MARYLAND
CLEAN ENERGY CENTER

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

As of and for the Years Ended June 30, 2025 and 2024

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

The Maryland Clean Energy Center's ("MCEC or the "Center") Management's Discussion and Analysis (MD&A) 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 the information presented in the MD&A in conjunction with the information contained in the Center's financial statements and accompanying notes.

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 ("U.S. GAAP"). 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.

MCEC's Activity Highlights

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

	2025	2024	2023
Leases	$ 3,625,160	$ 2,721,112	$ 1,523,730
Grants	1,295,510	570,224	256,527
Consulting and other services	459,574	234,196	354,116
Energy savings	40,027	53,645	40,027
Project fees	-	-	5,000
Other	46,722	5,720	26,047
Sponsor and event	312,027	189,079	56,395
Bond administration	31,041	27,447	35,285
Donations and contributions	5,000	38,500	38,500
	$ 5,815,061	$ 3,839,923	$ 2,335,627

The Center issues limited-obligation revenue notes to provide capital financing for installation of energy conservation measures ("ECMs"). The Center accounts for the agreements, in accordance with GASB Statement No. 87, *Leases* (GASB 87), related to shared energy savings with Coppin State University (Coppin), University of Maryland Baltimore County (UMBC), University of Maryland College Park (UMCP), University of Maryland, Institute for Bioscience and Biotechnology Research (IBBR) and Morgan State University (MSU), in which the Center is the lessor and receives guaranteed dollar savings amounts over the course of several measurement years, as defined within each agreement. GASB 87 requires lessors to present a lease receivable and deferred inflow of resources on the statement of net position.

Financial Position Summary

The statements of net position present information on the Center's assets, liabilities, and deferred inflows of resources, with the difference presented as net position. The Center's assets exceeded liabilities by approximately $42,300,000 and $37,403,000 as of June 30, 2025 and 2024, respectively. A condensed summary of the Center's financial position as of June 30 is as follows:

	2025	2024	2023
Current and other assets	$ 25,008,164	$ 15,553,738	$ 11,434,225
Other non-current assets	13,605,940	15,984,618	6,005,472
Net right-of-use assets and capital assets	29,452,326	34,069,478	33,806,769
Total assets	68,066,430	65,607,834	51,246,466
Current liabilities	4,750,662	4,568,160	8,328,707
Non-current liabilities	21,015,804	23,636,703	26,768,542
Total liabilities	25,766,466	28,204,863	35,097,249
Deferred inflow of resources	23,737,515	26,754,040	14,036,267
Net investment in capital assets	5,498,142	7,295,282	3,653,676
Restricted	18,355,853	8,801,700	51,700
Unrestricted	(5,291,546)	(5,448,051)	(1,592,426)
Total net position	$ 18,562,449	$ 10,648,931	$ 2,112,950

The largest portion of the Center's assets (67%, 69% and 75% as of June 30, 2025, 2024 and 2023, respectively) represents its net right-of-use asset and capital assets and restricted cash held for the purchase of capital assets and investments to be made through the Climate Catalytic Capital Fund and Climate Technology Founders Fund (Note 1). These assets are restricted in their use and are therefore not available for daily operations or future non-capital spending. The increase in current and other assets is due primarily to an increase in accounts receivable and restricted cash. The increase in accounts receivable is attributable to funds due from Maryland Energy Administration totaling $5,000,000 that were collected subsequent to year-end. The increase in restricted cash is due to appropriations totaling $5,000,000 for the Climate Catalytic Capital Fund which were received in the current fiscal year.

An additional portion of the Center's assets (33%, 31% and 25% as of June 30, 2025, 2024 and 2023, respectively) represents cash and cash equivalents, accounts receivable and leases receivable.

Financial Position Summary – continued

The largest portion of the Center's liabilities (92%, 95% and 86% as of June 30, 2025, 2024 and 2023, respectively) represent bonds and notes payable used for the acquisition and construction of ECM's implemented on five University System of Maryland campuses. As of June 30, 2025, approximately $2,872,000 of the bonds and note payable is due in one year or less and $20,765,000 is due in more than one year. As of June 30, 2024, approximately $3,114,000 of the bonds and note payable is due in one year or less and $23,637,000 is due in more than one year. As of June 30, 2023, approximately $3,350,000 of the bonds and note payable is due in one year or less and $26,750,000 is due in more than one year.

An additional portion of the Center's liabilities (8%, 5% and 14% as of June 30, 2025, 2024 and 2023, respectively) represents advances from third parties, which are non-interest bearing and are to be repaid or utilized in future years, accounts payable and accrued expenses, accrued salaries and benefits, and financial liabilities resulting from the office space lease agreement.

Deferred inflow of resources represents rents and fees collected in advance under the shared energy services agreements.

Financial Operations Highlights

	2025	2024	2023
Operating revenues	$ 5,815,061	$ 3,839,923	$ 2,335,627
Operating expenses	(8,034,678)	(5,043,571)	(2,721,617)
Operating loss	(2,219,617)	(1,203,648)	(385,990)
Non-operating revenues and expenses, net	10,133,135	9,739,629	678,797
Change in net position	$ 7,913,518	$ 8,535,981	$ 292,807

The results for the year ended June 30, 2025 are as follows:

- Operating loss increased by 84% from a loss of approximately $1,204,000 in the fiscal year ended June 30, 2024 to a loss of approximately $2,220,000 in fiscal year ended June 30, 2025 due to a 51% increase in revenues and a 59% increase in expenses. A greater percentage of MCEC's operating expenses are being funded by Federal and State grants and appropriations which are reported as non-operating revenues and increased by 4%, or approximately $394,000, during the year ended June 30, 2025, primarily due to the Climate Catalytic Capital ("C3") Fund, Climate Technology Founders Fund, and Maryland Energy Administration – Solar for All (Note 1).

Financial Operations Highlights – continued

- Operating revenues increased by approximately $1,975,000 primarily due to an increase in leases revenues from the shared energy services agreement for UMCP (Note 8). Grant revenues increased by approximately $654,000, primarily due to the Center being awarded the Solar for All grant by the U.S. Environmental Protection Agency during the current year. Additional growth in grant funding resulted from the renewal of the State Wood Energy Grant and increased support from the Federal USDA REAP, U.S. Energy Foundation, and EDA Build to Scale programs. These increases were largely driven by the hiring of a Grants Administrator & Compliance Officer.

- Operating expenses increased by approximately $2,991,000 due primarily to an increase in Federal and State grant expenses from grants received in 2025, an increase in salaries and fringe expenses resulting from the addition of staff managing Federal grants, as well as an increase in depreciation expense due to capital assets related to UMCP energy conservation measures (ECMs) being placed into service during December 2023 of the previous year.

- Non-operating revenues increased by approximately $2,286,000, primarily due to $5,000,000 received from the Maryland Energy Administration under the EPA Solar For All program. This was partially offset by a $3,750,000 decrease in funding from the Climate Catalytic Capital Fund. Non-operating expenses increased by approximately $1,892,000 primarily due to a loss of $2,075,000 on disposal of the UMBC equipment due to the bonds maturing in December 2024 (Note 8).

The results for the year ended June 30, 2024 are as follows:

- Operating loss increased by 212% from a loss of approximately $386,000 in the fiscal year ended June 30, 2023 to a loss of approximately $1,204,000 in fiscal year ended June 30, 2024 due to an 64% increase in revenues and a 85% increase in expenses. A greater percentage of MCEC's operating expenses are being funded by Federal and State grants and appropriations which are reported as non-operating revenues and increased by 1,335%, or approximately $9,100,000, during the year ended June 30, 2024, primarily due to the Climate Catalytic Capital ("C3") Fund (Note 1).

- Operating revenues increased by approximately $1,504,000 primarily due to an increase in leases revenues from the shared energy services agreement for UMCP (Note 8). Grants revenues increased as a result of the renewal of the State Wood Energy Grant as well as an increase in the Federal USDA REAP, US Energy Foundation and EDA Build to Scale grants, largely as a result of hiring a Grants Administrator & Compliance Officer.

- Operating expenses increased by approximately $2,321,000 due primarily to an increase in Federal and State grant expenses from grants received in 2024, an increase in salaries and fringe expenses resulting from the addition of a senior director of finance, lending program manager and grant administrator and compliance manager as well as an increase in depreciation expense due to capital assets related to UMCP energy conservation measures (ECMs) being placed into service as well as increased expenses related to the Clean Energy Advantage (CEA) loan program.

Operating Revenues

A summary of operating revenues for the year ended June 30, 2025, and the amount and percentage of change in relation to prior year amounts are as follows:

	For the Year Ended June 30, 2025	Percent of Total	Increase (Decrease) from 2024	Percent Increase (Decrease)
Leases	$ 3,625,160	62%	$ 904,048	33%
Grants	1,295,510	22%	725,286	127%
Consulting and other services	459,574	8%	225,378	96%
Energy savings	40,027	1%	(13,618)	-25%
Other	46,722	1%	41,002	717%
Sponsor and events	312,027	5%	122,948	65%
Bond administration	31,041	1%	3,594	13%
Donations and contributions	5,000	0%	(33,500)	-87%
	$ 5,815,061	100%	$ 1,975,138	51%

A summary of operating revenues for the year ended June 30, 2024, and the amount and percentage of change in relation to prior year amounts are as follows:

	For the Year Ended June 30, 2024	Percent of Total	Increase (Decrease) from 2023	Percent Increase (Decrease)
Leases	$ 2,721,112	71%	$ 1,197,382	79%
Grants	570,224	15%	313,697	122%
Consulting and other services	234,196	6%	(119,920)	-34%
Energy savings	53,645	1%	13,618	34%
Project Fees	-	0%	(5,000)	-100%
Other	5,720	0%	(20,327)	-78%
Sponsor and events	189,079	5%	132,684	235%
Bond administration	27,447	1%	(7,838)	-22%
Donations and contributions	38,500	1%	-	0%
	$ 3,839,923	100%	$ 1,504,296	64%

Operating Expenses

A summary of expenses for the year ended June 30, 2025, and the amount and percentage of change in relation to prior year amounts are below.

	For the Year Ended June 30, 2025	Percent of Total	Increase (Decrease) from 2024	Percent Increase (Decrease)
Operating:				
Salaries	$ 1,513,807	19%	$ 513,973	51%
Fringe benefits	287,597	4%	(12,580)	-4%
Grant program expenses	2,025,379	25%	1,470,661	265%
Professional fees	412,262	5%	(15,274)	-4%
Contracted services	132,367	2%	(170,442)	-56%
Advertising	67,162	1%	34,769	107%
Office expenses	54,847	1%	8,321	18%
Event expenses	255,622	3%	111,963	78%
Information technology	15,865	0%	(7)	0%
Telephone	10,111	0%	(465)	-4%
Dues and subscriptions	6,798	0%	(5,057)	-43%
Outreach and education	41,870	1%	41,870	100%
Travel, meetings and conferences	38,076	0%	(4,779)	-11%
Parking	-	0%	(4,375)	-100%
Professional development and training	3,646	0%	633	0%
Cohort expenses	238,725	3%	9,397	4%
Total operating expenses	$ 5,104,134	64%	$ 1,978,608	63%
Depreciation and amortization	2,930,544	36%	1,012,499	53%
Total expenses	$ 8,034,678	100%	$ 2,991,107	59%

The largest share of MCEC's operating expense include grant program expenses and personnel salaries and fringe benefits for the operation of programs and initiatives, including those previously mentioned Federal and State grant funded activities. Paid annual, personal, holiday and sick leave are accounted as expenses in the fringe benefits category. The year over year increase in operating expenses of approximately 63% is due largely to additional hires during fiscal year 2025 to support the Center's activity and programmatic efforts funded through Federal and State appropriations and grants.

In fiscal year 2025, the Center added four federal grant positions, a Senior Manager of Partnerships & Communication, and two administrative support positions. MCEC also restructured the finance division with the addition of an Analyst and a chief investment officer with focus on supporting the C3 Fund investment activity and financing program management. With the addition of new personnel, costs for office space, equipment, and software also increased.

Operating Expenses – continued

Increases in professional fees and contractual services are also reflected in these financial statements as a result of engaging a marketing and communications consultant to assist with brand identify and marketing efforts. Lastly, event expenses increased as a result of hosting the clean energy summit and fifteenth anniversary gala in fiscal year 2025.

A summary of expenses for the year ended June 30, 2024, and the amount and percentage of change in relation to prior year amounts are below.

	For the Year Ended June 30, 2024	Percent of Total	Increase (Decrease) from 2023	Percent Increase (Decrease)
Operating:				
Salaries	$ 999,834	20%	$ 346,230	53%
Fringe benefits	300,177	6%	45,967	18%
Grant program expenses	554,718	11%	334,876	152%
Professional fees	427,536	8%	196,582	85%
Contracted services	302,809	6%	38,940	15%
Advertising	32,393	1%	(39,346)	-55%
Office expenses	46,526	1%	46,023	9150%
Event expenses	143,659	3%	123,762	622%
Information technology	15,872	0%	(6,100)	-28%
Telephone	10,576	0%	2,069	24%
Dues and subscriptions	11,855	0%	7,827	194%
Travel, meetings and conferences	42,855	1%	22,142	107%
Parking	4,375	0%	1,241	40%
Professional development and training	3,013	0%	3,013	100%
Cohort expenses	229,328	5%	117,362	105%
Total operating expenses	$ 3,125,526	62%	$ 1,240,588	66%
Depreciation and amortization	1,918,045	38%	1,081,366	129%
Total expenses	$ 5,043,571	100%	$ 2,321,954	85%

The largest share of MCEC's operating expense include grant program expenses, personnel salaries and fringe benefits for the operation of programs and initiatives, including those previously mentioned Federal and State grant funded activities. Paid annual, personal, holiday and sick leave are accounted as expenses in the fringe benefits category. The year over year increase in operating expenses of approximately 66% is due largely to additional hires during fiscal year 2024 to support the Center's activity and programmatic efforts funded through Federal and State appropriations and grants.

Operating Expenses – continued

In fiscal year 2024, the Center added two senior finance positions, including the senior director of finance and lending program manager, and the Grants Administrator & Compliance Officer. With the addition of new personnel, costs for office space, equipment, software, and phone also increased. Increases in professional fees and contractual services are also reflected in these financial statements as a result of engaging a marketing and communications consultant to assist with brand identify and marketing efforts. Lastly, event and cohort expenses increased as a result of hosting the clean energy summit in fiscal year 2024.

Independent Auditors' Report

To the Board of Directors of
Maryland Clean Energy Center:

Opinion

We have audited the accompanying financial statements of Maryland Clean Energy Center (MCEC) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise MCEC's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respective, the financial position of MCEC as of June 30, 2025 and 2024, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibility of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Maryland Clean Energy Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Maryland Clean Energy Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MCEC's basic financial statements. The combining schedule of net position of funds and the combining schedule of revenues, expenses and changes in net position of funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining schedule of net position of funds and the combining schedule of revenues, expenses and changes in net position of funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SC&H Attest Services, P.C.

September 18, 2025

Statements of Net Position

As of June 30,	*2025*	*2024*
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,204,875	$ 750,156
Restricted cash	15,898,657	11,297,986
Accounts receivable	5,462,641	471,429
Leases receivable	2,378,679	2,975,766
Prepaid expenses and deposits	63,312	58,401
Total Current Assets	25,008,164	15,553,738
Non-current Assets:		
Leases receivable	13,605,940	15,984,618
Right-of-use assets, net of accumulated amortization	315,964	24,782
Capital assets, net of accumulated depreciation	29,136,362	34,044,696
Total Non-current Assets	43,058,266	50,054,096
Total Assets	$ 68,066,430	$ 65,607,834
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and accrued expenses	$ 510,756	$ 276,533
Accrued salaries and benefits	175,893	79,490
Note payable	296,466	296,317
Bonds payable	2,575,648	2,817,338
Lease liabilities	66,266	23,838
Advances	1,125,633	1,074,644
Total Current Liabilities	4,750,662	4,568,160
Non-current Liabilities:		
Note payable	2,299,034	2,595,369
Bonds payable	18,465,686	21,041,334
Lease liabilities	251,084	-
Total Non-current Liabilities	21,015,804	23,636,703
Total Liabilities	25,766,466	28,204,863
Deferred Inflow of Resources		
Fees collected in advance	23,737,515	26,754,040
Commitments and Contingencies (Notes 8 and 9)		
Net Position:		
Net investment in capital assets	5,498,142	7,295,282
Restricted	18,355,853	8,801,700
Unrestricted	(5,291,546)	(5,448,051)
Total Net Position	$ 18,562,449	$ 10,648,931

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

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30,	*2025*	*2024*
Operating Revenues:		
Leases	$ 3,625,160	$ 2,721,112
Grants	1,295,510	570,224
Consulting and other services	459,574	234,196
Energy savings	40,027	53,645
Other	46,722	5,720
Sponsorships and events	312,027	189,079
Bond administration	31,041	27,447
Donations and contributions	5,000	38,500
Total Operating Revenues	5,815,061	3,839,923
Operating Expenses:		
Compensation and benefits	1,863,290	1,300,011
Administrative and general	3,240,844	1,825,515
Depreciation and amortization	2,930,544	1,918,045
Total Operating Expenses	8,034,678	5,043,571
Operating Loss	(2,219,617)	(1,203,648)
Non-operating Revenues and Expenses:		
Maryland Energy Innovation Fund (Note 1)	1,200,000	1,185,546
Maryland Energy Administration - Solar for All (Note 1)	5,000,000	-
Climate Catalytic Capital Fund (Note 1)	5,000,000	8,750,000
Climate Technology Founders Fund (Note 1)	825,000	-
Interest income	845,785	649,401
Interest expense	(663,058)	(845,318)
Loss on disposal (Note 8)	(2,074,592)	-
Net Non-Operating Revenues	10,133,135	9,739,629
Change in Net Position	7,913,518	8,535,981
Net Position, beginning of year	10,648,931	2,112,950
Net Position, end of year	$ 18,562,449	$ 10,648,931

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

Statements of Cash Flows

For the Years Ended June 30,		*2025*		*2024*
Cash Flows from Operating Activities:				
Cash received from leases	$	3,584,400	$	3,987,908
Cash received from grants		1,170,510		570,224
Cash received from operating and other services		1,028,179		3,099,506
Cash paid for operating expenses		(4,727,691)		(6,789,317)
Net Cash Provided by Operating Activities		1,055,398		868,321
Cash Flows from Non-capital Financing Activities:				
Grant for Climate Technology Founders Fund		825,000		-
Grant for Climate Catalytic Capital Fund		-		3,750,000
Maryland Energy Innovation Fund		1,200,000		1,185,546
Net Cash Provided by Non-capital Financing Activities		2,025,000		4,935,546
Cash Flows from Investing Activities:				
State of Maryland - Climate Catalytic Capital Fund		5,000,000		5,000,000
Interest received		472,637		372,711
Net Cash Provided by Investing Activities		5,472,637		5,372,711
Cash Flows from Capital and Related Financing Activities:				
Interest received		373,148		276,690
Interest paid		(662,797)		(732,800)
Lease payments		(51,175)		(43,638)
Principal payments on note payable		(296,186)		(297,316)
Principal payments on bonds payable		(2,817,338)		(3,053,175)
Construction, development and equipment expenditures		(43,297)		(2,165,522)
Net Cash Used In Capital and Related Financing Activities:		(3,497,645)		(6,015,761)
Net Increase in Cash, Cash Equivalents and Restricted Cash		5,055,390		5,160,817
Cash, Cash Equivalents and Restricted Cash, beginning of year		12,048,142		6,887,325
Cash, Cash Equivalents and Restricted Cash, end of year	$	17,103,532	$	12,048,142
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating loss	$	(2,219,617)	$	(1,203,648)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization		2,930,544		1,918,045
Changes in operating assets and liabilities:				
Accounts receivable		8,788		2,550,919
Leases receivable		2,975,765		(11,450,977)
Prepaid expenses and deposits		(4,911)		(37,784)
Accounts payable and accrued expenses		233,962		(3,667,823)
Accrued salaries and benefits		96,403		(768)
Advances		50,989		42,584
Deferred inflow of resources		(3,016,525)		12,717,773
Net Cash Provided by Operating Activities	$	1,055,398	$	868,321
Non-cash operating, non-capital financing and capital and related financing activities:				
Accounts receivable from Maryland Energy Innovation Fund	$	-	$	300,000
Accounts receivable from Maryland Energy Administration	$	5,000,000	$	-
Accrued interest on the note and bonds payable	$	112,140	$	112,586
Accrued interest expense on the lease liabilities	$	3,488	$	2,781
Recognition of right-of-use asset and lease liability	$	344,687	$	15,232

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

The Maryland Clean Energy Center ("MCEC" or the "Center") is an instrumentality of the State of Maryland under Maryland State Law. It was established in October 2008 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. The Center offers "fee for service" technical and procurement support and also administers four finance programs:

The Maryland Clean Energy Capital ("MCAP") Program partners with governments, institutions, nonprofit organizations, and business entities to achieve favorable economics in energy project transactions.

The Maryland Commercial Property Assessment Clean Energy Finance ("MD-PACE") Program provides access to advantageously structured loans for commercial, industrial, agricultural and nonprofit property owners.

The Maryland Energy Innovation Accelerator ("MEIA" or the "Accelerator") Program is a startup accelerator focused on early-stage technology commercialization in partnership with Maryland-based universities and labs to support Maryland's clean energy and climate related goals.

The Maryland Clean Energy Advantage Loan ("CEA") Program was launched in March 2022, to allow residential property owners in Maryland to conveniently and affordably complete energy efficiency improvements.

The Center is governed by a nine-member Board of Directors, eight of which are appointed by the Governor with the consent of the State Legislature. The Center operates under a budget proposed by the Executive Director and approved by the Board of Directors on an annual basis. Budgetary amendments may be approved by the Executive Director and subsequently reported to the Board.

By legislation passed in the General Assembly in 2022, the Center received a commitment in perpetuity from the State of Maryland to receive at least $1,200,000 on an annual basis from the Maryland Energy Innovation Fund ("MEIF").

By legislation passed in the General Assembly in 2022, the Climate Catalytic Capital ("C3") Fund was launched in February 2024 to increase implementation of clean energy measures and technologies intended to reduce greenhouse gas emissions and mitigate the impact of climate change. Pursuant to the Act, the Center received a commitment totaling $5,000,000 from the State of Maryland for each of the fiscal years 2024, 2025, and 2026. The Center received $5,000,000 during the years ended June 30, 2025 and 2024. Additionally, the Center received a one-time grant totaling $3,750,000 during the year ended June 30, 2024 to be used to establish and administer the C3 Fund. The grant funds totaling $3,750,000 were recognized as non-operating revenue during the year ended June 30, 2024.

By legislation passed in the General Assembly in 2024, the Climate Technology Founders ("CTFF") Fund was launched in June 2024 to provide early-stage funding for start-up companies focused on qualified project in climate technologies. Pursuant to the Act, the Center received a commitment of up to $1,200,000 on an annual basis from the State of Maryland for each of the fiscal years 2025 through 2028. The Center received $825,000 and $0 during the years ended June 30, 2025 and 2024, respectively.

1. ORGANIZATION AND NATURE OF ACTIVITIES – continued

During the year ended June 30, 2025, the Center was awarded the Solar for All grant by the U.S. Environmental Protection Agency (EPA), totaling $62,450,000. Under the terms of the grant, the Center is required to provide financial and technical assistance to low-income and disadvantaged communities to facilitate the deployment of residential-serving distributed solar energy and storage projects. The Center recognizes grant revenue as qualifying expenditures are incurred and all conditions of the grant are met. For the year ended June 30, 2025, the Center recognized revenues and expenses of $654,088 and $569,373, respectively, related to this grant program.

In April 2025, the Maryland Energy Administration (MEA), through a Memorandum of Understanding, committed a one-time allocation of $5,000,000 to support the implementation of solar photovoltaic (PV) projects for residential single-family homes, manufactured homes, and multifamily buildings. This funding supplements the Solar for All grant and is intended to address both direct installation costs and ancillary needs required to make these residential structures solar-ready. The Center recognized the $5,000,000 as non-operating revenue during the year ended June 30, 2025. As of June 30, 2025, the funds had not been received and are recorded in accounts receivable in the accompanying statements of net position. The funds were subsequently received in July 2025.

On August 7, 2025 the Center received a termination memorandum from the EPA notifying the Center of its decision to terminate the Center's Solar for All award. The Center considers the grounds for termination provided by the EPA to be inconsistent with the law. On September 5, 2025, the Center began the dispute of the termination process in accordance with the procedures provided in the EPA's termination memorandum. The Center is continuing to consider all options to legally contest the termination and restore Solar for All funding awarded to the Center. The final outcome and time needed for resolution cannot be reasonably estimated at this time. The loss of this funding represents a concentration risk, as the Center’s ability to continue providing program services at current levels may be adversely affected. Management is currently evaluating options to mitigate the impact, including seeking alternative funding sources and reducing program expenditures. In the event the termination becomes effective, it may be required to reduce the scope of the program or reallocate resources from other programs. While efforts are underway to address the funding shortfall, management believes there is a reasonable possibility that the Center’s ability to provide program services at current levels will be affected within the next fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the net position, changes in net position and cash flows of MCEC. As a special purpose government entity engaged solely in business-type activities, MCEC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred.

Also, in preparing its financial statements, MCEC has adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation – continued

MCEC has elected to report its conduit debt as allowed under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations* (Note 7). The term conduit debt obligations refers to certain limited-obligation revenue bonds or notes issued by MCEC for the express purpose of providing capital financing for a specific third party that is not a part of MCEC's financial reporting entity. Although conduit debt obligations bear the name of MCEC, MCEC has no obligation for such debt beyond the resources provided by financing leases or loans with the third parties on whose behalf they are issued. Since these conduit debt obligations do not constitute a liability of MCEC, management has elected to exclude certain conduit debt obligations, the related assets, revenues, expenses and cash flows from its financial statements. In circumstances where the related assets and liabilities do not fully offset, management has elected to continue reporting the related assets, liabilities, revenues, expenses, and cash flows in its financial statements; however, MCEC, as with all other conduit bonds and notes, has no obligation for the conduit debt beyond the resources provided under the related leases or loans with the parties on whose behalf the debt was issued.

Recently Issued Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103). This Statement introduces significant changes to the financial reporting model, including updates to Management's Discussion and Analysis (MD&A), budgetary comparison information, proprietary fund statements, and the presentation of major component units. The requirements for this Statement include (1) enhanced MD&A disclosures focused on five specific sections and the elimination of boilerplate language (2) presentation of budgetary comparison schedules as Required Supplementary Information (RSI), with additional columns and explanatory notes for significant variances, (3) separate reporting of unusual or infrequent items in financial statements, (4) revised definitions of unusual or infrequent items in financial statements and (5) revised definitions and presentation requirements for operating and nonoperating revenues and expenses in proprietary fund statements. This new guidance is effective for fiscal years beginning after June 15, 2025 and should be applied retrospectively. Early adoption is permitted. The Center is currently evaluating the timing of its adoption and the impact of adopting the new Statement on the accompanying financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104). The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. This new guidance is effective for fiscal years beginning after June 15, 2025 and should be applied retrospectively. Early adoption is permitted. The Center is currently evaluating the timing of its adoption and the impact of adopting the new Statement on the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Recently Adopted Accounting Principles

Effective July 1, 2023, the Center adopted GASB Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100), which modifies the guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 requires the retrospective approach to adopt this guidance which requires a restatement for all prior periods presented. There was no effect on operating loss or net position as a result of the adoption of GASB 100.

Effective July 1, 2024, the Center adopted GASB Statement No. 101, *Compensated Absences* (GASB 101) which requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. GASB 101 requires the retrospective approach to adopt this guidance which requires a restatement for all prior periods presented. There was no effect on operating loss or net position as a result of the adoption of GASB 101.

Effective July 1, 2024, the Center adopted GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102). GASB 102 requires disclosure of significant risks related to vulnerabilities from certain concentrations and constraints that could impact the Center's ability to provide services or meet its obligations as they come due. The required disclosures apply if the Center is aware of the concentration or constraint prior to issuing the financial statements, and if an event related to the concentration or constraint has occurred or is more likely than not to occur within 12 months of the financial statement date, and is expected to have a significant effect within three years. Except as disclosed in Note 1, the adoption of GASB 102 did not warrant any additional disclosure for the Center, as the Center is not aware of any events related to a specific concentration or constraint that has occurred as of the September 18, 2025 and is more than likely than not to occur within 12 months of the financial statement date, and is expected to have significant effect within three years. Management will continue to monitor and assess any potential impacts on its financial statements due to concentrations and constraints, in accordance with the requirements of GASB 102.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Revenue Recognition

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. Under the terms of the agreements, MCEC is the legal owner of the ECMs and the related notes are repaid 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 repay the notes. MCEC records payments associated with the ECMs in accordance with GASB 87 (Note 8).

The Center receives funding as per statute through an agreement with the University of Maryland on behalf of the Maryland Energy Innovation Institute ("MEII"). This agreement requires the MEA to contribute to MEIF, a fund created by the Maryland General Assembly, on a quarterly basis. These agreements provide for a portion of the fund contributions to be allocated to the Center. The Center also received funding through a Memorandum of Understanding with MEA to commit a one-time allocation to the Center. The Center also receives funding as per statutes through the Climate Solutions Now Act of 2022 and Climate Technology Founder's Fund for the C3 Fund and CTFF, respectively. The Center records transfers from MEIF, C3 Fund, and CTFF as non-operating revenue in the applicable fiscal year when the transfers are approved and all eligibility requirements have been met.

The Center recognizes revenue from consulting and other services as program services are administered. The Center recognizes revenue from grants, including payments received for the C3 and CTFF Funds, when applicable eligibility requirements are met. The Center receives sponsorship payments for events held to support clean energy awareness in the State of Maryland and contributions from corporations or other donors to assist startups in progressing towards their clean energy or climate related goals. Such support is recorded when received by the Center. Revenue billed or received but not earned is shown as deferred inflows of resources in the accompanying statements of net position. All other revenue is recognized when the service is provided.

Revenue from certain grants and contracts with Federal, state, and local agencies is recognized as earned when the related eligible expenditures are incurred. These agreements are generally structured as cost-reimbursement arrangements, whereby the Center is entitled to revenue only to the extent that qualifying costs have been incurred in accordance with the terms of the grant or contract. The Center monitors compliance with grant terms and submits required financial and performance reports to the granting agencies. Revenue recognized under these agreements is subject to audit or review by the funding agencies, and any adjustments resulting from such audits are recorded in the period in which they become known.

Classification of Revenues and Expenses

Revenues and expenses related to the day-to-day activities of the Center are reported as operating revenues and expenses. Other revenues and expenses, consisting primarily of fund appropriations from the State of Maryland, interest income, and interest expense are reported as non-operating revenues and expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Cash and Cash Equivalents

Short-term investments with maturities of three months or less on the date of purchase are classified as cash equivalents.

Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. MCEC periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Restricted Cash

Restricted cash consists of balances restricted for debt service for bonds payable, amounts held on behalf of third parties for advances, and payments received for the C3 and CTFF Funds. Restricted cash is not available to be used for general operating expenditures of the Center. Funds restricted for debt service for bonds payable and amounts held on behalf of third parties are received on a monthly basis and deposited directly into an escrow account for each corresponding bond and third-party payor. Payments received for the C3 and CTFF Funds are deposited into a separate account. C3 Funds received from the State of Maryland grant, totaling $3,750,000, are to be used to establish and administer the C3 Fund. During the years ended June 30, 2025 and 2024, the Center used funds totaling $412,168 and $0, respectively, to establish and administer the C3 Fund. As of June 30, 2025 and 2024, restricted cash totaled $15,898,657 and $11,297,986, respectively.

Net Position

Net position is presented as net investments in capital assets, restricted or unrestricted. Net investment in capital assets represents the difference between right-of-use assets and capital assets and the related lease liabilities and debt obligations. The unrestricted components of net position represent the net assets available for future operations, including outstanding encumbrances at year end. The restricted components of net position represent funds held for use at the direction of the respective contributing third party.

Accounts Receivable

Accounts receivable are as follows as of June 30,:

	2025	2024
Grant awards	$ 5,120,303	$ 157,622
Event sponsorship and other	152,457	187,945
Construction costs - MSU	114,716	21,223
Excess energy savings	33,145	40,027
Consulting and other services	31,275	64,612
CEA	10,745	-
	$ 5,462,641	$ 471,429

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Accounts Receivable – continued

MCEC provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of funding sources to meet their obligations. As of June 30, 2025 and 2024, management has determined all receivables are fully collectible and an allowance for doubtful accounts is not necessary.

As of June 30, 2025 and 2024, construction invoices totaling $114,716 and $21,223, respectively, are included in accounts receivable and accounts payable and accrued expenses in the accompanying statements of net position (Note 8).

Leases Receivable

Leases receivable consists primarily of future payments expected to be received under Energy Savings Agreements whereby MCEC is the lessor, under GASB 87 (Note 8). There is no allowance for leases receivable recorded as of June 30, 2025 and 2024.

Right-Of-Use Assets and Amortization

The Center has adopted a policy of capitalizing right-of-use assets held under lease liabilities as defined by GASB 87. These assets include leased facilities and equipment. The leased assets are recorded at the present value of the leased liability and amortized using a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset. Right-of-use assets are evaluated for impairment on an annual basis under GASB Statement. No 51, *Accounting and Financial Reporting for Impairment of Intangibles* (GASB 51). GASB 51 requires an evaluation of prominent events or changes in circumstances affecting intangibles to determine whether impairment of an intangible has occurred. Such events or changes in circumstances that may be indicative or impairment include expedited deterioration of an associated tangible asset, changes in the terms of status of a contract associated with an intangible asset, and a change from an indefinite to a finite useful life. As of June 30, 2025 and 2024, management does not believe that any of the right-of-use assets of the Center meet the criteria for impairment as set forth in GASB 51.

Capital Assets and Depreciation

Capital assets are carried at cost including interest, carrying charges, salaries and related costs, and preconstruction costs associated. Maintenance and repairs that are less than $2,500 and do not improve or extend the lives of the property and equipment are charged to expense as incurred. Capital assets are evaluated for impairment on an annual basis under GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB 42). GASB 42 requires an evaluation of prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Capital Assets and Depreciation – continued

As of June 30, 2025 and 2024, management does not believe that any of the capital assets of the Center meet the criteria for impairment as set forth in GASB 42. All costs are classified as construction in progress until the property is ready for its intended use, at which time the accumulated costs are transferred to the appropriate accounts

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following represents the useful lives for each fixed asset class:

Furniture and office equipment	6-7 years
Energy savings equipment	5-30 years

Advances

Advances represent funds received from third parties, which are non-interest bearing and are to be repaid or utilized in future years. Advanced funds are restricted for future program use, investment, and debt service payments.

Advances are as follows as of June 30,:

Advancer of Funds	2025	2024
University of Maryland College Park	$ 424,889	$ 456,272
Baltimore Gas and Electric	307,287	219,540
Southern Maryland Electric Cooperative	88,517	54,698
Potomac Edison	78,103	46,019
Institute for Bioscience and Biotechnology Research	74,639	63,736
Washington Gas	54,264	67,536
Delmarva Power	45,884	65,800
Pepco South	42,150	70,068
Morgan State University	9,900	-
Coppin State University	-	20,973
University of Maryland Baltimore County	-	10,002
Total Advances	$ 1,125,633	$ 1,074,644

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Deferred Inflow of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2025 and 2024, The Center recognized rents and fees collected in advance, which do not meet the availability criteria, as a deferred inflow of resources on the accompanying statements of net position. Deferred inflows of resources are as follows as of June 30,:

	2025	2024
University of Maryland College Park	$ 17,488,939	$ 19,902,225
Institute for Bioscience and Biotechnology Research	3,054,465	3,413,818
Coppin State University	1,335,233	1,869,407
Morgan State University	1,807,128	903,564
Event fees	51,750	61,670
University of Maryland Baltimore County	-	603,356
	$ 23,737,515	$ 26,754,040

Advertising Costs

The Center's policy is to expense advertising costs as the costs are incurred. Total advertising costs for the years ended June 30, 2025 and 2024 amounted to $67,162 and $32,393, respectively, and are included in administrative and general expenses in the accompanying statements of revenues, expenses, and changes in net position.

Income Taxes

The Center qualifies for tax-exempt status as a public instrumentality of the State of Maryland. Accordingly, no provision for income taxes or income tax benefits is required.

Subsequent Events

The Center has evaluated for disclosure of any subsequent events through September 18, 2025, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure, except as disclosed in Note 1.

3. RIGHT-OF-USE ASSETS

Right-of-use assets activity for the years ended June 30, 2025 and 2024 is summarized as follows:

2025	Beginning balance	Additions	Retirements	Ending balance
Right-of-use assets	$ 132,987	$ 344,687	$ -	$ 477,674
Less: accumulated amortization	(108,205)	(53,505)	-	(161,710)
Right-of-use assets, net	$ 24,782	$ 291,182	$ -	$ 315,964

2024	Beginning balance	Additions	Retirements	Ending balance
Right-of-use assets	$ 117,755	$ 15,232	$ -	$ 132,987
Less: accumulated amortization	(65,723)	(42,482)	-	(108,205)
Right-of-use assets, net	$ 52,032	$ (27,250)	$ -	$ 24,782

4. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2025 and 2024 is summarized as follows:

2025	Beginning balance	Additions/ (Placed in Service)	Retirements	Ending balance
Furnishings and office equipment	$ 30,624	$ -	$ -	$ 30,624
Energy savings equipment	33,755,818	-	(4,880,553)	28,875,265
Construction in progress	8,732,592	43,297	-	8,775,889
	42,519,034	43,297	(4,880,553)	37,681,778
Less: accumulated depreciation:				
Furnishings and office equipment	(28,809)	(552)	-	(29,361)
Energy savings equipment	(8,445,529)	(2,876,487)	2,805,961	(8,516,055)
	(8,474,338)	(2,877,039)	2,805,961	(8,545,416)
Net Capital Assets	$34,044,696	$ (2,833,742)	$ (2,074,592)	$29,136,362

4. CAPITAL ASSETS – continued

2024	Beginning balance	Additions/ (Placed in Service)	Retirements	Ending balance
Furnishings and office equipment	$ 30,624	$ -	$ -	$ 30,624
Energy savings equipment	15,536,149	18,219,669	-	33,755,818
Construction in progress	24,786,739	(16,054,147)	-	8,732,592
	40,353,512	2,165,522	-	42,519,034
Less: accumulated depreciation:				
Furnishings and office equipment	(28,257)	(552)	-	(28,809)
Energy savings equipment	(6,570,518)	(1,875,011)	-	(8,445,529)
	(6,598,775)	(1,875,563)	-	(8,474,338)
Net Capital Assets	$33,754,737	$ 289,959	$ -	$34,044,696

5. NOTE PAYABLE

In February 2018, the Center obtained a loan in the amount of $4,665,618 in the form of a taxable revenue note. The note is subject to an annual interest rate of 0.20%. Payments of principal and interest began in June 2019, and mature 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 loan as of June 30, 2025 and 2024, was $2,595,500 and $2,891,686, respectively. The loan is payable solely from the energy savings of the shared energy savings agreement (Note 8) or any residual loan 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,:

	Total	Principal	Interest
2026	$ 301,491	$ 296,466	$ 5,025
2027	301,039	296,608	4,431
2028	300,581	296,743	3,838
2029	300,116	296,872	3,244
2030	299,643	296,993	2,650
2031-2034	1,116,381	1,111,818	4,563
	$ 2,619,251	$ 2,595,500	$ 23,751

5. NOTE PAYABLE – continued

Total interest expense for the years ended June 30, 2025 and 2024 was $5,487 and $6,211, respectively.

6. BONDS PAYABLE

In December 2012, the Center issued a tax-exempt revenue bond 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 ("Coppin") campus. Cumulative interest expense of $189,881 was capitalized during the construction phase. The balance outstanding on the bond as of June 30, 2025 and 2024 was $1,308,446 and $1,822,271, respectively. The bond is payable solely from the energy savings of the shared energy savings agreement (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 issued a tax-exempt revenue bond 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 2024. Cumulative interest expense of $176,221 was capitalized during the construction phase. 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, 2025 and 2024 was $0 and $312,083, respectively. The bond is payable solely from the energy savings of the shared energy savings agreement (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 November 2017, the Center issued a tax-exempt revenue bond 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 commenced in September 2019. The bond matures in June 2032. Cumulative interest expense of $737,251 was capitalized during the construction phase. Bond proceeds have been used for the acquisition and construction of energy conservation measures implemented on the University of College Park ("UMCP") campus. The balance outstanding on the bond as of June 30, 2025 and 2024 was $10,625,337 and $11,990,009, respectively. The bond is payable solely from the energy savings of the shared energy savings agreement (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.

6. BONDS PAYABLE – continued

In March 2022, the Center issued a tax-exempt revenue bond in the amount of $10,343,339. The bond is subject to an annual interest rate of 2.89%. Interest only payments begin in September 2022, and payments of principal and interest commenced in September 2023. The bond matures in June 2037. Bond proceeds have been used for the acquisition and construction of energy conservation measures implemented on the MSU campus. In accordance with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* the interest incurred during the construction phase is expensed as incurred. The balance outstanding on the bond as of June 30, 2025 and 2024 was $9,107,551 and $9,734,309, respectively. The note is payable solely from the energy savings of the shared energy savings agreement (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.

Bonds payable outstanding are as follows at June 30,:

	2025	2024
Tax exempt bond - Coppin	$ 1,308,446	$ 1,822,271
Tax exempt bond - UMBC	-	312,083
Tax exempt bond - UMCP	10,625,337	11,990,009
Tax exempt bond - MSU	9,107,551	9,734,309
	$ 21,041,334	$ 23,858,672
Less current portion	(2,575,648)	(2,817,338)
Bonds payable - Long term portion	$ 18,465,686	$ 21,041,334

In accordance with the loan agreements, MCEC is required to comply with a debt service coverage ratio, as defined, of not less than 1.00 measured annually on September 1 of each year. The Center met the coverage ratio as of September 1, 2024 and 2023.

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

	Total	Principal	Interest
2026	$ 3,133,483	$ 2,575,648	$ 557,835
2027	3,132,822	2,648,000	484,822
2028	2,805,037	2,392,136	412,901
2029	2,570,206	2,218,842	351,364
2030	2,962,317	2,279,678	682,639
2031-2035	7,850,993	7,183,377	667,616
2036-2037	1,807,091	1,743,653	63,438
	$ 24,261,949	$ 21,041,334	$ 3,220,615

Total interest expense for the years ended June 30, 2025 and 2024 was $653,398 and $837,756, respectively.

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 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 assets and related liabilities are not reported in the accompanying financial statements. As of June 30, 2025 and 2024 the outstanding principal on the debt was approximately $1,383,000 and $1,668,000, respectively. Principal payments during the year ended June 30, 2025 and 2024 totaled $284,516 and $262,580, respectively.

8. SHARED ENERGY SAVINGS AGREEMENTS AND ENERGY PERFORMANCE CONTRACTS

In December 2012, the Center entered into a shared energy savings agreement with Coppin and a corresponding Energy Performance Contract (“EPC”) with an Energy Savings Company (“ESCO”). The EPC is an agreement with Energy Systems Group, LLC to install the equipment on Coppin’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 Coppin will pay to the Center for project costs including the debt service requirements of the revenue bonds (Note 6).

In September 2013, the Center entered into a shared energy savings agreement with UMBC and a corresponding EPC with an ESCO. The EPC was an agreement with Noresco, LLC to install the equipment on UMBC’s premises comprised of certain facility renewal and energy efficiency measures and to guarantee certain energy and operational savings. The Center was entitled to approximately 96% of the energy savings, which UMBC paid to the Center for project costs including the debt service requirements of the revenue bonds (Note 6). The shared energy savings agreement terminated and the tax-exempt revenue bond (Note 6) matured in December 2024, at which point ownership of the energy-related assets was transferred back to UMBC in accordance with the contractual provisions. As a result of the asset transfer, the Center recognized a loss of $2,074,592 during the fiscal year ended June 30, 2025. This loss reflects the net book value of the transferred assets that were not recoverable through the energy savings generated during the contract term.

In November 2017, the Center entered into a shared energy savings agreement with UMCP and a corresponding EPC with an ESCO. The EPC is an agreement with Constellation NewEnergy Inc. to install the equipment on UMCP’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 UMCP will pay to the Center for project costs including the debt service requirements of the revenue bonds (Note 6). The installation of the equipment was completed in December 2023.

8. SHARED ENERGY SAVINGS AGREEMENTS AND ENERGY PERFORMANCE CONTRACTS — continued

In February 2018, the Center entered into a shared energy savings agreement with IBBR and a corresponding EPC with an ESCO. The EPC is an agreement with Siemens, Inc. to install the equipment on IBBR'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 IBBR will pay to the Center for project costs including the debt service requirements of the revenue note (Note 5).

In March 2022, the Center entered into a shared energy savings agreement with MSU and a corresponding EPC with an ESCO. The EPC is an agreement with Siemens, Inc. to install the equipment on MSU's premises comprised of certain facility renewal and energy efficiency measures and to guarantee certain energy and operating savings. The Center is entitled to approximately 99% of the energy savings, which MSU will pay to the Center for project costs including the debt service requirements of the revenue bonds (Note 6). As of June 30, 2025 and 2024, the installation of the equipment is still under construction.

Effective June 30, 2021, the Center implemented GASB 87 related to the shared energy savings agreements noted above with Coppin, UMBC, UMCP, IBBR and MSU, in which the Center receives guaranteed dollar savings amounts over the course of several measurement years, as defined within each agreement, in which the Center is the lessor. GASB 87 requires lessors to present a lease receivable and deferred inflow of resources on the statement of net position. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the fair value of the lease receivable plus any payments received at or before commencement of the lease term that relates to future periods. The present value of lease payments is measured by using the discount rate implicit within each shared energy savings agreement. Interest revenue on the lease receivable is recognized on the straight-line basis over the term of each lease. The lease terms commence upon completion of the installation work. The Center also receives variable lease payments that are dependent on the usage of the underlying equipment. The variable payments are recognized as energy savings revenue during the period the payments are received as the payment amounts are not fixed and determinable and not previously included in the leases receivable.

Under GASB 87, the deferred inflow of resources recognized related to Coppin, UMBC, IBBR, and UMCP totaled $21,878,637 and $25,788,806 as of June 30, 2025 and 2024, respectively. Advance payments received from MSU before commencement of the lease totaling $1,807,128 and $903,564 are recorded in deferred inflow of resources as of June 30, 2025 and 2024, respectively. Interest revenue totaled $373,148 and $276,690 for the years ended June 30, 2025 and 2024, respectively, as reflected in the accompanying statements of revenues, expenses, and changes in net position.

The weighted-average remaining lease term was 7.1 years and 8.4 years as of June 30, 2025 and 2024, respectively. The weighted-average remaining discount rate was 2.22% and 2.38% as of June 30, 2025 and 2024, respectively.

8. SHARED ENERGY SAVINGS AGREEMENTS AND ENERGY PERFORMANCE CONTRACTS — continued

The following table presents future minimum lease principal and interest to be recognized during the years ending June 30,:

	Total	Principal	Interest
2026	$ 2,707,290	$ 2,378,679	$ 328,611
2027	2,707,771	2,436,300	271,471
2028	2,407,512	2,192,794	214,718
2029	2,107,135	1,936,335	170,800
2030	2,107,394	1,978,832	128,562
2031-2034	5,191,587	5,061,679	129,908
	$ 17,228,689	$ 15,984,619	$ 1,244,070

9. OPERATING LEASE

The Center entered into a five year lease agreement with UMCP in June 2018 commencing on January 1, 2019. The lease agreement with UMCP was amended effective July 1, 2023, to lease additional space. The amendment requires an additional monthly license fee payment of $810 and annual increases of 3%. The agreement requires an initial monthly license fee payment of $2,661 and annual increases of 3%. The initial lease term concluded in January 2025. In February 2025, the Company extended the lease for an additional five years, continuing under the terms of the original and amended agreement.

GASB 87 requires operating leases to be presented on the statement of net position as an amortizable right-of-use asset and a liability to make lease payments. The right-of-use-asset represents the Center's right to use an underlying asset for the lease term and lease liabilities represent the Center's obligation to make lease payments per the lease agreement. The lease liability is measured at the present value of payments expected to be made during the lease term, including variable payments that depend on an index or a rate (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs and is amortized over the lease term. The lease liability is measured by using the Center's estimated incremental borrowing rate of 2.89%, in determining the present value of the lease payments. The amortization of the discount on the lease liability is reported as interest expense each period. The Center also considered any lease terms that included options to extend or terminate the lease, residual value guarantees, restrictive covenants and lease incentives when valuing the right-of-use assets.

Interest expense on the lease liability totaled $4,173 and $1,351 for the years ended as June 30, 2025 and 2024, respectively, as reflected in interest expense on the accompanying statements of revenues, expenses, and changes in net position. Cash paid for amounts included in the measurement of the lease liability totaled $51,175 and $43,638 for the years ended June 30, 2025 and 2024, respectively. The weighted average remaining lease term was 4.60 years and 0.58 years as of June 30, 2025 and 2024, respectively. The discount rate of the lease was 2.89% as of June 30, 2025 and 2024.

9. OPERATING LEASE

The following table presents future minimum lease principal and interest to be recognized during the years ending June 30,:

	Total	Principal	Interest
2026	$ 74,644	$ 66,266	$ 8,378
2027	74,644	68,208	6,436
2028	74,644	70,205	4,439
2029	74,644	72,261	2,383
2030	40,826	40,410	416
	$ 339,402	$ 317,350	$ 22,052

SUPPLEMENTARY INFORMATION

MARYLAND CLEAN ENERGY CENTER
COMBINING SCHEDULE OF NET POSITION OF FUNDS
As of June 30, 2025

Assets		MCEC exclusive of investment funds		C3 Fund		CTF Fund		Eliminations		Total
Current Assets:										
Cash and cash equivalents	$	1,204,875	$	-	$	-	$	-	$	1,204,875
Restricted cash		2,248,974		13,447,569		202,114		-		15,898,657
Accounts receivable		5,462,641		-		-		-		5,462,641
Leases receivable		2,378,679		-		-		-		2,378,679
Prepaid expenses and deposits		63,312		-		-		-		63,312
Total Current Assets		11,358,481		13,447,569		202,114		-		25,008,164
Non-current Assets:										
Leases receivable		13,605,940		-		-		-		13,605,940
Right-of-use assets, net of accumulated amortization		315,964		-		-		-		315,964
Capital assets, net of accumulated depreciation		29,136,362		-		-		-		29,136,362
Total Non-current Assets		43,058,266		-		-		-		43,058,266
Total Assets	$	54,416,747	$	13,447,569	$	202,114	$	-	$	68,066,430
Liabilities and Net Position										
Current Liabilities:										
Accounts payable and accrued expenses	$	510,756	$	-	$	-	$	-	$	510,756
Accrued salaries and benefits		175,893		-		-		-		175,893
Note payable		296,466		-		-		-		296,466
Bonds payable		2,575,648		-		-		-		2,575,648
Lease liabilities		66,266		-		-		-		66,266
Advances		1,125,633		-		-		-		1,125,633
Total Current Liabilities		4,750,662		-		-		-		4,750,662
Non-current Liabilities:										
Note payable		2,299,034		-		-		-		2,299,034
Bonds payable		18,465,686		-		-		-		18,465,686
Lease liabilities		251,084		-		-		-		251,084
Total Non-current Liabilities		21,015,804		-		-		-		21,015,804
Total Liabilities		25,766,466		-		-		-		25,766,466
Deferred Inflow of Resources:										
Fees collected in advance		23,737,515		-		-		-		23,737,515
Commitments and Contingencies (Notes 8 and 9)										
Net Position:										
Net investment in capital assets		5,498,142		-		-		-		5,498,142
Restricted		5,100,628		13,055,225		200,000		-		18,355,853
Unrestricted		(5,686,004)		392,344		2,114		-		(5,291,546)
Total Net Position	$	4,912,766	$	13,447,569	$	202,114	$	-	$	18,562,449

See acccompanying independent auditors' report.

MARYLAND CLEAN ENERGY CENTER

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION OF FUNDS

For the Year Ended June 30, 2025

	MCEC exclusive of investment funds	C3 Fund	CTF Fund	Eliminations	Total
Operating Revenues:					
Leases	$ 3,625,160	$ -	$ -	$ -	$ 3,625,160
Grants	1,295,510	-	-	-	1,295,510
Consulting and other services	459,574	-	-	-	459,574
Energy savings	40,027	-	-	-	40,027
Other	46,722	-	-	-	46,722
Sponsorships and events	312,027	-	-	-	312,027
Bond administration	31,041	-	-	-	31,041
Donations and contributions	5,000	-	-	-	5,000
Total Operating Revenues	5,815,061	-	-	-	5,815,061
Operating Expenses:					
Compensation and benefits	1,863,290	-	-	-	1,863,290
Administrative and general	2,661,661	579,183	-	-	3,240,844
Depreciation and amortization	2,930,544	-	-	-	2,930,544
Total Operating Expenses	7,455,495	579,183	-	-	8,034,678
				-	
Operating Loss	(1,640,434)	(579,183)	-	-	(2,219,617)
				-	
Non-operating Revenues and Expenses:					
Maryland Energy Innovation Fund	1,200,000	-	-	-	1,200,000
Maryland Energy Administration - Solar for All	5,000,000	-	-	-	5,000,000
Climate Catalytic Capital Fund	-	5,000,000	-	-	5,000,000
Climate Technology Founders Fund	625,000	-	200,000	-	825,000
Interest income	551,512	292,159	2,114	-	845,785
Interest expense	(663,058)	-	-	-	(663,058)
Loss on disposal	(2,074,592)	-	-	-	(2,074,592)
Net Non-Operating Revenues	4,638,862	5,292,159	202,114	-	10,133,135
Change in Net Position	2,998,428	4,712,976	202,114	-	7,913,518
Net Position, beginning of year	1,914,338	8,734,593	-	-	10,648,931
Net Position, end of year	$ 4,912,766	$ 13,447,569	$ 202,114	$ -	$ 18,562,449

See acccompanying independent auditors' report.