MARYLAND CLEAN ENERGY CENTER

FINANCIAL STATEMENTS

JUNE 30, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Maryland Clean Energy Center's discussion and analysis is presented to assist the reader in focusing on significant financial issues, provide an overview of the Center's financial activity, and identify changes in the Center's financial position. Management encourages the reader to consider Management's Discussion and Analysis (MD&A) of the Center's financial performance in conjunction with the information contained in the Center's financial statements.

Corporation Activity Highlights

The Center had an overall increase in net assets of approximately $1,660,000 for the year ended June 30, 2018.

The Center's revenues in comparison to prior years are as follows:

	2018	2017	2016
Energy savings revenue	$ 1,468,408	$ 1,233,783	$ 1,195,683
Grants	2,195,837	550,671	213,126
Excess energy savings revenue	42,238	46,627	33,434
Project fees	105,000	-	-
Sponsorships	20,895	10,989	25,580
Bond administration	8,000	8,000	14,000
Donations and contributions	261	1,100	-
Interest income	80,199	7	76
Miscellaneous	211	-	76
Default loan revenue	16,743	-	-
	$ 3,937,792	$ 1,851,177	$ 1,481,975

The Center recognized an increase of total grant revenue of approximately $1,645,000 for the year ended June 30, 2018 due to new grant funds allocated from Maryland Energy Innovation Fund and a note in the amount of $1,250,000 from the Maryland Energy Administration that was forgiven.

The Center recognized revenue from energy savings revenue of approximately $1,511,000 for the year ended June 30, 2018 of which approximately $1,468,000 was used to pay the corresponding principal and interest on the outstanding bond balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

Financial Position Summary

Total net assets serve over time as a useful indicator of the Center's financial position. The Center's total assets exceeded liabilities by approximately $92,000 at June 30, 2018.

A condensed summary of the Center's net assets at June 30 are as follows:

	2018	2017	2016
ASSETS			
Current and other assets	$ 17,155,370	$ 196,232	$ 54,992
Capital assets	11,494,239	8,813,701	10,002,947
Total assets	28,649,609	9,009,933	10,057,939
LIABILITIES			
Current liabilities	1,496,011	1,008,400	958,655
Long-term liabilities	27,061,992	9,569,881	10,451,762
Total liabilities	28,558,003	10,578,281	11,410,417
NET ASSETS			
Restricted	-	-	8,628
Unrestricted	91,606	(1,568,348)	(1,361,106)
Total net assets	$ 91,606	$ (1,568,348)	$ (1,352,478)

The largest portion of the Center's assets (96.9% at June 30, 2018) represents its investment in capital assets and related restricted cash held for the purchase of capital assets. The Center uses these assets to administer its daily operations; consequently, these assets are not available for future non-capital spending.

An additional portion of the Center's assets (3.1% at June 30, 2018) represents cash and receivables.

The largest portion of the Center's liabilities (93.2% at June 30, 2018) represent bonds payable used for the acquisition and construction of energy conservation measures (ECMs) implemented on three University System of Maryland campuses. Approximately $950,000 of the bonds payable is due in one year or less and $25,671,000 is due in more than one year.

An additional portion of the Center's liabilities (5.5% at June 30, 2018) consists of a draw down loan used for the construction of ECMs implemented on one University System of Maryland campus.

Financial Operations Highlights

Operating revenues increased 85%, from approximately $617,000 in fiscal year 2017 to approximately $1,139,000 in fiscal year 2018, primarily due to an increase in grants revenue and energy savings revenue.

Total operating expenses increased 25%, from approximately $558,000 in fiscal year 2017 to approximately $699,000 in fiscal year 2018. Expenses increased due to the hiring of additional staff and use of consultants in 2018.

Consequently, net operating income before depreciation increased by approximately $381,000 from fiscal year 2017.

Summary of Changes in Net Assets

	2018	2017	2016
Operating revenues	$ 1,139,185	$ 617,387	$ 286,216
Operating expenses	(698,523)	(557,792)	(768,504)
Excess (deficiency) before depreciation and other non-operating income and expenses	440,662	59,595	(482,288)
Depreciation	(591,922)	(1,189,246)	(597,073)
Excess (deficiency) before other non-operating income and expenses	(151,260)	(1,129,651)	(1,079,361)
Other non-operating income and expenses, net	1,811,213	913,781	683,734
Change in net assets	$ 1,659,954	$ (215,870)	$ (395,627)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

Operating revenues

A summary of operating revenues for the year ended June 30, 2018, and the amount and percentage of change in relation to prior year amounts are as follows:

	2018 Amount	Percent of Total	Increase (Decrease) From 2017	Percent Increase (Decrease)
Grants	$ 945,837	83%	$ 395,166	72%
Excess energy savings revenue	42,238	4%	(4,389)	(9%)
Project fee	105,000	9%	105,000	100%
Sponsor and event revenue	20,895	2%	9,906	90%
Default loan revenue	16,743	1%	16,743	100%
Bond administration revenue	8,000	1%	-	0%
Donations and contributions	261	0%	(839)	(76%)
Miscellaneous	211	0%	211	100%
Total operating revenue	$ 1,139,185	100%	$ 521,798	85%

Expenses

A summary of expenses for the year ended June 30, 2018, and the amount and percentage of change in relation to prior year amounts are as follows:

	2018 Amount	Percent of Total	Increase (Decrease) From 2017	Percent Increase (Decrease)
Operating:				
Salaries	$ 422,184	32.7%	$ 62,895	18%
Fringe benefits	96,464	7.5%	16,238	20%
Consultants	51,109	4.0%	47,771	1431%
Professional fees	45,700	3.5%	16,568	57%
Rent	24,310	1.9%	1,242	5%
Offices expenses	16,942	1.3%	10,019	145%
Informaton and technology	8,307	0.6%	3,416	70%
Miscellaneous	8,265	0.6%	(3,095)	(27%)
Printing and publications	6,270	0.5%	2,222	55%
Conferences and meetings	5,685	0.4%	358	7%
Telephone	5,148	0.4%	294	6%
Travel	3,791	0.3%	1,707	82%
Advertising	2,995	0.2%	(6,259)	(68%)
Dues and subscriptions	1,353	0.1%	643	91%
Purchase of service	-	0.0%	(13,289)	(100%)
Total operating expenses	698,523	54%	140,731	28%
Deprecation and amortization	591,922	46%	(597,324)	(50%)
TOTAL EXPENSES	$ 1,290,445	100%	$ (456,593)	(26%)

Summary of Cash Flow Activities

The following shows a summary of the major sources and uses of cash and cash equivalents for the past three years. Cash equivalents are considered highly liquid investments with an original maturity of three months or less.

	2018	2017
Cash flows from operating activities	$ 779,918	$ (6,698)
Cash flows from investing activities	19,939,321	(8,621)
Cash flows from capital and related financing activities	(3,761,202)	77,527
Net change in cash and cash equivalents	16,958,037	62,208
Cash and cash equivalents Beginning of year	78,206	15,998
End of year	$ 17,036,242	$ 78,206

Financial Statements

The Center's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). The Center is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized (except land) and are depreciated over their useful lives. See the notes to the financial statements for the summary of the Center's significant accounting policies.

MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Maryland Clean Energy Center
Annapolis, Maryland

We have audited the accompanying financial statements of the Maryland Clean Energy Center (an Instrumentality of the State of Maryland) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the ECU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
Maryland Clean Energy Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maryland Clean Energy Center as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 – 5 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 the 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.

Mullen Sondberg Wimbish & Stone

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
September 21, 2018

Maryland Clean Energy Center
STATEMENT OF NET POSITION
June 30, 2018 and 2017

ASSETS

	2018	2017
Cash and cash equivalents	$ 786,969	$ 12,667
Restricted cash	16,249,383	65,539
Accounts receivable	86,262	107,997
Prepaid expenses and deposits	32,756	10,029
Property and equipment, net of accumulated depreciation (Note 3)	11,494,239	8,813,701
Total assets	$ 28,649,609	$ 9,009,933

LIABILITIES

	2018	2017
Accounts payable	$ 13,339	$ 8,561
Other current liabilities and accrued expenses	15,728	65,539
Accrued salaries and benefits	37,850	14,355
Deferred grant revenue	221,934	-
Deferred event revenue	90,041	-
Loan payable -due in one year	167,161	-
Loan payable -due in more than one year	1,391,296	1,250,000
Bonds payable - due in one year (Note 5)	949,958	919,945
Bonds payable - due in more than one year (Note 5)	25,670,696	8,319,881
Total liabilities	28,558,003	10,578,281

NET ASSETS

	2018	2017
Unrestricted	91,606	(1,568,348)
Total liabilities and net assets	$ 28,649,609	$ 9,009,933

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

Maryland Clean Energy Center
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Grants	$ 945,837	$ 550,671
Excess energy savings revenue	42,238	46,627
Project fees	105,000	-
Default loan revenue	16,743	-
Sponsor and event revenue	20,895	10,989
Bond administration revenue	8,000	8,000
Miscellaneous	211	-
Donations and contributions	261	1,100
Total operating revenue	1,139,185	617,387
OPERATING EXPENSES		
Salaries	422,184	359,289
Fringe benefits	96,464	80,226
Consultants	51,109	16,627
Professional fees	45,700	29,132
Rent	24,310	23,068
Offices expenses	23,212	10,971
Informaton and technology	8,307	4,891
Miscellaneous	8,265	11,359
Conferences and meetings	5,685	5,327
Telephone	5,148	4,854
Travel	3,791	2,084
Advertising	2,995	9,254
Dues and subscriptions	1,353	710
Total operating expenses	698,523	557,792
Operating income before depreciation	440,662	59,595
Depreciation and amortization	591,922	1,189,246
Operating loss before non-operating income and (expenses)	(151,260)	(1,129,651)
NON-OPERATING INCOME AND (EXPENSES)		
Energy savings revenue restricted for debt service	1,468,408	1,233,783
Investment income restricted for debt service	80,091	-
Other grant revenue	1,250,000	-
Other investment income	108	7
Loan loss reserve payments	-	(8,628)
Interest expense	(548,462)	(311,381)
Bond issuance costs	(438,931)	-
Total non-operating income	1,811,214	913,781
NET ASSETS		
Change in net assets	1,659,954	(215,870)
TOTAL NET ASSETS, BEGINNING OF YEAR	(1,568,348)	(1,352,478)
TOTAL NET ASSETS, END OF YEAR	$ 91,606	$ (1,568,348)

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

Maryland Clean Energy Center
STATEMENT OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	$ 1,472,895	$ 544,787
Cash paid to suppliers	(197,824)	(117,552)
Cash paid to employees	(495,153)	(433,933)
Net cash provided (used) by operating activities	779,918	(6,698)
CASH FLOWS FROM INVESTING ACTIVITES:		
Issuance of bonds	19,859,230	-
Purchase of defaulted loans	-	(8,628)
Investment income	80,091	7
Net cash provided from investing activities	19,939,321	(8,621)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond issuance costs	(438,931)	-
Energy savings revenue restricted for debt service payments	1,468,408	1,233,783
Interest paid on bonds	(548,462)	(311,381)
Purchase of capital assets	(3,272,461)	-
Restricted cash held for payments on bond payable	(49,811)	65,539
Principal payments on bonds payable	(919,946)	(910,414)
Net cash provided (used) by capital and related financing activities	(3,761,203)	77,527
Net change in cash and cash equivalents	16,958,036	62,208
Cash and cash equivalents, beginning of year	78,206	15,998
Cash and cash equivalents, end of year	$ 17,036,242	$ 78,206
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (151,260)	$ (1,129,651)
Adjustments to reconcile income from operations:		
Depreciation and amortization	591,922	1,189,246
(Increase) decrease in assets:		
Accounts receivable	21,735	(72,600)
Prepid expenses and deposits	(22,727)	(6,432)
Increase (decrease) in liabilities:		
Accounts payable	4,778	7,157
Accrued salaries and benefits	23,495	5,582
Deferred revenue	311,975	-
Net cash provided (used) by operating activities	$ 779,918	$ (6,698)

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

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

The Maryland Clean Energy Center (the Center) is a body politic organized under Maryland State law as an instrumentality of the State of Maryland.

The Center has determined that there are no additional outside agencies that meet the criteria to be included as a component unit in the Center's financial statements. Therefore, the Center does not receive any general fund from the State of Maryland.

The Center is governed by a nine-member Board of Directors. Eight members are appointed by the Governor with the consent of the State.

The Center was established to promote clean energy economic development, foster the deployment of clean energy technologies, promote job growth, analyze and disseminate industry data, and provide technical support to expand the clean energy industry in Maryland.

The Center issues limited-obligation revenue notes to provide capital financing for installation of energy conservation measures (ECMs). The notes are issued in the Center's name for specific third parties. While the Center is the legal owner of the ECMs under the terms of the agreements, the notes are payable solely from the energy savings of the ECMs. Therefore, the holders of the debt have no recourse to other assets of the Center in the event that cash flows from the ECMs are not sufficient to service or pay the debt.

Basis of Accounting

The Center's financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

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 accordingly; actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Budgets and Budgetary Basis

The Center operates under a budget proposed by the Executive Director and approved by the Board of Directors. Budgetary amendments may be approved by the Executive Director and subsequently reported to the Board.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents represent deposits in checking and savings accounts. Short-term investments with maturities of three months or less at date of purchase are classified as cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of excess energy savings revenue described in Note 7 and revenue due from sponsors of the Center's Summit event in October 2018. The Center considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

Property and Equipment

Generally, property and equipment purchases of $2,500 or more are capitalized at cost. Improvements that extend the useful life of existing assets are capitalized. Maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Property and equipment are depreciated on the straight-line method over the estimated useful lives.

Allocation of Expenses

Salaries and fringe benefits are allocated between the various programs based on the employee's prospective department. Other general and administrative expenses are allocated based on the nature and purpose of the expenditure.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to 2018 presentation.

Note 2 - Concentration of Cash Balances

Section 22(a) of Article 95 of the Annotated Code of Maryland stipulates that the Center collateralize deposits in banks in excess of federal deposit insurance. The Center's cash balances at Sandy Spring Bank were included in the master list of public funds that require collateralization. Accordingly, the Center's cash balances were properly insured or collateralized at June 30, 2018.

Note 3 - Property and Equipment

A summary of property and equipment as of June 30, 2018:

	Estimated Lives	June 30, 2018	June 30, 2017
Construction in Progress		$ 3,272,460	$ -
Furniture and equipment	5 - 30 years	11,014,935	11,014,935
		14,287,395	11,014,935
Less accumulated depreciation		(2,793,156)	(2,201,234)
Net Property and equipment		$ 11,494,239	$ 8,813,701

Depreciation expense totaled $591,922 for the year ended June 30, 2018.

Note 4 - Note Payable

The Center entered into two non-interest bearing loans with the Maryland Energy Administration to fund start-up costs. The balance outstanding as of June 30, 2017, was $1,250,000. Effective July 1, 2017, the notes were forgiven and reported as grant revenue for the year ended June 30, 2018.

In February 2018, the Center was issued a taxable revenue note in the amount of $4,665,618. The note is subject to an annual interest rate of 0.20%. Payments of principal and interest begin in February 2019, and payments of principal and interest will commence in September 2019. The bond matures in August 2033. Cumulative interest expense of $176,221 has been capitalized. Bond proceeds in the amount of $1,558,457 have been used for the acquisition and construction of energy conservation measures implemented on University of Maryland, Institute for Bioscience and Biotechnology Research (IBBR) campus. The balance outstanding on the bond as of June 30, 2018, was $1,558,457. The note is payable solely from the energy savings of the shared energy savings agreement described in Note 7 or any residual note funds. Therefore, the holders of the debt have no recourse to other assets of the Center in the event that cash flows from the shared energy savings agreement are not sufficient to service or pay the debt.

Future minimum loan payments are as follows for the years ended June 30:

2019	$ 167,161
2020	369,398
2021	331,211
2022	327,539
2023	312,467
Thereafter	50,682
	$ 1,558,457

Note 5 - Bonds Payable

In December 2012, the Center was issued a tax-exempt revenue note in the amount of $6,188,162. The bond is subject to an annual interest rate of 3.15%. Interest only payments began in January 2013, and payments of principal and interest commenced in August 2014. The bond matures in November 2027. Bond proceeds have been used for the acquisition and construction of energy conservation measures implemented on Coppin State University's campus. Cumulative interest expense of $189,881 has been capitalized. The balance outstanding on the bond as of June 30, 2018 was $4,598,924. The note is payable solely from the energy savings of the shared energy savings agreement described in Note 7 or any residual bond funds. Therefore, the holders of the debt have no recourse to other assets of the Center in the event that cash flows from the shared energy savings agreement are not sufficient to service or pay the debt.

Note 5 - Bonds Payable (Cont.)

In September 2013, the Center was issued a tax-exempt revenue note in the amount of $5,107,855. The bond is subject to an annual interest rate of 3.45%. Interest only payments began in December 2013, and payments of principal and interest commenced in June 2015. The bond matures in December 15, 2024. Cumulative interest expense of $176,221 has been capitalized. Bond proceeds have been used for the acquisition and construction of energy conservation measures implemented on University of Maryland Baltimore County (UMBC) campus. The balance outstanding on the bond as of June 30, 2018, was $3,729,956. The note is payable solely from the energy savings of the shared energy savings agreement described in Note 7 or any residual bond funds. Therefore, the holders of the debt have no recourse to other assets of the Center in the event that cash flows from the shared energy savings agreement are not sufficient to service or pay the debt.

In November 2017, the Center was issued a tax-exempt revenue note in the amount of $18,300,773. The bond is subject to an annual interest rate of 2.60%. Interest only payments began in March 2018, and payments of principal and interest will commence in September 2019. The bond matures in June 2032. Cumulative interest expense of $737,521 has been capitalized. Bond proceeds have been used for the acquisition and construction of energy conservation measures implemented on University of College Park (UMCP)) campus. The balance outstanding on the bond as of June 30, 2018, was $18,300,773. The note is payable solely from the energy savings of the shared energy savings agreement described in Note 7 or any residual bond funds. Therefore, the holders of the debt have no recourse to other assets of the Center in the event that cash flows from the shared energy savings agreement are not sufficient to service or pay the debt.

Bonds payable outstanding are as follows at June 30, 2018:

Tax exempt bond - Coppin State University	$ 4,598,924
Tax exempt bond - UMBC	3,720,956
Tax exempt bond - UMCP	18,300,773
	26,620,653
Less current portion	$ (949,958)
Bonds payable - Long term portion	$ 25,670,695

Note 5 - Bonds Payable (Cont.)

Future minimum loan payments are as follows for the years ended June 30:

2019	$ 949,958
2020	2,177,425
2021	2,241,785
2022	2,307,609
2023	2,375,328
Thereafter	16,568,548
	$ 26,620,654

Total interest expense for the year ended June 30, 2018 was $548,462.

Note 6 - Conduit Debt Obligation

The Center has issued a tax-exempt and taxable revenue note for the acquisition and construction of energy conservation measures implemented at the National Aquarium in Baltimore, Maryland, and deemed to be in the public interest. The note is secured by the property financed and is payable solely from savings received on the underlying energy conservation measures. Upon repayment of the note, ownership of the acquired facilities transfers to the entity served by the bond issuance. The Center is not obligated in any manner for repayment of the note except from the revenues received from the Aquarium under the Shared Energy Savings Agreement. Accordingly, the bond is not reported as a liability in the accompanying financial statements. As of June 30, 2018, the outstanding principal on the debt was approximately $2,983,000.

Note 7 - Shared Energy Savings Agreement and Energy Performance Contract

In December 2012, the Center entered into a shared energy savings agreement with Coppin State University, Inc. and a corresponding Energy Performance Contract (EPC) with an Energy Savings Company (ESCO). The energy performance contract is an agreement with Energy Systems Group, LLC to install the equipment on the University's premises comprised of certain facility renewal and energy efficiency measures and to guarantee certain energy and operational savings. The Center is entitled to approximately 99% of the energy savings, which the University will pay to the Center for project costs including the debt service requirements of the revenue notes described in Note 5.

In September 2013, the Center entered into a shared energy savings agreement with University of Maryland Baltimore County and a corresponding Energy Performance Contract (EPC) with an Energy Savings Company (ESCO). The energy performance contract is an agreement with Noresco, LLC to install the equipment on the University's premises comprised of certain facility renewal and energy efficiency measures and to guarantee certain energy and operational savings. The Center is entitled to approximately 96% of the energy savings, which the University will pay to the Center for project costs including the debt service requirements of the revenue notes described in Note 5.

Note 7 - Shared Energy Savings Agreement and Energy Performance Contract (cont.)

In November 2017, the Center entered into a shared energy savings agreement with University of Maryland, College Park (UMCP) and a corresponding Energy Performance Contract (EPC) with an Energy Savings Company (ESCO). The energy performance contract is an agreement with Constellation NewEnergy Inc. to install the equipment on the University's premises comprised of certain facility renewal and energy efficiency measures and to guarantee certain energy and operational savings. The Center is entitled to approximately 99% of the energy savings, which the University will pay to the Center for project costs including the debt service requirements of the revenue notes described in Note 5.

In February 2018, the Center entered into a shared energy savings agreement with University of Maryland, Institute for Bioscience and Biotechnology Research Project (IBBR) and a corresponding Energy Performance Contract (EPC) with an Energy Savings Company (ESCO). The energy performance contract is an agreement with Siemens, Inc to install the equipment on the University's premises comprised of certain facility renewal and energy efficiency measures and to guarantee certain energy and operational savings. The Center is entitled to approximately 98% of the energy savings, which the University will pay to the Center for project costs including the debt service requirements of the revenue notes described in Note 5

Note 8 - Operating Leases

The Center renewed its lease with the Maryland Municipal League for office space for an additional twelve months on July 1, 2018. The agreement requires monthly payments of $2,127. Rent expense amounted to $24,310 for the year ended June 30, 2018. The Center entered into a five (5) year lease agreement with the University of Maryland, College Park in June 2018 with a start date of January 1, 2019. The agreement requires an initial monthly license fee payment of $2,661 and annual increases of 3%.

Future minimum lease payments are as follows for the years ended June 30:

2019	$	28,730
2020		32,894
2021		33,881
2022		34,897
2023		35,944
Thereafter		18,510
	$	184,857