



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

As of and for the Years Ended June 30, 2026 and 2025

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**Management's Discussion and Analysis
For The Years Ended June 30, 2026 and 2025**

The Maryland Clean Energy Center's ("MCEC" or the "Center") Management's Discussion and Analysis (MD&A) is presented as required supplementary information in accordance with Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), to provide readers with an objective, easily readable analysis of the Center's financial activities for the fiscal year ended June 30, 2026, based on currently known facts, decisions, and conditions. This MD&A presents comparisons of the current year to the prior year and is organized into the five required sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Management encourages readers to consider this MD&A in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

The Center's financial statements are designed to provide readers with a broad overview of its finances in a manner similar to a private-sector business. The Center is accounted for as an enterprise fund and uses the economic resources measurement focus and accrual basis of accounting.

- The statements of net position present information on all of the Center's assets, liabilities, deferred inflows of resources, and net position at fiscal year-end.
- The statements of revenues, expenses, and changes in net position present the Center's operating and nonoperating revenues and expenses and the resulting change in net position for the fiscal year.
- The statements of cash flows present cash provided by and used in operating, non-capital financing, capital and related financing, and investing activities.
- The notes to the financial statements provide additional information necessary to understand amounts reported in the basic financial statements, including significant accounting policies, cash restrictions, leasing arrangements, grant programs, debt obligations, and subsequent events.

The Center is a quasi-governmental instrumentality of the State of Maryland (State) established to advance the adoption of clean energy, energy efficiency, and climate technologies throughout the State. Through strategic partnerships with businesses, government agencies, nonprofit organizations, educational institutions, capital providers, and financial institutions, MCEC facilitates the deployment of clean energy projects and technologies by providing access to financing, technical assistance, and market development support. MCEC's activities are designed to reduce energy costs for consumers, encourage private investment, support economic development, improve community resilience, and accelerate reductions in greenhouse gas emissions across Maryland.

A significant portion of the Center's activity relates to financing and administering energy conservation measures (ECMs) and shared energy savings arrangements. The Center issues limited-obligation revenue notes to finance ECMs and accounts for shared energy savings agreements under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, as lessor arrangements, recognizing lease receivables and deferred inflows of resources.

**Management's Discussion and Analysis
For The Years Ended June 30, 2026 and 2025**

Overview of the Financial Statements – continued

A core component of MCEC's mission is the administration of financing programs that address capital gaps across the clean energy market. These programs support a broad spectrum of participants, including homeowners, businesses, nonprofit organizations, affordable housing providers, local governments, developers, and emerging climate technology companies. MCEC leverages public and private capital to advance projects that improve energy efficiency, expand renewable energy deployment, strengthen climate resilience, and foster innovation within Maryland's clean energy economy.

MCEC's financing portfolio includes the following programs:

- Climate Catalytic Capital (C3) Fund: Established in 2022 under the Climate Solutions Now Act of 2022, the C3 Fund supports projects and technologies that reduce greenhouse gas emissions and address climate change impacts, with a significant portion of investments dedicated to benefiting low-income households and communities.
- Bridge Finance Facility (BFF): Established in 2026 in partnership with the Maryland Energy Administration, the BFF provides short-term financing to help community solar and affordable multifamily solar projects advance from development into construction.
- Strategic Revolving Loan Fund (SRF): Established in 2026 in partnership with the Maryland Energy Administration, the SRF supports solar photovoltaic and energy storage deployment within Maryland's affordable housing sector through a revolving financing structure.
- Maryland Property Assessed Clean Energy (MD-PACE): Established in 2015, MD-PACE facilitates private, lien-based financing for commercial energy efficiency, renewable energy, resilience, and environmental remediation improvements, with repayment structured through a property tax assessment.
- Maryland Energy Innovation Accelerator (MEIA) Program: Established in 2019, MEIA is a start up accelerator focused on early-stage technology commercialization with Maryland-based universities and labs to support Maryland's clean energy and climate related goals.
- Maryland Clean Energy Capital Program (MCAP): One of MCEC's original financing programs, established in 2009, MCAP provides access to taxable and tax-exempt bond financing for larger-scale clean energy and energy efficiency projects undertaken by governmental, institutional, and nonprofit entities.
- Climate Technology Founders Fund (CTFF): Established in 2024 by Senate Bill 960 and administered through MCEC's Maryland Energy Innovation Accelerator, the CTFF provides early-stage funding and commercialization support to climate technology startup companies.
- Clean Energy Advantage (CEA) Loan Program: Launched in 2022 in partnership with the Montgomery County Green Bank, the CEA Loan Program provides low-cost financing to Maryland homeowners for residential energy efficiency and clean energy upgrades.

Maryland Clean Energy Center

Management's Discussion and Analysis For The Years Ended June 30, 2026 and 2025

Financial Summary

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

	2026	2025	2024
Current and other assets	\$ 29,224,531	\$ 25,008,164	\$ 15,553,738
Other non-current assets	15,895,251	13,605,940	15,984,618
Net right-of-use assets and capital assets	27,715,609	29,452,326	34,069,478
Total assets	<u>72,835,391</u>	<u>68,066,430</u>	<u>65,607,834</u>
Current liabilities	5,969,104	4,750,662	4,568,160
Non-current liabilities	17,599,437	21,015,804	23,636,703
Total liabilities	<u>23,568,541</u>	<u>25,766,466</u>	<u>28,204,863</u>
Deferred inflow of resources	<u>21,352,176</u>	<u>23,737,515</u>	<u>26,754,040</u>
Net investment in capital assets	7,103,357	5,498,142	7,295,282
Restricted	22,918,184	18,355,853	8,801,700
Unrestricted	<u>(2,079,571)</u>	<u>(5,291,546)</u>	<u>(5,448,051)</u>
Total net position	<u>\$ 27,941,970</u>	<u>\$ 18,562,449</u>	<u>\$ 10,648,931</u>

**Management's Discussion and Analysis
For The Years Ended June 30, 2026 and 2025**

Financial Summary – continued

The following table summarizes the Center's revenues, expenses, and changes in net position for the years ended June 30,:

	2026	2025	2024
Operating revenues			
Leases	\$ 3,317,910	\$ 3,625,160	\$ 2,721,112
Grants	1,080,865	1,295,510	570,224
Consulting and other services	342,973	459,574	234,196
Other operating revenues	1,011,907	434,817	314,391
Total operating revenues	5,753,655	5,815,061	3,839,923
Operating expenses	(8,162,399)	(8,034,678)	(5,043,571)
Operating loss	(2,408,744)	(2,219,617)	(1,203,648)
Noncapital subsidies	13,100,000	12,025,000	9,935,546
Operating loss and noncapital subsidies	10,691,256	9,805,383	8,731,898
Other nonoperating revenues and expenses, net	456,025	(1,891,865)	(195,917)
Income before unusual or infrequent items	11,147,281	7,913,518	8,535,981
Unusual or infrequent items	(1,795,056)	-	-
Change in net position	9,352,225	7,913,518	8,535,981
Net position, beginning of year	18,562,449	10,648,931	2,112,950
Net position, end of year	<u>\$ 27,914,674</u>	<u>\$ 18,562,449</u>	<u>\$ 10,648,931</u>

Detailed Analyses

Overall Financial Position

Net position increased approximately \$9,370,000, or 51%, during fiscal year 2026, from \$18,562,000 to \$27,942,000. The increase was primarily attributable to \$13,100,000 in noncapital subsidies from the State of Maryland, including a \$5,000,000 C3 Fund appropriation, a \$5,000,000 BFF appropriation, \$2,140,000 to support MEIA initiatives, \$1,260,000 under the CTFF and a \$1,500,000 transfer to Maryland Energy Innovation Institute (MEI²), to support the Center's operating and programmatic activities. These increases were partially offset by an operating loss of approximately \$2,381,000 and a \$1,795,000 wire fraud loss classified as an unusual or infrequent item.

**Management's Discussion and Analysis
For The Years Ended June 30, 2026 and 2025**

Detailed Analyses – continued

Overall Financial Position – continued

Net position increased approximately \$7,914,000 during fiscal year 2025, from \$10,649,000 to \$18,562,000. The increase was driven by \$12,025,000 in noncapital subsidies from the State of Maryland, including a \$5,000,000 C3 Fund appropriation, a \$5,000,000 Maryland Energy Administration (MEA) Solar for All allocation, \$625,000 to support MEIA initiatives and \$200,000 under the CTFF. These were partially offset by an operating loss of \$2,220,000 and a \$2,075,000 loss on disposal of University of Maryland, Baltimore County (UMBC) capital assets associated with bonds that matured in December 2024.

Statements of Net Position

Current and other assets increased approximately \$4,216,000, or 17%, during fiscal year 2026. The increase was driven primarily by growth in cash and cash equivalents and restricted cash of approximately \$4,289,000 and \$4,084,000, respectively. Cash and cash equivalents increased due to timing of payments and receipts. Restricted cash increased as a result of funding received for the Bridge Finance Facility (BFF), Strategic Revolving Loan Fund (SRF), CTFF and C3 Fund. These amounts are restricted for specified program purposes and are not available for general operating activities. These increases were partially offset by a \$4,240,000 decrease in accounts receivable, reflecting the collection of the \$5,000,000 MEA Solar for All accounts receivable recorded as of June 30, 2025 received in July 2025.

Other non-current assets increased approximately \$2,289,000, or 17%, during fiscal year 2026. The increase primarily reflects the origination of approximately \$4,726,000 of notes receivable under the Center's financing programs. This increase was partially offset by a decrease in leases receivable resulting from scheduled lease payments received during the year.

Net right-of-use and capital assets decreased approximately \$1,737,000 due primarily to depreciation and amortization of \$2,735,000, partially offset by capital additions of approximately \$998,000 during fiscal year 2026.

Total liabilities decreased approximately \$2,225,000, or 9%, reflecting scheduled principal payments on bonds and notes payable. No new debt was issued during fiscal year 2026.

Deferred inflows of resources decreased approximately \$2,385,000 as amounts previously recognized in advance under shared energy savings agreements were recognized as revenue during fiscal year 2026.

Operating Revenues

Operating revenues decreased approximately \$61,000, or 1%, during fiscal year 2026. Lease revenue decreased primarily due to decreased revenue recognized under the UMBC shared energy services agreement compared with the prior year as the agreement terminated in December 2024. Grant revenue also decreased as the Environmental Protection Agency (EPA) Solar for All grant activity ceased during fiscal year 2026. These decreases were partially offset by project fee revenue earned from the MD-PACE program, which closed two transactions during the current year compared to no transactions in the prior year.

**Management's Discussion and Analysis
For The Years Ended June 30, 2026 and 2025**

Detailed Analyses – continued

Operating Revenues – continued

During fiscal year 2025, operating revenues increased approximately \$1,975,000 compared with fiscal year 2024, primarily due to a full year of lease revenue recognized under the shared energy services agreement with the University of Maryland, College Park (UMCP), compared with a partial year in fiscal year 2024, as well as revenue recognized from the Solar for All grant awarded during fiscal year 2025.

Operating Expenses

Operating expenses increased approximately \$100,000, or 1%, during fiscal year 2026.

Administrative and general expenses increased primarily due to program-related activities, while compensation and benefits remained relatively consistent with the prior year. Depreciation and amortization expense decreased modestly compared with fiscal year 2025.

During fiscal year 2025, operating expenses increased approximately \$2,991,000, or 59%, primarily due to growth in grant program expenses for Federal and State awards, increased compensation costs from new staff hired to manage Federal and State grant programs, and higher depreciation expense as UMCP energy conservation measure assets were placed into service.

Noncapital Subsidies

During fiscal year 2026, noncapital subsidies increased approximately \$1,075,000 during fiscal year 2026, from \$12,025,000 to \$13,100,000, primarily due to increased funding received through the CTFF and BFF. This increase was partially offset by the transfer of \$1,500,000 to the MEI² pursuant to statutory requirements. Funding associated with the SRF represented the repurposing, in December 2025, of an MEA allocation that was originally recognized as noncapital subsidy revenue in fiscal year 2025 and, therefore, did not contribute to the year-over-year increase in noncapital subsidies (Note 1).

During fiscal year 2025, noncapital subsidies increased approximately \$2,090,000 compared with fiscal year 2024, primarily due to the recognition of a \$5,000,000 from MEA for the Solar for All grant, \$625,000 MEIA appropriations and \$200,000 in CTFF appropriations, partially offset by lower C3 Fund revenue compared with the one-time funding totaling \$3,750,000 recognized in fiscal year 2024.

Noncapital subsidies continue to represent a significant source of support for the Center's operations and clean energy financing activities.

Nonoperating Revenues and Expenses

Net nonoperating revenues and expenses increased during fiscal year 2026 compared with fiscal year 2025. During the year ended June 30, 2025, the Center recognized a one-time \$2,075,000 loss on disposal of capital assets in connection with the maturity of the UMBC shared energy services financing arrangement. Interest expense decreased during the year ended June 30, 2026 as outstanding debt principal balances were repaid, while interest income increased from \$846,000 in fiscal year 2025 to \$1,027,000 in fiscal year 2026, driven by higher average cash and restricted cash balances.

**Management's Discussion and Analysis
For The Years Ended June 30, 2026 and 2025**

Detailed Analyses – continued

Unusual or Infrequent Item – Wire Fraud Loss

During fiscal year 2026, the Center recognized a \$1,795,000 loss resulting from a wire fraud incident (Note 11). Pursuant to GASB 103, unusual or infrequent items are reported separately from ongoing operations. Accordingly, the loss is presented separately in the Statements of Revenues, Expenses, and Changes in Net Position as an unusual or infrequent item. The loss reduced the Center's change in net position for fiscal year 2026 from approximately \$11,175,000 to \$9,380,000. No comparable unusual or infrequent items were reported during fiscal years 2025 or 2024.

Analysis of Fund Net Position and Results of Operations

The Center operates as a single enterprise fund. Restricted net position increased from approximately \$18,356,000 as of June 30, 2025 to approximately \$22,918,000 as of June 30, 2026, primarily reflecting funding received for the Center's clean energy financing programs, including the C3 Fund, CTFF, BFF, and SRF. These resources are restricted for designated program purposes and are not available for general operations. Unrestricted net position totaled approximately \$(2,080,000) as of June 30, 2026, compared with approximately \$(5,292,000) as of June 30, 2025.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

Net capital assets and right-of-use assets decreased from approximately \$29,452,000 as of June 30, 2025 to \$27,716,000 as of June 30, 2026. The decrease was primarily attributable to depreciation and amortization expense of approximately \$2,735,000, partially offset by capital additions of approximately \$998,000.

During fiscal year 2025, net capital assets and right-of-use assets decreased approximately \$2,512,000, primarily due to depreciation and amortization and the disposal of assets associated with the maturity of the UMBC shared energy services agreement and financing arrangement. The decrease was partially offset by limited capital additions during the year. Additional information regarding the Center's capital assets is included in the notes to the financial statements.

Long-Term Financing Activity

The largest portion of the Center's liabilities relates to bonds and notes payable used to finance ECMs on five University System of Maryland campuses. Total long-term financing obligations — comprising bonds payable, notes payable, and lease liabilities — decreased by approximately \$3,342,000 (14%), from approximately \$23,954,000 to approximately \$20,612,000, as the Center made scheduled principal payments of approximately \$2,979,000 on bonds payable and approximately \$296,000 on the note payable during 2026. No new debt was issued during 2026 and 2025.

**Management's Discussion and Analysis
For The Years Ended June 30, 2026 and 2025**

Currently Known Facts, Decisions, or Conditions

EPA Solar for All Award and Related Uncertainty

The Center was awarded an EPA Solar for All grant totaling \$62,450,000. On August 7, 2025, the Center received a termination memorandum from the EPA regarding the award and initiated a formal dispute process on September 5, 2025.

As of the date of the financial statements, the outcome of the dispute cannot be reasonably estimated. If the award is not reinstated, the loss of this funding could adversely affect future program activity and service levels. Management continues to evaluate mitigation strategies, including the pursuit of alternative funding sources.

Wire Fraud Loss

MCEC has filed insurance claims related to the loss. As of September 28, 2026, the Center has recovered approximately \$16,000. The amount of any future recovery cannot be estimated. Remaining potential recoveries are not recognized until realized or realizable.

Program Funding

The Center continues to administer several financing programs supported by the State of Maryland, including the C3 Fund, CTFF, BFF, and SRF.

During fiscal year 2026, the State approved an additional commitment of approximately \$23,750,000 to the C3 Fund, which is expected to be made available to the Center in future fiscal years. The Center also received a \$5,000,000 State appropriation for the BFF. In addition, funds previously committed through the MEA Solar for All fund were repurposed during fiscal year 2026 to establish the SRF. The Center received \$1,260,000 under CTFF in fiscal year 2026, compared with \$200,000 in fiscal year 2025. It also received \$2,140,000 to support MEIA initiatives in fiscal year 2026, compared with \$625,000 in fiscal year 2025, and disbursed \$1,500,000 to MEI² in accordance with statutory requirements.

These resources are restricted for designated program purposes and are expected to expand the Center's capacity to provide clean energy financing throughout the State of Maryland. The approved fiscal year 2027 C3 Fund commitment, and continuing CTFF funding commitments through fiscal year 2028 are expected to support future program activities.

Jane E. Lawton Conservation Loan Program

Effective July 1, 2026, the Center assumed administration of, and responsibility for servicing, all existing loans under the Jane E. Lawton Conservation Loan Program (JELLP). JELLP is a program in the State of Maryland that provides financing to Maryland nonprofit organizations, local governments, businesses, and state agencies for energy efficiency and conservation projects, operating as a revolving fund at interest rates ranging from 0% to 3% depending on borrower type. As of the date of the financial statements, JELLP loans totaled approximately \$6,110,000. The assumption of JELLP administration is expected to expand the Center's lending portfolio and program capacity in fiscal year 2027 and beyond.

**Management's Discussion and Analysis
For The Years Ended June 30, 2026 and 2025**

Contacting Management of the Center

This financial report is designed to provide readers with a general overview of the Maryland Clean Energy Center's finances and to demonstrate accountability for the resources entrusted to the Center. Questions concerning this MD&A or requests for additional financial information should be directed to the management of the Maryland Clean Energy Center.



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, 2026 and 2025, 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 respect, the financial position of MCEC as of June 30, 2026 and 2025, and the changes in its 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 28, 2026

Maryland Clean Energy Center

Statements of Net Position

<i>As of June 30,</i>	2026	2025
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,493,977	\$ 1,204,875
Restricted cash	19,982,592	15,898,657
Accounts receivable	1,222,574	5,462,641
Leases receivable	2,436,301	2,378,679
Accrued interest receivable	44,260	-
Prepaid expenses and deposits	44,827	63,312
Total Current Assets	29,224,531	25,008,164
Non-current Assets:		
Notes receivable	4,725,611	-
Leases receivable	11,169,640	13,605,940
Right-of-use assets, net of accumulated amortization	247,027	315,964
Capital assets, net of accumulated depreciation	27,468,582	29,136,362
Total Non-current Assets	43,610,860	43,058,266
Total Assets	\$ 72,835,391	\$ 68,066,430
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,249,220	\$ 510,756
Accrued salaries and benefits	212,861	175,893
Note payable	296,609	296,466
Bonds payable	2,647,999	2,575,648
Lease liabilities	68,207	66,266
Advances	1,494,208	1,125,633
Total Current Liabilities	5,969,104	4,750,662
Non-current Liabilities:		
Note payable	2,002,426	2,299,034
Bonds payable	15,414,135	18,465,686
Lease liabilities	182,876	251,084
Total Non-current Liabilities	17,599,437	21,015,804
Total Liabilities	23,568,541	25,766,466
Deferred Inflow of Resources		
Fees collected in advance	21,352,176	23,737,515
Commitments and Contingencies (Notes 9 and 10)		
Net Position:		
Net investment in capital assets	7,103,357	5,498,142
Restricted	22,918,184	18,355,853
Unrestricted	(2,079,571)	(5,291,546)
Total Net Position	\$ 27,914,674	\$ 18,562,449

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

Statements of Revenues, Expenses, and Changes in Net Position

<i>For the Years Ended June 30,</i>	<i>2026</i>	<i>2025</i>
Operating Revenues:		
Leases	\$ 3,317,910	\$ 3,625,160
Grants	1,080,865	1,295,510
Consulting and other services	342,973	459,574
Energy savings	27,500	40,027
Project fees	579,652	-
Other	55,000	46,722
Sponsorships and events	310,064	312,027
Bond administration	39,691	31,041
Donations and contributions	-	5,000
Total Operating Revenues	5,753,655	5,815,061
Operating Expenses:		
Compensation and benefits	1,872,804	1,863,290
Administrative and general	3,554,426	3,240,844
Depreciation and amortization	2,735,169	2,930,544
Total Operating Expenses	8,162,399	8,034,678
Operating Loss	(2,408,744)	(2,219,617)
Noncapital Subsidies:		
Maryland Energy Innovation Fund (Note 1)	1,200,000	1,200,000
Strategic Revolving Loan Fund (Note 1)	-	5,000,000
Climate Catalytic Capital Fund (Note 1)	5,000,000	5,000,000
Maryland Energy Administration - MEIA (Note 1)	2,140,000	625,000
Climate Technology Founders Fund (Note 1)	1,260,000	200,000
Bridge Finance Facility (Note 1)	5,000,000	-
Transfer to Maryland Energy Innovation Institute (Note 1)	(1,500,000)	-
Total Noncapital Subsidies	13,100,000	12,025,000
Operating Loss and Noncapital Subsidies	10,691,256	9,805,383
Other Nonoperating Revenues and Expenses:		
Interest income	1,027,103	845,785
Interest expense	(571,078)	(663,058)
Loss on disposal (Note 9)	-	(2,074,592)
Other Nonoperating Revenues and Expenses, net	456,025	(1,891,865)
Income Before Unusual or Infrequent Items	11,147,281	7,913,518
Unusual or Infrequent Items:		
Wire fraud loss (Note 11)	(1,795,056)	-
Change in Net Position	9,352,225	7,913,518
Net Position, beginning of year	18,562,449	10,648,931
Net Position, end of year	\$ 27,914,674	\$ 18,562,449

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

Maryland Clean Energy Center

Statements of Cash Flows

For the Years Ended June 30,	2026	2025
Cash Flows from Operating Activities:		
Cash received from leases	\$ 3,311,249	\$ 3,584,400
Cash received from grants	1,205,865	1,170,510
Cash received from operating and other services	469,947	1,028,179
Cash paid for operating expenses	(4,264,738)	(4,727,691)
Net Cash Provided by Operating Activities	722,323	1,055,398
Cash Flows from Non-capital Financing Activities:		
State appropriations for Climate Technology Founders Fund	1,260,000	825,000
State appropriations for MEIA	2,140,000	-
State appropriations for Bridge Finance Facility	5,000,000	-
State appropriations for Strategic Revolving Fund	5,000,000	-
State appropriations Climate Catalytic Capital Fund	5,000,000	5,000,000
Maryland Energy Innovation Fund	1,200,000	1,200,000
Transferred funds to Maryland Energy Innovation Institute	(1,500,000)	-
Net Cash Provided by Non-capital Financing Activities	18,100,000	7,025,000
Cash Flows from Investing Activities:		
Advances of notes receivable	(6,225,611)	-
Repayments of notes receivable	1,500,000	-
Interest received	665,575	472,637
Wire fraud loss (Note 11)	(1,795,056)	-
Net Cash Provided by (Used in) Investing Activities	(5,855,092)	472,637
Cash Flows from Capital and Related Financing Activities:		
Interest received	317,268	373,148
Interest paid	(571,078)	(662,797)
Lease payments	(66,267)	(51,175)
Principal payments on note payable	(296,465)	(296,186)
Principal payments on bonds payable	(2,979,200)	(2,817,338)
Construction, development and equipment expenditures	(998,452)	(43,297)
Net Cash Used in Capital and Related Financing Activities:	(4,594,194)	(3,497,645)
Net Increase in Cash, Cash Equivalents and Restricted Cash	8,373,037	5,055,390
Cash, Cash Equivalents and Restricted Cash, beginning of year	17,103,532	12,048,142
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 25,476,569	\$ 17,103,532
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (2,408,744)	\$ (2,219,617)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	2,735,169	2,930,544
Changes in operating assets and liabilities:		
Accounts receivable	(759,933)	8,788
Leases receivable	2,378,678	2,975,765
Prepaid expenses and deposits	18,485	(4,911)
Accounts payable and accrued expenses	738,464	233,962
Accrued salaries and benefits	36,968	96,403
Advances	368,575	50,989
Deferred inflow of resources	(2,385,339)	(3,016,525)
Net Cash Provided by Operating Activities	\$ 722,323	\$ 1,055,398
Non-cash operating, non-capital financing and capital and related financing activities:		
Accounts receivable from Maryland Energy Administration	\$ -	\$ 5,000,000
Recognition of right-of-use asset and lease liability	\$ -	\$ 344,687

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, 2026 and 2025. The grant funds totaling \$3,750,000 were recognized as non-operating revenue during the year ended June 30, 2024. During the year ended June 30, 2026, the State of Maryland approved the fiscal year 2027 budget, which included an additional commitment of \$23,750,000 to the C3 Fund. These funds are expected to be made available in future fiscal years.

1. ORGANIZATION AND NATURE OF ACTIVITIES – continued

As a result of By legislation passed by the General Assembly in 2024, the Climate Technology Founders Fund (“CTFF”) was launched in June 2024 to provide early-stage funding for start-up companies focused on qualified climate technology projects. Pursuant to the Act, the Maryland Energy Administration (MEA) is required to provide at least \$1,200,000 annually to CTFF for each of fiscal years 2025 through 2028. The Act also authorizes additional funding to support the Center, MEIA, related technical support programs, and Maryland Energy Innovation Institute (“MEI²”) seed grants.

During the years ended June 30, 2026 and 2025, the Center received \$3,400,000 and \$825,000, respectively, from the State of Maryland. Of the amounts received in fiscal year 2026, \$1,260,000 was designated for CTFF activities and \$2,140,000 was designated to support MEIA initiatives, of which \$1,500,000 was subsequently transferred to MEI². Of the \$825,000 received in fiscal year 2025, \$200,000 was designated for CTFF activities, with the remainder supporting MEIA initiatives.

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, 2026, the Center recognized revenues and expenses of \$334,811 and \$258,739, respectively, related to this grant program. 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.

On August 7, 2025 the EPA issued a termination memorandum for the Solar for All award. Since that date, the Center engaged in administrative and judicial review processes. With a coalition of other impacted states, the Center contested the EPA’s decisions and actions through two lawsuits, one filed on October 15, 2025 in the U.S. Court of Federal Claims, and the other on October 16, 2025 in the U.S. District Court in the Western District of Washington. Litigation is currently continuing in the U.S. Court of Federal Claims and in the U.S. Court of Appeals for the Ninth Circuit. As of September 28, 2026, the outcome of this matter cannot be reasonably estimated. The termination represents a concentration risk because it could adversely affect the Center’s ability to provide services at current levels. Management is considering mitigation steps, including seeking alternative funding and reducing expenditures if necessary.

In April 2025, the 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-capital subsidies during the year ended June 30, 2025. As of June 30, 2025, the funds had not been received and were recorded in accounts receivable in the accompanying statements of net position. The funds were subsequently received in July 2025. In December 2025, due to the termination of the Solar for All award, the Memorandum of Understanding was amended to repurpose the \$5,000,000 into the Strategic Revolving Loan Fund (SRF).

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

1. ORGANIZATION AND NATURE OF ACTIVITIES – continued

In January 2026, the MEA and the Center executed a Memorandum of Understanding providing up to \$5,000,000 in Strategic Energy Investment Fund (SEIF) resources to establish the Bridge Finance Facility (BFF). The BFF funding is intended to support loans, grants, credit enhancements, and other financial assistance that accelerate pre-construction and early-construction activities for Maryland-sited solar photovoltaic (PV) projects, with an emphasis on community solar and affordable multifamily housing projects serving low-to-moderate-income households. Under the agreement, up to \$500,000 may be used for administration and planning activities and up to \$4,500,000 may be used for project deployment and financing activities. The Center has received the \$5,000,000 as of June 30, 2026.

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*.

MCEC has elected to report its conduit debt as allowed under GASB Statement No. 91, *Conduit Debt Obligations* (Note 8). 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 December 2025, the GASB issued Statement No. 105, *Subsequent Events* (GASB 105). The Statement establishes guidance for evaluating and reporting events that occur after the financial statement date but before the financial statements are available to be issued, clarifies the distinction between recognized and nonrecognized subsequent events, and requires disclosure of the date through which subsequent events have been evaluated. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026. The Center is currently evaluating the timing of its adoption and the impact of adopting GASB 105 on the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**Recently Adopted Accounting Principles**

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 28, 2026 and is more 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.

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. The Center adopted GASB 103 during the year ended June 30, 2026. There was no effect on operating loss or net position as a result of GASB 103.

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 adopted GASB 104 during the year ended June 30, 2026. There was no effect on operating loss or net position as a result of GASB 104.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

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.

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 9).

The Center receives funding as per statute through an agreement with the University of Maryland on behalf of the MEI². 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 receives funding through Memorandums of Understanding with the MEA to support programs administered by the Center. The Center also receives statutory funding, including appropriations authorized under the Climate Solutions Now Act of 2022 for the C3 Fund and under legislation establishing the CTFF. Transfers from MEIF, C3 Fund, and CTFF are recognized as noncapital subsidies when approved and when all applicable 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

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. State appropriations from the State of Maryland are classified as noncapital subsidies. Interest income and interest expense are reported as other nonoperating revenues and expenses.

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 C3 Fund, CTFF, BFF, and SRF. 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 C3 Fund, CTFF, BFF, and SRF 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, 2026 and 2025, the Center used funds totaling \$546,357 and \$412,168, respectively, to establish and administer the C3 Fund. As of June 30, 2026 and 2025, restricted cash totaled \$19,982,592 and \$15,898,657, 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.

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**Accounts Receivable**

Accounts receivable are as follows as of June 30,:

	2026	2025
Construction costs - Chestertown	\$ 685,518	\$ -
Construction costs - MSU	193,580	114,716
CEA	157,020	10,745
Grant awards	93,201	5,120,303
Consulting and other services	70,055	31,275
Event sponsorship and other	23,200	152,457
Excess energy savings	-	33,145
	<u>\$ 1,222,574</u>	<u>\$ 5,462,641</u>

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, 2026 and 2025, management has determined all receivables are fully collectible and an allowance for doubtful accounts is not necessary.

As of June 30, 2026 and 2025, construction invoices totaling \$879,098 and \$114,716, respectively, are included in accounts receivable and accounts payable and accrued expenses in the accompanying statements of net position (Notes 8 and 9).

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 9). There is no allowance for leases receivable recorded as of June 30, 2026 and 2025.

Notes Receivable

The Center provides funding to various borrowers from the C3 Fund, CTFF, BFF, and SRF. The funds are used by the borrowers to support energy savings initiatives, including the development, commercialization, and deployment of qualifying clean energy, energy efficiency, resiliency, and related activities. The funds are used by borrowers for eligible project and business purposes in accordance with the terms of the applicable financing agreements. Certain arrangements allow the Center to exercise the option of exchanging amounts owed to the Center for an equity interest or other ownership interest in the respective borrower.

The Center reports these notes receivable at their outstanding balances, as well as interest accrued, reduced by an allowance for doubtful accounts. Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Center's past notes receivable loss experience, known and inherent risks in the notes receivable population, adverse situations that may affect the borrower's ability to pay, and current economic conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**Notes Receivable – continued**

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by write offs of the notes receivable balances. Notes receivable are considered past due when no payments have been received by their contractual due dates, varying with different borrowers. Notes receivable are charged off based on management's case-by-case determination that they are uncollectible. As of June 30, 2026 and 2025, the Center determined the allowance for doubtful accounts to be \$0.

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. 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 of 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, 2026 and 2025, 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.

As of June 30, 2026 and 2025, 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.

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**Capital Assets and Depreciation – continued**

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	2026	2025
Baltimore Gas and Electric	\$ 373,085	\$ 307,287
Institute for Bioscience and Biotechnology Research	261,589	74,639
Washington Gas	172,531	54,264
Delmarva Power	143,315	54,320
Potomac Edison	137,387	88,517
Southern Maryland Electric Cooperative	126,548	45,884
Pepco South	87,577	42,150
University of Maryland College Park	81,064	424,889
Coppin State University	76,696	23,783
Morgan State University	34,416	9,900
	<u>\$ 1,494,208</u>	<u>\$ 1,125,633</u>

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, 2026 and 2025, the Center recognized fees collected in advance, which do not meet the availability criteria, as a deferred inflow of resources on the accompanying statements of net position.

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**Deferred Inflow of Resources – continued**

Deferred inflows of resources are as follows as of June 30,:

	2026	2025
University of Maryland College Park	\$ 15,075,853	\$ 17,488,939
Institute for Bioscience and Biotechnology Research	2,695,113	3,054,465
Coppin State University	801,104	1,335,233
Morgan State University	2,710,692	1,807,128
Event fees	69,414	51,750
	<u>\$ 21,352,176</u>	<u>\$ 23,737,515</u>

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, 2026 and 2025 amounted to \$92,244 and \$67,162, 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.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on previously reported change in net position, net position, or cash flows, as applicable.

Subsequent Events

The Center has evaluated for disclosure of any subsequent events through September 28, 2026, the date the financial statements were available to be issued, and determined there were no material events that warrant disclosure, except as disclosed in Notes 1, 9, 11, and 12.

3. NOTES RECEIVABLE

During the year ended June 30, 2026, the Center issued promissory notes and convertible promissory notes to various borrowers. These notes bear interest at fixed rates ranging from 3.5% to 8% and have maturity dates ranging from 18 months to 7 years from the date of issuance. Most promissory notes require quarterly interest payments, with principal due at maturity. Convertible notes generally require repayment of principal and accrued interest at maturity. One note also requires quarterly principal and interest payments following an initial 24-month interest-only period.

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

3. NOTES RECEIVABLE – continued

Under the terms of the convertible promissory notes, upon the occurrence of specified conversion events, including a qualified equity financing or change in control, the Center may elect to convert the outstanding principal balance and accrued but unpaid interest into an equity interest in the borrower in accordance with the applicable agreement. As of June 30, 2026, the total balance outstanding on these promissory notes, convertible promissory notes, and revolving line-of-credit agreements receivable totaled \$4,725,611 and accrued interest receivable totaled \$44,260.

Notes receivable are summarized as follows as of June 30,:

	2026	2025
Promissory notes receivable	\$ 750,000	\$ -
Convertible promissory notes receivable	275,000	-
Revolving line-of-credit agreements receivable	3,700,611	
Total notes receivable	<u>\$ 4,725,611</u>	<u>\$ -</u>
Notes receivable - current	\$ -	\$ -
Notes receivable - noncurrent	4,725,611	-
	<u>\$ 4,725,611</u>	<u>\$ -</u>

4. RIGHT-OF-USE ASSETS

Right-of-use assets activity for the years ended June 30, 2026 and 2025 is summarized as follows:

2026	Beginning balance	Additions	Retirements	Ending balance
Office space	\$ 477,674	\$ -	\$ -	\$ 477,674
Less: accumulated amortization	(161,710)	(68,937)	-	(230,647)
Right-of-use assets, net	<u>\$ 315,964</u>	<u>\$ (68,937)</u>	<u>\$ -</u>	<u>\$ 247,027</u>
2025	Beginning balance	Additions	Retirements	Ending balance
Office space	\$ 132,987	\$ 344,687	\$ -	\$ 477,674
Less: accumulated amortization	(108,205)	(53,505)	-	(161,710)
Right-of-use assets, net	<u>\$ 24,782</u>	<u>\$ 291,182</u>	<u>\$ -</u>	<u>\$ 315,964</u>

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

5. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2026 and 2025 is summarized as follows:

2026	Beginning balance	Additions/ (Placed in Service)	Retirements	Ending balance
Furnishings and office equipment	\$ 30,624	\$ -	\$ -	\$ 30,624
Energy savings equipment	28,875,265	-	-	28,875,265
Construction in progress	8,775,889	998,452	-	9,774,341
	<u>37,681,778</u>	<u>998,452</u>	<u>-</u>	<u>38,680,230</u>
Less: accumulated depreciation:				
Furnishings and office equipment	(29,361)	(552)	-	(29,913)
Energy savings equipment	(8,516,055)	(2,665,680)	-	(11,181,735)
	<u>(8,545,416)</u>	<u>(2,666,232)</u>	<u>-</u>	<u>(11,211,648)</u>
Net Capital Assets	<u>\$ 29,136,362</u>	<u>\$ (1,667,780)</u>	<u>\$ -</u>	<u>\$ 27,468,582</u>
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
	<u>42,519,034</u>	<u>43,297</u>	<u>(4,880,553)</u>	<u>37,681,778</u>
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)
	<u>(8,474,338)</u>	<u>(2,877,039)</u>	<u>2,805,961</u>	<u>(8,545,416)</u>
Net Capital Assets	<u>\$ 34,044,696</u>	<u>\$ (2,833,742)</u>	<u>\$ (2,074,592)</u>	<u>\$ 29,136,362</u>

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

6. 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, 2026 and 2025, was \$2,299,035 and \$2,595,500, respectively. The loan is payable solely from the energy savings of the shared energy savings agreement (Note 9) 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,:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 301,040	\$ 296,609	\$ 4,431
2028	300,581	296,743	3,838
2029	300,116	296,872	3,244
2030	299,643	296,993	2,650
2031	299,163	297,107	2,056
2032-2034	817,218	814,711	2,507
	<u>\$ 2,317,761</u>	<u>\$ 2,299,035</u>	<u>\$ 18,726</u>

Total interest expense for the years ended June 30, 2026 and 2025 was \$5,025 and \$5,487, respectively.

7. 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, 2026 and 2025 was \$778,822 and \$1,308,446, respectively. The bond is payable solely from the energy savings of the shared energy savings agreement (Note 9) 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.

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

7. BONDS PAYABLE – continued

In September 2013, the Center issued a tax-exempt revenue bond in the amount of \$5,107,855. The bond was 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 matured in December 2024. Cumulative interest expense of \$176,221 was capitalized during the construction phase. Bond proceeds were 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, 2026 and 2025 was \$0. The bond was payable solely from the energy savings of the shared energy savings agreement (Note 9) or any residual bond funds. Therefore, the holders of the debt had no recourse to other assets of the Center in the event that cash flows from the shared energy savings agreement were 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, 2026 and 2025 was \$9,224,313 and \$10,625,337, respectively. The bond is payable solely from the energy savings of the shared energy savings agreement (Note 9) 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 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 Morgan State University (“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, 2026 and 2025 was \$8,058,999 and \$9,107,551, respectively. The note is payable solely from the energy savings of the shared energy savings agreement (Note 9) 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,:

	2026	2025
Tax exempt bond - Coppin	\$ 778,822	\$ 1,308,446
Tax exempt bond - UMCP	9,224,313	10,625,337
Tax exempt bond - MSU	8,058,999	9,107,551
	<u>\$ 18,062,134</u>	<u>\$ 21,041,334</u>
Less current portion	(2,647,999)	(2,575,648)
Bonds payable - Long term portion	<u>\$ 15,414,135</u>	<u>\$ 18,465,686</u>

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

7. BONDS PAYABLE – continued

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, 2025 and 2024.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 3,132,821	\$ 2,647,999	\$ 484,822
2028	2,805,037	2,392,136	412,901
2029	2,570,206	2,218,842	351,364
2030	2,569,929	2,279,678	290,251
2031	2,559,562	2,331,556	228,006
2032-2036	6,253,328	5,700,555	552,773
2037	510,581	491,368	19,213
	<u>\$ 20,401,464</u>	<u>\$ 18,062,134</u>	<u>\$ 2,339,330</u>

Total interest expense for the years ended June 30, 2026 and 2025 was \$557,836 and \$653,398, respectively.

8. CONDUIT DEBT OBLIGATIONS

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, 2026 and 2025 the outstanding principal on the debt was approximately \$1,383,000 and \$1,668,000, respectively. Principal payments during the year ended June 30, 2026 and 2025 totaled \$284,516 and \$262,580, respectively.

In May 2026, the Center issued a \$6,000,000 tax-exempt revenue bond for the purpose of refinancing and financing energy conservation measures implemented in the Town of Chestertown deemed to be in the public interest. The bond is a limited obligation of the Center, payable solely from the revenues and receipts derived from the repayment of the loan made to the Town of Chestertown under the Bond Purchase and Loan Agreement. The Town of Chestertown's repayment obligations are secured by the full faith and credit and unlimited ad valorem taxing power of the Town. The Center is not obligated to pay the principal of or interest on the bond except from such revenues pledged and assigned therefor, and neither the faith and credit nor the taxing power of the State of Maryland or any political subdivision thereof (other than the Town of Chestertown) is pledged to the payment of the bond. As of June 30, 2026 and 2025, the outstanding principal on the bond was approximately \$6,000,000 and \$0, respectively. There were no principal payments during the year ended June 30, 2026.

9. 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 7).

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 7). The shared energy savings agreement terminated and the tax-exempt revenue bond (Note 7) 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 7). The installation of the equipment was completed in December 2023.

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 6).

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 7). As of June 30, 2026 and 2025, the installation of the equipment was still under construction. On July 8, 2026, the installation of the equipment was completed and placed into service.

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

9. SHARED ENERGY SAVINGS AGREEMENTS AND ENERGY PERFORMANCE CONTRACTS - continued

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 statements 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, IBBR, and UMCP totaled \$18,572,070 and \$21,878,637 as of June 30, 2026 and 2025, respectively. Advance payments received from MSU before commencement of the lease totaling \$2,710,692 and \$1,807,128 are recorded in deferred inflow of resources as of June 30, 2026 and 2025, respectively. Interest revenue totaled \$317,268 and \$373,148 for the years ended June 30, 2026 and 2025, respectively, as reflected in the accompanying statements of revenues, expenses, and changes in net position.

The weighted-average remaining lease term was 6.2 years and 7.1 years as of June 30, 2026 and 2025, respectively. The weighted-average remaining discount rate was 2.19% and 2.22% as of June 30, 2026 and 2025, respectively.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 2,707,772	\$ 2,436,301	\$ 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	2,107,654	2,022,424	85,230
2032-2034	3,083,933	3,039,255	44,678
	<u>\$ 14,521,400</u>	<u>\$ 13,605,941</u>	<u>\$ 915,459</u>

Notes to Financial Statements
For the Years Ended June 30, 2026 and 2025

10. 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 \$8,217 and \$4,173 for the years ended as June 30, 2026 and 2025, 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 \$66,266 and \$51,175 for the years ended June 30, 2026 and 2025, respectively. The weighted average remaining lease term was 3.60 years and 4.60 years as of June 30, 2026 and 2025, respectively. The discount rate of the lease was 2.89% as of June 30, 2026 and 2025.

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

	Total	Principal	Interest
2027	\$ 74,644	\$ 68,207	\$ 6,437
2028	74,644	70,205	4,439
2029	74,644	72,261	2,383
2030	40,826	40,410	416
	<u>\$ 264,758</u>	<u>\$ 251,083</u>	<u>\$ 13,675</u>

11. UNUSUAL ITEM – WIRE FRAUD LOSS

During the year ended June 30, 2026, MCEC incurred a loss of \$1,795,056 resulting from a fraudulent wire transfer associated with a social engineering scheme. The matter has been reported to law enforcement and is under active criminal investigation. MCEC has filed insurance claims related to the loss. As of September 28, 2026, MCEC has recovered \$15,639. The amount of any future recovery cannot be estimated. Remaining potential recoveries are not recognized until realized or realizable. Management has taken corrective action to strengthen internal controls. Specific cybersecurity details are omitted because they relate to protected information, system security, and/or law-enforcement investigative matter under Maryland law. Due to the nature and infrequency of the event, the loss has been reported as an unusual item in the accompanying statements of revenues, expenses, and changes in net position.

12. SUBSEQUENT EVENT

Effective July 1, 2026, MCEC assumed administration of, and responsibility for servicing, all existing loans under the Jane E. Lawton Conservation Loan Program ("JELLP"). JELLP is a MCEC program that provides loans to Maryland nonprofit organizations, local governments, businesses, and state agencies to finance upfront costs for energy efficiency and conservation projects. JELLP operates as a revolving fund and provides financing at interest rates of 3% for eligible business and nonprofit micro loans, 2% for eligible business and nonprofit traditional loans, and 0% for Maryland state and local governments and their instrumentalities. As of September 28, 2026, the amount of notes receivable under JELLP Loans totaled approximately \$6,110,000.

SUPPLEMENTARY INFORMATION

Maryland Clean Energy Center

**Combining Schedule of Net Position of Funds
As of June 30, 2026**

Assets	MCEC exclusive of investment funds	C3 Fund	CTFF	Eliminations	Total
Current Assets:					
Cash and cash equivalents	\$ 5,493,977	\$ -	\$ -	\$ -	\$ 5,493,977
Restricted cash	3,749,226	16,001,516	231,850	-	19,982,592
Accounts receivable	1,222,574	-	-	-	1,222,574
Due from MCEC	-	152,888	965,000	(1,117,888)	-
Leases receivable	2,436,301	-	-	-	2,436,301
Accrued interest receivable	28,851	15,109	300	-	44,260
Prepaid expenses and deposits	44,827	-	-	-	44,827
Total Current Assets	12,975,756	16,169,513	1,197,150	(1,117,888)	29,224,531
Non-current Assets:					
Notes receivable	2,704,944	1,745,667	275,000	-	4,725,611
Leases receivable	11,169,640	-	-	-	11,169,640
Right-of-use assets, net of accumulated amortization	247,027	-	-	-	247,027
Capital assets, net of accumulated depreciation	27,468,582	-	-	-	27,468,582
Total Non-current Assets	41,590,193	1,745,667	275,000	-	43,610,860
Total Assets	\$ 54,565,949	\$ 17,915,180	\$ 1,472,150	\$ (1,117,888)	\$ 72,835,391
Liabilities and Net Position					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 1,249,220	\$ -	\$ -	\$ -	\$ 1,249,220
Accrued salaries and benefits	185,565	-	-	-	185,565
Due to C3 Fund	152,888	-	-	(152,888)	-
Due to CTFF	965,000	-	-	(965,000)	-
Note payable	296,609	-	-	-	296,609
Bonds payable	2,647,999	-	-	-	2,647,999
Lease liabilities	68,207	-	-	-	68,207
Advances	1,494,208	-	-	-	1,494,208
Total Current Liabilities	7,059,696	-	-	(1,117,888)	5,941,808
Non-current Liabilities:					
Note payable	2,002,426	-	-	-	2,002,426
Bonds payable	15,414,135	-	-	-	15,414,135
Lease liabilities	182,876	-	-	-	182,876
Total Non-current Liabilities	17,599,437	-	-	-	17,599,437
Total Liabilities	24,659,133	-	-	(1,117,888)	23,541,245
Deferred Inflow of Resources:					
Fees collected in advance	21,352,176	-	-	-	21,352,176
Commitments and Contingencies (Notes 8 and 9)					
Net Position:					
Net investment in capital assets	7,103,357	-	-	-	7,103,357
Restricted	3,530,854	17,915,180	1,472,150	-	22,918,184
Unrestricted	(2,079,571)	-	-	-	(2,079,571)
Total Net Position	\$ 8,554,640	\$ 17,915,180	\$ 1,472,150	\$ -	\$ 27,941,970

See accompanying 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, 2026**

	MCEC exclusive of investment funds	C3 Fund	CTFF	Eliminations	Total
Operating Revenues:					
Leases	\$ 3,317,910	\$ -	\$ -	\$ -	\$ 3,317,910
Grants	1,080,865	-	-	-	1,080,865
Consulting and other services	342,973	-	-	-	342,973
Energy savings	27,500	-	-	-	27,500
Project fees	579,652	-	-	-	579,652
Other	45,000	10,000	-	-	55,000
Sponsorships and events	310,064	-	-	-	310,064
Bond administration	39,691	-	-	-	39,691
Total Operating Revenues	5,743,655	10,000	-	-	5,753,655
Operating Expenses:					
Compensation and benefits	1,845,508	-	-	-	1,845,508
Administrative and general	2,627,025	927,401	-	-	3,554,426
Depreciation and amortization	2,735,169	-	-	-	2,735,169
Total Operating Expenses	7,207,702	927,401	-	-	8,135,103
Operating Loss	(1,464,047)	(917,401)	-	-	(2,381,448)
Noncapital Subsidies:					
Maryland Energy Innovation Fund	1,200,000	-	-	-	1,200,000
Strategic Revolving Loan Fund	-	-	-	-	-
Climate Catalytic Capital Fund	-	5,000,000	-	-	5,000,000
Maryland Energy Administration - MEIA	2,140,000	-	-	-	2,140,000
Climate Technology Founders Fund	-	-	1,260,000	-	1,260,000
Bridge Finance Facility	5,000,000	-	-	-	5,000,000
Transfer to Maryland Energy Innovation Institute	(1,500,000)	-	-	-	(1,500,000)
Total Noncapital Subsidies	6,840,000	5,000,000	1,260,000	-	13,100,000
Operating Loss and Noncapital Subsidies	5,375,953	4,082,599	1,260,000	-	10,718,552
Other Nonoperating Revenues and Expenses:					
Interest income	632,055	385,012	10,036	-	1,027,103
Interest expense	(571,078)	-	-	-	(571,078)
Other Nonoperating Revenues and Expenses, net	60,977	385,012	10,036	-	456,025
Income Before Unusual or Infrequent Items	5,436,930	4,467,611	1,270,036	-	11,174,577
Unusual or Infrequent Items:					
Wire fraud loss	(1,795,056)	-	-	-	(1,795,056)
Change in Net Position	3,641,874	4,467,611	1,270,036	-	9,379,521
Net Position, beginning of year	4,912,766	13,447,569	202,114	-	18,562,449
Net Position, end of year	\$ 8,554,640	\$ 17,915,180	\$ 1,472,150	\$ -	\$ 27,941,970

See accompanying independent auditors' report.