

**SOUTH CAMPUS COMMONS AND THE COURTYARDS  
AT UNIVERSITY OF MARYLAND, COLLEGE PARK  
A PROJECT OF MARYLAND ECONOMIC  
DEVELOPMENT CORPORATION**

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

**For the Years Ended June 30, 2025 and 2024**

**SOUTH CAMPUS COMMONS AND THE COURTYARDS  
AT UNIVERSITY OF MARYLAND, COLLEGE PARK,  
A PROJECT OF MARYLAND ECONOMIC  
DEVELOPMENT CORPORATION (MEDCO)**

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# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

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

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As management of South Campus Commons (SCC) and The Courtyards (CTY) at University of Maryland, College Park (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 deficit of \$8,970,000 as of June 30, 2025 primarily as a result of the excess of cumulative net non-operating expenses over operating income.
- The occupancy ranged between 98% and 99% during the academic year.
- The Project invested \$238,000 in building improvements for SCC's roof repairs, exterior roof door replacements, installation of metal door with door control and lock and CTY's flowmeter and main pool valve replacement and clubhouse window treatments. The Project invested \$472,000 in mechanical systems, including \$339,000 in HVAC, hot water pump, pull stations, corroded pipes, and cooling tower replacements, \$4,000 in alarm panel repairs, \$39,000 in a bus stop main water shutoff valve replacement, \$32,000 in pump, backflow, and iron gate valve replacements, and \$56,000 in remote terminal unit (RTU) replacements. The Project also invested \$2,400,000 in furniture, fixtures and equipment, including furniture and appliance replacements of \$663,000, flooring upgrades of \$382,000, light fixture replacements of \$161,000, bathroom and kitchen upgrades of \$1,187,000, license plate scanners of \$20,000, and lockboxes of \$11,000. Furniture and light fixture replacements and a bike shelter totaling \$373,000 that were not placed into service 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 deficit of \$13,931,000 as of June 30, 2024 primarily as a result of the excess of cumulative net non-operating expenses over operating income.
- The occupancy ranged between 98% and 99% during the academic year.

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

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

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### **Financial Highlights – continued**

- The Project invested \$769,000 in building improvements for SCC's roof repairs and CTY's exterior siding project. The Project invested \$313,000 in mechanical systems, including \$77,000 in HVAC, heat pump, and RTU replacements, \$34,000 in ceiling lighting panel replacements, \$31,000 in hot water heaters, \$58,000 in elevator repairs, \$53,000 in generator replacements, and \$33,000 in condenser and motor fan replacements. The Project also invested \$2,500,000 in furniture, fixtures and equipment, including furniture and appliance replacement of \$1,042,000, flooring upgrades of \$578,000, light fixture replacements of \$141,000, bathroom and kitchen upgrades of \$547,000, and hot water heater replacements of \$192,000. Kitchen upgrades and roof repairs totaling \$385,000 that were not placed into service remained in construction in progress as of June 30, 2024. 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. In 2006 and 2008, MEDCO issued limited obligation revenue bonds to provide capital financing for the acquisition and construction of student housing at University of Maryland, College Park (UMCP). The proceeds were deposited with a trustee and invested, generally in United States government or agency backed securities, guaranteed investment contracts or repurchase agreements, until disbursed for the acquisition or construction of capital assets or retained as certain required reserves. In 2016, MEDCO issued limited obligation revenue bonds to refinance the Series 2006 and Series 2008 bonds. The revenue bonds were issued in MEDCO's name; however, neither MEDCO nor the State of Maryland has any obligation for the bonds beyond the resources of the Project.

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

# SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO

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

### The Financial Statements – continued

The statements of cash flows present summarized sources and uses of funds for the Project. Cash flows from operating activities generally represent the results of leasing and operations of 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 15 – 29 of this report.

### Financial Analysis of South Campus Commons and The Courtyards at University of Maryland, College Park

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

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Current assets	\$ 5,643,854	\$ 6,327,989	\$ 3,062,862
Other assets	102,448,853	104,852,245	105,472,795
Total Assets	<u>108,092,707</u>	<u>111,180,234</u>	<u>108,535,657</u>
Deferred outflow of resources	<u>886,337</u>	<u>1,049,339</u>	<u>1,223,387</u>
Current liabilities	21,679,434	23,143,339	16,101,821
Non-current liabilities	95,549,517	102,467,937	109,141,136
Total Liabilities	<u>117,228,951</u>	<u>125,611,276</u>	<u>125,242,957</u>
Deferred inflow of resources	<u>720,321</u>	<u>548,986</u>	<u>603,590</u>
Net investments in capital assets	(23,804,924)	(27,525,351)	(31,514,333)
Restricted under trust indenture	14,834,696	13,594,662	15,426,830
Total Net Position	<u>\$ (8,970,228)</u>	<u>\$ (13,930,689)</u>	<u>\$ (16,087,503)</u>

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

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

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### **Financial Analysis of South Campus Commons and The Courtyards at University of Maryland, College Park – continued**

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

- Other assets decreased \$2,403,000 primarily due to current year amortization on right to use buildings of \$5,831,000 partially offset by asset additions of \$3,164,000, as well as increases in deposits with bond trustee due to an increase in the surplus and contingency fund due to deposits into the fund in accordance with the trust indenture.
- Current liabilities decreased \$1,464,000 primarily as a result of a \$1,392,000 decrease in accounts payable and accrued expenses, a \$254,000 decrease in accrued ground rent, and a \$104,000 decrease in tenant reservation fees offset by a \$305,000 increase in the current portion of bonds payable. The decrease in accounts payable and accrued expenses was primarily due to paying the current year resident life invoice before year end and being current on utility bills. The change in accrued ground rent was primarily due to current year ground rent of \$4,976,000, offset by the November 2024 ground rent payment to UMCP of \$5,230,000. The increase in bonds payable was primarily due to \$5,790,000 of scheduled bond principal payments becoming current vs. \$5,485,000 in scheduled bond principal payments becoming current last fiscal year.
- Non-current liabilities decreased \$6,918,000 due to a \$5,790,000 Series 2016 bond principal payment becoming current for the Project and current year amortization of the bond premium in the amount of \$1,128,000.
- Net position increased \$4,960,000 as a result of the excess of the Project's operating income of \$7,519,000 over net non-operating expense of \$2,559,000.

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

- Current assets increased \$3,265,000 primarily due to an increase to cash and cash equivalents of \$3,138,000. The Project received two large capital expenditure reimbursements in June totaling approximately \$2,000,000. Also, there were funds in the operating account at the end of the fiscal year that was used to pay approximately \$1,200,000 in current year invoices at the beginning of the 2025 fiscal year.
- Current liabilities increased \$7,042,000 primarily as a result of a \$5,366,000 increase in accrued ground rent as well as a \$1,300,000 increase in accounts payable and accrued expenses. The increase in accrued ground rent was primarily due to current year ground rent of \$8,270,000, offset by the November 2023 ground rent payment to UMCP of \$2,846,000. The increase in accounts payable and accrued expenses was due to an increase in the RA compensation, resident life fee, and student activities fee to the University as well as 5 months of water and steam invoices that were not paid by the end of the fiscal year.

# SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO

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

### Financial Analysis of South Campus Commons and The Courtyards at University of Maryland, College Park – continued

- Non-current liabilities decreased \$6,673,000 primarily due to a \$5,485,000 Series 2016 bond principal payment becoming current for the Project and current year amortization of the bond premium in the amount of \$1,188,000.
- Net position increased \$2,157,000 as a result of the excess of the Project's operating income of \$4,613,000 over net non-operating expense of \$2,457,000.

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

	2025	2024	2023
Operating Revenues:			
Apartment rentals	\$ 33,888,913	\$ 33,212,185	\$ 32,392,312
Other	504,608	422,405	415,587
Total Operating Revenues	34,393,521	33,634,590	32,807,899
Operating Expenses:			
Property operating costs	13,588,283	12,824,314	13,121,934
Management and service fees	1,580,130	1,541,604	1,504,814
Administrative and general	758,841	692,653	658,180
Sales and marketing	122,327	132,338	125,422
Ground rent	4,993,495	8,270,285	3,994,053
Amortization	5,831,248	5,559,921	5,355,860
Total Operating Expenses	26,874,324	29,021,115	24,760,263
Operating Income	7,519,197	4,613,475	8,047,636
Total Non-operating Expenses, net	(2,558,736)	(2,456,661)	(3,079,461)
Change in Net Position	4,960,461	2,156,814	4,968,175
Net Position, beginning of year	(13,930,689)	(16,087,503)	(21,055,678)
Net Position, end of year	\$ (8,970,228)	\$ (13,930,689)	\$ (16,087,503)

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

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

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### **Financial Analysis of South Campus Commons and The Courtyards at University of Maryland, College Park – continued**

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

- The occupancy ranged between 98% and 99% during the academic year.
- Total rental revenues increased \$677,000 primarily as a result of the increase in room rates from 2024 to 2025.
- Total operating expenses decreased \$2,147,000 primarily as a result of the \$3,277,000 decrease in ground rent, offset by an increase in property operating costs of \$764,000 and an increase in amortization of \$271,000. The decrease in ground rent was primarily due to the decrease in interest income and the change in accounts payable. The increase in property operating costs were primarily due to an increase in salaries of \$332,000, an increase in insurance of \$113,000, an increase in security services of \$104,000, an increase in utilities of \$106,000, and an increase in assistant manager costs of \$143,000. These increases were due to the increase in occupancy and increased rates for insurance and utilities. The increase in salaries was due to increased overtime due to staff turnover in some departments.

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

- The occupancy ranged between 98% and 99% during the academic year.
- Total rental revenues increased \$820,000 primarily as a result of the increase in room rates from 2023 to 2024.
- Total operating expenses increased \$4,261,000 primarily as a result of the \$4,276,000 increase in ground rent. The increase in ground rent was primarily due to the increase in revenues and the change in accounts payable.

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

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

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### **Capital Asset and Debt Administration**

#### ***Capital Assets***

In 2006 and 2008, MEDCO was requested to assist in the development of a student housing project for UMCP through issuance of its tax-exempt revenue bonds. The proceeds of the bonds were used for the acquisition of student housing, additional construction, and furnishing of the Project. In 2016, MEDCO issued additional tax-exempt revenue bonds to refund the Series 2006 and Series 2008 bonds in their entirety.

The major capital asset events, which were classified as a change in the right to use buildings assets in accordance with GASB 94, during the year ended June 30, 2025 were:

- Bathroom and kitchen upgrades totaling \$1,187,000
- HVAC, hot water pump, pull stations, corroded pipes, and cooling tower replacements totaling \$339,000
- Bus stop main water shutoff valve replacement totaling \$39,000
- Light fixture replacements totaling \$161,000
- Replacement of carpeting and tile totaling \$382,000
- Replacement of furniture and appliances totaling \$663,000
- Furniture and light fixture replacements and a bike shelter included within construction in progress totaling \$325,000

The major capital asset events, which were classified as a change in the right to use buildings assets in accordance with GASB 94, during the year ended June 30, 2024 were:

- Bathroom and kitchen upgrades totaling \$547,000
- HVAC, heat pump, and RTU replacements totaling \$76,000
- Elevator repairs totaling \$58,000
- Light fixture replacements totaling \$141,000
- Replacement of carpeting and tile totaling \$578,000
- Replacement of furniture and appliances totaling \$1,042,000
- Kitchen upgrades and roof repair deposits included within construction in progress totaling \$385,000

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

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

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### **Capital Asset and Debt Administration – cont'd.**

#### ***Debt***

As of June 30, 2025 and 2024, the Project had total debt outstanding, net of unamortized bond premium of \$101,340,000 and \$107,953,000, 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 March 2016, the Project redeemed the Series 2006 and Series 2008 bonds using the proceeds received from the issuance of the Series 2016 bonds. Additional information relating to the refunding is provided in Note 4 to the financial statements.

#### **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 South Campus Commons and The Courtyards at University of Maryland, College Park. 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 South Campus Commons and The Courtyards at University of Maryland, College Park (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 financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Project's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial position, changes in financial position and cash flows of the Project and do not purport to, and do not present fairly the financial position of MEDCO as of June 30, 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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.
- Conclude whether, in our judgement, 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.

## Report on 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, 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 Asset Services, P.C.

September 15, 2025

**SOUTH CAMPUS COMMONS AND THE COURTYARDS  
AT UNIVERSITY OF MARYLAND, COLLEGE PARK,  
A PROJECT OF MEDCO**

**Statements of Net Position**

<i>As of June 30,</i>	<i>2025</i>	<i>2024</i>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,248,261	\$ 5,074,082
Deposits with bond trustee – restricted	867,592	860,458
Accounts receivable, net of allowance for doubtful accounts of \$120,206 and \$102,659, respectively	217,640	68,951
Interest receivable	91,174	124,592
Prepaid expenses and other assets	219,187	199,906
Total Current Assets	5,643,854	6,327,989
Non-current Assets:		
Deposits with bond trustee – restricted	25,484,280	25,139,747
Right to use buildings, net of accumulated amortization of \$84,005,442 and \$80,478,407, respectively	76,648,256	79,378,247
Other assets	316,317	334,251
Total Non-current Assets	102,448,853	104,852,245
Total Assets	108,092,707	111,180,234
Deferred Outflow of Resources:		
Deferred advance refunding costs	886,337	1,049,339
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and other accrued expenses	1,586,835	2,979,020
Accrued interest	385,092	403,375
Tenant reservation fees	420,000	524,080
Accrued ground rent	13,497,507	13,751,864
Bonds payable	5,790,000	5,485,000
Total Current Liabilities	21,679,434	23,143,339
Non-current Liabilities:		
Bonds payable	95,549,517	102,467,937
Total Liabilities	117,228,951	125,611,276
Deferred Inflow of Resources:		
Rents and fees collected in advance	720,321	548,986
Commitments and Contingences (Note 5)		
Net Position:		
Net investments in capital assets	(23,804,924)	(27,525,351)
Restricted under trust indenture	14,834,696	13,594,662
Total Net Position	\$ (8,970,228)	\$ (13,930,689)

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

**SOUTH CAMPUS COMMONS AND THE COURTYARDS  
AT UNIVERSITY OF MARYLAND, COLLEGE PARK,  
A PROJECT OF MEDCO**

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

<i>For the Years Ended June 30,</i>	<i>2025</i>	<i>2024</i>
Operating Revenues:		
Apartment rentals	\$ 33,888,913	\$ 33,212,185
Other	504,608	422,405
 Total Operating Revenues	 34,393,521	 33,634,590
Operating Expenses:		
Property operating costs	13,588,283	12,824,314
Management and service fees	1,580,130	1,541,604
Administrative and general	758,841	692,653
Sales and marketing	122,327	132,338
Ground rent	4,993,495	8,270,285
Amortization	5,831,248	5,559,921
 Total Operating Expenses	 26,874,324	 29,021,115
 Operating Income	 7,519,197	 4,613,475
Non-operating Revenues (Expenses):		
Interest income	1,348,272	1,627,485
Interest expense	(3,856,799)	(4,017,017)
Settlement income	12,625	152,522
Loss on disposal of assets	(62,834)	(219,651)
 Total Non-operating Expenses, net	 (2,558,736)	 (2,456,661)
 Change in Net Position	 4,960,461	 2,156,814
Net Position, beginning of year	(13,930,689)	(16,087,503)
Net Position, end of the year	\$ (8,970,228)	\$ (13,930,689)

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

**SOUTH CAMPUS COMMONS AND THE COURTYARDS  
AT UNIVERSITY OF MARYLAND, COLLEGE PARK,  
A PROJECT OF MEDCO**

	<b>Statements of Cash Flows</b>	
<i>For the Years Ended June 30,</i>	<i>2025</i>	<i>2024</i>
Cash Flows from Operating Activities:		
Cash received from tenants	\$ 34,245,322	\$ 33,605,725
Cash paid for operating expenses	(22,624,200)	(16,791,381)
Net Cash and Cash Equivalents Provided by Operating Activities	11,621,122	16,814,344
Cash Flows from Capital and Related Financing Activities:		
Right to use buildings expenditures	(3,164,091)	(3,554,403)
Bond principal payments	(5,485,000)	(5,200,000)
Interest paid	(4,840,500)	(5,048,501)
Net Cash and Cash Equivalents Used in Capital and Related Financing Activities	(13,489,591)	(13,802,904)
Cash Flows from Investing Activities:		
Net purchases of deposits with bond trustee - restricted	(351,667)	(1,628,971)
Interest received	1,381,690	1,602,555
Proceeds from settlement income	12,625	152,522
Net Cash and Cash Equivalents Provided by Investing Activities	1,042,648	126,106
Net Increase (Decrease) in Cash and Cash Equivalents	(825,821)	3,137,546
Cash and Cash Equivalents, beginning of year	5,074,082	1,936,536
Cash and Cash Equivalents, end of year	\$ 4,248,261	\$ 5,074,082
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 7,519,197	\$ 4,613,475
Adjustment to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Amortization	5,831,248	5,559,921
Provision for doubtful accounts	66,765	77,478
Changes in operating assets and liabilities:		
Accounts receivable	(215,454)	(81,941)
Prepaid expenses and other assets	(1,347)	(73,836)
Accounts payable and other accrued expenses	(1,392,185)	1,300,154
Deferred inflow of resources	171,335	(54,604)
Tenant reservation fees payable	(104,080)	107,680
Accrued ground rent	(254,357)	5,366,017
Net Cash and Cash Equivalents Provided by Operating Activities	\$ 11,621,122	\$ 16,814,344
<b>Non-cash capital and related financing activities:</b>		
Amortization of bond issue premium	\$ 1,128,420	\$ 1,188,199
Amortization of deferred advance refunding costs	\$ 163,002	\$ 174,048
Loss on disposal of assets	\$ 62,834	\$ 219,651

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

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

## **Notes to Financial Statements For the Years Ended June 30, 2025 and 2024**

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

#### **Ownership and Management**

South Campus Commons (SCC) and The Courtyards (CTY) at University of Maryland, College Park (the Project) located in College Park, Maryland, is a project of Maryland Economic Development Corporation (MEDCO). The Project consists of seven student residential housing buildings with 2,195 beds known as SCC and seven garden style apartment buildings with 738 beds known as CTY. The Project is located on land leased from the State of Maryland on behalf of the University of Maryland, College Park (UMCP).

Effective March 15, 2006, MEDCO entered into an amended and consolidated management agreement with Capstone On-Campus Management, formerly Capstone Properties Corp. (COCM), pursuant to which COCM provides certain management, leasing and administrative services for the Project. Effective April 1, 2024, the management agreement was amended pursuant to the Sixth Amendment to Consolidated Amended and Restated Management Agreement, to provide for an additional term of three years automatically renewing for successive one (1) year terms and a “fixed amount” of \$84,249 per month, as increased on each April 1<sup>st</sup> thereafter by the lesser of (a) 3% of the fixed amount for the immediately preceding April 1 to March 31, or (b) the percentage change in the Consumer Price Index from the immediately preceding April 1, for the period beginning April 1, 2024 through March 31, 2027, and reimbursement of certain other costs incurred in connection with the operations of the Project. Those costs include salaries and related costs of COCM personnel working at the Project, which aggregated \$4,629,117 and \$4,157,116 for the years ended June 30, 2025 and 2024, respectively, and are recorded in property operating costs. Management fee expense under the amended and consolidated agreement, as amended, was \$1,047,337 and \$1,018,573 during the years ended June 30, 2025 and 2024, respectively.

In addition, UMCP earns a fee for administering the resident life plan for the seven student residential housing buildings in SCC in accordance with the Ground Lease and Agreement and the management agreement. The fee is 1% of “adjusted revenues”, as defined, and was \$254,956 and \$250,956 during the years ended June 30, 2025 and 2024, respectively. COCM administers the resident life plan for the seven garden style apartment buildings in CTY in accordance with the Ground Lease and Agreement and the management agreement. There is no additional fee paid to COCM for these services.

MEDCO is entitled to an issuer’s fee and an administrative and service fee for administrative support and other services provided. The issuer’s fee is 0.1% of the principal amount of outstanding bonds and is not subordinated to the funding of the principal and interest accounts. 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’s fee expense was \$99,065 and administrative and service fee expense was \$178,772 during the year ended June 30, 2025. Issuer’s fee expense was \$104,265 and administrative and service fee expense was \$167,810 during the year ended June 30, 2024. Issuer’s and administrative fees payable totaled \$178,772 and \$161,809 at June 30, 2025 and 2024, respectively.

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

## **Notes to Financial Statements For the Years Ended June 30, 2025 and 2024**

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

#### **Basis of Presentation**

The accompanying financial statements present the financial position, changes in financial position, and cash flows of the Project based on amounts specifically identifiable in MEDCO's accounting records. The Project is a project of MEDCO and as such all financial data presented herein is also included in the financial statements of MEDCO as of and for the years ended June 30, 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. Also, in preparing its financial statements, MEDCO has adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

#### **Recently Adopted Accounting Principles**

Effective July 1, 2023, the Project adopted GASB issued Statement No. 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 No. 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 September 15, 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.

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

## **Notes to Financial Statements For the Years Ended June 30, 2025 and 2024**

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

#### **Recently Issued Accounting Principles**

In April 2024, the GASB issued Statement No. 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's 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 budgetary comparison information be presented as required supplementary information, including specified variance columns and explanations of significant variances, which will improve comparability and provide more useful information for decision-making and 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 No. 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 the University System of Maryland**

In 2006 and 2008, MEDCO was requested to assist in the development of a student housing project for University of Maryland, College Park. 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 Statement No. 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 service concession arrangement (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, 2025 and 2024.

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

## **Notes to Financial Statements For the Years Ended June 30, 2025 and 2024**

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

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

PPPs are evaluated for impairment on an annual basis under GASB Statement No. 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 includes 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 the analysis of past-due accounts and historical collection experience. The allowance for doubtful accounts was \$120,206 and \$102,659 as of June 30, 2025 and 2024, respectively. Accounts receivable are written off when it is determined that amounts are uncollectible.

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

## **Notes to Financial Statements For the Years Ended June 30, 2025 and 2024**

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

#### **Other Assets**

Other assets consist primarily of a prepaid ground lease. The amortization expense related to the prepaid ground lease was \$17,934 during each of the years ended June 30, 2025 and 2024 and is included in ground rent expense in the accompanying statements of revenues, expenses and changes in net position.

#### **Tenant Reservation Fees Payable**

Reservation fees are collected and held only from prospective residents. Once the prospective resident moves into the Project, the reservation fee is applied towards the prospective resident's first month's rent. Reservation fees payable as of June 30, 2025 and 2024 totaled \$420,000 and \$524,080, respectively.

#### **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, 2025 and 2024, 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, 2025 and 2024, the Project recognized rents and fees collected in advance, which do not meet the availability criteria, as a deferred inflow of resources on the accompanying statements of net position.

#### **Net Position**

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

#### **Revenue Recognition**

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

# SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO

## Notes to Financial Statements For the Years Ended June 30, 2025 and 2024

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

#### Classifications 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 \$106,611 and \$122,986 during the years ended June 30, 2025 and 2024, 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 (see Note 4), deposits with bond trustee include the following reserve funds and restricted accounts as of June 30,:

	<u>2025</u>	<u>2024</u>
Current assets:		
Interest fund Series 2016	\$ 385,092	\$ 403,375
Principal fund Series 2016	482,500	457,083
Current portion	<u>867,592</u>	<u>860,458</u>
Non-current assets:		
Repair and replacement fund	6,781,365	6,054,344
Surplus and contingency fund	5,564,085	5,230,600
Operating reserve fund	3,063,084	3,779,057
Debt service reserve fund	<u>10,075,746</u>	<u>10,075,746</u>
Non-current portion	<u>25,484,280</u>	<u>25,139,747</u>
Total Deposits with Bond Trustee	<u>\$ 26,351,872</u>	<u>\$ 26,000,205</u>

# SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO

## Notes to Financial Statements For the Years Ended June 30, 2025 and 2024

### 2. DEPOSITS WITH BOND TRUSTEE – continued

Interest earned on these investments totaled \$1,348,272 and \$1,627,485 during the years ended June 30, 2025 and 2024, respectively.

Investments of deposits with bond trustee are carried at fair value, except non-participating investment contracts, (i.e., contracts which are not able to realize market-based increases or decreases in value under any circumstance) which are carried at cost. Investments of deposits with bond trustee are summarized as follows as of June 30,:

	<u>2025</u>	<u>2024</u>
Repurchase Agreement with Portigon Financial Services, assumed by Bank of America, N.A., maturing on June 1, 2031 and bearing interest at 6.36%	\$ 1,875,150	\$ 1,875,150
Mutual funds:		
United States Government money market funds	<u>24,476,722</u>	<u>24,125,055</u>
Total Deposits with Bond Trustee	<u>\$26,351,872</u>	<u>\$26,000,205</u>

Effective July 26, 2012, a repurchase agreement for the Series 2012 Bonds with West LB AG, formerly Westdeutsche Landesbank Girozentrale, was amended to replace West LB AG with Portigon Financial Services (Portigon). The repurchase agreement was further supported by a guaranty by the German state of North Rhine-Westphalia, rated AA by Standard & Poor's.

Effective July 9, 2020, Portigon transferred and assigned their interest to Bank of America, N.A. Bank of America, N.A. was rated Baa3 stable and Ba1 by Moody's as of June 30, 2025 and 2024, respectively.

The Series 2016 bonds are insured by Assured Guaranty Municipal Corporation and carry the rating of the bond insurer, currently AA/A1 by S&P Global Ratings and Moody's Investor Service, respectively.

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

*Interest Rate Risk* – The trustee has limited investments to mutual funds that invest in US government securities that can be liquidated at any time to meet the cash flow requirements of the project and fixed rate investment contracts that are guaranteed as to the face of the investment as a means of managing interest rate risk. As a result, the Project is not subject to significant interest rate risk.

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

## **Notes to Financial Statements For the Years Ended June 30, 2025 and 2024**

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

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

*Concentration of Credit Risk* – MEDCO’s investment policy does not limit the amount that may be invested in any one issuer except for public sector pool funds as described under *Credit Risk* above. The Project held no investments in public sector pool funds or commercial paper as of June 30, 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 required the Project to set aside \$2,500,000 for the fiscal year ending June 30, 2022 with such amount to be increased annually beginning on the first day of each subsequent fiscal year by the greatest of (a) 3%, (b) the CPI Adjustor, or (c) the amount recommended by an independent engineer or independent architect. These funds are to be segregated in a separate account within the trust. The capital and furnishing fund was funded at its required balance as of June 30, 2025 and 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.
- 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.

# SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO

## Notes to Financial Statements For the Years Ended June 30, 2025 and 2024

### 2. DEPOSITS WITH BOND TRUSTEE – continued

The following table sets forth by level, within the fair value hierarchy, the Project's investments at fair value as of June 30, 2025:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Debt securities				
Repurchase agreement	\$ -	\$ 1,875,150	\$ -	\$ 1,875,150
Total investments by fair value level	\$ -	\$ 1,875,150	\$ -	\$ 1,875,150

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				
Repurchase agreement	\$ -	\$ 1,875,150	\$ -	\$ 1,875,150
Total investments by fair value level	\$ -	\$ 1,875,150	\$ -	\$ 1,875,150

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 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 \$24,476,722 and \$24,125,055 as of June 30, 2025 and 2024, respectively.

Debt securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

# SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO

## Notes to Financial Statements For the Years Ended June 30, 2025 and 2024

### 3. RIGHT TO USE BUILDINGS

Pursuant to GASB 94, the PPP arrangement between MEDCO and the University System of Maryland, the Project has recorded a right to use buildings asset on the accompanying statements of net position. Under GASB 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 is being amortized over 30 years 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, 2025 and 2024 is summarized as follows:

<b>2025</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending balance</b>
Buildings and improvements	\$ 140,245,939	\$ 253,200	\$ (149,180)	\$ 140,349,959
Furnishings and equipment	19,225,467	2,922,968	(2,217,867)	19,930,568
Construction in progress	<u>385,248</u>	<u>(12,077)</u>	<u>-</u>	<u>373,171</u>
	159,856,654	3,164,091	(2,367,047)	160,653,698
Less accumulated amortization:				
Buildings and improvements	(68,136,756)	(3,890,920)	86,346	(71,941,330)
Furnishings and equipment	<u>(12,341,651)</u>	<u>(1,940,328)</u>	<u>2,217,867</u>	<u>(12,064,112)</u>
	<u>(80,478,407)</u>	<u>(5,831,248)</u>	<u>2,304,213</u>	<u>(84,005,442)</u>
Right to use buildings, net	<u>\$ 79,378,247</u>	<u>\$ (2,667,157)</u>	<u>\$ (62,834)</u>	<u>\$ 76,648,256</u>

  

<b>2024</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending balance</b>
Buildings and improvements	\$ 139,952,080	\$ 870,209	\$ (576,350)	\$ 140,245,939
Furnishings and equipment	18,536,260	2,822,987	(2,133,780)	19,225,467
Construction in progress	<u>524,041</u>	<u>(138,793)</u>	<u>-</u>	<u>385,248</u>
	159,012,381	3,554,403	(2,710,130)	159,856,654
Less accumulated amortization:				
Buildings and improvements	(64,650,580)	(3,842,875)	356,699	(68,136,756)
Furnishings and equipment	<u>(12,758,385)</u>	<u>(1,717,046)</u>	<u>2,133,780</u>	<u>(12,341,651)</u>
	<u>(77,408,965)</u>	<u>(5,559,921)</u>	<u>2,490,479</u>	<u>(80,478,407)</u>
Right to use buildings, net	<u>\$ 81,603,416</u>	<u>\$ (2,005,518)</u>	<u>\$ (219,651)</u>	<u>\$ 79,378,247</u>

# SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO

## Notes to Financial Statements For the Years Ended June 30, 2025 and 2024

### 4. LONG-TERM DEBT

Long-term debt consists of the following as of June 30,:

	<u>2025</u>	<u>2024</u>
Bonds payable:		
Series 2016 Serial Bonds bearing interest at rates ranging from 4.00% to 5.00% and maturing from June 1, 2017 through June 1, 2031	\$ 40,545,000	\$ 46,030,000
Series 2016 Term Bonds bearing interest at 5.00% and payable payable in annual sinking fund installments from June 1, 2032 through June 1, 2043	53,035,000	53,035,000
Series 2016 Unamortized issue premium	<u>7,759,517</u>	<u>8,887,937</u>
Total bonds payable	101,339,517	107,952,937
Less current portion	<u>(5,790,000)</u>	<u>(5,485,000)</u>
Bonds payable, less current portion	<u>\$ 95,549,517</u>	<u>\$ 102,467,937</u>

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

In March 2016, the Project issued \$133,595,000 of Series 2016 bonds. Interest on the Series 2016 bonds is payable semiannually on January 1 and July 1 and was approximately \$4,841,000 and \$5,049,000 for 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 Project also recorded a deferred refunding cost of \$2,779,444 in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* (GASB 23). The deferred 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 2016 bonds. In accordance with GASB 65, the deferred advance refunding costs are classified as a deferred outflow of resources on the accompanying statements of net position.

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

## **Notes to Financial Statements For the Years Ended June 30, 2025 and 2024**

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### **4. LONG-TERM DEBT – continued**

Upon issuance and delivery of the Series 2016 bonds, the Project redeemed its outstanding Series 2006 and Series 2008 bonds in the total principal amount of \$150,095,000. Series 2008 Bonds, which were parity bonds with the Series 2006 Bonds, were issued August 28, 2008 for the construction of additional student housing. Interest on the Series 2006 and 2008 bonds was payable semiannually on June 1 and December 1 and aggregated approximately \$3,835,000 for the year ended June 30, 2016. The issue premium and discount were amortized using the effective interest method.

The net proceeds of the Series 2016 issuance, including an original issue premium of \$20,259,482, along with funds from the Series 2006 and Series 2008 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 and 2008 bonds at the time of the redemption.

As a result of the advance refunding of the Series 2006 and Series 2008 bonds the Project decreased its annual debt service payments by approximately \$1,293,000 over the next 27 years and obtained an economic gain of approximately \$20,719,000. The total decrease in aggregate debt service payments from the refunding totals approximately \$34,907,000.

In accordance with the trust indenture, the Project is required to produce a coverage ratio, as defined, of not less than 1.2 as of the last day of each fiscal year. The Project met the coverage ratio as of June 30, 2025 and 2024.

**SOUTH CAMPUS COMMONS AND THE COURTYARDS  
AT UNIVERSITY OF MARYLAND, COLLEGE PARK,  
A PROJECT OF MEDCO**

**Notes to Financial Statements  
For the Years Ended June 30, 2025 and 2024**

**4. LONG-TERM DEBT – continued**

Future payments on the bonds are due as follows as of June 30:

	<u><b>Total</b></u>	<u><b>Principal</b></u>	<u><b>Interest</b></u>
2026	\$ 10,391,800	\$ 5,790,000	\$ 4,601,800
2027	10,474,042	6,110,000	4,364,042
2028	10,556,917	6,500,000	4,056,917
2029	10,665,104	6,935,000	3,730,104
2030	10,756,521	7,375,000	3,381,521
2031-2035	55,250,542	44,390,000	10,860,542
2036-2040	17,096,854	14,435,000	2,661,854
2041-2043	<u>2,238,729</u>	<u>2,045,000</u>	<u>193,729</u>
	127,430,509	93,580,000	33,850,509
Plus unamortized bond premiums	<u>7,759,517</u>	<u>7,759,517</u>	<u>-</u>
	<u><u>\$ 135,190,026</u></u>	<u><u>\$ 101,339,517</u></u>	<u><u>\$ 33,850,509</u></u>

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

	<b>Bonds Payable</b>
Balance June 30, 2023	\$ 114,341,136
Amortization of bond issue premium	(1,188,199)
Principal payments	<u>(5,200,000)</u>
Balance June 30, 2024	107,952,937
Amortization of bond issue premium	(1,128,420)
Principal payments	<u>(5,485,000)</u>
Balance June 30, 2025	<u><u>\$ 101,339,517</u></u>
Due within one year	<u><u>\$ 5,790,000</u></u>

# **SOUTH CAMPUS COMMONS AND THE COURTYARDS AT UNIVERSITY OF MARYLAND, COLLEGE PARK, A PROJECT OF MEDCO**

## **Notes to Financial Statements For the Years Ended June 30, 2025 and 2024**

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### **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 July 31, 2043. Annual rent is defined as net revenues less certain amounts, including, among other items, debt service on the bonds. 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 UMCP, 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. Ground rent expense was \$4,975,561 and \$8,252,351 for the years ended June 30, 2025 and 2024, respectively. Accrued ground rent was \$13,497,507 and \$13,751,864 as of June 30, 2025 and 2024, respectively. Payments toward ground rent are limited to the amount of cash available in the surplus fund as of June 30 of 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 expiration of the lease, the Project shall surrender and deliver up possessions 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 right to use buildings exceed cumulative draws made from the renewal and replacement fund. 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. Additionally, at closing for the 2006 bonds, a leasehold payment of \$680,000 was made to the University for the leasehold interest during the term of the ground lease for the 2006 lease parcel. This payment is being amortized to ground rent expense over the term of the bonds and totaled \$17,934 for the years ended June 30, 2025 and 2024.

The lease provides various conditions and restrictions on the use, operation and maintenance of the Project and provides the State on behalf of UMCP 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.

**SOUTH CAMPUS COMMONS AND THE COURTYARDS  
AT UNIVERSITY OF MARYLAND, COLLEGE PARK,  
A PROJECT OF MEDCO**

**Notes to Financial Statements  
For the Years Ended June 30, 2025 and 2024**

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**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. For the years ended June 30, 2025 and 2024, \$40,000 of deposits were made by MEDCO on behalf of the Project to the operating reserve fund.

**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.