

*Maryland Health and Higher  
Educational Facilities Authority*

2007 ANNUAL REPORT



*Maryland is extremely proud of its healthcare institutions, colleges and universities and noncollegiate schools. The strength of these institutions is the foundation of our state's future.*

*The mission of the Maryland Health and Higher Educational Facilities Authority is to assist non-profit educational institutions and hospitals and related healthcare organizations in financing the construction and acquisition of capital projects. In the pursuit of our goals, we strive to keep abreast of opportunities to reduce the cost of capital in order to meet the changing needs of our borrowing institutions.*

*The Authority is empowered to perform a variety of functions on behalf of its constituents, including the following:*

- *Issuing fixed and variable rate bonds and notes, including commercial paper and auction rate securities.*
- *Financing construction, renovation and equipping of facilities for nonprofit hospitals, colleges, universities, noncollegiate schools, retirement communities, nursing homes, assisted living facilities and other long-term care facilities.*
- *Entering into leases and subleases of projects and contracts for the operation and management of projects for institutions.*
- *Making loans to participating institutions to finance projects, including hospital facilities, ambulatory care centers and other outpatient facilities, parking garages, research facilities, academic buildings, dormitories, dining halls, libraries and athletic facilities.*
- *Establishing and administering pooled loan programs to reduce financing costs and provide enhanced access to the capital markets.*

*As a public instrumentality providing financing for key institutional projects, the Maryland Health and Higher Educational Facilities Authority plays a vital role in improving the health and well being of the residents of our State.*

## AUTHORITY MEMBERS

### SHEILA K. RIGGS, *Chairman*

Term as member expires July 1, 2008; resident of Baltimore City; Treasurer and former Chairman of the Board of Trustees- The Maryland Institute College of Art; Director- Provident Bankshares Corporation; past Secretary and member of the Board of Trustees- Bryn Mawr School; past member of the Executive Committee of the Board of Trustees- Baltimore Museum of Art; past Vice Chairman of Board of Trustees- National Aquarium in Baltimore; past member of the Executive Council- Maryland Hospital Association; and past Co-Chairman- Baltimore Council on Foreign Affairs.

### PAUL B. MERITT, *Vice Chairman*

Term as member expired July 1, 2004\*; resident of Baltimore County; Vice President- PNC Bank; member- Maryland Capital Debt Affordability Committee; and Maryland Commission on State Debt.

### NANCY K. KOPP, *ex officio*

Resident of Montgomery County; Treasurer of the State of Maryland; Chair- Maryland Capital Debt Affordability Committee; College Savings Plans of Maryland; and Board of Trustees of the Maryland State Retirement and Pension System; Member- Maryland Board of Public Works; Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans; Hall of Records Commission; Board of Revenue Estimates; and Maryland Commission on State Debt.

### CATHERINE ASHLEY-COTLEUR, PH.D., *Member*

Term as member expired July 1, 2007\*; resident of Washington County; Associate Professor- College of Business, Frostburg State University; member- American Marketing Association; United States Association of Small Business and Entrepreneurship; and International Conference of Small Business.

### PAIGE T. DAVIS, *Member*

Term as member expired July 1, 2003\*; resident of Baltimore City; Senior Vice President- The Warner Companies; retired Vice President- The Variable Annuity Marketing Company; retired Regional Manager- The Variable Annuity Life Insurance Company; Vice Chairman- Morgan State University Foundation; and member- Board of Trustees of Mercy Health Services.

### THOMAS E. DOBYNS, J.D., *Member*

Term as member expired July 1, 2006\*; resident of Montgomery County; Principal- Thomas Dobyns Attorney at Law, Chevy Chase, Maryland; member- Health Law Forum Committee and Affordable Housing and Community Development Law Forum Committee of the American Bar Association; Health Law Section of the District of Columbia Bar; Health Law Section of the Maryland State Bar Association; Habitat for Humanity; and Society of St. Andrew.

### WILLARD HACKERMAN, *Member*

Term as member expired July 1, 2005\*; resident of Baltimore County; President and Chief Executive Officer- The Whiting Turner Contracting Company; Trustee Emeritus- The Johns Hopkins University; member- Johns Hopkins Medicine Board of Visitors; and University of Maryland School of Medicine Board of Visitors; Director- THE ASSOCIATED: Jewish Community Federation of Baltimore; former Member- Maryland Higher Education Commission; and former Vice Chairman- Maryland Economic Development Committee.

### FREDERICK W. MEIER, JR., *Member*

Term as member expired July 1, 2005\*; resident of Baltimore City; Senior Advisor- Lord Baltimore Capital Corporation; former Executive Vice President, First Maryland Bancorp; President and Director- Rodney Trust Company; Director- Provident Bankshares Corporation; Attransco; and Empresas, S.A.; member- Investment Committee and former Vice President and Trustee- The Baltimore Museum of Art; member- Baltimore City Board of Finance; Honorary Trustee and former President of Board of Trustees- The Boys' Latin School of Maryland; former Member of Board of Governors- The Center Club; and former Director- Forestal San Jose (Chile); Jugos del Sur (Argentina); and NORDEN A/S (Denmark).

\* *By the terms of the Authority's enabling act, members continue to serve until their successors are appointed.*

**AUTHORITY STAFF**

ANNETTE ANSELM  
*Executive Director*

EDWARD GOLAS, JR.  
*Chief Operating Officer*

CONSTANCE McCREADY  
*Controller*

LENA PRINCE  
*Senior Account Manager*

MARY JANE LUPUS  
*Account Manager*

KATHY RECH  
*Account Manager*

STEPHANIE BURRELL  
*Administrative Assistant*

**AUTHORITY CONSULTANTS**

McKENNON SHELTON & HENN LLP  
*Bond Counsel*

KILLARNEY ADVISORS, INCORPORATED  
*Financial Advisor*

PUBLIC FINANCIAL MANAGEMENT, INC.  
*Financial Advisor*

REZNICK GROUP, P.C.  
*Independent Auditors*

SC&H CONSULTING  
*Internal Controls Consultant*

MANAGEMENT CONSULTING SERVICES  
*Management Consultant*

## INDEPENDENT AUDITORS' REPORT

To the Members  
Maryland Health and Higher Educational Facilities Authority

We have audited the accompanying balance sheet of Maryland Health and Higher Educational Facilities Authority (the Authority) as of June 30, 2007, and related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Authority as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 25 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Reznick Group, P.C.*

Baltimore, Maryland  
October 9, 2007

# Maryland Health and Higher Educational Facilities Authority- Management's Discussion and Analysis

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## Introduction

This discussion and analysis of the financial performance of the Maryland Health and Higher Educational Facilities Authority (the "Authority") is supplementary information required by the Government Accounting Standards Board. It introduces the basic financial statements and provides a brief overview of the Authority's financial activities. It should be read in conjunction with the financial statements that follow this discussion.

The Authority is a public instrumentality of the State of Maryland which assists non-profit educational institutions and hospitals and related healthcare organizations in financing the acquisition and construction of capital projects.

The Authority does not receive any appropriations from the State of Maryland and is funded entirely from fees charged to participating borrowers and interest earnings on investments.

## Overview of the Financial Statements

The three basic statements presented within the financial statements are as follows:

- Balance Sheet- This statement presents information reflecting the Authority assets, liabilities and net assets. Assets represent the total of liabilities and net assets.
- Statement of Revenues, Expenses and Changes in Net Assets- This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses during the fiscal year. Operating revenue is generated from application and administrative fees charged to borrowers. Operating expense includes staff salaries and other expenses, as well as professional fees. The change in net assets is similar to net profit or loss for any other business enterprise.
- Statement of Cash Flows- The statement of cash flows is presented using the direct method of reporting which reflects cash flows from operating, financing and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

## Summary of Activities

- During fiscal year 2007 the Authority sold 19 issues totaling more than \$1.5 billion. The proceeds were used to purchase land; construct and acquire new facilities; renovate existing facilities; purchase equipment; and refund prior debt.

## Maryland Health and Higher Educational Facilities Authority- Management's Discussion and Analysis (Continued)

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- Operating revenues increased by approximately \$292,000 due to the higher volume of new issues resulting in higher administrative fees. The Authority funds its operations using a combination of administrative fees, application fees and investment income. Administrative fees are a maximum of one tenth of one percent of the par amount of debt issued and the application fee is \$5,000. The Authority waived 75% of its annual administrative fee chargeable to borrowing institutions in 2007 and 2006.
  
- Operating expenses increased by approximately \$326,000 due to inflation and the increased level of bond issuance activity.
  
- The Authority had approximately \$7,262,016,000 of conduit debt outstanding at June 30, 2007. This is an approximately \$1,080,871,000 increase from June 30, 2006. A schedule of debt outstanding is included in the additional information to these financial statements. All bonds issued by the Authority are limited obligations payable solely from amounts payable by participating institutions under the loan or lease agreements executed in connection with the issuance of the bonds or revenues of the project financed. The Authority has no outstanding debt constituting a general obligation of the Authority or a pledge of its faith and credit.

### Financial Highlights

The following summarizes the financial position and results of operations of the Authority for the fiscal years ended June 30, 2007 and 2006 (in thousands of dollars):

	June 30, 2007	June 30, 2006
<b>ASSETS</b>	<b>\$ 15,791</b>	<b>\$ 14,974</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>	<b>\$ 98</b>	<b>\$ 78</b>
<b>NET ASSETS</b>	<b>15,693</b>	<b>14,896</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,791</b>	<b>\$ 14,974</b>



Maryland Health and Higher Educational Facilities Authority-  
Management's Discussion and Analysis (Continued)

	June 30, 2007	June 30, 2006
OPERATING REVENUES	\$ 1,930	\$ 1,638
OPERATING EXPENSES	1,959	1,633
OPERATING INCOME (LOSS)	(29)	5
NON-OPERATING REVENUES (EXPENSES)		
Net income from investments	793	599
Net increase (decrease) in fair value of investments	33	(249)
INCREASE IN NET ASSETS	797	355
Net assets, beginning of year	14,896	14,541
Net assets, end of year	\$ 15,693	\$ 14,896

## Summary of Financings

During fiscal year 2007, the Authority issued (in thousands of dollars):

Public Issues	\$ 1,437,430
Private Placements	61,601
Pooled Loan Program- Series D	5,420
	<u>\$ 1,504,451</u>

The following is a list of the issues during fiscal year 2007:

### HEALTHCARE FINANCINGS:

#### **\$35,000,000 Mercy Medical Center, Series 2006**

A private placement to finance (1) the demolition and reconstruction of the institution's Davis Street Garage in order to enlarge it to an 11-story, approximately 1,370-space parking garage, (2) the acquisition of equipment and (3) the renovation of facilities at the institution's downtown Baltimore campus.

#### **\$45,000,000 University of Maryland Medical System, Series 2006A**

#### **\$70,000,000 University of Maryland Medical System, Series 2006B**

#### **\$50,000,000 University of Maryland Medical System, Series 2006C**

#### **\$55,000,000 University of Maryland Medical System, Series 2006D**

#### **\$100,000,000 University of Maryland Medical System, Series 2006E**

#### **\$75,000,000 University of Maryland Medical System, Series 2006F**

Public issues to finance (1) construction and equipping of an ambulatory care center for

## Maryland Health and Higher Educational Facilities Authority- Management's Discussion and Analysis (Continued)

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the University of Maryland Medical Center (“UMMC”), including a below grade parking garage providing up to 540 parking spaces, (2) renovation and equipping of certain existing facilities of UMMC, (3) construction, renovation and equipping of a new patient care facility at the Baltimore Washington Medical Center (“BWMC”), (4) construction, renovation and equipping of an emergency room expansion at the BWMC and (5) construction, renovation and equipping of facilities at The Memorial Hospital at Easton (“MHE”), including (a) expansion of the emergency department and the imaging department, (b) construction of a new 23-bed ambulatory unit, (c) relocation of the outpatient services entrance and registration area and (d) infrastructure improvements.

### **\$348,650,000 Western Maryland Health System, Series 2006A**

#### **\$2,180,000 Western Maryland Health System, Series 2006B (Taxable)**

Public issues to (1) finance (a) demolition of existing facilities and construction of a new 275-bed replacement hospital facility, including parking lots, a structured parking deck, site work and other amenities (the “Replacement Hospital”), (b) renovation of the Western Maryland Health System Office Complex and the Western Maryland Health System Administration Center located adjacent to the Replacement Hospital, (c) acquisition of certain property and interests in land, including portions of an approximately 36-acre tract of land on which the Replacement Hospital will be constructed, and (d) acquisition of furniture, fixtures and equipment and (2) refund the Authority’s Hospital Revenue Bonds (Charity Obligated Group), Series 1999A and certain other indebtedness.

### **\$52,125,000 Kennedy Krieger Institute, Series 2006**

A public issue to (1) finance construction and equipping of a new outpatient clinical care center and a new clinical research building, (2) refund the Authority’s Pooled Loan Program Revenue Bonds (Kennedy Krieger Institute), Series 1993D and (3) refinance a loan to the Obligated Group Members.

### **\$35,000,000 Carroll Hospital Center, Series 2006**

A public issue to finance (1) construction to support the addition and operation of four new surgical suites and renovation of existing surgical suites, (2) expansion and renovation of various departments and administrative and support areas, (3) expansion of the institution’s existing 5th floor to accommodate 24 medical/surgical inpatient beds, (4) construction and build-out of two additional floors on top of the institution’s existing bed towers and (5) routine capital acquisitions and renovations.

### **\$8,201,010 St. Mary’s Hospital of St. Mary’s County Lease (2006)**

A private placement to finance (1) construction of additions to the existing emergency

## Maryland Health and Higher Educational Facilities Authority- Management's Discussion and Analysis (Continued)

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department, (2) addition of a new ambulance canopy, (3) site work and (4) acquisition of a CT Scanner, Magnetic Resonance Imaging unit and various other equipment.

### **\$77,685,000 Doctors Community Hospital, Series 2007A**

A public issue to (1) finance the renovation and equipping of the existing hospital facilities of the institution and (2) refund the Authority's Project and Refunding Revenue Bonds, Doctors Community Hospital Issue, Series 1993 and its Revenue Bonds, Doctors' Community Hospital Issue, Series 1997.

### **\$144,985,000 MedStar Health, Series 2007**

A public issue to finance (1) the construction and equipping of a seven-story patient tower for Franklin Square Hospital Center, (2) the addition of a parking garage and surface lot providing approximately 1,100 additional parking spaces, (3) renovations in contiguous areas to the patient tower and (4) related infrastructure improvements.

### **\$12,000,000 Adventist HealthCare Lease (2007)**

A private placement to finance medical and information technology equipment and other capital improvements for Shady Grove Adventist Hospital and Washington Adventist Hospital.

## **EDUCATIONAL INSTITUTION FINANCINGS:**

### **\$2,500,000 College of Notre Dame of Maryland Lease (2006)**

A private placement to finance the acquisition and installation of connection and distribution systems for the centralized heating and chilled water plant on the campus of the institution.

### **\$38,740,000 Maryland Institute College of Art, Series 2007**

A public issue to (1) finance a portion of the costs of (a) construction of a nine-story residence hall for 215 students, including a multi-purpose performance space and student affairs offices, and (b) renovation of three existing academic buildings, (2) refinance a loan to the institution to finance facilities and (3) advance refund the Authority's Revenue Bonds, Maryland Institute College of Art Issue, Series 2001.

## **RETIREMENT COMMUNITIES:**

### **\$55,365,000 Edenwald, Series 2006A**

### **\$25,000,000 Edenwald, Series 2006B**

A public issue to (1) finance renovations to the healthcare center of the existing

## Maryland Health and Higher Educational Facilities Authority- Management's Discussion and Analysis (Continued)

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facility and construction of a 12-story addition containing approximately 60 apartments and 32 assisted living units, a wellness center and four levels of indoor parking containing approximately 205 parking spaces, and (2) refund the Authority's Refunding Revenue Bonds, Edenwald Issue, Series 1993.

### **\$54,590,000 King Farm Presbyterian Retirement Community, Series 2007A**

### **\$120,000,000 King Farm Presbyterian Retirement Community, Series 2007B**

Public issues to (1) finance the development, acquisition, construction and equipping of a continuing care retirement community to consist of a seven-story mid-rise building containing 242 independent living apartments, 35 assisted living apartments and 45 skilled nursing units and (2) refund the Authority's Revenue Bonds, King Farm Retirement Community Issue, 2005A and 2005B.

### **\$23,445,000 Mercy Ridge, Series 2007**

A public issue to advance refund the Authority's Revenue Bonds, Mercy Ridge Issue, Series 2003A.

### **\$3,900,000 Charles County Nursing and Rehabilitation Center, Series 2007**

A private placement to refinance the acquisition, renovation and equipping of Abbey Manor, a 32-bed assisted living facility.

## **NON-COLLEGIATE SCHOOL FINANCINGS:**

### **\$10,500,000 Severn School, Series 2006**

A public issue to (1) finance construction and renovation of the institution's facilities, including (a) the construction of an indoor athletic complex and related facilities and (b) renovations to an existing academic center and (2) refund the Authority's Revenue Bond, Severn School Issue, 2002A.

### **\$30,000,000 Washington Christian Academy, Series 2006**

A limited offering to finance acquisition, construction and equipping of a new campus for the institution, including an academic building and gymnasium to be located on approximately 60 acres of land.

### **\$24,165,000 Archdiocese of Baltimore Schools, Series 2007**

A public issue to finance (1) the purchase and installation of an air conditioning system for existing school buildings of the School of the Cathedral of Mary Our Queen, (2) the construction of a new athletic/gymnasium facility and renovations to the campus multi-purpose center at the St. Agnes School, (3) the construction of St. John Regional School, a new school for kindergarten through 8th grade,

## Maryland Health and Higher Educational Facilities Authority- Management's Discussion and Analysis (Continued)

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(4) construction of classroom space and a new gymnasium, the acquisition of approximately 22 acres of land and construction of a new stadium with outdoor lighting and seating and construction of a new Arts and Technology building at Archbishop Spalding High School and (5) improvements to the driveway and storm water management system, installation of an elevator and construction of educational facilities at Archbishop Curley High School.

### **POOLED LOAN PROGRAM, SERIES D FINANCINGS:**

#### **\$5,420,000 Mosaic Community Services and North Baltimore Center**

This loan financed (1) certain capital improvements and renovations to existing mental health residential housing facilities, (2) certain corporate equipment and machinery and (3) the advance refunding of certain bonds issued to benefit the institutions.

### **Subsequent Bond Activity**

At June 30, 2007 the following bonds were authorized but not issued:

- \$55,000,000 revenue bonds on behalf of Annapolis Life Care
- \$40,000,000 revenue bonds on behalf of Goucher College
- \$7,700,000 revenue bonds, Pooled Loan Program Series D, on behalf of Mt. Washington Pediatric Hospital

Subsequent to June 30, 2007 the following bonds were authorized and issued:

- \$8,000,000 revenue bonds, Bishop McNamara High School, Series 2007
- \$11,520,000 revenue bonds, Keswick Multi-Care Center, Series 2007
- \$137,795,000 revenue bonds, University of Maryland Medical System, Series 2007 A&B
- \$12,500,000 revenue bonds, Roland Park Country School, Series 2001 (Second Delivery)

## Maryland Health and Higher Educational Facilities Authority- Management's Discussion and Analysis (Continued)

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### **Requests For Information**

This financial report is designed to provide interested parties with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, please contact:

Maryland Health and Higher Educational Facilities Authority  
Attention: Executive Director  
401 East Pratt Street, Suite 1224  
Baltimore, MD 21202

Telephone: (410) 837-6220  
Fax: (410) 685-1611  
Email: [webmaster@mhhefa.org](mailto:webmaster@mhhefa.org)

Maryland Health and Higher Educational Facilities Authority-  
Balance Sheet

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June 30, 2007  
(in thousands of dollars)

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**ASSETS**

**Current assets:**

Cash and cash equivalents	\$	4
Non-capital investments at fair value		7,727
Interest receivable		186
Administrative fees receivable		2
Prepaid pension and other prepayments		58
<b>Total current assets</b>		<b>7,977</b>

**Non-current assets:**

Non-capital investments at fair value		7,783
Capital assets (net of accumulated depreciation of \$190)		31
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>15,791</b>

**LIABILITIES AND NET ASSETS BALANCES**

**Current liabilities:**

Accounts payable and accrued expenses	\$	67
<b>Total current liabilities</b>		<b>67</b>

**Non-current liabilities:**

Non-current accrued vacation		31
<b>Total non-current liabilities</b>		<b>31</b>
<b>TOTAL LIABILITIES</b>		<b>98</b>

**NET ASSETS**

Invested in capital assets, net of related debt		31
<b>Unrestricted net assets:</b>		
Designated for operations		3,918
Designated for contingencies		11,744
<b>TOTAL NET ASSETS</b>		<b>15,693</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>15,791</b>

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

Maryland Health and Higher Educational Facilities Authority-  
Statement of Revenues, Expenses and Changes in Net Assets

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For the year ended June 30, 2007  
(in thousands of dollars)

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**OPERATING REVENUES**

Annual administrative fees	\$ 1,805
Application fees	125
<b>TOTAL OPERATING REVENUES</b>	<b>1,930</b>

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**OPERATING EXPENSES**

Salaries	625
Employees' insurance, pension and other fringe benefits	118
Payroll taxes	40
Professional fees	961
Office rent	93
Office supplies and expenses	92
Depreciation	30
<b>TOTAL OPERATING EXPENSES</b>	<b>1,959</b>

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OPERATING LOSS (29)

**NON-OPERATING REVENUES (EXPENSES)**

Net income from investments	793
Unrealized gain on investments	33

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INCREASE IN NET ASSETS 797

Net assets, beginning of year	14,896
Net assets, end of year	<b>\$ 15,693</b>

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



Maryland Health and Higher Educational Facilities Authority-  
Statement of Cash Flows

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For the year ended June 30, 2007  
(in thousands of dollars)

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**CASH FLOWS PROVIDED BY OPERATING ACTIVITIES**

Cash received from administrative and other fees	\$	1,936
Cash payments to employees and employee benefits		(744)
Cash payments to suppliers for goods and services		(1,174)
Net cash provided by operating activities		18

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**CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES**

Purchases of capital assets		(14)
Net cash used in capital and financing activities		(14)

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**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment income		848
Purchases of investments		(28,630)
Sales and maturities of investments		27,744
Net cash used in investing activities		(38)

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Net decrease in cash and cash equivalents (34)

Cash and cash equivalents, beginning of year 38

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Cash and cash equivalents, end of year \$ 4

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**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED  
BY OPERATING ACTIVITIES**

Operating loss	\$	(29)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Depreciation	30
Administrative fees receivable	3
Prepaid pension and other prepayments	(6)
Accounts payable and accrued expenses	20

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Net cash provided by operating activities	\$	18
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*The accompanying notes are an integral part of these financial statements*

## Maryland Health and Higher Educational Facilities Authority- Notes to Financial Statements

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### **NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES**

#### **Organization**

The Maryland Health and Higher Educational Facilities Authority (the "Authority") was established to assist certain non-profit educational institutions, hospitals and related healthcare institutions in the financing and refinancing of projects approved by the Authority. Income of the Authority is derived from fees from institutions and projects that have had financing provided by the Authority. Neither the State of Maryland, nor any subdivision thereof, nor the Authority shall be obligated to pay principal or interest on bonds and notes issued by the Authority except from payments from participating institutions and revenues of the related projects. Neither the faith and credit nor the taxing power of the State of Maryland, of any subdivision thereof or of the Authority is pledged to the payment of the principal or interest on bonds and notes outstanding. The Authority is exempt from federal and state income taxes. The Authority has no taxing power.

The Authority issues indebtedness on behalf of participating institutions. This indebtedness is generally in the form of bonds, notes or financing leases. Funds related to these financings are held in trust by various financial institutions. In general, bonds mature serially in varying annual installments. Certain issues include term bonds payable from annual sinking fund requirements. Notes represent temporary financings to provide institutions with interim construction funds until permanent financings are arranged through the sale of long-term bonds or obligations expected to be paid with proceeds of refunding obligations (commercial paper). The Authority may hold legal title to or a mortgage on the buildings and other assets financed by the bonds and utilized by the institutions. The lease and loan payments receivable by third party trustees from the institutions generally correspond to the amortization of the respective bond and note issues. Title to any buildings and other assets revert to the institutions upon final payment of the respective bond issues. Under the Authority's capital lease financings, institutions may borrow funds to finance eligible equipment purchases. Funds disbursed to participating institutions are payable by the individual institutions and leases are collateralized by security interests in the equipment purchased. Information pertaining to outstanding indebtedness is included in the additional information attached to these financial statements.

#### **Accounting Policies**

**Reporting Entity-** The Authority's reporting entity has been defined in accordance with Governmental Accounting Standards Board ("GASB") Statement 14. The financial statements include all operations for which the Authority is financially accountable.

**Basis of Presentation, Revenue and Expense Recognition-** The accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recorded when liabilities are incurred. The

## Maryland Health and Higher Educational Facilities Authority- Notes to Financial Statements (Continued)

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Authority reports its financial activities by applying Standards of Governmental Accounting and Financial Reporting as promulgated by the Governmental Accounting Standards Board (GASB). The Authority has adopted GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. Consequently, the Authority applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBS of the Committee on Accounting Procedure issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Cash and Cash Equivalents-** Cash and cash equivalents consist of short term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash and cash equivalents are carried at cost which approximates market value.

**Investments-** Investments are reported at fair market value with net unrealized gains and losses reported as non-operating revenue in the statement of revenues, expenses and changes in net assets. Market values of investment securities are based on quoted market prices. Interest income is accrued on coupon securities from the last coupon date or purchase date and for securities (e.g., U.S. Treasury Bills) on the effective yield method. Realized gains and losses are recorded on the specific identification method and are computed as the difference between the proceeds of the sale and the original cost of the investments sold. Investments are purchased to mature based on cash flow needs, however, investments may be liquidated in the event there are unanticipated cash flow needs.

**Net Assets-** represent the residual interest in the Authority's assets after liabilities are deducted. For external accounting and reporting purposes, net assets are classified in the following categories:

**Invested in capital assets, net of related debt-** capital assets, net of accumulated depreciation and outstanding principal balances of debt, if applicable, attributable to the acquisition, construction or improvement of those assets.

**Unrestricted net assets-** net assets that are not subjected to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority or may otherwise be limited by contractual agreements with outside parties. The Authority's unrestricted net assets include an internal designation for operating expenses, maintained at two times the annual operating expenses of the Authority. At June 30, 2007, the designation was \$3,918,000. The Authority has also designated a portion of net assets to fund contingencies which is subject to a 1% limitation on the total bonds outstanding at July 1, 2007. At June 30, 2007, the designated amount was \$11,744,000 which does not exceed the limitation of \$71,815,060.

Maryland Health and Higher Educational Facilities Authority-  
Notes to Financial Statements (Continued)

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**Invested in Capital Assets-** are recorded at cost and defined as assets with an individual cost of more than \$500 and an estimated useful life of more than one year. Depreciation is calculated on a straight line basis over the asset's estimated useful life.

Estimated useful lives are as follows:

- |                                     |               |
|-------------------------------------|---------------|
| • Furniture, fixtures and equipment | 3 to 10 years |
| • Computer equipment                | 3 to 5 years  |
| • Office equipment                  | 5 to 10 years |
| • Automobiles                       | 5 years       |
| • Leasehold improvements            | 7 years       |

**Compensated Absences-** Vacation benefits are earned by employees of the Authority based on time in service. The rights to such vacation benefits are vested and recorded as a liability for amounts due to employees for future absences. Sick leave is also earned and accumulated by employees. However, sick leave does not vest and is not paid unless sickness causes the employee to be absent.

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

**NOTE 2: INVESTMENTS**

**Interest Rate Risk-** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses from rising interest rates, the Authority's Investment Policy requires that the maturities of the investment portfolio are scheduled to meet the cash requirements for ongoing operations.

The composition of the Authority's investments, at fair value, at June 30, 2007, is as follows (in thousands of dollars):

Commercial Paper	\$	2,289
U.S. Treasury Notes and Bonds		1,757
Obligations of U.S. Government Corporations and Agencies		11,428
Money Market Accounts		36
<b>Total Market Value</b>	<b>\$</b>	<b>15,510</b>
<b>Amortized Cost</b>	<b>\$</b>	<b>15,520</b>

Maryland Health and Higher Educational Facilities Authority-  
Notes to Financial Statements (Continued)

The amortized cost and market values of investments are as follows  
(in thousands of dollars):

	<b>AMORTIZED COST</b>	<b>GROSS UNREALIZED LOSSES</b>	<b>GROSS UNREALIZED GAINS</b>	<b>MARKET VALUE</b>
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 13,194	\$ (9)	\$0	\$ 13,185
Other investments	2,326	(1)	0	2,325
<b>Total</b>	<b>\$ 15,520</b>	<b>\$ (10)</b>	<b>\$0</b>	<b>\$ 15,510</b>

The amortized cost and market value of investments at June 30, 2007, by contractual maturity, are shown below (in thousands of dollars). Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without penalties.

	<b>MARKET VALUE</b>	<b>AMORTIZED COST</b>
Due in one year or less	\$ 7,727	\$ 7,731
Due after one year through five years	7,783	7,789
Due after five years through ten years	0	0
Due after ten years	0	0
	<b>\$ 15,510</b>	<b>\$ 15,520</b>

**Custodial Credit Risk-** Custodial credit risk is the risk that in the event of a bank or counterparty failure, the Authority will not be able to recover its deposits or the value of its collateral securities that are in the possession of an outside party. As of June 30, 2007, the Authority's investments were not subject to custodial credit risk under GASB Statement No. 40. The Authority's investments are held in trust by the trustee or the trustee's agent, kept separate from the assets of the bank and from other trust accounts and are held in the Authority's name.

**Credit Risk and Concentration of Credit Risk-** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's Investment Policy places no limit on the amount that the Authority may invest in any one issuer or counterparty. The Authority's Investment Policy requires that securities must be of the same types as allowed in the documents for conduit debt issued through the Authority.

Maryland Health and Higher Educational Facilities Authority-  
Notes to Financial Statements (Continued)

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As of June 30, 2007, allocation by type of investments is as follows  
(in thousands of dollars):

<b>Asset</b>	<b>Market Value</b>	<b>Percentage of Total</b>
Obligations of US Treasury	\$ 1,757	11.33%
Obligations of US Government Agencies:		
Federal Home Loan Banks	3,421	22.06%
Federal National Mortgage Corp	6,164	39.74%
Federal Home Loan Mortgage Corp	700	4.51%
Federal Farm Credit Banks	1,143	7.37%
Commercial Paper		
Hannover Funding	1,964	12.66%
New Center Asset Trust	325	2.10%
Money Market		
Columbia Asset Reserves	36	0.23%
<b>Total</b>	<b>\$ 15,510</b>	<b>100.00%</b>

As of June 30, 2007, allocation by credit rating of investments is as follows:

<b>Asset</b>	<b>Rating</b>	<b>Agency</b>
Obligations of US Treasury	Direct US Obligation	
Obligations of US Government Agencies:		
Federal Home Loan Banks	Aaa	Moody's
Federal National Mortgage Corp	Aaa	Moody's
Federal Home Loan Mortgage Corp	Aaa	Moody's
Federal Farm Credit Banks	Aaa	Moody's
Commercial Paper		
Hannover Funding	A1	S&P
New Center Asset Trust	A1+	S&P
Money Market		
Columbia Treasury Reserves	Aaa	Moody's

Maryland Health and Higher Educational Facilities Authority-  
Notes to Financial Statements (Continued)

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**NOTE 3: COMMITMENTS AND CONTINGENCIES**

The Authority has a lease commitment for office space through December 31, 2007. At June 30, 2007, the minimum rental commitments for office space is \$42,782 for the fiscal year ending June 30, 2008.

The Authority is currently in negotiations for a new lease.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands of dollars):

Capital assets beginning of year	\$	275
Additions		14
Retirements		68
<hr/>		
Capital assets end of year		221
Less accumulated depreciation end of year		190
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Capital assets net of depreciation end of year	\$	31
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The Authority recognized \$30 thousand of depreciation expense during fiscal year 2007

**NOTE 5: PENSION PLAN**

The Authority's employees participate in the State Retirement and Pension System of Maryland. The Authority's contribution is based upon a percentage of annual gross wages paid to employees. Employees of the Authority also make a contribution for benefits; the percentage of contributions, as determined by the State Retirement and Pension System of Maryland, is 5.8%, 5.0% and 5.2% of gross wages for 2007, 2006 and 2005, respectively. The Authority's pension expense for 2007, 2006 and 2005 amounted to \$36,087, \$29,513 and \$28,792, respectively. The State Retirement and Pension System of Maryland plan information is publicly available from:

State Retirement & Pension System of Maryland  
120 East Baltimore Street  
Baltimore, MD 21202  
[www.sra.state.md.us](http://www.sra.state.md.us)

Maryland Health and Higher Educational Facilities Authority-  
Notes to Financial Statements (Continued)

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**NOTE 6: CONDUIT DEBT**

The Authority issues indebtedness on behalf of participating institutions. This indebtedness is generally in the form of bonds, notes or financing leases. Funds related to these financings are held in trust by various financial institutions. In general, bonds mature serially in varying annual installments. Certain issues include term bonds payable from annual sinking fund requirements. Notes represent temporary financings to provide institutions with interim construction funds until permanent financings are arranged through the sale of long-term bonds or obligations expected to be paid with proceeds of refunding obligations (commercial paper). The Authority may hold legal title to or a mortgage on the buildings and other assets financed by the bonds and utilized by the institutions. The lease and loan payments receivable by third party trustees from the institutions generally correspond to the amortization of the respective bond and note issues. Title to any buildings and other assets revert to the institutions upon final payment of the respective bond issues. Under the Authority's capital lease financings, institutions may borrow funds to finance eligible equipment purchases. Funds disbursed to participating institutions are payable by the individual institutions and leases are collateralized by security interests in the equipment purchased. Information pertaining to outstanding indebtedness is included in the additional information attached to these financial statements. The Authority is not obligated to pay principal or interest on bonds and notes issued by the Authority except from payments from participating institutions and revenues of the related projects

The following is a summary of conduit debt activity for the year ended June 30, 2007 (in thousands of dollars):

Bonds outstanding as of June 30, 2006	\$6,181,145
Plus: Bonds issued during FY 2007	1,504,451
Less: Redemptions and refundings during FY 2007	(423,580)
<u>Bonds outstanding as of June 30, 2007</u>	<u>\$7,262,016</u>

More detailed information regarding the outstanding and defeased conduit debt of the Authority may be found in the additional information following these financial statements.



# **Maryland Health and Higher Educational Facilities Authority**

## **Additional Information**

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## Maryland Health and Higher Educational Facilities Authority

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The Authority is including the following additional information to provide information relating to funds held by third party trustees and escrow agents and outstanding debt for the Authority's conduit financings.

Trustees are appointed under the terms of the financing documents. Trustee responsibilities include, but are not limited to: creation of funds to be held for bonds, application of bond proceeds, deposit of revenues, and payment of principal and interest.

The Authority maintains books of accounts for the Debt Principal Account Group and the required Trusteed Funds of each of the issues of bonds and notes outstanding. Trusteed Funds are maintained by third party trustees in accordance with the requirements of the respective bond and note issue documents. The financial statements included in the additional information combine the accounts of all bond, note and lease issues outstanding during the year. Interfund activity is eliminated in combination.

The following is a description of the funds and the Debt Principal Account Group which relate to conduit debt:

**Construction Funds-** Account for the receipt and disbursement of monies held to pay for project costs, including construction and equipment purchases of participating institutions. All Construction, Cost of Issuance and Capitalized Interest Accounts are included as Construction Funds.

**Program Funds-** Account for the receipt and disbursement of monies specified as Program Funds in the Pooled Loan Program Series 1985A & B documents.

**Debt Service Funds-** Account for the receipt and disbursement of monies for the payment of interest and principal on bonds and notes. All Debt Service and Bond Funds are included as Debt Service Funds.

**Debt Service Reserve Funds-** Account for the receipt and disbursement of monies held in reserve in compliance with certain bond resolutions and indentures. The fund balances are generally required to be maintained at amounts established under the resolution or indenture. At June 30, 2007, the fund balances of all issues requiring Debt Service Reserve Funds were in compliance with their respective bond resolutions and indentures.

**Project Reserve Funds-** Account for the receipt and disbursement of monies held in reserve for improvements, major repairs, operations and arbitrage/rebate. The fund balances are established by the bond indentures and resolutions of certain issues. At June 30, 2007, the fund balances of all issues requiring Project Reserve Funds were in compliance with their respective bond indentures and resolutions. All Renewal and Replacement, Additional Facilities, Loan Reserve, Depreciation Reserve and Arbitrage Rebate Funds are included as Project Reserve Funds.

**Redemption Funds-** Account for the accumulation of monies not required by other funds for the eventual redemption or repurchase of bonds.

**Debt Principal Account Group-** Account for the portions of bonds, notes, and lease obligations payable and the principal and lease payments receivable from the institutions. The terms of the lease and loan agreements between the Authority and the institutions generally require payments in amounts necessary to service the interest and principal of the related bonds, notes and lease obligations outstanding. The principal and lease payments receivable from the institutions represent the minimum amount necessary, when combined with balances available within trusteed funds, to liquidate the principal portion of the related bonds, notes and lease obligations outstanding.

Maryland Health and Higher Educational Facilities Authority-  
 Additional Information- Combined Balance Sheet of Conduit Debt

June 30, 2007 (in thousands of dollars)	<b>CONSTRUCTION FUNDS</b>	<b>PROGRAM FUNDS</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ (1,295)	\$ 0
Investments at fair value	1,241,824	15,929
Interest receivable	3,234	27
Due from other funds	11	93
Accounts receivable	0	0
Principal and lease payments receivable	0	0
<b>TOTAL ASSETS</b>	<b>1,243,774</b>	<b>16,049</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 0	\$ 204
Advance payments and deposits from institutions	0	0
Bonds, notes and leases payable from Debt Service Funds	0	0
Interest payable	0	0
Due to other funds	20,695	98
Bonds, notes and lease obligations payable	0	0
<b>TOTAL LIABILITIES</b>	<b>20,695</b>	<b>302</b>
<b>RESTRICTED NET ASSETS</b>		
Reserved for debt service	0	0
Reserved for loans under Pooled Loan Program	0	15,747
Designated for specific projects	1,223,079	0
Designated for operations	0	0
<b>TOTAL NET ASSETS BALANCES</b>	<b>1,223,079</b>	<b>15,747</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,243,774</b>	<b>\$ 16,049</b>

<b>DEBT SERVICE FUNDS</b>	<b>DEBT SERVICE RESERVE FUNDS</b>	<b>PROJECT RESERVE FUNDS</b>	<b>REDEMPTION FUNDS</b>	<b>DEBT PRINCIPAL ACCOUNT GROUP</b>	<b>TOTAL</b>
\$ 2,658	\$ 6,531	\$ 0	\$ 0	\$ 0	\$ 7,894
154,834	246,314	1,027	0	0	1,659,928
89	3,399	2	0	0	6,751
21,663	0	0	0	0	21,767
29,419	0	0	0	0	29,419
0	0	0	0	7,262,016	7,262,016
208,663	256,244	1,029	0	7,262,016	8,987,775
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204
888	0	0	0	0	888
75,471	0	0	0	0	75,471
86,874	0	0	0	0	86,874
11	964	0	0	0	21,768
0	0	0	0	7,262,016	7,262,016
163,244	964	0	0	7,262,016	7,447,221
45,419	255,280	0	0	0	300,699
0	0	0	0	0	15,747
0	0	0	0	0	1,223,079
0	0	1,029	0	0	1,029
45,419	255,280	1,029	0	0	1,540,554
\$ 208,663	\$ 256,244	\$ 1,029	\$ 0	\$ 7,262,016	\$ 8,987,775

Maryland Health and Higher Educational Facilities Authority-  
 Additional Information- Combined Statement of Changes in Fund Balances  
 of Conduit Debt

For the year ended June 30, 2007 (in thousands of dollars)	<b>CONSTRUCTION FUNDS</b>	<b>PROGRAM FUNDS</b>
Net assets, June 30, 2006	\$ 429,102	\$ 15,555
<b>ADDITIONS</b>		
Proceeds from sale of bonds and notes:		
Gross proceeds	1,455,067	0
Underwriters' discount	(8,873)	0
Original issuance discount	(673)	0
Interest accrued to date of delivery	0	0
Insurance premium	(11,300)	0
Swap termination payment	(791)	0
Payments and contributions received from and on behalf of institutions	1,514	0
Lease and loan payments	0	0
Debt service- interest	0	0
Unrealized gain/(loss) on investments	3,240	167
Income from investments	48,624	631
Original issue premium	21,123	0
<b>Total additions</b>	<b>1,507,931</b>	<b>798</b>
<b>DEDUCTIONS</b>		
Project and financing costs	482,487	889
Loans to institutions	0	8,037
Principal (including July 1, 2007 installments funded at June 30, 2007)	8,237	0
Interest	104	0
Required payments to institutions	0	0
Transfers to escrow deposit agents for defeased issues	59,042	0
Transfers to other issuers	0	0
<b>Total deductions</b>	<b>549,870</b>	<b>8,926</b>
<b>INTERFUND TRANSFERS</b>	<b>(164,084)</b>	<b>8,320</b>
<b>Net Assets balances, June 30, 2007</b>	<b>\$ 1,223,079</b>	<b>\$ 15,747</b>

<b>DEBT SERVICE FUNDS</b>	<b>DEBT SERVICE RESERVE FUNDS</b>	<b>PROJECT RESERVE FUNDS</b>	<b>REDEMPTION FUNDS</b>	<b>TOTAL</b>
\$ 98,219	\$ 215,845	\$ 8,025	\$ 9,641	\$ 776,387
68,938	56,778	840	0	1,581,623
0	0	0	0	(8,873)
0	0	0	0	(673)
121	0	0	0	121
0	0	0	0	(11,300)
0	0	0	0	(791)
378	0	374	0	2,266
144,837	0	0	0	144,837
239,410	0	0	0	239,410
(447)	1,867	0	29	4,856
5,605	11,775	184	321	67,140
0	0	0	0	21,123
458,842	70,420	1,398	350	2,039,739
1,599	0	0	30	485,005
0	0	0	0	8,037
378,193	0	0	1,505	387,935
306,546	0	0	7	306,657
154	1,360	8,394	997	10,905
1,948	7,046	0	8,995	77,031
1	1	0	0	2
688,441	8,407	8,394	11,534	1,275,572
176,799	(22,578)	0	1,543	0
\$ 45,419	\$ 255,280	\$ 1,029	\$ 0	\$ 1,540,554

Maryland Health and Higher Educational Facilities Authority-  
Additional Information- Conduit Debt Outstanding

As of June 30, 2007, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars):	<i>FINAL MATURITY</i>	<i>AMOUNT ISSUED</i>	<i>BONDS AND NOTES PAYABLE JULY 1, 2007</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2007</i>
<b>PUBLIC OFFERINGS</b>				
The Johns Hopkins University, Series 1983, dated January 1, 1983	2013	\$ 52,870	\$ 2,170	\$ 0
Pooled Loan Program, Series 1985A and 1985B, dated December 1, 1985	2035	175,000	0	175,000
The Johns Hopkins Hospital, Series 1990, dated January 1, 1990	2019	90,169	0	55,700
University of Maryland Medical System, Series 1991B, dated January 1, 1991	2022	38,670	0	27,315
Union Hospital of Cecil County, Series 1992, dated July 1, 1992	2022	14,145	395	875
Montgomery General Hospital, Series 1993, dated July 1, 1993	2023	21,230	605	15,575
Greater Baltimore Medical Center, Series 1993, dated July 1, 1993	2019	76,425	3,110	52,255
Washington County Hospital, Series 1994, dated January 1, 1994	2009	12,415	0	930
The Johns Hopkins Medical Institutions Parking Facilities, Series 1996, dated January 1, 1996	2026	42,425	1,110	29,060
Mercy Medical Center, Series 1996, dated January 1, 1996	2026	30,000	690	23,350
Loyola College, Series 1996B, dated October 1, 1996	2013	14,900	0	7,900
The Johns Hopkins Health System (Bayview Campus), Series 1996, dated July 1, 1996	2027	14,440	330	11,650
The Johns Hopkins University, Series 1997, dated January 1, 1997	2027	14,985	335	12,475
Stella Maris, Series 1997, dated January 1, 1997	2021	21,985	825	16,985
Broadmead, Series 1997, dated July 1, 1997	2017	11,995	570	7,650
Kennedy Krieger, Series 1997, dated November 1, 1997	2022	13,670	475	11,005
Catholic Health Initiatives, Series 1997B, (St. Joseph Medical Center), dated November 25, 1997	2015	30,500	0	16,600
Charlestown Community, Series 1998A, dated January 1, 1998	2026	40,960	0	38,700
Charlestown Community, Series 1998B, dated January 1, 1998	2026	25,285	0	18,700
Calvert Memorial Hospital, Series 1998, dated January 1, 1998	2026	27,860	625	23,190
The Johns Hopkins University, Series 1998, dated April 2, 1998	2020	192,510	6,565	136,545
JHM/Howard County General Hospital Acquisition, Series 1998, dated June 1, 1998	2030	133,910	2,350	123,070
PUMH of Maryland, Inc. (Heron Point of Chestertown), Series 1998A & B, dated June 15, 1998	2026	35,115	0	32,935
Green Acres School, Series 1998, dated August 5, 1998	2028	4,460	100	3,780
Anne Arundel Medical Center, Series 1998, dated July 1, 1998	2033	69,840	1,195	64,340
Maryland Institute College of Art, Series 1998, dated July 15, 1998	2029	17,950	0	15,275
Upper Chesapeake Hospitals, Series 1998A & B dated July 1, 1998	2038	110,605	0	95,790
Union Hospital of Cecil County, Series 1998, dated July 1, 1998	2029	17,675	295	15,105
College of Notre Dame of Maryland, Series 1998, dated September 1, 1998	2023	11,995	0	9,415
Memorial Hospital at Easton, Series 1998, dated October 1, 1998	2019	33,470	1,145	25,385



Maryland Health and Higher Educational Facilities Authority-  
Additional Information- Conduit Debt Outstanding (Continued)

As of June 30, 2007, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars):	<i>FINAL MATURITY</i>	<i>AMOUNT ISSUED</i>	<i>BONDS AND NOTES PAYABLE JULY 1, 2007</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2007</i>
Memorial Hospital at Easton, Series 1999, dated April 1, 1999	2009	\$ 4,260	\$ 480	\$ 1,030
Medlantic/Helix, Series 1998A, dated December 1, 1998	2038	166,605	0	166,605
Medlantic/Helix, Series 1998B, dated December 1, 1998	2038	116,910	0	106,925
Kaiser Permanente, 1998 Series A, dated December 1, 1998	2015	12,825	0	12,825
The Johns Hopkins Hospital, Series 1999, dated January 1, 1999	2038	52,515	0	52,515
Roland Park Place, Series 1999, dated May 1, 1999	2024	34,195	1,065	30,015
Loyola College, Series 1999, dated June 1, 1999	2039	33,355	0	33,355
Glen Meadows Retirement Community, Series 1999A & B, dated August 25, 1999	2029	20,410	350	18,400
Catholic Health Initiatives, Series 2000 A, dated March 1, 2000	2024	23,455	0	7,385
Mercy Ridge, Series 2000, dated March 1, 2000	2031	69,305	0	27,600
The Bullis School, Series 2000, dated November 28, 2000	2030	20,400	415	18,845
The Johns Hopkins University, Series 2001A, dated March 15, 2001	2013	20,355	385	17,505
The McLean School, Series 2001, dated May 30, 2001	2031	9,080	165	8,335
Roland Park Country School, Series 2001, dated June 7, 2001	2026	7,500	0	5,015
The Johns Hopkins Hospital, Series 2001, dated August 29, 2001	2034	101,355	0	91,710
The Johns Hopkins Medical Institutions Parking Facilities, Series 2001, dated August 29, 2001	2034	28,030	510	27,030
The Johns Hopkins University, Series 2001B, dated August 30, 2001	2041	85,775	0	85,775
Trinity School, Series 2001, dated October 31, 2001	2026	9,000	0	8,115
University of Maryland Medical System, Series 2001, dated December 5, 2001	2034	100,000	865	97,620
Greater Baltimore Medical Center, Series 2001, dated December 6, 2001	2034	52,830	0	52,830
Mercy Medical Center, Series 2001, dated December 12, 2001	2031	49,480	0	49,480
University of Maryland Medical System, Series 2002, dated January 30, 2002	2032	57,655	1,250	52,110
The Johns Hopkins University, Series 2002A, dated February 13, 2002	2032	106,725	0	106,725
Board of Child Care, Series 2002, dated May 8, 2002	2032	39,280	1,515	32,480
Carroll County General Hospital, Series 2002, dated June 13, 2002	2037	91,760	1,165	89,100
Hebrew Home of Greater Washington, Series 2002, dated June 19, 2002	2032	13,140	0	12,435
Holton Arms School, Series 2002, dated June 20, 2002	2032	21,000	0	21,000
Frederick Memorial Hospital, Series 2002, dated July 15, 2002	2035	71,715	755	70,960
Union Hospital of Cecil County, Series 2002, dated October 15, 2002	2032	24,000	450	22,020
Carnegie Institution of Washington, Series 2002, dated October 23, 2002	2037	30,000	0	30,000
Adventist HealthCare, Series 2003A, dated February 15, 2003	2025	22,925	0	22,925

Maryland Health and Higher Educational Facilities Authority-  
Additional Information- Conduit Debt Outstanding (Continued)

As of June 30, 2007, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars):	<i>FINAL MATURITY</i>	<i>AMOUNT ISSUED</i>	<i>BONDS AND NOTES PAYABLE JULY 1, 2007</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2007</i>
Adventist HealthCare, Series 2003B, dated February 27, 2003	2033	\$ 39,560	\$ 0	\$ 36,240
The Johns Hopkins Hospital, Series A, dated March 6, 2003	2013	54,310	0	8,155
Kennedy Krieger, Series 2003, dated April 27, 2003	2033	24,490	535	23,355
Sheppard Pratt, Series 2003A, dated May 1, 2003	2036	45,590	1,075	41,375
Sheppard Pratt, Series 2003B, dated May 1, 2003	2028	45,550	0	45,550
Beth Tfiloh Dahan Community School, Series 2003, dated June 25, 2003	2025	7,000	0	6,415
Mercy Medical Center, Series 2003, dated August 21, 2003	2022	42,365	0	38,065
The Johns Hopkins Hospital, Series 2003, dated September 1, 2003	2034	101,425	0	101,425
University of Maryland Medical System, Series 2004A, B, C & D, dated January 22, 2004	2032	253,860	6,810	220,700
MedStar Health, Series 2004, dated February 3, 2004	2033	170,350	0	170,350
Anne Arundel Health System, Series 2004A, B & C, dated February 19, 2004	2034	139,245	515	133,280
LifeBridge Health System, Series 2004A & B, dated March 15, 2004	2034	203,190	7,820	180,415
Friends School of Baltimore, Series 2004, dated April 1, 2004	2029	7,500	0	7,295
Shore Health System, Series 2004, dated April 8, 2004	2029	25,920	0	25,920
The Johns Hopkins University, Series 2004A, dated April 21, 2004	2038	92,505	0	92,505
The Johns Hopkins Medical Institutions Parking Facilities, Series 2004, dated April 26, 2004	2034	35,665	100	35,485
Suburban Hospital, Series 2004, dated June 3, 2004	2029	72,445	2,700	66,425
Calvert Health System, Series 2004, dated July 8, 2004	2039	32,925	0	32,925
Goucher College, Series 2004, dated August 18, 2004	2034	21,855	0	21,855
Adventist HealthCare, Series 2004A & B, dated September 14, 2004	2035	85,985	0	75,395
Annapolis Life Care, Series 2004, dated September 16, 2004	2034	15,860	305	14,740
French International School, Series 2004, dated September 30, 2004	2034	14,000	0	14,000
The Johns Hopkins Medical Institutions Parking Facilities, Series 2004B, dated December 1, 2004	2038	33,035	110	32,735
Indian Creek School, Series 2004, dated December 23, 2004	2029	14,300	0	14,300
Civista Medical Center, Series 2005, dated February 17, 2005	2037	59,000	0	59,000
The Johns Hopkins University, Series 2005A, dated March 3, 2005	2036	69,265	0	69,265
Bryn Mawr School, Series 2005, dated March 10, 2005	2030	6,500	0	6,500
Rambam School, Series 2005, dated April 27, 2005	2025	2,700	0	2,700
Stone Ridge School, Series 2005, dated June 22, 2005	2035	12,000	200	11,600
The Johns Hopkins Medical Institutions Utilities, Series 2005A & B, dated June 29, 2005	2037	48,845	0	48,845

Maryland Health and Higher Educational Facilities Authority-  
Additional Information- Conduit Debt Outstanding (Continued)

As of June 30, 2007, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars):	<i>FINAL MATURITY</i>	<i>AMOUNT ISSUED</i>	<i>BONDS AND NOTES PAYABLE JULY 1, 2007</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2007</i>
Union Hospital of Cecil County, Series 2005, dated July 14, 2005	2040	\$ 33,675	\$ 0	\$ 33,675
Pickersgill, Series 2005, dated September 15, 2005	2035	37,000	0	36,755
Upper Chesapeake Hospitals, Series 2005, dated September 21, 2005	2038	51,700	0	51,700
University of Maryland Medical System, Series 2005, dated October 10, 2005	2031	149,700	0	147,125
Villa Julie College, Series 2005, dated December 15, 2005	2030	95,560	615	93,760
Adventist HealthCare, Series 2005A & B dated December 20, 2005	2035	142,590	0	137,330
Loyola College, Series 2006A, dated January 4, 2006	2045	62,995	0	62,995
Maryland Institute College of Art, Series 2006, dated January 5, 2006	2040	30,740	0	30,740
Loyola College, Series 2006B, dated February 2, 2006	2026	46,150	0	46,150
Peninsula Regional Medical Center, Series 2006, dated February 2, 2006	2036	142,910	1,910	140,510
Frederick Memorial Hospital, Series 2006, dated May 24, 2006	2035	75,000	0	75,000
Gilman School, Series 2006, dated June 1, 2006	2036	30,000	0	30,000
Edenwald, Series 2006, dated July 6, 2006	2037	80,365	0	80,265
University of Maryland Medical System, Series 2006A - F, dated November 9, 2006	2041	395,000	0	395,000
Western Maryland Health System, Series 2006A & B, dated November 14, 2006	2026	350,830	0	350,830
Kennedy Krieger Institute, Series 2006, dated November 15, 2006	2036	52,125	0	52,125
Seyern School, Series 2006, dated November 15, 2006	2036	10,500	0	10,500
Carroll Hospital Center, Series 2006, dated December 7, 2006	2040	35,000	0	35,000
Washington Christian Academy, Series 2006, dated December 13, 2006	2038	30,000	0	30,000
Doctors Community Hospital, Series 2007, dated January 4, 2007	2029	77,685	0	77,685
King Farm Presbyterian Retirement Community, Series 2007, dated January 11, 2007	2037	174,590	0	174,590
MedStar Health, Series 2007, dated January 31, 2007	2046	144,985	0	144,985
Mercy Ridge, Series 2007, dated March 22, 2007	2035	23,445	0	23,445
Archdiocese of Baltimore Schools, Series 2007, dated June 21, 2007	2037	24,165	0	24,165
Maryland Institute College of Art, Series 2007, dated June 27, 2007	2042	38,740	0	38,740
Public Offerings Outstanding		7,005,989	54,955	6,405,110
<b>PRIVATE PLACEMENTS AND LIMITED OFFERINGS</b>				
Pooled Loan Program, Series D (1994), dated January 1, 1994	2039	\$ 394,921	\$ 5,125	\$ 187,000
University Physicians, Series 1994, dated June 8, 1994	2014	14,250	350	7,100
Greater Baltimore Medical Center, Series 1995, dated July 1, 1995	2025	10,000	280	7,655
Capitol College, Series 1995, dated July 1, 1995	2020	8,000	137	5,751
Augsburg Lutheran, Series 1997, dated January 1, 1997	2022	9,300	255	7,690

Maryland Health and Higher Educational Facilities Authority-  
Additional Information- Conduit Debt Outstanding (Continued)

As of June 30, 2007, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars):	<i><b>FINAL MATURITY</b></i>	<i><b>AMOUNT ISSUED</b></i>	<i><b>BONDS AND NOTES PAYABLE JULY 1, 2007</b></i>	<i><b>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2007</b></i>
The Johns Hopkins Hospital, Series B, dated January 1, 1997	2027	\$ 3,404	\$ 390	\$ 750
The Norwood School, Series 1998, dated November 1, 1998	2025	10,505	0	3,615
Woodbourne Center, Series 1998, dated November 1, 1998	2020	3,115	0	1,125
Washington Episcopal School, Series 1999, dated January 28, 1999	2029	11,768	18	10,765
Washington Episcopal School, Series 1999 (Taxable), dated January 26, 1999	2029	632	1	504
Barnesville School, Series 1999, dated March 9, 1999	2024	3,790	0	2,435
Charles E. Smith Jewish Day School, 1999 Issue, dated June 1, 1999	2029	12,600	9	4,284
The Boys Latin School of Maryland, Series 1999, dated August 1, 1999	2019	6,700	0	5,130
Landon School, Series 1999, dated November 1, 1999	2024	11,000	0	9,700
The Johns Hopkins University, Commercial Paper, Series A	2031	200,000	11,367	112,889
The Johns Hopkins University, Commercial Paper, Series B	2029	200,000	0	83,819
St. Anne's Day School, dated November 8, 2001	2026	5,000	0	3,768
Community Support Services, dated December 10, 2001	2031	2,660	0	1,252
St. John's Episcopal Day School, dated December 21, 2001	2032	7,000	9	6,726
The Johns Hopkins Hospital, Series 2003C, dated March 6, 2003	2013	14,515	0	3,750
The Johns Hopkins Health System, Commercial Paper, Series A	2022	75,165	4,325	66,005
The Johns Hopkins Health System, Commercial Paper, Series B	2024	101,240	3,120	96,340
The Johns Hopkins Health System, Commercial Paper, Series C	2023	60,000	0	60,000
Frederick Memorial Hospital Lease (2004), dated June 23, 2004	2010	5,367	76	2,815
Chesapeake Academy, Series 2004, dated September 29, 2004	2026	2,600	7	2,503
Washington County Hospital Association Lease (2005), dated April 19, 2005	2012	2,812	0	2,073
Mt. Airy Christian Academy, dated August 26, 2005	2010	2,500	5	2,454
Anne Arundel Health System Lease (2006), dated January 25, 2006	2011	15,000	0	14,353
Chester River Hospital Center Lease (2006), dated February 4, 2006	2013	3,953	42	3,383
Mercy Medical Center, Series 2006, dated August 3, 2006	2036	35,000	0	35,000
College of Notre Dame Lease (2006), dated September 7, 2006	2011	2,500	39	2,254
St. Mary's County Hospital Lease (2006), dated December 12, 2006	2016	8,201	0	7,608
Charles County Nursing and Rehabilitation Center, Series 2007, dated June 1, 2007	2037	3,900	0	3,900
Adventist HealthCare Lease (2007), dated June 14, 2007	2012	12,000	0	12,000
Private Placements and Limited Offerings Outstanding		1,259,398	25,555	776,396
<b>Total Outstanding</b>		<b>\$ 8,265,387</b>	<b>\$ 80,510</b>	<b>\$ 7,181,506</b>

## Maryland Health and Higher Educational Facilities Authority- Additional Information- Pooled Loan Programs

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### **POOLED LOAN PROGRAM- SERIES 1985A/1985B**

During fiscal year 1986, the Authority issued \$175,000,000 of its Revenue Bonds, Pooled Loan Program Issue backed by letters of credit. The Series 1985A/1985B pooled loan program was established in order to fund a revolving loan pool for loans to finance and refinance the acquisition, construction and equipping of projects pursuant to separate loan agreements. As of June 30, 2007, there was \$139,000,769 of outstanding loans receivable under the Program to seven different institutions. During the year ended June 30, 2007, \$8,036,526 of new loans were drawn and \$6,919,124 of loan principal was repaid. Commitments to advance funds under outstanding loan agreements totaled \$9,416,823 at June 30, 2007.

### **POOLED LOAN PROGRAM- SERIES D**

The Series D pooled loan program, which is backed by a letter of credit, was established to refinance a prior pooled loan program funded with commercial paper with convertible seven-day demand convertible bonds and to provide an alternative source of funding to assist institutions to finance and refinance a portion of the costs of acquisition, construction and equipping of projects. As of June 30, 2007, there were \$192,125,000 of outstanding loans receivable under this program to twenty-five institutions. During the year ended June 30, 2007, \$5,420,000 of new loans were drawn and \$8,665,000 of loan principal was repaid.

Maryland Health and Higher Educational Facilities Authority-  
 Additional Information- Defeased Conduit Debt

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**DEFEASED CONDUIT DEBT**

Bonds have been issued for the purpose of refunding bonds that were issued by the Authority. The proceeds of the refunding bonds were deposited into irrevocable escrow trusts. The trusts are held by independent trustees and are invested in obligations of the United States Government which mature and bear interest in such amounts and payable at such times as will be sufficient to pay the principal and interest of the defeased bonds when due and upon maturity or redemption.

Defeased Bonds Outstanding at June 30, 2007 are as follows  
 (in thousands of dollars):

*Catholic Health Initiatives, Series 2000A	\$ 12,415
Charity Obligated Group- Daughters of Charity National Health System, Series 1999A	21,200
Collington Episcopal Life Care Community, Series 2001A	25,065
Frederick Memorial Hospital, Series 1993	9,395
Good Samaritan Hospital, Series 1993	15,850
Helix Health, Series 1997	114,400
Howard County General Hospital, Series A	2,440
Howard County General Hospital, Series 1993	45,915
The Johns Hopkins Hospital Redevelopment, 1979 Series	10,690
The Johns Hopkins University, Series 1999	77,805
Maryland Institute College of Art, Series 2001	25,000
Mercy Ridge, Series 2003A	21,430
Mercy Ridge, Series 2003B	9,000
North Arundel Hospital, Series 2000	15,000
North Charles General Hospital, Series A	980
University of Maryland Medical System, Series 2000	119,760
	\$ 526,345

\*Partially defeased



