MARYLAND CLEAN ENERGY CENTER

FINANCIAL STATEMENTS

JUNE 30, 2019

MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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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 $552,000 for the year ended June 30, 2019.

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

	2019	2018	2017
Energy savings revenue	$ 1,212,507	$ 1,468,408	$ 1,233,783
Grants	932,842	2,195,837	550,671
Excess energy savings revenue	37,863	42,238	46,627
Sponsor and event revenue	161,456	20,895	10,989
Project fees	5,000	105,000	-
Bond administration	47,054	8,000	8,000
Donations and contributions	3,257	261	1,100
Interest income	99,239	80,199	7
Default loan revenue	-	16,743	-
Miscellaneous	-	211	-
	$ 2,499,218	$ 3,937,792	$ 1,851,177

The Center recognized an decrease of total grant revenue of approximately $1,263,000 for the year ended June 30, 2019 due to the loan forgiven as a grant during the year ended June 30, 2018 of $1,250,000.

The Center recognized revenue from energy savings revenue of approximately $1,250,370 for the year ended June 30, 2019 of which approximately $1,212,507 was used to pay the corresponding principal and interest on the outstanding bond balances.

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 $644,000 at June 30, 2019.

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

	2019	2018	2017
ASSETS			
Current and other assets	$ 6,259,590	$ 17,155,369	$ 196,232
Capital assets	27,170,699	11,494,240	8,813,701
Total assets	33,430,289	28,649,609	9,009,933
LIABILITIES			
Current liabilities	$ 5,178,891	$ 1,496,012	$ 1,008,400
Long-term liabilities	27,607,350	27,061,991	9,569,881
Total liabilities	32,786,241	28,558,003	10,578,281
NET ASSETS			
Unrestricted	644,048	91,606	(1,568,348)
Total net assets	$ 644,048	$ 91,606	$ (1,568,348)

The largest portion of the Center's assets (81% at June 30, 2019) 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 (19% at June 30, 2019) represents cash and receivables.

The largest portion of the Center's liabilities (52% at June 30, 2019) represent bonds and notes payable used for the acquisition and construction of energy conservation measures (ECMs) implemented on three University System of Maryland campuses. Approximately $2,728,962 of the bonds payable is due in one year or less and $$27,607,350 is due in more than one year.

An additional portion of the Center's liabilities (48% at June 30, 2019) consists of a accounts payable and accrued expenses. Included in other current liabilities is an outstanding construction invoice of approximately $2.2 million.

Financial Operations Highlights

Operating revenues increased 5%, from approximately $1,139,000 in fiscal year 2018 to approximately $1,202,000 in fiscal year 2019, primarily due to an increase in event sponsorship.

Total operating expenses increased 56%, from approximately $699,000 in fiscal year 2018 to approximately $1,093,000 in fiscal year 2019. Expenses increased due to the hiring of additional staff and event expenses.

Consequently, net operating income before depreciation decreased by approximately $332,000 from fiscal year 2018.

Summary of Changes in Net Assets

	2019	2018	2017
Operating revenues	$ 1,201,749	$ 1,139,293	$ 617,387
Operating expenses	(1,093,029)	(698,523)	(557,792)
Excess (deficiency) before depreciation and other non-operating income and expenses	108,720	440,770	59,595
Depreciation	(591,199)	(591,922)	(1,189,246)
Excess (deficiency) before other non-operating income and expenses	(482,479)	(151,152)	(1,129,651)
Other non-operating income and expenses, net	1,034,921	1,811,106	913,781
Change in net assets	$ 552,442	$ 1,659,954	$ (215,870)

Operating revenues

A summary of operating revenues for the year ended June 30, 2019, and the amount and percentage of change in relation to prior year amounts are as follows:

	2019 Amount	Percent of Total	Increase (Decrease) from 2018	Percent Increase (Decrease)
Grants	$ 932,842	78%	$ (12,995)	(1%)
Sponsorship and event revenue	161,456	13%	140,561	673%
Bond administration	47,054	4%	39,054	488%
Excess energy savings revenue	37,863	3%	(4,375)	(10%)
Interest income	14,277	1%	14,169	13119%
Project fees	5,000	0.4%	(100,000)	(95%)
Donations and contributions	3,257	0.3%	2,996	1148%
Miscellaneous	-	0%	(211)	(100%)
Default loan revenue	-	0%	(16,743)	(100%)
	$ 1,201,749		$ 62,456	5%

Expenses

A summary of expenses for the year ended June 30, 2019, and the amount and percentage of change in relation to prior year amounts are as follows:

	2019 Amount	Percent of Total	Increase (Decrease) from 2018	Percent Increase (Decrease)
Operating:				
Salaries	$ 502,042	30%	$ 79,858	19%
Event expenses	142,104	8%	130,086	1082%
Fringe benefits	124,912	7%	28,448	29%
Consultants	127,588	8%	76,479	150%
Office expenses	59,938	4%	43,294	260%
Advertising	34,884	2%	26,692	326%
Professional fees	30,608	2%	(15,093)	(33%)
Rent	28,715	2%	4,405	18%
Conferences and meetings	12,316	1%	6,830	124%
Information and technology	8,158	0%	3,650	81%
Travel	7,616	0%	3,824	101%
Telephone	5,422	0%	274	5%
Printing and publications	5,098	0%	3,487	216%
Dues and subscriptions	3,628	0%	2,275	168%
Total operating expenses	1,093,029	65%	394,509	56%
Depreciation and amortization	591,199	35%	(723)	(0%)
TOTAL EXPENSES	$ 1,684,228	100%	$ 393,786	31%

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.

	2019	2018
Cash flows from operating activities	$ (122,649)	$ 779,918
Cash flows from investing activities	99,239	80,091
Cash flows from capital and related financing activities	(10,857,190)	16,098,027
Net change in cash and cash equivalents	(10,880,600)	16,958,037
Cash and cash equivalents:		
Beginning of year	17,036,243	78,206
End of year	$ 6,155,643	$ 17,036,243

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.

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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, 2019, 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, 2019, 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 18, 2019

Maryland Clean Energy Center
STATEMENT OF NET POSITION
June 30, 2019 and 2018

ASSETS

	2019	2018
Cash and cash equivalents	$ 684,954	$ 786,969
Restricted cash	5,470,689	16,249,383
Accounts receivable	95,271	86,262
Prepaid expenses and deposits	8,676	32,756
Property and equipment, net of accumulated depreciation (Note 3)	27,170,699	11,494,239
Total assets	$ 33,430,289	$ 28,649,609

LIABILITIES AND NET ASSETS

	2019	2018
Accounts payable	46,480	13,340
Accrued salaries and benefits	54,745	37,850
Other current liabilites	2,333,203	15,728
Deferred Grant revenue	-	221,934
Deferred event revenue	15,500	90,041
Loan payable - due in one year (Note 5)	551,537	167,161
Loan payable - due in more than one year (Note 5)	4,114,081	1,391,295
Bonds payable - due in one year (Note 5)	2,177,426	949,958
Bonds payable - due in more than one year (Note 5)	23,493,269	25,670,696
Total liabilities	32,786,241	28,558,003
NET ASSETS		
Unrestricted	644,048	91,606
Total liabilities and net assets	$ 33,430,289	$ 28,649,609

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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Grants	$ 932,842	$ 945,837
Sponsorship and event revenue	161,456	20,895
Bond administration revenue	47,054	8,000
Interest income	14,277	108
Project fees	5,000	105,000
Donations and contributions	3,257	261
Energy savings revenue	37,863	42,238
Defaulted loan revenue	-	16,743
Miscellaneous	-	211
Total operating revenues	1,201,749	1,139,293
OPERATING EXPENSES		
Salaries	502,042	422,184
Event expense	142,104	12,018
Fringe benefits	124,912	96,464
Consultants	127,588	51,109
Office expenses	59,938	16,647
Advertising and Website	34,884	8,192
Professional fees	30,608	45,701
Rent	28,715	24,310
Conferences and meetings	12,316	5,486
Information and technology	8,158	4,508
Travel	7,616	3,792
Printing and publications	5,098	1,611
Telephone	5,422	5,148
Dues and subscriptions	3,628	1,353
Total operating expenses	1,093,029	698,523
Operating income before depreciation	108,720	440,770
Depreciation and amortization	591,199	591,922
Operating loss before non-operating income and (expenses)	(482,479)	(151,152)
NON-OPERATING INCOME AND (EXPENSES)		
Energy savings revenue restricted for debt service	1,212,507	1,468,408
Other investment income	84,962	80,091
Other Grant revenue	-	1,250,000
Interest expense	(262,548)	(548,462)
Bond issuance cost	-	(438,931)
Total non-operating income (expenses)	1,034,921	1,811,106
NET ASSETS		
Change in net assets	552,442	1,659,954
TOTAL NET ASSETS, BEGINNING OF YEAR	91,606	(1,568,348)
TOTAL NET ASSETS, END OF YEAR	$ 644,048	$ 91,606

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

Maryland Clean Energy Center
STATEMENT OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	$ 881,988	$ 1,472,895
Cash paid to suppliers	(533,767)	(197,824)
Cash paid to employees	(470,870)	(495,153)
Net cash used by operating activities	(122,649)	779,918
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	99,239	80,091
Net cash used by investing activities	99,239	80,091
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Issuance of bonds and other long term debt	3,107,162	19,859,230
Bond issuance costs	-	(438,931)
Energy savings revenue restricted for debt service payments	1,212,507	1,468,408
Interest paid on bonds	(262,548)	(548,462)
Purchase of capital assets	(14,246,479)	(3,272,461)
Restricted cash held for payments on bond payable	282,127	(49,811)
Principal payments on long-term debt	(949,959)	(919,946)
Net cash provided (used) by capital and related financing activities	(10,857,190)	16,098,027
Net change in cash and cash equivalents	(10,880,600)	16,958,037
Cash and cash equivalents, beginning of year	17,036,243	78,206
Cash and cash equivalents, end of year	$ 6,155,643	$ 17,036,243
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (482,479)	$ (151,260)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation & amortization	591,199	591,922
(Increase) decrease in assets:		
Accounts receivable	(9,009)	21,735
Prepaid expenses and deposits	24,080	(22,727)
Increase (decrease) in liabilities:		
Accounts payable	33,140	4,778
Accrued salaries and benefits	16,895	23,495
Deferred revenue	$ (296,475)	311975
Net cash used by operating activities	$ (122,649)	$ 779,918

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. 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 2018 financial statements to conform to 2019 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, 2019.

Note 3 - Property and Equipment

A summary of property and equipment as of June 30, 2019 and 2018:

	Estimated	June 30,	
	Lives	2018	2017
Construction in Progress		19,538,053.33	$ 3,272,460
Furniture and equipment	5 - 30 years	10,988,031	11,014,935
		30,526,084	14,287,395
Less accumulated depreciation		(3,355,385)	(2,793,156)
Net Property and equipment		$ 27,170,699	$ 11,494,239

Depreciation expense totaled $591,199 and $591,922 for the years ended June 30, 2019 and 2018.

Note 4 - Note Payable

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 June, 2019, and matures in August 2033. Proceeds 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, 2019, was $4,665,618 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:

2020	$ 527,769
2021	323,112
2022	320,083
2023	305,652
2024	297,185
Thereafter	2,891,817
	$ 4,665,618

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, 2019 was $4,170,469. 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, 2019, was $3,199,453. 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, 2019, 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, 2019:

Tax exempt bond - Coppin State University	$	4,170,469
Tax exempt bond - UMBC		3,199,453
Tax exempt bond - UMCP		18,300,773
		25,670,695
Less current portion	$	(2,177,425)
Bonds payable - Long term portion	$	23,493,270

Note 5 - Bonds Payable (Cont.)

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

2020	$	2,177,425
2021		2,241,785
2022		2,307,609
2023		2,375,328
2024		2,444,143
Thereafter		14,124,405
	$	25,670,695

Total interest expense for the year ended June 30, 2019 was $262,548.

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 finances 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, 2019 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 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:

2020	$	32,894
2021		33,881
2022		34,897
2023		35,944
2024		18,510
	$	156,127

Note 9 - Related Party Transactions

The Center maintains an agreement with the Maryland Environmental Service to provide administrative and operational support services for the Center. The employees performing the services for the Center were Maryland Environmental Service employees. Under the Memorandum of Understanding, the Center reimburses the Maryland Environmental Service for services rendered by Maryland Environmental Service employees to the Center.

Note 10 - Subsequent Events

The Center has evaluated the impact of significant events. No significant subsequent events have been identified through September 18, 2019, the date the Organizations' financial statements were available to be issued, that require recognition or disclosure.