)	28,700,996
Less accumulated amortization:				
Buildings and improvements	(12,361,759)	(1,088,368)	118,275	(13,331,852)
Furnishings and equipment	(1,665,634)	(507,453)	446,221	(1,726,866)
	(14,027,393)	(1,595,821)	564,496	(15,058,718)
Right to Use Buildings, net	$ 14,273,313	$ (539,810)	$ (91,225)	$ 13,642,278

4. BONDS PAYABLE

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

	2024	2023
Bonds payable:		
Series 2012 Term bonds bearing interest at rates ranging from 2.00% to 5.00% payable in annual sinking fund installments from June 1, 2023 through June 1, 2030	$ 5,945,000	$ 6,775,000
Series 2013 Term bonds bearing interest at 5.00% payable in annual sinking fund installments from June 1, 2024 through June 1, 2034	7,520,000	8,095,000
Unamortized series 2012 issue discount	(696)	(916)
Unamortized series 2012 issue premium	95,770	126,142
Unamortized series 2013 issue premium	312,124	370,073
Total bonds payable	13,872,198	15,365,299
Less: current portion	(1,480,000)	(1,405,000)
Bonds payable, less current portion	$ 12,392,198	$ 13,960,299

On July 26, 2012, the Project issued $14,170,000 of Series 2012 bonds. The net proceeds of the Series 2012 issuance including an original issue premium and discount of $672,391 and $4,884, respectively, were used to acquire University Park Phase I at Salisbury University.

The Series 2012 bonds bear interest at rates ranging from 2.00% to 5.00% and mature in annual installments through June 1, 2030. Interest on the Series 2012 bonds is payable semiannually on June 1 and December 1 and was approximately $339,000 and $379,000 for the years ended June 30, 2024 and 2023, respectively. The issue discount and premium are being amortized using the effective interest method over the term of the bonds.

On June 20, 2013, the Project issued $12,705,000 of Series 2013 bonds to refund $13,620,000 of outstanding Series 2003 bonds, which were originally issued for the initial design, construction and furnishing of University Park Phase II. The net proceeds of the Series 2013 issuance, including an original issue premium of $1,151,145, along with funds from the Series 2003 trust accounts were used to redeem the Series 2003 bonds.

4. BONDS PAYABLE – continued

As a result of the refunding, the Project decreased its aggregate debt service payments by approximately $1,672,000 over the next 21 years and obtained an economic gain of approximately $1,144,000. The Project also recorded a deferred advance refunding costs of $223,311 in accordance with GASB Statement 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* (GASB 23). The deferred advance refunding cost 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 2013 bonds. In accordance with GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, the deferred advance refunding costs are classified as a deferred outflow of resources on the accompanying statements of net position.

The Series 2013 bonds bear interest at 5.00% and mature in annual installments through June 1, 2034. Interest on the Series 2013 bonds is payable semiannually on June 1 and December 1 and was approximately $405,000 and $427,000 for the years ended June 30, 2024 and 2023, respectively. The issue premium is being amortized using the effective interest method over the term of the bonds.

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, 2024 and 2023.

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

	Total	Principal	Interest
Year ending June 30,:			
2025	$ 2,147,083	$ 1,480,000	$ 667,083
2026	2,147,771	1,555,000	592,771
2027	2,149,687	1,635,000	514,687
2028	2,142,625	1,710,000	432,625
2029	2,146,750	1,800,000	346,750
2030-2034	5,955,479	5,285,000	670,479
	16,689,395	13,465,000	3,224,395
Unamortized series 2012 issue discount	(696)	(696)	-
Unamortized series 2012 issue premium	95,770	95,770	-
Unamortized series 2013 issue premium	312,124	312,124	-
	$ 17,096,593	$ 13,872,198	$ 3,224,395

4. BONDS PAYABLE – continued

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

Balance June 30, 2022	$ 16,810,996
Amortization of series 2012 bond issue premium	(33,987)
Amortization of series 2012 bond issue discount	247
Amortization of series 2013 bond issue premium	(61,957)
Principal payments	(1,350,000)
Balance June 30, 2023	$ 15,365,299
Amortization of series 2012 bond issue premium	(30,372)
Amortization of series 2012 bond issue discount	220
Amortization of series 2013 bond issue premium	(57,949)
Principal payments	(1,405,000)
Balance June 30, 2024	$ 13,872,198
Due within one year	$ 1,480,000

5. COMMITMENTS AND CONTINGENCIES

Ground Lease

Pursuant to the consolidated, amended and restated ground lease agreement entered into in July 2012, the land underlying the Project is leased from the State of Maryland on behalf of Salisbury University under a non-cancellable operating lease expiring the earlier of June 25, 2043 or the date on which all of the bonds are fully repaid. Rent payable under the lease is equal to "net revenues," as defined. Payment of the rent is subordinated to all payments required under the bonds payable and related trust indenture. Effective July 1, 2007, MEDCO entered into a Memorandum of Understanding with Salisbury University, that includes a cash basis calculation of ground rent expense and an evaluation of total ground rent due and accrued since the inception of the Project. Payments of ground rent are limited to the amount of cash available in the surplus fund as of June 30 each year. If on any release date funds are not eligible, under the terms of the trust indenture, to distribute the Ground Rent, the amounts shall remain in the account until eligible on any future release date. Variable lease costs are recognized in the period in which they are incurred and relate to Ground Rent, taxes, utilities and operating expenses. Upon the expiration of the lease, the Project shall surrender and deliver up possession of the student housing facilities and any fixtures, structures, and other improvements thereon, subject to and without any liability on the part of the Project for the then existing condition and state of repair of such property excepting the Project's obligations, as defined in the lease agreement. Accrued ground rent will exceed ground rent expense to the extent that cumulative additions to ground rent expense are greater than the amount of cash available in the surplus fund for ground rent payments. Accrued ground rent will be reduced for ground rent payments and to the extent that negative ground rent expense can be credited against past due ground rent payments. Cumulative negative ground rent expense in excess of 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 $867,846 and $252,512 during the years ended June 30, 2024 and 2023, respectively. Ground rent payments from the surplus fund totaled $533,898 and $743,474 during the years ended June 30, 2024 and 2023, respectively. Accrued ground rent totaled $1,560,722 and $1,226,774 as of June 30, 2024 and 2023, respectively.

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

In accordance with the ground lease agreement, a memorandum of understanding effective July 2, 2003, and an Amended and Restated Memorandum of Understanding effective April 2, 2007, the Lessee (MEDCO) shall create, hold and maintain a single fund for all Projects, referred to in each Ground Lease as the operating reserve fund to be held and used in accordance with each ground lease and memorandum.

5. COMMITMENTS AND CONTINGENCIES – continued

Ground Lease – continued

From monies which otherwise would be rent, MEDCO is authorized to make annual deposits to the operating reserve fund on or before November 30 of each year, in the amount of $20,000 for each of the Bowie State University, Salisbury University and the University of Maryland, Baltimore Projects, and commencing in November, 2009, $20,000 for the Towson University Project, and commencing in November, 2011, $40,000 for the University of Maryland, College Park Project; provided however, if the deposit of the full amount would cause the operating reserve fund to exceed the maximum amount per the Amended and Restated Memorandum of Understanding, the amount deposited under each ground lease shall be reduced proportionately. Deposits of $20,000 and $0 have been made by MEDCO on behalf of the Project to the operating reserve fund for the years ended June 30, 2024 and 2023, respectively.

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.