MARYLAND CLEAN ENERGY CENTER

FINANCIAL STATEMENTS

JUNE 30, 2015

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 decrease in net assets of approximately $292,000 for the year ended June 30, 2015.

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

	2015	2014
Sponsorships	$ 171,474	$ 171,518
Energy savings revenue	1,264,012	178,732
Bond issuance proceeds	-	35,000
Bond administration	6,000	
Grants	275,000	10,000
Miscellaneous	-	9,923
Interest income	1,000	2,871
Donations and contributions	650	40

The Center recognized a net increase of total grant revenue of approximately $265,000 for the year ended June 30, 2015 due to being awarded a grant from Town Creek Foundation for a Green bank study..

The Center had a decrease in sponsorships and partnerships from local businesses to fund other initiatives. There was a decrease in these sponsorships and partnerships of approximately $50 for the year ended June 30, 2015.

The Center recognized revenue from energy savings revenue of approximately $1,264,012 for the year ended June 30, 2015 of which $1,123,957 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 liabilities exceeded assets by approximately $460,000 at June 30, 2015.

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

	2015	2014
ASSETS		
Current and other assets	$ 1,264,214	$ 3,492,889
Capital assets	10,600,020	8,448,055
Total assets	11,864,234	11,940,944
LIABILITIES		
Current liabilities	986,505	1,410,765
Long-term liabilities	11,338,305	10,698,272
Total liabilities	12,324,810	12,109,037
NET ASSETS		
Restricted	399,771	5,018,606
Unrestricted	(860,347)	(5,186,699)
Total net assets	$ (460,576)	$ (168,093)

The largest portion of the Center's assets (92% at June 30, 2015) represents its investment in capital assets. The Center uses these assets to administer its daily operations; consequently, these assets are not available for future spending.

An additional portion of the Center's assets (6% at June 30, 2015) represents restricted and unrestricted cash. As of June 30, 2015, the Center had approximately $214,000 of restricted cash and approximately $515,000 of unrestricted cash.

The largest portion of the Center's liabilities (88% at June 30, 2015) represent bonds payable used for the acquisition and construction of energy conservation measures (ECMs) implemented on two State of Maryland University campuses. Approximately $860,000 of the bonds payable is due in one year or less and $10,138,000 is due in more than one year.

An additional portion of the Center's liabilities (11% at June 30, 2015) consists of a non-interest bearing loan agreement the Center entered into with the Maryland Energy Administration to fund startup costs. $50,000 of the note is due in one year or less and $1,200,000 due in more than one year.

Financial Operations Highlights

Operating revenues increased 159%, from approximately $229,000 in fiscal year 2014 to approximately $594,000 in fiscal year 2015, primarily due to an increase in energy savings revenue, bond issuance and grants revenue.

Total operating expenses increased 22%, from approximately $698,000 in fiscal year 2014 to approximately $849,000 in fiscal year 2015.

Consequently, net operating loss before depreciation decreased by approximately $50,000 from fiscal year 2014. There was approximately $5,110,000 of property and equipment acquisitions in fiscal year 2015 as a result of entering into a shared energy savings agreement with a Maryland university.

Summary of Changes in Net Assets

	2015	2014
Operating revenues	$ 594,179	$ 229,352
Operating expenses	(848,719)	(698,299)
Excess (deficiency) before depreciation and other non-operating income and expenses	(254,540)	(468,947)
Depreciation	(356,045)	(64,689)
Excess (deficiency) before other non-operating income and expenses	(610,585)	(533,636)
Other non-operating income and expenses, net	318,102	(730,810)
Change in net assets	$ (292,483)	$ (1,264,446)

<u>Revenues</u>

A summary of operating revenues for the year ended June 30, 2015, and the amount and percentage of change in relation to prior year amounts are as follows:

	2015 Amount	Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease)
Sponsorships	$ 171,474	29%	$ (44)	(0%)
Energy savings revenue	140,055	24%	140,055	100%
Bond issuance revenue	6,000	1%	(29,000)	100%
Grants	275,000	46%	265,000	100%
Miscellaneous	-	0%	(9,923)	100%
Interest income	1,000	0%	(1,871)	(65%)
Donations and contributions	650	0%	610	1525%
Total operating revenue	$ 594,179	100%	$ 364,827	

Expenses

A summary of expenses for the year ended June 30, 2015, and the amount and percentage of change in relation to prior year amounts are as follows:

	2015 Amount	Percent of Total	Increase (Decrease) from 2014	Percent Increase (Decrease)
Operating:				
Salaries	$ 374,861	31%	$ 42,398	13%
Conferences and meetings	65,563	5%	(23,728)	(27%)
Fringe benefits	95,417	8%	6,148	7%
Information and technology	28,943	2%	(10,912)	100%
Professional fees	57,697	5%	21,419	59%
Office expenses	40,115	3%	10,585	36%
Advertising	40,629	3%	13,560	50%
Rent	21,000	2%	500	2%
Miscellaneous	19,832	2%	4,786	32%
Telephone	4,551	0%	(1,401)	(24%)
Printing and publications	773	0%	(3,785)	(83%)
Travel	4,549	0%	1,631	56%
Grant awards	88,764	7%	86,264	100%
Consultants	5,170	0%	2,720	111%
Dues and subscriptions	855	0%	235	38%
Total operating expenses	848,719	70%	150,420	
Depreciation and amortization	356,045	30%	291,356	100%
TOTAL EXPENSES	$ 1,204,764	100%	$ 441,776	

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.

	2015	2014
Cash flows from operating activities	$ (488,684)	$ (512,722)
Cash flows from investing activities	(2,758,324)	(6,736,107)
Cash flows from capital and related financing activities	650,556	4,494,713
Net change in cash and cash equivalents	(2,596,452)	(2,754,116)
Cash and cash equivalents:		
Beginning of year	3,324,930	6,079,046
End of year	$ 728,478	$ 3,324,930

The Center disbursed approximately $249,000 in interest rate subsidies for the Maryland Home Energy Loan Program.

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.

Maryland Home Energy Loan Program

The Maryland Home Energy Program (MHELP) was developed to provide innovative energy efficient financing for Maryland property owners. The program is a partnership between the Maryland Energy Administration and the Center with support from the U.S. Department of Energy. The initiative uses private capital for energy efficiency investment and encourages Marylander's to invest in their homes to reduce energy bills, support economic development and job creation, and minimize environmental impact. The center ceased providing loans under this program during the fiscal year ended June 30, 2014.

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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 Maryland Clean Energy Center (an Instrumentality of the State of Maryland) which comprise the statement of net assets as of June 30, 2015, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 11 to the financial statements. The Center incurred a net operating loss of approximately $254,000 and has a working capital deficit of approximately $500,000. The Center must depend on a new potential loan or grant from Maryland Energy Administration to meet the cash flow demands expected for fiscal year 2016. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 6 is 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 30, 2015

Maryland Clean Energy Center
STATEMENT OF NET ASSETS
June 30, 2015

ASSETS

	2015	2014
Cash and cash equivalents	328,707	$ 38,360
Restricted cash	399,771	3,286,570
Accounts receivable	140,055	10,792
Prepaid expenses and deposits	14,690	1,667
Property and equipment, net of accumulated depreciation (Note 3)	10,600,020	8,448,055
Bond issuance costs net of accumulated amortization (Note 4)	380,991	155,500
Total assets	$ 11,864,234	$ 11,940,944

LIABILITIES AND NET ASSETS

	2015	2014
Accounts payable	$ 45,100	$ 135,865
Accrued salaries and benefits	31,437	32,530
Deferred revenue	-	-
Note payable - due in one year (Note 5)	50,000	50,000
Bonds payable - due in one year (Note 6)	859,968	592,370
Note payable - due in more than one year (Note 5)	1,200,000	300,000
Bonds payable - due in more than one year (Note 6)	10,138,305	10,998,272
Total liabilities	12,324,810	12,109,037
Restricted	399,771	5,018,606
Unrestricted	(860,347)	(5,186,699)
Total net assets	(460,576)	(168,093)
Total liabilities and net assets	$ 11,864,234	$ 11,940,944

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

Maryland Clean Energy Center
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Years Ended June 30, 2015

	2015	2014
OPERATING REVENUES		
Sponsorships	$ 171,474	$ 171,518
Energy savings revenue	140,055	
Bond issuance proceeds	6,000	35,000
Grants	275,000	10,000
Miscellaneous	-	9,923
Interest income	1,000	2,871
Donations and contributions	650	40
Total operating revenues	594,179	229,352
OPERATING EXPENSES		
Salaries	374,861	332,463
Conferences and meetings	65,563	89,291
Fringe benefits	95,417	89,269
Information and technology	28,943	39,855
Professional fees	57,697	36,278
Office expenses	40,115	29,530
Advertising	40,629	27,069
Rent	21,000	20,500
Miscellaneous	19,832	15,046
Telephone	4,551	5,952
Printing and publications	773	4,558
Travel	4,549	2,918
Grant awards	88,764	2,500
Consultants	5,170	2,450
Dues and subscriptions	855	620
Total operating expenses	848,719	698,299
Operating loss before depreciation	(254,540)	(468,947)
Depreciation and amortization	356,045	64,689
Operating loss before non-operating income and (expenses)	(610,585)	(533,636)
NON-OPERATING INCOME AND (EXPENSES)		
Other investment income	63	30
Energy savings revenue restricted for debt service	1,123,957	178,732
Interest expense	(531,588)	(48,732)
Loss on disposal of fixed assets	-	(3,073)
Loan loss reservve payments	(24,886)	
Interest rate subsidy	(249,444)	(857,767)
Total non-operating income and (expenses)	318,102	(730,810)
NET ASSETS		
Change in net assets	(292,483)	(1,264,446)
TOTAL NET ASSETS, BEGINNING OF YEAR	(168,093)	1,096,353
TOTAL NET ASSETS, END OF YEAR	$ (460,576)	$ (168,093)

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

Maryland Clean Energy Center
STATEMENT OF CASH FLOWS
Years Ended June 30, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	$ 464,916	$ 188,156
Cash paid to suppliers	(483,322)	(280,762)
Cash paid to employees	(470,278)	(420,116)
Net cash used by operating activities	(488,684)	(512,722)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on issuance of bond	(228,491)	(85,000)
Purchase of capital assets, net of borrowings	(2,505,010)	(6,651,137)
Purchase of defaulted loans	(24,886)	-
Investment income	63	30
Net cash used by investing activities	(2,758,324)	(6,736,107)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest rate subsidy payments	(249,444)	(857,767)
Energy Savings revenue restricted for debt service payments	1,123,957	178,732
Interest paid on bonds	(531,588)	(48,732)
Principal payments on note payable	-	(50,000)
Proceeds from notes payable	900,000	-
Proceeds from issuance of bonds	-	5,402,480
Principal payments on bond payable	(592,369)	(130,000)
Net cash provided by capital and related financing activities	650,556	4,494,713
Net change in cash and cash equivalents	(2,596,452)	(2,754,116)
Cash and cash equivalents, beginning of year	3,324,930	6,079,046
Cash and cash equivalents, end of year	$ 728,478	$ 3,324,930
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (610,585)	$ (533,636)
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation & amortization	356,045	64,689
(Increase) decrease in assets:		
Accounts receivable	(129,263)	(10,692)
Prepaid expenses and deposits	(13,023)	-
Increase (decrease) in liabilities:		
Accounts payable	(90,765)	(4,195)
Accrued salaries and benefits	(1,093)	1,616
Deferred revenue	-	(30,504)
Net cash used by operating activities	$ (488,684)	$ (512,722)

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 an instrumentality of the State of Maryland established by the State of Maryland through the passage of House Bill 1337 in the 2008 session of legislature.

The Center is a public body politic and corporate 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 Board of nine members. Eight of the members are appointed by the Governor with the consent of the State Senate. The ninth member of the Board is the Executive Director who is appointed by the Board.

Actual operations began in December of 2008 with the appointment of the Board members. The Executive Director was appointed effective June 1, 2009.

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 the State of 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.

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

Basis of Presentation

The accompanying financial statements, which are all business type activities, present the financial position and results of operations of all the Center's activities. In preparing its financial statements, the Center has adopted paragraph 6 of GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* under which the Center has applied only the applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

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.

Budgets and Budgetary Basis

The Center operates under a budget proposed by the Executive Director and approved by the Board of Directors. Budgetary amendment may be approved by the Executive Director which is later 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.

Loans Receivable

Loans receivable are recorded net of estimated uncollectible amounts.

Loans receivable are considered impaired when the loan is classified as substandard or below in accordance with the Center's credit policies and/or have been placed on non-accrual status. Loan classifications are based on management's assessment of the financial condition of the borrower and the value of collateral supporting the loan. During the year ended June 30, 2013 the Center sold the outstanding loan portfolio to a financial institution.

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

Property and Equipment

Generally, property and equipment purchases of $500 or more are capitalized at cost. Improvements, which extend the useful life of existing assets, are capitalized. Maintenance and repairs, which 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 2014 financial statements to conform to 2015 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 if federal deposit insurance. The Center's cash balances at Sun Trust 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, 2015.

Note 3 - Property and Equipment

A summary of property and equipment as of June 30, 2015:

	Estimated Lives	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015
Furniture and equipment	5 - 7 years	$ 6,134,382	$ 5,109,044	$ -	$ 11,243,426
Construction in progress	-	2,373,535	-	(2,373,535)	-
Less accumulated depreciation		(59,862)	(355,053)	-	(414,915)
		$ 8,448,055	$ 4,753,991	$ (2,373,535)	$ 10,828,511

Depreciation expense totaled $356,045 for the year ended June 30, 2015.

Note 4 - Bond Issuance Costs

In conjunction with bond issuances (see Note 6), bond issuance costs of $$380,991 have been capitalized as deferred assets and are being amortized over the life of the bond (25 years) using the straight-line method. Total amortization expense for the year ended June 30, 2015 was $3,000. Accumulated amortization as of June 30, 2015 was $7,500.

Note 5 - Note Payable

The Center has entered into two non-interest bearing loan with the Maryland Energy Administration to fund start-up costs. The Maryland Energy Administration granted to postpone repayment of the loans until fiscal year 2014. The balance of $1,060,000 was outstanding as of June 30, 2015.

The following changes occurred in the noncurrent liabilities of the Center for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Repayments	Balance June 30, 2015
MD Energy Administration	$ 350,000	$ 760,000	$ (50,000)	$ 1,060,000

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

Year Ending June 30:	
2016	$ 50,000
2017	88,000
2018	126,000
2019	126,000
2020	126,000
Thereafter	544,000
	$ 1,060,000

Note 6 - 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 principle and interest are set to commence August 2014. The bond matures in November 2027. Bond proceeds have been used for the acquisition and construction of energy conservation measures implemented on a State of Maryland University campus. Cumulative interest expense of $189,881 has been capitalized. The balance outstanding on the bond as of June 30, 2015 was $5,814,765. The note is payable solely from the energy savings of the shared energy savings agreement described in Note 8 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 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 principle and interest are set to commence June 2015. The bond matures in December 15, 2024. As of June 30, 2015 bond proceeds in the amount of $228,491 have been used for the acquisition and construction of energy conservation measures implemented on a State of Maryland University campus. Cumulative interest expense of $176,221 has been capitalized. The balance outstanding on the bond as of June 30, 2015 was $5,029,861. The note is payable solely from the energy savings of the shared energy savings agreement described in Note 8 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 December 2012, the Center was issued a non-tax-exempt revenue note in the amount of $130,000. The bond is subject to an annual interest rate of 3.15%. Proceeds from the bond were retained by the Center. Payments of principle and interest are set to commence April 2014. The bond was paid off in August 2014. The note is payable solely from the energy savings of the shared energy savings agreement described in Note 8 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 September 2013, the Center was issued a non-tax-exempt revenue note in the amount of $294,625. The bond is subject to an annual interest rate of 2.8%. Proceeds from the bond were retained by the Center. Payments of principle and interest are set to commence April 2014. Bond proceeds in the amount of $75,000 have been used to pay the costs of issuance. The bond matures in December 2015. The balance outstanding on the bond as of June 30, 2015 was $153,645. The note is payable solely from the energy savings of the shared energy savings agreement described in Note 8 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 6 - Bonds Payable (Cont.)

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

2016	$	859,968
2017		898,478
2018		919,945
2019		949,958
2020		980,953
Thereafter		6,388,968
	$	10,998,272

Note 7 - 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, 2015 the outstanding principal amount of approximately $3,400,000.

Note 8 - Shared Energy Savings Agreement and Energy Performance Contract

On December 6, 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 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 to cover the debt service requirements of the revenue notes described in Note 6.

On 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 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 to cover the debt service requirements of the revenue notes described in Note 6.

Note 9 - Operating Leases

The Center entered into a month to month lease agreement in December 2013. The agreement requires monthly payments of $1,667. Rent expense under this agreement amounted to approximately $$21,000for the year ended June 30, 2015.

Note 10 - Restricted Net Assets

Restricted net assets consist of the following at June 30, 2015:

MHELP loan program cash	$	213,535
Unspent grant funds		186,236
	$	399,771

Note 11 - 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 12 - Going Concern

The Center incurred a net operating loss of approximately $254,000 and has a working capital deficit of approximately $500,000. The Center must depend on a new potential loan from Maryland Energy Administration to meet the cash flow demands expected for fiscal year 2015. Management has cut staff expenditures and has received verbal approval for additional financing from the Maryland Energy Administration in order to meet the working capital demands needed to operate. Management also has several bond financing projects in process that will provide additional revenue and cash flows. The Center's ability to continue as a going concern relies on the success of this plan.

Note 13 - Subsequent Events

The Center has evaluated the impact of significant subsequent events. There have been no subsequent events through September 30, 2015, the date the Center's financial statements were available to be issued, that require recognition or disclosure.