WALKER AVENUE STUDENT HOUSING AT UNIVERSITY OF MARYLAND, BALTIMORE COUNTY, 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, 2025 and 2024

WALKER AVENUE STUDENT HOUSING AT UNIVERSITY OF MARYLAND, BALTIMORE COUNTY, A PROJECT OF MARYLAND ECONOMIC DEVELOPMENT CORPORATION (MEDCO)

TABLE OF CONTENTS

WALKER AVENUE STUDENT HOUSING AT UNIVERSITY OF MARYLAND, BALTIMORE COUNTY, A PROJECT OF MEDCO

Management's Discussion and Analysis
For the Years Ended June 30, 2025 and 2024

As management of Walker Avenue Student Housing at University of Maryland, Baltimore County (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, 2025 and 2024. 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, 2025 were as follows:

- The Project's net position is a surplus of $4,732,000 as of June 30, 2025, primarily as a result of the excess of operating income over net non-operating expenses on a cumulative basis.
- Occupancy ranged between 95% and 99% during the 2024 – 2025 academic year.
- The Project invested $161,000 in building and land improvements, including $95,000 in roof work, $21,000 in flood remediation and repairs, and $45,000 in gutter and downspout replacements. The project invested $36,000 in mechanical systems, including $25,000 in hot water heater replacements, $8,000 in HVAC removal and reinstallation due to the roof replacement, and $3,000 for a generator controller replacement. The project invested $861,000 in furniture, fixtures and equipment, including $254,000 in furniture replacements, $293,000 in bathroom remodeling, $235,000 for flooring and carpeting replacements, $20,000 for window replacements, $50,000 for a new WiFi system, and $9,000 for smoke detector replacements. The project also invested $232,000 in furniture, fixtures and equipment that were not placed into service and remained in construction in progress as of June 30, 2025. These additional investments were recorded as an increase to the right to use buildings asset in accordance with Governmental Accounting Standards Board (GASB) 94.

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 $3,457,000 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 90% and 98% during the 2023 – 2024 academic year.
- The Project invested $151,000 in building and land improvements, including $127,000 in roof repairs, $14,000 in sidewalk repairs, and $10,000 in coping and scupper replacements. The project invested $33,000 in mechanical systems, including $14,000 in hot water heater replacements, $13,000 in HVAC compressor replacements, and $6,000 for an IT closet HVAC system. The project invested $880,000 in furniture, fixtures and equipment, including $200,000 in furniture replacements, $322,000 in bathroom remodeling, $55,000 in appliance replacements, $277,000 for flooring and carpeting replacements, and $8,000 for smoke detector replacements. The project also invested $166,000 in furniture, fixtures and equipment that were not placed into service and remained in construction in progress as of June 30, 2024.

Financial Highlights – continued

These additional investments were recorded as an increase to the right to use buildings asset in accordance with GASB 94.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Project's financial statements. The Project is intended to be a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Project. These statements are presented in a manner similar to a private business such as a commercial real estate project. The Project's statements consist of two parts: the financial statements and notes to the financial statements.

The Financial Statements

The Project's financial statements are designed to provide readers with a broad overview of its finances in a manner similar to a private-sector business.

The statements of net position present information on all of the Project's assets, liabilities and deferred inflows of resources, with the difference reported as net position. MEDCO issued fixed-rate limited obligation revenue bonds to provide capital financing for construction of student housing for the University of Maryland, Baltimore County. The proceeds were deposited with a trustee and invested, generally in United States government or agency securities, guaranteed investment contracts or repurchase agreements, until disbursed for the acquisition or construction of capital assets or retained for the establishment of certain required reserves. The revenue bonds were issued in MEDCO's name; however, neither MEDCO nor the State of Maryland has any obligation for the bonds beyond the resources provided by 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 licensing and operating the Project, exclusive of interest income and expense. Cash flows from capital and related financing and investing activities generally reflect the incurrence of debt obligations, the subsequent investment of debt proceeds in the Project, periodic principal and interest payments on the debt and earnings on investments.

The Project is owned by MEDCO; however, at the end of the ground lease, ownership of the Project will revert to 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 12-23 of this report.

Financial Analysis of Walker Avenue Student Housing at University of Maryland, Baltimore County

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

	2025	2024	2023
Current assets	$ 2,906,953	$ 2,557,541	$ 2,403,147
Other assets	15,450,686	15,487,721	15,920,257
Total Assets	18,357,639	18,045,262	18,323,404
Current liabilities	2,014,165	1,790,792	2,151,633
Bonds payable, net of current portion	11,492,916	12,660,055	13,796,278
Total Liabilities	13,507,081	14,450,847	15,947,911
Deferred inflow of resources	118,622	137,021	155,096
Net investments in capital assets	(895,944)	(1,764,328)	(2,545,310)
Restricted under trust indenture	5,627,880	5,221,722	4,765,707
Total Net Position	$ 4,731,936	$ 3,457,394	$ 2,220,397

Significant factors in the changes in the Project's financial position for the year ended June 30, 2025 include:

- Current assets increased $349,000 primarily due to an increase in cash and cash equivalents of $267,000 and deposits with bond trustee – restricted of $69,000. These increases were primarily due to increased revenues as a result of higher occupancy.

- Bonds payable decreased $1,167,000 primarily as a result of a $1,060,000 Series 2016 bond principal payment becoming current for the Project.

- Net position increased $1,275,000 as a result of the excess of the Project's operating income of $1,499,000 over non-operating expenses of $224,000.

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

- Other assets decreased $433,000 primarily due to a $322,000 decrease in the right to use building asset due mainly to $1,248,000 amortization of the assets, offset by asset additions, net of retirements, of $926,000.

- Bonds payable decreased $1,136,000 primarily as a result of a $1,020,000 Series 2016 bond principal payment becoming current for the Project.

Financial Analysis of Walker Avenue Student Housing at University of Maryland, Baltimore County – continued

- Net position increased $1,237,000 as a result of the excess of the Project's operating income of $1,481,000 over non-operating expenses of $244,000.

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

	2025	2024	2023
Operating Revenues:			
Apartment rentals	$ 6,183,978	$ 5,846,552	$ 5,685,892
Service fees	110,000	110,000	110,000
Other	47,501	35,566	33,633
Total Operating Revenues	6,341,479	5,992,118	5,829,525
Operating Expenses:			
Property operating costs	2,516,374	2,362,909	2,258,440
Residence life program	456,536	443,240	430,329
Management and service fees	297,870	295,614	278,280
Administrative and general	200,216	157,552	156,113
Sales and marketing	3,329	3,793	3,959
Amortization	1,368,504	1,248,192	1,150,232
Total Operating Expenses	4,842,829	4,511,300	4,277,353
Operating Income	1,498,650	1,480,818	1,552,172
Non-operating Expenses, net	(224,108)	(243,821)	(274,327)
Change in Net Position	1,274,542	1,236,997	1,277,845
Net position, beginning of year	3,457,394	2,220,397	942,552
Net position, end of year	$ 4,731,936	$ 3,457,394	$ 2,220,397

Financial Analysis of Walker Avenue Student Housing at University of Maryland, Baltimore County – continued

Significant factors in the results for the year ended June 30, 2025 include:

- Occupancy ranged between 95% and 99% during the 2024 – 2025 academic year.
- Rental revenues increased $337,000 due to an increase in occupancy and room rates.
- Property operating costs increased $153,000 due to a $92,000 increase in salaries, a $12,000 increase in appliance repairs and replacements, $25,000 increase in HVAC repairs and replacements, a $21,000 increase in room and furniture repairs, $9,000 increase in insurance and offset by a $6,000 decrease in parking. The increases in repairs and replacements were due to the items nearing the end of their useful life and needed to be repaired or replaced. The increase in salaries was primarily due to higher overtime worked by the maintenance staff and the additional student staff member that was hired to fill the maintenance tech vacancy.
- Amortization increased $120,000 due to the increase in capital asset events.

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

- Occupancy ranged between 90% and 98% during the 2023 – 2024 academic year.
- Rental revenues increased $161,000 due to an increase in room rates.
- Property operating costs increased $104,000 due to a $21,000 increase in salaries, a $58,000 increase in utilities, a $7,000 increase in security and alarm monitoring, and a $18,000 increase in exterior maintenance.
- Amortization increased $98,000 due to the increase in capital asset events.

Capital Asset and Debt Administration

Capital Assets

The most significant capital asset events during the year ended June 30, 2025 were the $254,000 in furniture replacement, $95,000 in roof repairs, $293,000 in bathroom remodeling, $235,000 in flooring and carpet replacements, $25,000 in hot water heater replacements, $50,000 for a new WiFi system, and $45,000 in gutter and downspout replacements. The most significant capital asset events during the year ended June 30, 2024 were the $200,000 in furniture replacement, $127,000 in roof repairs, $322,000 in bathroom remodeling, $277,000 in flooring and carpet replacements, $14,000 in hot water heater replacements, $55,000 in appliance replacements, and $14,000 in sidewalk repairs.

Capital Asset and Debt Administration – continued

Debt

As of June 30, 2025 and 2024, the Project had total bond debt outstanding, net of unamortized bond premium, of $12,553,000 and $13,680,000, 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.

The were no significant debt events during the year ended June 30, 2025 or 2024.

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 Walker Avenue Student Housing at University of Maryland, Baltimore County. 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 Walker Avenue Student Housing at University of Maryland, Baltimore County (the Project), a project of Maryland Economic Development Corporation (MEDCO), as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, and the respective changes in its 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, 2025 and 2024, 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 audits.

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 18, 2025

WALKER AVENUE STUDENT HOUSING AT UNIVERSITY OF MARYLAND, BALTIMORE COUNTY, A PROJECT OF MEDCO

Statements of Net Position

As of June 30,		*2025*		*2024*
Assets				
Current Assets:				
Cash and cash equivalents	$	1,407,364	$	1,140,117
Deposits with bond trustee – restricted		1,383,825		1,314,438
Accounts receivable, net of allowance for doubtful accounts of $16,284 and $25,936, respectively		42,507		31,982
Interest receivable		18,612		20,530
Prepaid expenses and other assets		54,645		50,474
Total Current Assets		2,906,953		2,557,541
Non-current Assets:				
Deposits with bond trustee – restricted		3,761,374		3,533,028
Right to use buildings, net of accumulated amortization of $23,501,707 and $22,865,947, respectively		11,689,312		11,954,693
Total Non-current Assets		15,450,686		15,487,721
Total Assets	$	18,357,639	$	18,045,262
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and other accrued expenses	$	693,850	$	490,077
Accrued interest		260,315		280,715
Bonds payable		1,060,000		1,020,000
Total Current Liabilities		2,014,165		1,790,792
Non-current liabilities:				
Bonds payable		11,492,916		12,660,055
Total Liabilities		13,507,081		14,450,847
Deferred Inflow of Resources:				
Deferred advance refunding gain		32,340		38,966
Rents and fees collected in advance		86,282		98,055
Total Deferred Inflow of Resources		118,622		137,021
Commitments and Contingencies (Note 5)				
Net Position:				
Net investments in capital assets		(895,944)		(1,764,328)
Restricted under trust indenture		5,627,880		5,221,722
Total Net Position	$	4,731,936	$	3,457,394

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

WALKER AVENUE STUDENT HOUSING AT UNIVERSITY OF MARYLAND, BALTIMORE COUNTY, A PROJECT OF MEDCO

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,	*2025*	*2024*
Operating Revenues:		
Apartment rentals	$ 6,183,978	$ 5,846,552
Service fees	110,000	110,000
Other	47,501	35,566
Total Operating Revenues	6,341,479	5,992,118
Operating Expenses:		
Property operating costs	2,516,374	2,362,909
Residence life program	456,536	443,240
Management and service fees	297,870	295,614
Administrative and general	200,216	157,552
Sales and marketing	3,329	3,793
Amortization	1,368,504	1,248,192
Total Operating Expenses	4,842,829	4,511,300
Operating Income	1,498,650	1,480,818
Non-operating Revenues (Expenses):		
Interest income	188,943	215,223
Interest expense	(406,865)	(438,019)
Settlement income	14,483	-
Loss on retirement of capital assets	(20,669)	(21,025)
Total Non-operating Expenses, net	(224,108)	(243,821)
Change in Net Position	1,274,542	1,236,997
Net Position, beginning of year	3,457,394	2,220,397
Net Position, end of year	$ 4,731,936	$ 3,457,394

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

WALKER AVENUE STUDENT HOUSING AT UNIVERSITY OF MARYLAND, BALTIMORE COUNTY, A PROJECT OF MEDCO

Statements of Cash Flows

For the Years Ended June 30,	*2025*	*2024*
Cash Flows from Operating Activities:		
Cash received from tenants	$ 6,310,729	$ 5,963,579
Cash paid for operating expenses	(3,266,271)	(3,646,403)
Net Cash and Cash Equivalents Provided by Operating Activities	3,044,458	2,317,176
Cash Flows from Capital and Related Financing Activities:		
Right to use buildings expenditures	(1,123,792)	(946,788)
Principal payments on bonds payable	(1,020,000)	(980,000)
Interest paid	(541,030)	(581,030)
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities	(2,684,822)	(2,507,818)
Cash Flows from Investing Activities:		
Net (purchases) sales of deposits with bond trustee - restricted	(297,733)	250,764
Interest received	190,861	214,587
Proceeds from settlement income	14,483	-
Net Cash and Cash Equivalents (Used in) Provided by Investing Activities	(92,389)	465,351
Net Increase in Cash and Cash Equivalents	267,247	274,709
Cash and Cash Equivalents, beginning of year	1,140,117	865,408
Cash and Cash Equivalents, end of year	$ 1,407,364	$ 1,140,117
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	$ 1,498,650	$ 1,480,818
Adjustment to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Amortization	1,368,504	1,248,192
Provision for doubtful accounts	8,452	9,313
Changes in operating assets and liabilities:		
Accounts receivable	(18,977)	(15,414)
Prepaid expenses and other assets	(4,171)	(13,605)
Accounts payable and other accrued expenses	203,773	(381,241)
Rents and fees collected in advance	(11,773)	(10,887)
Net Cash and Cash Equivalents Provided by Operating Activities	$ 3,044,458	$ 2,317,176
Non-cash capital and related financing activities:		
Amortization of issue bond premium	$ 107,139	$ 116,223
Amortization of deferred advance refunding gain	$ 6,626	$ 7,188
Loss on retirement of right to use building assets	$ 20,669	$ 21,025

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Ownership and Management

Walker Avenue Student Housing at University of Maryland, Baltimore County (the Project), located in Baltimore County, Maryland, is a project of Maryland Economic Development Corporation (MEDCO). The Project consists of apartments with 578 beds and is located on land leased from the State of Maryland. The first phase of the Project commenced operations in August 2003. The second phase of the Project commenced operations in August 2004.

The Project entered into a management agreement with Capstone On-Campus Management, formerly Capstone Properties Corp. (COCM) whereby COCM provides certain management, licensing and administrative services to the Project. COCM receives a fixed portion of $10,000 per month paid in arrears and 4% of "rental revenues" in excess of the fixed portion paid at the end of each semester. The variable portion is reduced by permitted expenses that exceed the budget. Total fees paid to COCM, which include salaries and related costs of COCM personnel working at the Project, aggregated approximately $903,000 and $819,000 for the years ended June 30, 2025 and 2024, respectively, and are included in operating expenses. Management fee expense was $253,325 and $239,481 for the years ended June 30, 2025 and 2024, respectively. Management fee payable totaled $78,267 and $72,151 as of June 30, 2025 and 2024, respectively.

Pursuant to the trust indenture, MEDCO is entitled to an issuer fee and an administrative and service fee for administrative support and other services provided. The issuer fee is 0.1% of the principal amount of the outstanding bonds and is not subordinated to the funding of the principal and interest accounts. Any issuer fee not paid within 10 days of the release date is subject to an additional fee equal to the Wall Street Journal prime rate plus 4%. The administrative and service fee is 0.5% of revenues, paid in arrears and subordinated to the funding of the principal, interest and replacement accounts. Issuer fees were $11,893 and $15,225 and administrative and service fees were $32,652 and $40,908 during the years ended June 30, 2025 and 2024, respectively. Issuer's and administrative fees payable totaled $32,652 and $31,035 at June 30, 2025 and 2024, respectively.

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, 2025 and 2024. 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, 2025 and 2024, 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.

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

Basis of Presentation – continued

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 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, 2024, the Project adopted GASB Statement 102, *Certain Risk Disclosures* (GASB 102). GASB 102 requires disclosure of significant risks related to vulnerabilities from certain concentrations and constraints that could impact the Project's ability to provide services or meet its obligations as they come due. The required disclosures apply if the Project is aware of the concentration or constraint prior to issuing the financial statements, and if an event related to the concentration or constraint has occurred or is more likely than not to occur within 12 months of the financial statement date, and is expected to have a significant effect within three years. The adoption of GASB 102 did not warrant any additional disclosure for the Project as the Project is not aware of any events related to a specific concentration or constraint that has occurred as of the September 18, 2025 that is more than likely than not to occur within 12 months of the financial statement date, and is expected to have significant effect within three years. Management will continue to monitor and assess any potential impacts on its financial statements due to concentrations and constraints, in accordance with the requirements of GASB 102.

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

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued Statement 103, *Financial Reporting Model Improvements* (GASB 103). The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government' accountability and addresses certain application issues. The requirements for this Statement (1) will improve MD&A and the quality of the analysis of changes from the prior year, which will enhance the relevance of that information and clarity on what information will be included, (2) will provide clarity regarding which items should be reported separately from other inflows and outflows of resources, (3) will change the definitions of operating revenues and expenses and of nonoperating revenues and expenses improving comparability from government to government, (4) will improve comparability for presentation of major component information, and (5) will require that budgetary comparison information be presented as required supplementary information will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability. This new guidance is effective for fiscal years beginning after June 15, 2025 and should be applied retrospectively. Early adoption is permitted. The Project is currently evaluating the timing of its adoption and the impact of adopting GASB 103 on the accompanying financial statements.

In September 2024, the GASB issued Statement 104, *Disclosure of Certain Capital Assets* (GASB 104). The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. This new guidance is effective for fiscal years beginning after June 15, 2025 and should be applied retrospectively. Early adoption is permitted. The Project is currently evaluating the timing of its adoption and the impact of adopting GASB 104 on the accompanying financial statements.

Public-Public Partnership (PPP) with University System of Maryland

In 2002, MEDCO was requested to assist in the development of a student housing project for the University of Maryland, Baltimore County. The land underlying the Project is leased from the University System of Maryland and title to the Project will revert to the University System of Maryland upon termination of the lease. MEDCO will operate, collect revenues and pay expenses of the Project for the duration of the lease term. In accordance with GASB Statement 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94) the arrangement between MEDCO and the University System of Maryland qualifies as a PPP that meets the definition of a Service Concession Agreement (SCA). GASB 94 requires that the Project recognize the cost of the housing as an intangible asset, which will be amortized using the straight line method over the shorter of the life of the lease agreement or the useful life of the asset 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, 2025 and 2024.

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

Public-Public Partnership (PPP) with University System of Maryland – continued

PPP's 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, 2025 and 2024, management does not believe that 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.

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, 2025 and 2024, bank deposits were properly collateralized.

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 was $16,284 and $25,936 as of June 30, 2025 and 2024, respectively. Accounts receivable are written off when it is determined that amounts are uncollectible.

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

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2025 and 2024, the Project recognized the deferred advance refunding gain and rents and fees collected in advance, which do not meet the availability criteria, as deferred inflows 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 licensing of apartments. Revenues are recognized monthly over the terms of the respective licenses.

Classification of Revenues and Expenses

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $3,329 and $3,793 during the years ended June 30, 2025 and 2024, respectively and are included within sales and marketing expenses in the accompanying statements of revenues, expenses and changes in net position.

Income Taxes

MEDCO qualifies for tax-exempt status under Section 501(c)(4) of the Internal Revenue Code and Section 10-104 of the Tax-General Article of the Annotated Code of Maryland. Accordingly, no provision or benefit for income taxes is included in the accompanying financial statements.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. This reclassification had no effect on previously reported operating income or net position.

2. DEPOSITS WITH BOND TRUSTEE

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

	2025	2024
Current assets:		
Principal fund	$ 1,060,000	$ 1,020,000
Interest fund	260,315	280,175
Revenue fund	-	4,255
Management Fee fund	63,500	10,000
Condemnation	10	8
Current Portion	1,383,825	1,314,438
Non-current assets:		
Capital and furnishings fund	1,573,398	1,266,221
Surplus fund	547,845	626,676
Debt service reserve fund	1,640,130	1,640,130
Redemption fund	1	1
Non-Current Portion	3,761,374	3,533,028
Total Deposits with Bond Trustee	$ 5,145,199	$ 4,847,466

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 $189,000 and $215,000 during the years ended June 30, 2025 and 2024, respectively.

Deposits with trustee are carried at cost, which approximates fair value, and are summarized as follows as of June 30,:

	2025	2024
Money market fund	$ 5,145,199	$ 4,847,466
	$ 5,145,199	$ 4,847,466

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 agreement 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.

2. DEPOSITS WITH BOND TRUSTEE – continued

Credit Risk – The Project's trust indenture limits MEDCO's investments to government obligations; obligations of certain defined federal agencies so long as they 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, senior obligations issued by the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation; senior debt obligations of the Federal Home Loan Bank System; commercial paper; U.S. dollar denominated deposit accounts; money market funds; public sector investment pools so long as MEDCO's deposit does not exceed 5% of the aggregate pool balance at any time; bonds or other obligations of any state of the United States of America, agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity; general obligations of states; and investment agreements. As defined in the trust indenture, certain investments listed above must meet specific requirements to be a qualifying investment, such as high rating qualifications based on information from the major rating agencies, collateralization requirements, guaranteed repayment, and maturity requirements. The Project's investments were in compliance with these limitations at June 30, 2025 and 2024.

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, 2025 and 2024.

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 trust indenture requires that for the year ending June 30, 2025, the Project deposit $579,637 into the capital and furnishings fund with such amount to be increased annually beginning on the first day of each fiscal year by the greatest of (a) 3%, (b) the CPI Adjustor, or (c) the amount recommended by an independent engineer. These funds are to be segregated in a separate account within the trust. The capital and furnishings fund was overfunded by $519,749 as of June 30, 2025 due to an additional approved transfer of surplus funds to the capital and furnishings fund for future planned expenditures. The capital and furnishings fund was adequately funded at its required balance as of June 30, 2024.

The Project obtained a bond rating of Baa3 as of June 30, 2025 and Ba1 as of June 30, 2024.

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

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

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

2. DEPOSITS WITH BOND TRUSTEE – continued

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

The Project had no investments measured at fair value as of June 30, 2025 and 2024.

As described above, the Project's Level 1 and Level 2 investments are required to be invested in accordance with the trust indenture. As such, they must meet specific requirements to be a qualifying investment, such as high rating qualifications, collateralization requirements, guaranteed repayment, and maturity requirements. The Project's investments were in compliance with these limitations as of June 30, 2025 and 2024.

The Project invests in a money market fund that has a remaining maturity of one year or less at the time of purchase. The investment in this fund is valued at cost, which approximates fair value, and totaled $5,145,199 and $4,847,466 as of June 30, 2025 and 2024, respectively.

3. RIGHT TO USE BUILDINGS

Pursuant to GASB 94 and 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 60, 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 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 23 years and the portion attributable to furnishings and equipment is being amortized over three to ten years.

3. RIGHT TO USE BUILDINGS – continued

Right to use buildings activity for the years ended June 30, 2025 and 2024 is summarized as follows:

2025	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	$ 25,541,801	$ 160,778	$ (94,405)	$ 25,608,174
Furnishings and equipment	9,112,565	897,193	(659,008)	9,350,750
Construction in progress	166,274	65,821	-	232,095
	34,820,640	1,123,792	(753,413)	35,191,019
Less accumulated amortization:				
Buildings and improvements	(15,658,009)	(797,318)	73,736	(16,381,591)
Furnishings and equipment	(7,207,938)	(571,186)	659,008	(7,120,116)
	(22,865,947)	(1,368,504)	732,744	(23,501,707)
Right to use buildings, net	$ 11,954,693	$ (244,712)	$ (20,669)	$ 11,689,312

2024	Beginning balance	Additions	Retirements	Ending balance
Buildings and improvements	$ 25,481,881	$ 151,451	$ (91,531)	$ 25,541,801
Furnishings and equipment	8,879,272	912,499	(679,206)	9,112,565
Construction in progress	283,436	(117,162)	-	166,274
	34,644,589	946,788	(770,737)	34,820,640
Less accumulated amortization:				
Buildings and improvements	(14,936,641)	(791,874)	70,506	(15,658,009)
Furnishings and equipment	(7,430,826)	(456,318)	679,206	(7,207,938)
	(22,367,467)	(1,248,192)	749,712	(22,865,947)
Right to use buildings, net	$ 12,277,122	$ (301,404)	$ (21,025)	$ 11,954,693

4. BONDS PAYABLE

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

	2025	2024
Series 2016 Serial Bonds bearing interest at rates ranging from 3.00% to 5.00% and maturing from July 1, 2016 through July 1, 2031	$ 7,800,000	$ 8,820,000
Series 2016 Term Bonds bearing interest at 3.60% and payable in annual sinking fund installments from July 1, 2031 through July 1, 2035	4,230,000	4,230,000
Unamortized issue premium	522,916	630,055
Total bonds payable	12,552,916	13,680,055
Less current portion	(1,060,000)	(1,020,000)
Bonds payable, less current portion	$ 11,492,916	$ 12,660,055

During April 2016, the Project issued $21,065,000 of Series 2016 bonds. Interest on the Series 2016 bonds is payable semiannually on January 1 and July 1 and aggregated $541,000 and $581,000 in the years ended June 30, 2025 and 2024, respectively. The original issue premium is being amortized using the effective interest method over the term of the bonds. The payment of principal and interest on the Series 2016 bonds is guaranteed under an insurance policy by an independent bond insurer.

The Project also recorded a deferred refunding gain of $119,998 in accordance with GASB 23. The deferred refunding gain is the difference between the reacquisition price and the net carrying amount of the old debt on the date of refunding. This cost is being amortized to interest expense using the effective interest method over the term of the Series 2016 bonds. In accordance with GASB 65, the deferred advance refunding gains is classified as a deferred inflow of resources on the accompanying statements of net position.

Upon issuance and delivery of the Series 2016 bonds, the Project redeemed its outstanding Series 2006 bonds in the total principal amount of $23,450,000. The net proceeds of the Series 2016 issuance, including an original issue premium of $1,947,542, along with funds from the Series 2006 trust accounts were used to purchase securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest and redemption premiums on the redeemed bonds. This advance refunding transaction resulted in an extinguishment of debt since the Project was legally released from its obligation on the Series 2006 bonds at the time of the redemption.

As a result of the refunding, the Project obtained an economic gain of approximately $2,755,000. The total decrease in aggregate debt service payments from the refunding totals approximately $5,634,000.

4. BONDS PAYABLE – continued

In accordance with the trust indenture, the Project is required to produce a coverage ratio, as defined, of not less than 1.20 as of the last day of each fiscal year. The Project met the coverage ratio as of June 30, 2025.

Future payments on bonds payable are due as follows as of June 30, 2025:

Year ending June 30,:	Total	Principal	Interest
2026	$ 1,538,230	$ 1,060,000	$ 478,230
2027	1,539,030	1,105,000	434,030
2028	1,521,780	1,145,000	376,780
2029	1,516,780	1,200,000	316,780
2030	1,513,780	1,260,000	253,780
2031-2035	6,671,270	6,260,000	411,270
	14,300,870	12,030,000	2,270,870
Plus unamortized bond premium	522,916	522,916	-
	$ 14,823,786	$ 12,552,916	$ 2,270,870

Activity in bonds payable for the years ended June 30, 2025 and 2024 is summarized as follows:

Balance June 30, 2023	$ 14,776,278
Principal payments on series 2016 bonds	(980,000)
Amortization of series 2016 bond issue premium	(116,223)
Balance June 30, 2024	13,680,055
Principal payments on series 2016 bonds	(1,020,000)
Amortization of series 2016 bond issue premium	$ (107,139)
Balance June 30, 2025	$ 12,552,916
Due within one year	$ 1,060,000

5. COMMITMENTS AND CONTINGENCIES

Ground Lease

The land underlying the Project is leased from the State of Maryland under a non-cancellable operating lease expiring the earlier of June 5, 2042 or the date on which the bonds have been fully repaid. Real estate taxes, insurance and maintenance expenses are obligations of the Project. The Project is exempt from real estate taxes under Section 10-129 of the Economic Development Article of the Annotated Code of Maryland. The annual rent under the lease is $1.

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

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.