

*Maryland Health and Higher  
Educational Facilities Authority*

2012 ANNUAL REPORT



# Maryland Health and Higher Educational Facilities Authority

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*The Maryland Health and Higher Educational Facilities Authority believes that Maryland's healthcare institutions, colleges and universities and noncollegiate schools are very important to our state's future.*

*The mission of the 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 goal, we strive to keep abreast of opportunities to reduce the cost of capital in order to meet the changing needs of our borrowing institutions and assure their strength as vital assets of the state.*

*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.*
- *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 these 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 an instrumentality of the State of Maryland providing financing for key institutional projects, the Authority is proud of its role in improving the health and well being of the residents of our state.*

# Maryland Health and Higher Educational Facilities Authority

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## **AUTHORITY MEMBERS**

### **SHEILA K. RIGGS, *Chairman***

Term expires July 1, 2013; resident of Baltimore City; Trustee and former Chairman of the Board- The Maryland Institute, College of Art; former President and Chairman of the Board - Greater Baltimore Medical Center; former Trustee and Secretary of the Board - Bryn Mawr School; former co-Chairman-Baltimore Council on Foreign Affairs; and former member – Board of Loyola Notre Dame Library.

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

Term expires July 1, 2014; resident of Baltimore County; Vice President- PNC Bank; and 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; and 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 expires July 1, 2017; resident of Washington County; 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.

### **THOMAS S. BOZZUTO, JR., *Member***

Term expires July 1, 2015; resident of Baltimore City; President, Bozzuto Development Company; member- Board of Directors of Kennedy Krieger Institute; Urban Land Institute Baltimore District Council Executive Committee; and The Maryland Institute, College of Art Building and Grounds Committee.

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

Term expires July 1, 2016; resident of Montgomery County; Principal- Thomas Dobyys Attorney at Law, Chevy Chase, Maryland; and 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.

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

Term expires July 1, 2015; resident of Baltimore City; Senior Advisor- Lord Baltimore Capital Corporation; former Executive Vice President- First Maryland Bancorp; Director- Rodney Trust Company; Attransco; and AMA Capital Partners; member- Baltimore City Board of Finance; former Vice President and Trustee- The Baltimore Museum of Art; 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); and Empresas Navieras, S.A.

### **W. GAR RICHLIN, *Member***

Term expires July 1, 2013; resident of Howard County; Principal – Richlin/Dale; former President and Chief Operating Officer- Clearspring Technologies, Inc.; former President and Chief Executive Officer – Baltimore Symphony Orchestra; former President and Chief Operating Officer- Advertising.com; former Chief Operating Officer and Chief Financial Officer- SITEL Corporation; former Head of Investment Banking- Alex. Brown & Sons Incorporated; member Maryland Enterprise Investment Advisory Board; and former Director- Maryland Science Center; Howard County Health Alliance; and Baltimore Symphony Orchestra and Baltimore Symphony Endowment Trust.

### **ARNOLD WILLIAMS, *Member***

Term expires July 1, 2014; resident of Baltimore County; Managing Director- Abrams, Foster, Nole & Williams, P.A.; Chairman of the Board- Baltimore Development Corporation; member- Baltimore City Industrial Development Authority; Lexington Market, Inc.; The Presidents' Roundtable; and The Greater Baltimore Committee; former Board Chairman- Bon Secours Baltimore Health System, Inc.; former member - Baltimore City Chamber of Commerce; and Past Chair and former member- Maryland State Board of Accountancy.

**AUTHORITY STAFF**

ANNETTE ANSELM  
*Executive Director*

WYATT SHIFLETT, II  
*Assistant Director*

CONSTANCE McCREADY  
*Controller*

LENA PRINCE  
*Senior Account Manager*

MARY JANE LUPUS  
*Account Manager*

KATHY RECH  
*Account Manager*

STEPHANIE BURRELL  
*Executive Assistant*

MEZERENA WELLS  
*Administrative Assistant*

CATHERINE GROGAN  
*Staff Accountant (part-time)*

**AUTHORITY CONSULTANTS**

McKENNON SHELTON & HENN LLP  
*Bond Counsel*

PUBLIC FINANCIAL MANAGEMENT, INC.  
*Financial Advisor*

REZNICK GROUP, P.C.  
*Independent Auditors*

MANAGEMENT CONSULTING SERVICES  
*Management Consultant*

# Maryland Health and Higher Educational Facilities Authority

## Report of Independent Auditors

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Reznick Group, P.C.  
500 East Pratt Street  
Suite 200  
Baltimore, MD 21202-3100  
Tel: (410) 783-4900

### 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, 2012, and related statements 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, 2012, 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 11 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 23 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.

Baltimore, Maryland  
September 18, 2012

## 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 an 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's 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 annual administrative fees and application 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 a 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 2012 the Authority issued and delivered 27 bond issues totaling more than \$1.397 billion. This is an approximate \$897.4 million increase from total issuance in fiscal year 2011. The increase is primarily due to the refinancing of existing Authority fixed rate bond issues, as Borrowers seek to capitalize on the historically low interest rate environment; and the refinancing of existing Authority variable rate bond issues, as Borrowers have chosen to mitigate the market and renewal risk of Letters of Credit with longer term Direct Placements of bonds with lending banks. The proceeds of the fiscal

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

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year 2012 issues were used to purchase land; construct and acquire new facilities; renovate existing facilities; purchase equipment; and refinance prior debt.

- During fiscal year 2012 the Authority also exercised conversion options with respect to the basis on which interest is calculated on two bond issues with outstanding balances totaling more than \$36.1 million.
  
- Operating revenues increased by approximately \$132,000 due to the volume of new issues which resulted in higher annual administrative fees and application fees. The Authority funds its operations using a combination of annual 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 per annum and the application fee is \$5,000. In FY 2012, the Authority waived 75% of the annual administrative fees chargeable to borrowing institutions for financings that were in place prior to FY 2008 and 70% for financings completed in FY 2008 and after.
  
- Operating expenses increased by approximately \$154,000 due to the level of contractual services, legal services and professional fees paid directly by the Authority.
  
- The Authority had approximately \$8.913 billion of conduit debt outstanding at June 30, 2012. This is an approximately \$257 million increase from June 30, 2011. A schedule of debt outstanding is included in the additional information to these financial statements. All bonds and notes 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, 2012 and 2011 (in thousands of dollars):

	June 30, 2012	June 30, 2011
<b>ASSETS</b>	\$21,482	\$20,517
<b>LIABILITIES AND NET ASSETS:</b>		
LIABILITIES	\$ 182	\$ 157
NET ASSETS	21,300	20,360
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$21,482</b>	<b>\$20,517</b>



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

	June 30, 2012	June 30, 2011
OPERATING REVENUES	\$ 2,707	\$ 2,575
OPERATING EXPENSES	2,067	1,913
OPERATING INCOME (LOSS)	640	662
NON-OPERATING REVENUES		
Net income from investments	269	413
Net increase (decrease) in fair value of investments	31	(128)
INCREASE IN NET ASSETS	940	947
Net assets, beginning of year	20,360	19,413
Net assets, end of year	\$21,300	\$20,360

## Summary of Financings

During fiscal year 2012, the Authority issued:

Public Issues & Limited Offerings	\$ 838,370,000
Private Placements	558,784,962
	<u>\$1,397,154,962</u>

The following is a list of bonds issued during fiscal year 2012:

### HEALTHCARE FINANCINGS:

#### **\$57,205,000 Adventist Healthcare, Series 2011A**

A public offering for the refunding of a portion of the Authority's Revenue Bonds, Adventist Healthcare Issue, Series 2003B, Series 2004A and Series 2005B.

#### **\$59,980,000 Adventist Healthcare, Series 2011B**

A private placement for the refunding of a portion of the Authority's Revenue Bonds, Adventist Healthcare Issue, Series 2004A and Series 2005B.

#### **\$10,000,000 Johns Hopkins Health System Commercial Paper Revenue Notes, Series C**

A limited offering for the financing of routine renovations, improvements and equipment acquisitions.

#### **\$50,000,000 Upper Chesapeake Hospital 2011A**

A private placement for the financing of the acquisition, construction, renovation and equipping of a cancer center and an underground parking garage.

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

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### **\$74,615,000 Johns Hopkins Health System, Series 2011A**

### **\$48,245,000 Johns Hopkins Health System, Series 2011B**

A public offering for the refunding of the Authority's Revenue Bonds, The Johns Hopkins Hospital Issue, Series 2001 and the Authority's Revenue Bonds, The Johns Hopkins Health System Obligated Group Issue, Series 2008B.

### **\$94,920,000 MedStar Health, Series 2011**

A public offering for the refunding of a portion of the Authority's Revenue Bonds, Medlantic/Helix Issue, Series 1998A & B, the refinancing of the loan to St. Mary's Hospital of St. Mary's County, Inc. under the Authority's Pooled Loan Program, Series D, the refunding of the County Commissioners of St. Mary's County, Maryland General Obligation Hospital Bonds of 2002 issued to finance facilities for St. Mary's Hospital of St. Mary's County and the refinancing of indebtedness incurred to refund certain revenue bonds and to finance a termination payment of a swap agreement and additional capital projects.

### **\$59,225,000 Upper Chesapeake Hospitals 2011B**

### **\$59,225,000 Upper Chesapeake Hospitals 2011C**

A private placement for the refunding of the Authority's Revenue Bonds. Upper Chesapeake Hospitals Issue, Series 2008A & B.

### **\$53,510,000 Johns Hopkins Health System, Series 2012A**

A private placement for refinancing of the Authority's Commercial Paper Revenue Notes. Johns Hopkins Health System Issue, Series A.

### **\$34,032,000 Sheppard Pratt, Series 2012A**

### **\$62,182,000 Sheppard Pratt, Series 2012B**

A private placement for the refunding of the Authority's Revenue Bonds, Sheppard Pratt Issue, Series 2003A & B and Series 2009.

### **\$35,680,000 Greater Baltimore Medical Center, Series 2012A**

A public offering for the refunding of the Authority's Revenue Bonds, Greater Baltimore Medical Center Issue, Series 2001.

### **\$49,995,000 Mercy Medical Center, Series 2012**

A public offering for the refunding of the Authority's Revenue Bonds, Mercy Medical Center Issue, Series 2001.

### **\$97,560,000 Johns Hopkins Health System, Series 2012B**

A public offering for the financing of the remaining costs of constructing two new patient towers.

### **\$86,025,000 Ascension Health Alliance, Series 2012B**

A public offering for the financing of the construction and equipping of a new patient tower at St. Agnes Hospital.

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

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### **\$59,780,000 Carroll Hospital Center, Series 2012A**

A public offering for the refunding of the Authority's Carroll County General Hospital Issue, Series 2002.

### **\$15,010,000 Carroll Hospital Center 2012B**

### **\$15,000,000 Carroll Hospital Center 2012C**

A private placement for the refunding of the Authority's Carroll County General Hospital Issue, Series 2002 and the financing of a Cancer Center acquisition and medical equipment and capital improvement costs.

### **\$38,620,000 MedStar Health 2012**

A private placement for the refunding of a portion of the Authority's Medlantic/Helix Issue, Series 1998A & B.

## **EDUCATIONAL INSTITUTION FINANCINGS:**

### **\$49,250,000 Loyola University Maryland, Series 2012A**

A public offering for the refunding of the Authority's Loyola College Issue, Series 1999 and Series 2007 and the refunding of a portion of the Authority's Loyola College Issue, Series 2008, and the financing of a portion of the cost associated with an interest rate swap termination.

### **\$153,150,000 Johns Hopkins University, Series 2012A**

A public offering for the refunding of a portion of the Authority's Johns Hopkins University Issue, Series 2001B and the refunding of the Authority's Johns Hopkins University Issue, Series 2002A.

### **\$21,945,000 Notre Dame of Maryland University, Series 2012**

A public offering for the financing of a portion of the cost of renovations and improvements to a student life facility, the construction of an addition to the School of Nursing and renovations and other improvements to the campus and the refunding of the Authority's College of Notre Dame of Maryland Issue, Series 1998.

### **\$32,595,000 Loyola University Maryland, Series 2012B**

A private placement for the refunding of the Authority's Loyola College Issue, Series 2008.

## **RETIREMENT COMMUNITIES FINANCINGS:**

### **\$5,445,760 Charles County Nursing & Rehabilitation Center 2012A**

### **\$2,554,240 Charles County Nursing & Rehabilitation Center 2012B**

A private placement for the refunding of the Authority's Charles County Nursing and Rehabilitation Center Issue, Series 2007 and the financing of the construction of additional resident rooms and renovations to the existing facilities.

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

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### **\$5,350,000 St. Mary's Nursing Center 2012**

A private placement for the refinancing of a loan incurred to finance the acquisition of the Nursing Center and the financing of certain improvements to the existing facility.

### **\$31,150,000 Pickersgill, Series 2012**

A private placement for refunding of the Authority's Pickersgill Issue, Series 2005A & B.

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

### **\$3,200,000 Chesapeake Academy 2011**

A private placement for the refunding of the Authority's Revenue Bonds, Chesapeake Academy Issue, Series 2004, the refinancing of certain existing debt and the financing of certain capital improvements.

### **\$6,855,000 Green Acres School 2011**

A private placement for the financing of the refunding of the Authority's Mortgage Revenue Bonds, Green Acres School Issue, Series 1998 and the refinancing of a loan under the Authority's Pooled Loan Program, Series D.

### **\$2,430,962 The Barnesville School 2011A**

### **\$1,000,000 The Barnesville School 2011B**

A private placement for the refunding of the Authority's Revenue Bonds, The Barnesville School Issue, Series 1999, the refinancing of a loan incurred to purchase certain real property and improve school facilities, and the financing of renovations to existing school facilities.

### **\$8,800,000 Severn School 2011**

A private placement for the refunding of the Authority's Revenue Bonds, Severn School Issue, Series 2006 and the financing of the construction, renovation and equipping of existing school facilities.

### **\$12,620,000 French International School 2012**

A private placement for the refunding of the Authority's Revenue Bonds, French International School Issue, Series 2004.

## **Subsequent Bond Activity**

Prior to June 30, 2012 the following bonds were authorized and subsequent to June 30, 2012, the bonds were issued:

\$13,931,000 Union Hospital of Cecil County 2012

\$19,199,000 Calvert Memorial Hospital 2012

\$6,220,995 The Foundation Schools 2012

\$169,670,000 Johns Hopkins Health System, Series 2012C&D

\$216,335,000 University of Maryland Medical System, Series 2012A-D

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

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Subsequent to June 30, 2012 the following bonds were authorized and issued:

\$4,500,000 Linwood Center 2012  
\$19,945,000 Goucher College, Series 2012A

Subsequent to June 30, 2012 the following bonds were authorized but not issued:

\$75,055,000 Goucher College  
\$21,500,000 Mount Saint Joseph High School  
\$41,070,000 Maryland Institute College of Art  
\$8,500,000 Kennedy Krieger Institute

Management has evaluated the potential impact of subsequent events through September 18, 2012.

### **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  
June 30, 2012  
(in thousands of dollars)

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**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 664
Non-capital investments at fair value	1,482
Interest receivable	38
Administrative fees receivable	32
Prepaid pension and other prepayments	79

<b>Total current assets</b>	<b>2,295</b>
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**Non-current assets:**

Non-capital investments at fair value	19,141
Capital assets (net of accumulated depreciation of \$258)	46

<b>TOTAL ASSETS</b>	<b>\$ 21,482</b>
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**LIABILITIES AND NET ASSETS BALANCES**

**Current liabilities:**

Accounts payable and accrued expenses	\$ 98
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<b>Total current liabilities</b>	<b>98</b>
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**Non-current liabilities:**

Non-current accrued vacation	84
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<b>Total non-current liabilities</b>	<b>84</b>
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<b>TOTAL LIABILITIES</b>	<b>182</b>
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**NET ASSETS**

Invested in capital assets, net of related debt	46
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**Unrestricted net assets:**

Designated for operations	4,134
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Designated for contingencies	17,120
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<b>TOTAL NET ASSETS</b>	<b>21,300</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,482</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 Revenues, Expenses and Changes in Net Assets  
For the year ended June 30, 2012  
(in thousands of dollars)

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**OPERATING REVENUES**

Annual administrative fees	\$ 2,529
Application fees	178
<b>TOTAL OPERATING REVENUES</b>	<b>2,707</b>

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**OPERATING EXPENSES**

Salaries	800
Employees' insurance, pension and other fringe benefits	215
Payroll taxes	51
Professional fees	780
Office rent	97
Office supplies and expenses	87
Depreciation	37
<b>TOTAL OPERATING EXPENSES</b>	<b>2,067</b>

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OPERATING INCOME 640

**NON-OPERATING REVENUES**

Net income from investments	269
Unrealized gain on investments	31

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INCREASE IN NET ASSETS 940

Net assets, beginning of year	20,360
Net assets, end of year	\$ 21,300

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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  
For the year ended June 30, 2012  
(in thousands of dollars)

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<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	
Cash received from administrative and other fees	\$ 2,678
Cash payments to employees and employee benefits	(1,046)
Cash payments to suppliers for goods and services	(990)
<u>Net cash provided by operating activities</u>	<u>642</u>

<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	-
<u>Net cash used in capital and financing activities</u>	<u>-</u>

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	308
Purchases of investments	(46,256)
Sales and maturities of investments	45,410
<u>Net cash used in investing activities</u>	<u>(538)</u>

Net increase in cash and cash equivalents	104
Cash and cash equivalents, beginning of year	560
<u>Cash and cash equivalents, end of year</u>	<u>\$ 664</u>

<b>RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 640

<b>ADJUSTMENTS TO RECONCILE OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Depreciation	37
Administrative fees receivable	(28)
Prepaid pension and other prepayments	(31)
Accounts payable and accrued expenses	24
<u>Net cash provided by operating activities</u>	<u>\$ 642</u>

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



**NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES**

**Organization**

The Maryland Health and Higher Educational Facilities Authority (the "Authority") was established to assist non-profit educational institutions, hospitals and related healthcare institutions in the financing and refinancing of projects authorized by the Authority's enabling legislation. 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 political 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.

**Accounting Policies**

**Reporting Entity-** The Authority's reporting entity has been defined in accordance with Governmental Accounting Standards Board ("GASB") Statement 34. 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 incurred. The 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) Codification, 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.

Maryland Health and Higher Educational Facilities Authority  
Notes to Financial Statements  
June 30, 2012

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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-** *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, 2012 the designation was \$4,134,000. The Authority has also designated a portion of net assets to fund presently unidentified contingencies which is subject to a limitation equal to 1% of the total bonds outstanding at July 1, 2012. At June 30, 2012, the designated amount was \$17,120,000 which does not exceed the limitation of \$87,631,650.

**Invested in Capital Assets-** *Invested in capital assets* are recorded at cost and defined as assets with an individual cost of more than \$1,000 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	5 to 10 years
• Computer equipment	3 to 5 years
• Office equipment	5 to 10 years
• Automobiles	5 years
• Leasehold improvements	4 to 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

Maryland Health and Higher Educational Facilities Authority  
Notes to Financial Statements  
June 30, 2012

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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 be scheduled to meet the cash requirements for ongoing operations.

As of June 30, 2012, the amortized cost and fair 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>FAIR VALUE</b>
Obligations of U.S. government agencies and instrumentalities	\$19,693	\$0	\$50	\$19,743
Money market accounts	880	0	0	880
<b>Total</b>	<b>\$20,573</b>	<b>\$0</b>	<b>\$50</b>	<b>\$20,623</b>

As of June 30, 2012, the amortized cost and fair value of investments at June 30, 2012, 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>FAIR VALUE</b>	<b>AMORTIZED COST</b>
Due in one year or less	\$ 1,482	\$ 1,482
Due after one year through five years	15,579	15,542
Due after five years through ten years	3,562	3,549
Due after ten years	0	0
	<b>\$20,623</b>	<b>\$20,573</b>

**Custodial Credit Risk-** Custodial credit risk is the risk that in the event of a bank or other 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, 2012, the Authority's investments were not subject to custodial credit risk under GASB Statement No. 40. The Authority's investments are held under a safekeeping agreement, 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 is to invest in a manner which will provide the highest return with the maximum security while

Maryland Health and Higher Educational Facilities Authority  
Notes to Financial Statements  
June 30, 2012

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meeting cash flow needs. Permissible investments currently utilized include U.S. Treasury obligations; obligations of federal agencies and instrumentalities; repurchase agreements for U.S. Treasury obligations and obligations of federal agencies and instrumentalities; and money market funds operated in accordance with Rule 2a-7 of the Investment Company Act of 1940 and rated in the highest rating category of a nationally recognized statistical rating organization.

As of June 30, 2012, the allocations by type of investment are as follows (in thousands of dollars):

<b>Asset</b>	<b>Fair Value</b>	<b>Percentage of Total</b>
Obligations of US Government Agencies:		
Federal Home Loan Banks	\$ 1,503	7.29%
Federal Home Loan Mortgage Corp	5,143	24.94
Federal Farm Credit Banks	3,056	14.82
Federal National Mortgage Association	10,041	48.69
Money Market		
Wilmington US Treasury Fund	880	4.26
<b>Total</b>	<b>\$20,623</b>	<b>100.00%</b>

As of June 30, 2012, the credit ratings by type of investment are as follows:

<b>Asset</b>	<b>Rating</b>	<b>Rating Agency</b>
Obligations of US Government Agencies:		
Federal Home Loan Banks	Aaa	Moody's
Federal Home Loan Mortgage Corp	Aaa	Moody's
Federal Farm Credit Banks	Aaa	Moody's
Federal National Mortgage Association	Aaa	Moody's
Money Market:		
Wilmington US Treasury Fund	AAA	S&P

Maryland Health and Higher Educational Facilities Authority  
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June 30, 2012

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**NOTE 3: COMMITMENTS AND CONTINGENCIES**

The Authority has a lease commitment for office space through July 31, 2021. The minimum rental commitments for office space over the next five years and thereafter is as follows:

2013	\$76,250
2014	84,042
2015	94,736
2016	98,063
2017	101,483
thereafter	333,860
	<u>\$788,434</u>

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 consisted of the following (in thousands of dollars):

Capital assets beginning of year	\$304
Additions	0
Retirements	0
Capital assets end of year	304
Less accumulated depreciation end of year	258
Capital assets net of depreciation end of year	<u>\$ 46</u>

The Authority recognized \$37,000 of depreciation expense during fiscal year 2012.

**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, was 7.4%, 7.3% and 4.9% of gross wages reported for 2012, 2011 and 2010, respectively. The Authority's pension expense for 2012, 2011 and 2010 amounted to \$66,461, \$76,973 and \$41,457, 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  
June 30, 2012

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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 generally consist of commercial paper that is expected to be paid with proceeds of refunding obligations. The lease and loan payments receivable by the Authority from the institutions correspond to the amortization of the respective bond and note issues. Under the Authority's capital lease financings, institutions may borrow funds to finance equipment and other purchases. Funds disbursed to participating institutions are repayable by the individual institutions and may be collateralized by security interests in the assets financed. The Authority may hold legal title to or a mortgage on the buildings and other assets financed by bonds for the benefit of institutions. Title to any buildings and other assets reverts to the institutions upon final payment of the respective bond issues or leases. 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 or revenues of the related projects.

The following is a summary of conduit debt activity for the year ended June 30, 2012 (in thousands of dollars):

Bonds outstanding as of June 30, 2011	\$8,656,361
Plus: Bonds issued during FY 2012	1,397,155
Less: Redemptions and refunding during FY 2012	(1,140,456)
<u>Bonds outstanding as of June 30, 2012</u>	<u>\$8,913,060</u>

# **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, disbursements of bond proceeds, deposit of payments received from institutions, and payment of principal and interest.

The Authority maintains books of accounts for the Debt Principal Account and the required Trusteed Funds of each of the issues of bonds and notes outstanding. Trusteed Funds are maintained by third party trustees or other fiscal agents 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 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, Capitalized Interest and Additional Facilities 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, Bond and Loan Reserve 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.

**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. All Renewal and Replacement, 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 -** 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 receivable from the institutions represents 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, 2012  
 (in thousands of dollars)

	<i><b>CONSTRUCTION FUNDS</b></i>	<i><b>PROGRAM FUNDS</b></i>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 53	\$ 0
Investments at fair value	127,507	63,116
Interest receivable	90	49
Due from other funds	1,404	59
Accounts receivable	0	0
Principal and lease payments receivable	0	0
<b>TOTAL ASSETS</b>	<b>\$ 129,054</b>	<b>\$ 63,224</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 0	\$ 212
Advance payments and deposits from institutions	0	0
Principal payable	0	0
Interest payable	0	0
Due to other funds	111	59
Bonds, notes and lease obligations payable	0	0
<b>TOTAL LIABILITIES</b>	<b>111</b>	<b>271</b>
<b>RESTRICTED NET ASSETS</b>		
Reserved for debt service	\$ 0	\$ 0
Reserved for loans under Pooled Loan Program	0	62,953
Designated for specific projects	128,943	0
Designated for operations	0	0
<b>TOTAL NET ASSETS</b>	<b>128,943</b>	<b>62,953</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 129,054</b>	<b>\$ 63,224</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>
\$ 24,451	\$ 0	\$ 0	\$ 39,333	\$ 0	\$ 63,837
290,078	265,815	20,173	223,404	0	990,093
2	807	44	0	0	992
710	0	0	0	0	2,173
29,308	0	0	0	0	29,308
0	0	0	0	8,913,060	8,913,060
<b>\$ 344,549</b>	<b>\$ 266,622</b>	<b>\$ 20,217</b>	<b>\$ 262,737</b>	<b>\$ 8,913,060</b>	<b>\$ 9,999,463</b>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 212
2,559	0	0	0	0	2,559
111,565	0	0	40,265	0	151,830
102,415	0	0	5,444	0	107,859
0	2,076	0	0	0	2,246
0	0	0	0	8,913,060	8,913,060
<b>216,539</b>	<b>2,076</b>	<b>0</b>	<b>45,709</b>	<b>8,913,060</b>	<b>9,177,766</b>
128,010	264,546	0	217,028	0	609,584
0	0	0	0	0	62,953
0	0	0	0	0	128,943
0	0	20,217	0	0	20,217
<b>128,010</b>	<b>264,546</b>	<b>20,217</b>	<b>217,028</b>	<b>0</b>	<b>821,697</b>
<b>\$ 344,549</b>	<b>\$ 266,622</b>	<b>\$ 20,217</b>	<b>\$ 262,737</b>	<b>\$ 8,913,060</b>	<b>\$ 9,999,463</b>

Maryland Health and Higher Educational Facilities Authority  
 Additional Information- Combined Statement of Changes in Net Assets  
 of Conduit Debt  
 For the year ended June 30, 2012  
 (in thousands of dollars)

	<b>CONSTRUCTION FUNDS</b>	<b>PROGRAM FUNDS</b>
Net assets, June 30, 2011	\$ 221,554	\$ 51,423
<b>ADDITIONS</b>		
Proceeds from sale of bonds and notes:		
Gross proceeds	1,337,977	0
Underwriters' discount	(3,424)	0
Original issue premium	68,436	0
Interest accrued to date of delivery	0	0
Payments and contributions received from and on behalf of institutions	50	0
Lease and loan payments	0	0
Debt service- interest	0	0
Unrealized gain/(loss) on investments	(79)	(51)
Income from investments	390	305
Transfer from escrow agent	92	0
Transfer from other issuer	0	0
Transfer from paying agent	0	0
Insurance proceeds	497	0
<b>TOTAL ADDITIONS</b>	<b>1,403,939</b>	<b>254</b>
<b>DEDUCTIONS</b>		
Project and financing costs	399,624	926
Principal (including July 1, 2011 installments funded at June 30, 2011)	6,074	0
Interest	127	0
Required payments to institutions	0	0
Retirement of bonds	0	0
Transfer to escrow agents for defeased issues	53,245	0
<b>TOTAL DEDUCTIONS</b>	<b>459,070</b>	<b>926</b>
<b>INTERFUND TRANSFERS</b>	<b>(1,037,480)</b>	<b>12,202</b>
<b>NET ASSETS BALANCES, JUNE 30, 2012</b>	<b>\$ 128,943</b>	<b>\$ 62,953</b>

<b>DEBT SERVICE FUNDS</b>	<b>DEBT SERVICE RESERVE FUNDS</b>	<b>PROJECT RESERVE FUNDS</b>	<b>REDEMPTION FUNDS</b>	<b>TOTAL</b>
\$ 25,771	\$ 280,846	\$ 13,777	\$ 3	\$ 593,374
15,030	10,196	0	0	1,363,203
0	0	0	0	(3,424)
0	0	0	0	68,436
11	0	0	0	11
196	180	23,433	0	23,859
321,880	0	0	0	321,880
285,666	0	0	1,021	286,687
(43)	104	1	0	(68)
76	4,018	24	1	4,814
0	0	0	0	92
24,230	0	0	0	24,230
0	0	0	6,040	6,040
0	0	0	0	497
647,046	14,498	23,458	7,062	2,096,257
150	212	18	0	400,930
925,653	0	0	106,655	1,038,382
296,158	0	0	5,981	302,266
101	0	0	0	101
0	0	0	67,810	67,810
1,481	3,720	0	0	58,446
1,223,543	3,932	18	180,446	1,867,935
678,736	(26,866)	(17,000)	390,409	1
\$ 128,010	\$ 264,546	\$ 20,217	\$ 217,028	\$ 821,697

# Maryland Health and Higher Educational Facilities Authority

## Additional Information- Conduit Debt Outstanding

As of June 30, 2012, the principal amount of bonds and notes outstanding is as follows (in thousands of dollars):	<i>FINAL MATURITY</i>	<i>AMOUNT ISSUED</i>	<i>BONDS AND NOTES PAYABLE JULY 1, 2012</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2012</i>
<b>PUBLIC OFFERINGS</b>				
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	9,370	49,589
University of Maryland Medical System, Series 1991B, dated January 1, 1991	2022	38,670	1,230	26,085
The Johns Hopkins Medical Institutions Parking Facilities, Series 1996, dated January 1, 1996	2026	42,425	225	27,070
Mercy Medical Center, Series 1996, dated January 1, 1996	2026	30,000	940	19,195
Loyola College, Series 1996B, dated October 1, 1996	2013	14,900	0	2,800
Stella Maris, Series 1997, dated January 1, 1997	2021	21,985	1,055	12,200
Kennedy Krieger, Series 1997, dated November 1, 1997	2022	13,670	610	8,240
Catholic Health Initiatives Series 1997B (St. Joseph Medical Center), dated November 25, 1997	2015	30,500	0	8,300
Calvert Memorial Hospital, Series 1998, dated January 1, 1998	2026	27,860	790	19,600
PUMH of Maryland, Inc. (Heron Point of Chestertown), Series 1998A & B, dated June 15, 1998	2026	35,115	0	20,390
Anne Arundel Medical Center, Series 1998, dated July 1, 1998	2033	69,840	1,510	57,470
Maryland Institute College of Art, Series 1998, dated July 15, 1998	2029	17,950	0	13,070
Memorial Hospital at Easton, Series 1998, dated October 1, 1998	2019	33,470	2,015	17,185
Medlantic/Helix, Series 1998A, dated December 1, 1998	2038	166,605	0	145,275
Medlantic/Helix, Series 1998B, dated December 1, 1998	2038	116,910	0	88,515
Kaiser Permanente, 1998 Series A, dated December 1, 1998	2015	12,825	0	12,825
Roland Park Place, Series 1999, dated May 1, 1999	2024	34,195	1,370	23,815
Glen Meadows Retirement Community, Series 1999A & B, dated August 25, 1999	2029	20,410	500	16,220
Mercy Ridge, Series 2000, dated March 1, 2000	2031	69,305	0	24,200
The Bullis School, Series 2000, dated November 28, 2000	2030	20,400	550	16,385
The McLean School, Series 2001, dated May 30, 2001	2031	9,080	210	7,385
The Johns Hopkins Hospital, Series 2001, dated August 29, 2001	2034	101,355	620	24,165
The Johns Hopkins University, Series 2001B, dated August 30, 2001	2041	85,775	0	85,775
Greater Baltimore Medical Center, Series 2001, dated December 6, 2001	2034	52,830	40,265	0
University of Maryland Medical System, Series 2002, dated January 30, 2002	2032	57,655	1,430	0
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	1,870	23,895
Carroll County General Hospital, Series 2002, dated June 13, 2002	2037	91,760	1,440	82,500

# Maryland Health and Higher Educational Facilities Authority

## Additional Information- Conduit Debt Outstanding

As of June 30, 2012, the principal amount of bonds and notes outstanding is as follows (in thousands of dollars):	<b>FINAL MATURITY</b>	<b>AMOUNT ISSUED</b>	<b>BONDS AND NOTES PAYABLE JULY 1, 2012</b>	<b>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2012</b>
Hebrew Home of Greater Washington, Series 2002, dated June 19, 2002	2032	13,140	0	11,055
Holton Arms School, Series 2002, dated June 20, 2002	2032	21,000	0	19,200
Frederick Memorial Hospital, Series 2002, dated July 15, 2002	2035	71,715	910	66,735
Union Hospital of Cecil County, Series 2002, dated October 15, 2002	2032	24,000	545	19,510
Adventist HealthCare, Series 2003A, dated February 15, 2003	2025	22,925	0	18,625
The Johns Hopkins Hospital, Series A, dated March 6, 2003	2013	54,310	0	110
Kennedy Krieger, Series 2003, dated April 27, 2003	2033	24,490	710	20,190
University of Maryland Medical System, Series 2004B, dated January 22, 2004	2024	36,175	1,530	25,160
MedStar Health, Series 2004, dated February 3, 2004	2033	170,350	0	159,550
Anne Arundel Health System, Series 2004, dated February 19, 2004	2034	89,820	580	21,300
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	105	34,910
Suburban Hospital, Series 2004, dated June 3, 2004	2029	72,445	2,660	13,045
Calvert Health System, Series 2004, dated July 8, 2004	2039	32,925	105	32,430
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	27,985
The Johns Hopkins Medical Institutions Parking Facilities, Series 2004B, dated December 1, 2004	2038	33,035	1,270	27,825
Civista Medical Center, Series 2005, dated February 17, 2005	2037	59,000	610	56,130
The Johns Hopkins University, Series 2005A, dated March 3, 2005	2036	69,265	0	69,265
The Johns Hopkins Medical Institutions Utilities, Series 2005A & B, dated June 29, 2005	2037	48,845	0	48,845
Union Hospital of Cecil County, Series 2005, dated July 14, 2005	2040	33,675	0	33,675
University of Maryland Medical System, Series 2005, dated October 10, 2005	2031	149,700	2,975	132,715
Villa Julie College, Series 2005, dated December 15, 2005	2030	95,560	1,535	81,085
Adventist HealthCare, Series 2005A & B, dated December 20, 2005	2035	142,590	0	78,000
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
Peninsula Regional Medical Center, Series 2006, dated February 2, 2006	2036	142,910	2,795	127,905
Edenwald, Series 2006, dated July 6, 2006	2037	80,365	0	51,865
University of Maryland Medical System, Series 2006A, dated November 9, 2006	2041	45,000	0	45,000

# Maryland Health and Higher Educational Facilities Authority

## Additional Information- Conduit Debt Outstanding

As of June 30, 2012, the principal amount of bonds and notes outstanding is 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, 2012</b></i>	<i><b>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2012</b></i>
Western Maryland Health System, Series 2006A&B, dated November 14, 2006	2026	350,830	3,675	321,685
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	2,485	66,180
King Farm Presbyterian Retirement Community, Series 2007, dated January 11, 2007	2037	174,590	0	67,590
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	345	21,890
Maryland Institute College of Art, Series 2007, dated June 27, 2007	2042	38,740	0	36,955
Bishop McNamara High School, Series 2007, dated August 8, 2007	2032	8,000	200	6,870
University of Maryland Medical System, Series 2007A&B, dated September 12, 2007	2034	137,795	1,400	135,820
Goucher College, Series 2007, dated October 31, 2007	2037	31,285	840	28,115
Mercy Medical Center, Series 2007A - D, dated November 8, 2007	2042	305,000	1,365	199,755
Gaudenzia Foundation, Series 2007, dated December 12, 2007	2028	5,500	315	4,070
LifeBridge Health, Series 2008, dated January 17, 2008	2047	285,815	2,825	272,370
Washington County Hospital, Series 2008, dated February 12, 2008	2043	264,300	0	260,965
Woodmont Academy, Series 2008, dated March 12, 2008	2038	15,105	0	15,030
Odenton Christian School, Series 2008, dated March 19, 2008	2033	3,590	0	3,535
The Johns Hopkins Health System Obligated Group, Series 2008A, dated April 23, 2008	2027	12,215	0	10,545
Howard County General Hospital, Series 2008, dated May 8, 2008	2046	40,000	0	40,000
University of Maryland Medical System, Series 2008A-E, dated May 21, 2008	2041	280,000	0	280,000
The Johns Hopkins Health System Obligated Group, Series 2008B, dated June 26, 2008	2048	144,740	0	96,495
Frederick Memorial Hospital, Series 2008, dated July 9, 2008	2035	72,160	1,040	70,020
DeMatha Catholic High School, Series 2008, dated July 15, 2008	2038	9,865	190	9,315
University of Maryland Medical System, Series 2008F, dated July 23, 2008	2023	87,345	4,925	65,055
Stevenson University, Series 2008, dated July 24, 2008	2035	23,500	315	22,270
The Johns Hopkins University, Series 2008A & B, dated August 7, 2008	2038	255,735	9,870	235,710
Upper Chesapeake Hospitals, Series 2008C, dated August 8, 2008	2038	55,015	0	52,470
Chimes, Series 2008, dated October 31, 2008	2033	5,610	140	4,990
Suburban Hospital, Series 2008, dated November 19, 2008	2029	58,515	1,485	53,370



# Maryland Health and Higher Educational Facilities Authority

## Additional Information- Conduit Debt Outstanding

As of June 30, 2012, the principal amount of bonds and notes outstanding is 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, 2012</b></i>	<i><b>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2012</b></i>
Anne Arundel Medical Center, Series 2009A, dated January 29, 2009	2039	120,000	1,185	118,815
Anne Arundel Medical Center, Series 2009B, dated February 19, 2009	2043	60,000	0	60,000
DeMatha Catholic High School, Series 2008 (2nd delivery), dated June 10, 2009	2038	9,110	175	8,605
University of Maryland Medical System, Series 2010, dated January 7, 2010	2039	242,385	5,440	226,485
Anne Arundel Health System, Series 2010, dated February 3, 2010	2038	85,410	1,610	81,220
Carnegie Institute of Washington, Series 2010, dated February 4, 2010	2040	30,580	0	30,580
Patterson Park Public Charter School, Series 2010A & B, dated March 16, 2010	2045	13,665	125	13,540
Doctors Community Hospital, Series 2010, dated May 18, 2010	2038	82,670	0	82,670
Johns Hopkins Health System, Series 2010, dated June 16, 2010	2040	148,195	0	148,195
College of Notre Dame of Maryland, Series 2010, dated November 24, 2010	2035	11,495	0	11,300
Charlestown Community, Series 2010, dated December 15, 2010	2045	124,995	0	123,650
Stevenson University, Series 2010, dated December 16, 2010	2037	33,250	0	33,250
Mercy Medical Center, Series 2011, dated February 24, 2011	2031	40,770	900	39,870
LifeBridge Health, Series 2011, dated March 30, 2011	2041	50,695	775	49,920
Greater Baltimore Medical Center, Series 2011, dated April 20, 2011	2034	67,945	2,180	65,765
Adventist HealthCare, Series 2011A, dated September 1, 2011	2023	57,205	0	57,205
Johns Hopkins Health System, Series 2011A, dated November 10, 2011	2026	74,615	0	74,615
Johns Hopkins Health System, Series 2011B, dated November 10, 2011	2042	48,245	0	48,245
MedStar Health, Series 2011, dated November 11, 2011	2041	94,920	0	94,920
Greater Baltimore Medical Center, Series 2012A, dated April 11, 2012	2034	35,680	0	35,680
Mercy Medical Center, Series 2012, dated April 25, 2012	2031	49,995	0	49,995
Johns Hopkins Health System, Series 2012B, dated May 3, 2012	2033	97,560	700	96,860
Ascension Health Alliance, Series 2012B, dated May 10, 2011	2051	86,025	0	86,025
Carroll Hospital Center, Series 2012A, dated May 31, 2012	2037	59,780	0	59,780
Loyola University, Series 2012A, dated June 7, 2012	2039	49,250	0	49,250
Johns Hopkins University, Series 2012A, dated June 14, 2012	2041	153,150	0	153,150
Notre Dame of Maryland University, Series 2012 dated June 25, 2012	2042	21,945	0	21,195
<b>Public Offerings Outstanding</b>		<b>\$ 8,415,549</b>	<b>\$ 126,835</b>	<b>\$ 7,055,924</b>

# Maryland Health and Higher Educational Facilities Authority

## Additional Information- Conduit Debt Outstanding

As of June 30, 2012, the principal amount of bonds and notes outstanding is as follows (in thousands of dollars):	<i>FINAL MATURITY</i>	<i>AMOUNT ISSUED</i>	<i>BONDS AND NOTES PAYABLE JULY 1, 2012</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2012</i>
<b>PRIVATE PLACEMENTS AND LIMITED OFFERINGS</b>				
Pooled Loan Program, Series D (1994), dated January 1, 1994	2039	418,516	2,820	85,982
Greater Baltimore Medical Center, Series 1995, dated July 1, 1995	2025	10,000	345	6,070
Capitol College, Series 1995, dated July 1, 1995	2020	8,000	187	4,125
The Norwood School, Series 1998, dated November 1, 1998	2025	10,505	0	2,800
Charles E. Smith Jewish Day School, 1999 Issue, dated June 1, 1999	2029	12,600	12	3,660
The Johns Hopkins University, Commercial Paper, Series A	2031	200,000	3,339	120,228
The Johns Hopkins University, Commercial Paper, Series B	2029	200,000	6,624	125,337
Trinity School, Series 2001, dated October 31, 2001	2026	9,000	0	6,640
St. Anne's Day School, dated November 8, 2001	2026	4,300	0	3,265
Community Support Services, dated December 10, 2001	2031	2,660	0	624
St. John's Episcopal Day School, dated December 21, 2001	2032	7,000	12	5,405
The Johns Hopkins Hospital Lease, Series C, dated March 6, 2003	2013	14,515	0	200
The Johns Hopkins Health System, Commercial Paper, Series B	2024	101,240	4,005	78,140
The Johns Hopkins Health System, Commercial Paper, Series C	2023	60,000	0	60,000
Friends School of Baltimore, Series 2004, dated April 1, 2004	2029	7,500	0	6,145
Stone Ridge School, Series 2005, dated June 22, 2005	2035	12,000	0	10,888
Mt. Airy Christian Academy (2005), dated August 26, 2005	2031	2,500	4	1,227
Chester River Hospital Center Lease (2006), dated February 4, 2006	2013	3,953	53	545
Gilman School, Series 2006, dated June 1, 2006	2036	30,000	0	30,000
Mercy Medical Center, Series 2006, dated August 3, 2006	2036	35,000	630	32,685
St. Mary's County Hospital Lease (2006), dated December 12, 2006	2016	8,201	0	2,149
Archdiocese of Baltimore Schools, Series 2007, dated June 21, 2007	2037	24,165	0	23,216
Keswick Multi-Care Center, Series 2007, dated August 9, 2007	2037	11,520	0	11,520
Mercy Medical Center, Series 2007B & C (Converted) dated November 8, 2007	2024	30,000	0	30,000
Beth Tfiloh Dahan Community School, Series 2007, dated December 18, 2007	2037	15,000	0	15,000
The Johns Hopkins Health System, Commercial Paper, Series D	2025	40,000	0	40,000
The Johns Hopkins Health System, Commercial Paper, Series E&F	2025	168,650	0	168,650
Mercy Medical Center, Series 2008 (Converted), dated July 16, 2008	2022	35,325	2,255	27,570
Adventist HealthCare Lease (2008), 2nd tranche, dated October 16, 2008	2013	8,000	0	2,286

# Maryland Health and Higher Educational Facilities Authority

## Additional Information- Conduit Debt Outstanding

As of June 30, 2012, the principal amount of bonds and notes outstanding is 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, 2012</b></i>	<i><b>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2012</b></i>
Health Care for the Homeless, Series 2008, dated November 6, 2008	2033	7,000	0	570
Augsburg Lutheran Home, Series 2009, dated August 7, 2009	2036	20,600	47	19,481
The Boys' Latin School of Maryland, Series 2009, dated August 26, 2009	2038	19,830	0	17,617
Roland Park Country School, Series 2009, dated October 7, 2009	2037	17,400	0	6,920
Bryn Mawr School, Series 2009, dated October 14, 2009	2037	7,350	0	7,220
CMROC LLP Lease (2009), dated October 14, 2009	2014	5,260	0	2,564
Annapolis Life Care, Series 2009A, dated November 4, 2009	2040	30,000	0	28,642
Annapolis Life Care, Series 2010, dated January 4, 2010	2040	15,266	0	14,690
The SEED School of Maryland, Series 2010, dated January 21, 2010	2037	25,000	150	24,705
Oldfields School, Series 2010, dated April 14, 2010	2019	2,985	0	2,985
Carroll Hospital Center (2010), dated June 30, 2010	2040	15,000	29	14,310
Broadmead (2010), dated July 14, 2010	2035	12,000	833	10,261
Baltimore Leadership School (2010), dated August 11, 2010	2020	4,000	0	3,468
Indian Creek School, Series 2010, dated September 15, 2010	2035	14,915	0	14,260
Friends Community School (2010), dated November 23, 2010	2020	5,300	11	5,072
Park School (2010), dated December 1, 2010	2035	14,590	0	12,796
Christ Episcopal School (2010), dated December 20, 2010	2035	3,868	0	3,749
University Physicians (2010), dated December 29, 2010	2031	15,000	30	9,516
St. Andrew's Episcopal School (2010), dated December 29, 2010	2035	6,245	0	6,017
Kennedy Krieger Institute (2010), dated December 30, 2010	3036	30,000	36	29,277
Landon School (2011), dated June 2, 2011	2028	10,114	0	9,519
Mercy Medical Center, Series 2011B, dated June 9, 2011	2037	34,890	0	34,890
Kennedy Krieger Institute, Series 2011, dated June 23, 2011	2036	19,610	15	19,435
Chesapeake Academy (2011) dated August 17, 2011	2036	3,200	0	3,132
Adventist HealthCare (2011B) dated September 1, 2011	2021	59,980	0	57,375
Green Acres School (2011) dated September 29, 2011	2031	6,855	0	6,669
Upper Chesapeake Hospital (2011A) dated October 12, 2011	2043	50,000	0	11,738
The Barnesville School (2011A) dated December 1, 2011	2031	2,431	0	2,388
The Barnesville School (2011B) dated December 1, 2012	2033	1,000	0	51

# Maryland Health and Higher Educational Facilities Authority

## Additional Information- Conduit Debt Outstanding

As of June 30, 2012, the principal amount of bonds and notes outstanding is 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, 2012</b></i>	<i><b>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2012</b></i>
Severn School (2011) dated December 7, 2011	2036	8,800	0	8,035
Upper Chesapeake Hospitals (2011B & C) dated December 14, 2011	2040	118,450	160	117,490
Johns Hopkins Health System (2012A) dated February 15, 2012	2023	53,510	1,320	52,190
Sheppard Pratt (2012A) dated March 1, 2012	2036	34,032	0	34,032
Sheppard Pratt (2012B) dated March 1, 2012	2035	62,182	62	61,937
French International School (2012) dated March 22, 2012	2034	12,620	0	12,620
Carroll Hospital Center (2012B) dated May 31, 2012	2037	15,010	0	15,010
Carroll Hospital Center (2012C) dated May 31, 2012	2042	15,000	0	9,123
Charles County Nursing & Rehabilitation Center (2012A & B) dated June 19, 2012	2037	8,000	0	5,496
St. Mary's Nursing Center (2012) dated June 19, 2012	2037	5,350	0	5,350
Loyola University (2012B) dated June 26, 2012	2026	32,595	0	32,595
MedStar Health (2012) dated June 27, 2012	2022	38,620	0	38,620
Pickersgill (2012) dated June 28, 2012	2034	31,150	81	31,069
Private Placements and Limited Offerings Outstanding		2,385,158	23,060	1,707,241
<b>Total Outstanding</b>		<b>\$ 10,800,707</b>	<b>\$ 149,895</b>	<b>\$ 8,763,165</b>

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

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**DEFEASED CONDUIT DEBT**

Bonds have been issued for the purpose of refunding bonds that were issued by the Authority. In some cases, 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 upon maturity or redemption.

Defeased bonds outstanding at June 30, 2012 are as follows (in thousands of dollars):

College of Notre Dame of Maryland, Series 1998	3,765
Frederick Memorial Hospital, Series 1993	3,035
Good Samaritan Hospital, Series 1993	6,075
Helix Health, Series 1997	91,785
Howard County General Hospital, Series 1993	37,935
The Johns Hopkins Hospital, Series 1999	10,590
The Johns Hopkins Hospital, Series 2003	101,425
LifeBridge Health, Series 2004A	71,345
Mercy Ridge, Series 2003A	20,170
Sheppard Pratt, Series 2003A	36,540
*University of Maryland Medical System, Series 2002	45,400
	<hr/>
	\$428,065

\*Partially defeased

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