

*Maryland Health and Higher Educational
Facilities Authority*

2005 ANNUAL REPORT

THE AUTHORITY

Maryland is extremely proud of its healthcare and educational institutions, both higher educational and noncollegiate schools. In fact, the strength of these institutions is the foundation of our state's future.

At the Maryland Health and Higher Educational Facilities Authority (the "Authority"), our mission is to assist certain non-profit educational institutions as well as hospitals and related healthcare organizations in the areas of financing, construction and refinancing. Our goal is to be aware of opportunities to meet the changing needs of our borrowing institutions.

In an effort to ensure the viability of these institutions, the Authority is empowered to perform a variety of important functions on their behalf. These include, but are not limited to, the following:

- *Issue bonds and bond anticipation notes.*
- *Fix, charge and collect rates, rents and fees for the use of projects and their services.*
- *Construct, reconstruct, acquire, maintain, repair, operate and lease projects for institutions.*
- *Enter into contracts for the operation and management of projects.*
- *Make loans to participating institutions for the construction or acquisition of projects.*

As a public instrumentality working to support the financing, construction and refinancing of key institutional projects, the Authority plays a vital role in improving the health and well being of our State.

MESSAGE FROM THE CHAIRMAN

In fiscal year 2005, the Authority marked its 35th year of service to the citizens of Maryland. The Authority issued \$440 million of its revenue bonds on behalf of 17 institutions. Included in this total is \$24,530,256 of refunding bonds.

Over the past 35 years, the Authority has sold a total of 360 issues amounting to \$10.51 billion for hospitals, healthcare facilities, colleges, noncollegiate schools, nursing homes and retirement communities. At year end, 139 issues totaling \$5.49 billion remain outstanding.

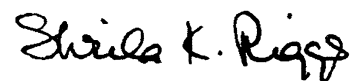
The Authority's pooled loan programs remain a useful mechanism for accessing the capital markets. To date, 52 borrowers have used the Authority's Series D pooled loan program to obtain 78 loans totaling more than \$457 million in bonds. Currently, approximately \$231 million is outstanding in addition to the \$175 million 1985 revolving pooled loan program. This year, the 1985 Pool became a source of funding for components of The Johns Hopkins Hospital and Johns Hopkins University utility project.

Given the current market conditions and significant capital requirements, borrowers have frequently chosen to manage their debt structure through synthetic fixed rate debt, forward starting swaps and insured auction rate transactions. These complex strategies require a high degree of sophisticated analysis among the participants. Borrowers are encouraged to involve the Authority and its advisors very early in the process of considering such transactions, especially those involving refundings or derivatives.

The Authority seeks to promote the most cost effective and efficient financing for our education, healthcare and continuing care borrowers. To that end we will continue to reach out to the investment banking community, commercial banks, institutional investors and other participants in the financial community to assure that our borrowing institutions access the market at the lowest possible rates available.

I know that the members of the Authority join me in expressing appreciation to both our new and long standing partners in the healthcare, education and finance communities. The Authority looks forward to additional opportunities for service to the citizens of Maryland.

The Maryland Health and Higher Educational Facilities Authority herewith submits the Annual Report for the year ended June 30, 2005 and its financial statements as audited by PricewaterhouseCoopers LLP.



Sheila K. Riggs
Chairman

AUTHORITY MEMBERS

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 for Johns Hopkins Health System transactions

PRICEWATERHOUSECOOPERS LLP
Independent Auditors

AUTHORITY

SHEILA K. RIGGS, *Chairman*
Term as member expires July 1, 2008; resident of Baltimore City; former Chairman of the Board and current member of Finance Committee- Greater Baltimore Medical Center; Director- Provident Bank of Maryland; former Chairman and current Treasurer of the Board- The Maryland Institute; and former member of the Board of Trustees- Bryn Mawr School.

PAUL B. MERITT, *Vice Chairman*
Term as member expired July 1, 2004*; resident of Baltimore County; Vice President- Mercantile-Safe Deposit and Trust Company; 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; Member- Board of Trustees of the Maryland State Retirement and Pension System; Maryland Board of Public Works; Board of State Canvassers; Governor's Salary Commission; Hall of Records Commission; Procurement Advisory Council; Board of Revenue Estimates; Maryland State Employees Surety Bond Committee; Maryland Higher Education Investment Program Board; and Maryland Agricultural Land Preservation Foundation.

CATHERINE ASHLEY-COTLEUR, PH.D., *Member*
Term as member expires July 1, 2007; resident of Washington County; Associate Professor- College of Business, Frostburg State University; member- American Marketing Association; and United States Association of Small Business and Entrepreneurship; and Executive Board Member- International Council for Small Business.

PAIGE T. DAVIS, *Member*
Term as member expired July 1, 2003*; resident of Howard County; Vice President- The Variable Annuity Marketing Company; Regional Manager- The Variable Annuity Life Insurance Company; and Vice Chairman- Morgan State University Foundation.

THOMAS E. DOBYNS, J.D., *Member*
Term as member expires 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.

CECIL E. FLAMER, *Member*

Term as member expired July 1, 2004*; resident of Baltimore County; Senior Vice President & Chief Administrative Officer- Brown Capital Management; retired Partner- Ernst & Young LLP; Director and Treasurer- Downtown Partnership, Inc.; member- Board of Sponsors of Loyola College in Maryland; Trustee - Maryland Historical Society; Director and immediate Past President- Enoch Pratt Free Library Board of Directors; former Trustee and Chairman- Enoch Pratt Free Library Board of Trustees; former member, Vice-Chair and Treasurer- National Aquarium in Baltimore; former Director and Chairman- Baltimore City Board of Finance; and Maryland Small Business Development Financing Authority; and former Director- Morgan State University Foundation.

WILLARD HACKERMAN, *Member*

Term as member expires July 1, 2005; resident of Baltimore City; 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 expires July 1, 2005; resident of Baltimore City; President- Lord Baltimore Capital Corporation; former Executive Vice President, First Maryland Bancorp; President and Director- Rodney Trust Company; Director- Provident Bancshares Corporation; Attransco; and NORDEN A/S; 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); and Jugos del Sur (Argentina).

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

FISCAL YEAR 2005 ISSUES

Public & Limited Offerings	\$401,970,000
Private Placements	19,712,094
Pooled Loan Program- Series D	18,600,000
	<u>\$440,282,094</u>

HEALTHCARE FINANCINGS:

\$32,925,000 Calvert Health System, Series 2004

A public offering for the renovation and expansion of the Emergency Department and Laboratory Department; construction of a new Intensive Care Unit increasing capacity from six to ten beds; expansion of medical surgical unit to add 16 beds; construction of a new outpatient concourse; relocation of the helipad; renovation of space to house mechanical, electrical and other support services; construction of approximately 300 additional surface parking spaces; expansion of decontamination facilities; acquisition and installation of a chiller, boilers and a new emergency plant generator; and major electrical site utility work, relocation of existing transformers and water and sewer sanitary lines.

\$85,985,000 Adventist HealthCare, Series 2004 A&B

A public offering for (i) the advance refunding of the City of Gaithersburg Maryland Hospital Facilities Refunding and Improvement Revenue Bonds (Shady Grove Adventist Hospital), Series 1995; the City of Takoma Park Maryland Hospital Facilities Refunding and Improvement Revenue Bonds (Washington Adventist Hospital), Series 1995; and the City of Gaithersburg, Maryland Nursing Home Facilities Refunding Revenue Bonds (Shady Grove Adventist Nursing & Rehabilitation Center) Series 1995; and the (ii) cost of acquisition of approximately 45 acres of land, including the campus of Shady Grove Adventist Hospital and other institution facilities, and (iii) the acquisition, construction, renovation and equipping of, and other improvements to the facilities of Adventist HealthCare, Adventist Rehabilitation Hospital of Maryland and Shady Grove Adventist Nursing and Rehabilitation Center.

\$33,035,000 The Johns Hopkins Medical Institutions Parking Facilities, Series 2004 B

A public offering for (i) the construction and equipping of the approximately 800-space Bayview Garage and the relocation of an approximately 300-space surface parking lot currently located on the site of the Bayview Garage on the Bayview Medical Center Campus, and (ii) an additional level providing approximately 310 additional parking spaces at the Orleans Street Garage at the East Baltimore Campus. Upon the completion of the Orleans Street Expansion, the 1,936-space Broadway Garage will be demolished. This issue also partially refunded approximately \$9,180,000 of the Authority's Johns Hopkins Medical Institutions Parking Facilities, Series 1996.

\$59,000,000 Civista Medical Center, Series 2005

A public offering for construction of a new four-story addition to the Hospital to provide for a new emergency department, pre-admission testing services, surgery suite, central sterile processing department and two 30-bed patient nursing units with private rooms; addition of a ten-bed critical care unit; expansion of the imaging department into space vacated by the existing emergency department; renovation of cardiac rehabilitation and improvements to mechanical and electrical and information technology; relocation of the main entrance to the Hospital; and site development, including acquisition of land east of the Hospital for construction of a new main entrance to the Hospital and construction of a driveway and surface parking lot.

\$2,812,094 Washington County Hospital Association Lease (2005)

A private placement for the acquisition, construction, renovation and equipping of certain health equipment, including, but not limited to a Varian Clinac 21 X 6/18 MV Linear Accelerator and a GE LightSpeed RT CT Simulator.

\$48,845,000 Johns Hopkins Medical Institutions Utilities, Series 2005

A public offering for the financing of construction, renovation and equipping of facilities for the production of steam, chilled water, electricity and emergency power serving the facilities of The Johns Hopkins Hospital at the East Baltimore Campus and the adjacent facilities of the Johns Hopkins University's School of Medicine, Bloomberg School of Public Health and School of Nursing, including a new utility plant consisting of a four-level structure with 90,000 square feet that will provide 25,000 tons of chilled water production capacity, 7.2 Mwt emergency power generation, 6.12 MVA electrical distribution switchgear and utility distribution systems.

FISCAL YEAR 2005 ISSUES (CONTINUED)

EDUCATIONAL INSTITUTION FINANCINGS:

\$21,855,000 Goucher College, Series 2004

A public offering for the construction of a new residence hall consisting of a 70,000 square foot three-story composite steel-framed building which will house 185 students in single, suite and apartment configurations, and include three faculty apartments. The new residence hall will also contain a classroom and student commons.

\$69,265,000 The Johns Hopkins University, Series 2005 A

A public offering to pay a portion of the costs of acquisition, construction and equipping of (i) Charles Commons, to consist of two connected structures adjacent to the University's Homewood Campus designed to house approximately 618 students in suites of varying size, dining and meeting space, a college bookstore and certain other uses; (ii) an underground parking garage to be constructed at the southern end of the Homewood Campus for approximately 620 cars; and (iii) a building for storage of library books adjacent to the University's Applied Physics Laboratory in Laurel, Maryland.

RETIREMENT LIVING FACILITIES:

\$15,860,000 Annapolis Life Care, Series 2004

A public offering for the refunding of the following: (i) the Authority's Revenue Bond, Annapolis Life Care Issue, and (ii) the Anne Arundel County, Maryland Revenue Bonds, Annapolis Life Care, Inc., Series 1993 (Ginger Cove Life Care Community).

NON-COLLEGIATE SCHOOL FINANCINGS:

\$2,600,000 Chesapeake Academy, Series 2004

A private placement for (a) the construction of (i) a storm water management system; (ii) expanded parking; (iii) a gymnasium; (iv) an entry and reception area; (v) administrative offices; (vi) classrooms for science, art and music; and (vii) a theater; and (b) miscellaneous renovations, equipment and other improvements.

\$14,000,000 French International School, Series 2004

A public offering for the acquisition, development, construction, renovation and equipping of certain educational facilities, including (i) the demolition of an existing high school building and construction and equipping of a two-story (and partial lower level) approximately 37,150 gross square foot academic building to be used as a high school building and to provide middle school and primary school classrooms; (ii) the development, construction and equipping of an approximately 17,300 gross square foot, two-story gymnasium addition to the middle school building; (iii) the construction of new outdoor athletic facilities including running track, playing field and volleyball and basketball courts; and (iv) construction of a covered bus shelter, roadway and parking realignment and reconstruction; and related sitework, including storm water management, lighting and sediment control.

\$14,300,000 Indian Creek School, Series 2004

A private placement for (a) the construction and acquisition of an upper school housing a media center, technology center, cafeteria, science labs, auditorium and gymnasium in addition to regular classrooms including (1) access roads, parking lots, road improvements and playing fields, (2) general furnishings such as desks, cafeteria seating, computer furniture and equipment, and library shelving, and (b) the acquisition of land through the refinancing of taxable debt.

\$6,500,000 Bryn Mawr School, Series 2005

A public offering to pay a portion of the costs of acquisition and construction of (i) a three-story approximately 26,000 square foot academic building that includes classrooms, a performing arts center, science labs, workrooms, administrative areas and an exterior terrace; (ii) demolition of the east administrative wing of the existing preschool building and reconstruction of a similar wing on the west side of the building; (iii) site development and utility relocation as required for the North Building and the Little School demolition; (iv) replacing of the parking lot as a result of these projects; (v) landscaping, pathway and exterior lighting in area immediately adjacent to the North Building; and (vi) the construction costs of two pedestrian bridges over Northern Parkway and Roland Avenue in Baltimore City, Maryland connecting the campus to two adjacent schools.

FISCAL YEAR 2005 ISSUES (CONTINUED)

\$2,700,000 Rambam School, Series 2005

A public offering for the refinancing of certain existing debt of the Institution, the proceeds of which were used to finance a portion of the acquisition costs of a building used by the Institution.

\$12,000,000 Stone Ridge School, Series 2005

A public offering for (a) the refinancing of existing mortgage indebtedness and (b) the financing of (i) the enclosure of an outdoor swimming facility and the construction and equipping of a related classroom, storage room and HVAC system; (ii) renovation of approximately 5,000 square feet of existing classroom space; (iii) new construction of approximately 2,000 square feet of classroom space; and (iv) renovation of approximately 2,000 square feet of space for use as a day care facility.

POOLED LOAN PROGRAM, SERIES D FINANCINGS:

\$15,000,000 Washington College

This loan financed the construction and equipping of a 4-story addition and renovation of the existing 3-story Dunning-Decker Science Center; acquisition of property; and other capital projects.

\$3,600,000 Green Acres School

This loan financed the construction of a new middle school building, a swimming pool, the expansion of the activities building and refurbishment of the School's main building.

COMBINED BALANCE SHEET

June 30, 2005 (in thousands of dollars)	GENERAL OPERATING FUND	JHMI PARKING SYSTEM
ASSETS		
Cash and cash equivalents	\$6	\$2,111
Investments at fair value	14,237	0
Debt Service Fund	0	3,523
Debt Service Reserve Fund	0	8,198
Capital Reserve Fund	0	4,811
Construction Fund	0	23,316
Interest receivable	229	0
Accounts receivable	0	889
Administrative fees receivable	71	0
Due from other funds	0	0
Due from others	0	72
Prepaid pension and other prepayments	60	262
Fixed assets (net of accumulated depreciation of \$15,092)	56	84,936
Principal and lease payments receivable subsequent to July 1, 2005	0	0
Other assets	0	3,807
TOTAL ASSETS	\$14,659	\$131,925
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$118	\$4,138
Advance payments and deposits from institutions	0	0
Bonds payable (due July 1, 2005)	0	432
Interest payable	0	0
Due to other funds	0	0
Bonds, notes and lease obligations payable (due subsequent to July 1, 2005)	0	127,454
TOTAL LIABILITIES	118	132,024
FUND BALANCES		
Reserved for debt service	0	0
Reserved for loans under Pooled Loan Program	0	0
Designated for specific projects	0	0
Designated for contingencies	11,487	0
Designated for operations	3,054	0
Designated for JHMI Parking System	0	(99)
TOTAL FUND BALANCES	14,541	(99)
TOTAL LIABILITIES AND FUND BALANCES	\$14,659	\$131,925

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

TRUSTEED FUNDS									
CONSTRUCTION FUNDS	PROGRAM FUNDS	DEBT SERVICE FUNDS	DEBT SERVICE RESERVE FUNDS	PROJECT RESERVE FUNDS	REDEMPTION FUNDS	DEBT PRINCIPAL ACCOUNT GROUP	ELIMINATIONS	TOTAL (MEMORANDUM ONLY)	
(\$5)	\$0	(\$5,465)	(\$1)	\$0	\$0	\$0	\$0	(\$3,354)	
343,013	12,508	150,682	211,623	8,130	20,079	0	0	760,272	
0	0	0	0	0	0	0	(3,523)	0	
0	0	0	0	0	0	0	(8,198)	0	
0	0	0	0	0	0	0	0	4,811	
0	0	0	0	0	0	0	(23,316)	0	
1,181	162	252	1,440	0	93	0	0	3,357	
0	0	9,843	0	0	0	0	0	10,732	
0	0	0	0	0	0	0	0	71	
0	0	6,912	0	0	0	0	0	6,912	
4	0	0	0	0	0	0	0	76	
0	0	0	0	0	0	0	0	322	
0	0	0	0	0	0	0	0	84,992	
0	0	0	0	0	0	5,488,799	0	5,488,799	
0	0	0	0	0	0	0	0	3,807	
\$344,193	\$12,670	\$162,224	\$213,062	\$8,130	\$20,172	\$5,488,799	(\$35,037)	\$6,360,797	
\$15,817	\$214	\$0	\$0	\$0	\$0	\$0	\$0	\$20,287	
0	0	878	0	0	0	0	0	878	
0	0	55,513	0	0	0	0	(432)	55,513	
0	0	67,982	0	0	0	0	0	67,982	
3,623	2	2	120	0	3,165	0	0	6,912	
0	0	38	0	0	0	5,488,799	(127,454)	5,488,837	
19,440	216	124,413	120	0	3,165	5,488,799	(127,886)	5,640,409	
0	0	37,811	212,942	3	17,007	0	116,165	383,928	
0	12,454	0	0	0	0	0	0	12,454	
324,753	0	0	0	0	0	0	(23,316)	301,437	
0	0	0	0	0	0	0	0	11,487	
0	0	0	0	8,127	0	0	0	11,181	
0	0	0	0	0	0	0	0	(99)	
324,753	12,454	37,811	212,942	8,130	17,007	0	92,849	720,388	
\$344,193	\$12,670	\$162,224	\$213,062	\$8,130	\$20,172	\$5,488,799	(\$35,037)	\$6,360,797	

COMBINED STATEMENT OF CHANGES IN TRUSTEED FUND BALANCES

For the year ended June 30, 2005 (in thousands of dollars)	CONSTRUCTION FUNDS	PROGRAM FUNDS	DEBT SERVICE FUNDS	DEBT SERVICE RESERVE FUNDS	PROJECT RESERVE FUNDS	REDEMPTION FUNDS	TOTAL (MEMORANDUM ONLY)
Fund balances, June 30, 2004 (as previously reported)	\$381,231	\$55,480	\$93,089	\$213,801	\$7,724	\$46	\$751,371
Restatement effect (See Note 2)	(116)	0	(476)	(15,759)	0	0	(16,351)
Restated fund balances, June 30, 2004	381,115	55,480	92,613	198,042	7,724	46	735,020
ADDITIONS							
Proceeds from sale of bonds and notes:							
Gross proceeds	408,630	0	837	13,986	0	0	423,453
Underwriters' discount	(1,590)	0	0	0	0	0	(1,590)
Original issuance discount	(628)	0	0	0	0	0	(628)
Insurance premium	(3,299)	0	0	0	0	0	(3,299)
Payments and contributions received from and on behalf of							
institutions	586	0	986	0	7,459	20,000	29,031
Lease and loan payments	180	0	129,812	0	0	0	129,992
Debt service- interest	0	0	189,252	0	0	0	189,252
Unrealized gain on investments	1,171	0	113	779	0	74	2,137
Income from investments	8,608	932	1,938	7,968	99	94	19,639
Issuance premium	4,228	0	0	0	0	0	4,228
Total additions	417,886	932	322,938	22,733	7,558	20,168	792,215
DEDUCTIONS							
Project and financing costs	406,090	929	896	0	93	46	408,054
Loans to institutions	0	37,207	0	0	0	0	37,207
Principal (including July 1, 2005 installments funded at June 30, 2005)	11,333	0	178,042	0	0	0	189,375
Interest	370	0	219,577	0	0	0	219,947
Required payments to institutions	157	0	1	0	3,947	0	4,105
Transfers to escrow deposit agents for defeased issues	52,414	0	336	0	0	0	52,750
Retirement of bonds	0	0	0	0	0	2,700	2,700
Total deductions	470,364	38,136	398,852	0	4,040	2,746	914,138
INTERFUND TRANSFERS	(3,884)	(5,822)	21,112	(7,833)	(3,112)	(461)	0
Fund balances, June 30, 2005	\$324,753	\$12,454	\$37,811	\$212,942	\$8,130	\$17,007	\$613,097

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

STATEMENTS OF OPERATIONS AND CHANGES IN GENERAL OPERATING FUND BALANCE

For the years ended June 30, 2005 and 2004
(in thousands of dollars)

	2005	2004 Restated
OPERATING REVENUES		
Annual administrative fees	\$1,419	\$1,286
Application fees	103	85
Income from investments	560	583
TOTAL OPERATING REVENUES	2,082	1,954
OTHER REVENUES		
Miscellaneous income	0	2
TOTAL OTHER REVENUES	0	2
TOTAL REVENUES	2,082	1,956
 OPERATING EXPENSES		
Salaries	558	537
Employees' insurance, pension and other fringe benefits	111	79
Payroll taxes	36	36
Professional fees	593	637
Office rent	100	68
Office supplies and expenses	91	38
Depreciation	38	44
TOTAL OPERATING EXPENSES	1,527	1,439
Excess of revenues over operating expenses	555	517
Unrealized loss on investments	(147)	(578)
Excess of revenues over (under) expenses	408	(61)
Fund balance, beginning of year (2004, as previously reported)	14,133	15,096
Restatement effect (see Note 2)	0	(902)
Fund balance, beginning of year (as restated)	14,133	14,194
Fund balance, end of year	\$14,541	\$14,133

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

STATEMENTS OF OPERATIONS AND CHANGES IN JHMI PARKING SYSTEM FUND BALANCE

For the years ended June 30, 2005 and 2004
(in thousands of dollars)

	2005	2004
OPERATING REVENUES		
Parking permit revenue	\$15,359	\$13,663
Rental revenue	512	554
Interest income	422	339
TOTAL REVENUES	16,293	14,556
OPERATING EXPENSES		
Purchased services	6,586	5,113
Repairs, maintenance and other	1,330	1,109
Interest	3,567	3,663
Depreciation and amortization	4,424	5,417
TOTAL EXPENSES	15,907	15,302
Excess of revenues over (under) expenses before loss due to early retirement of bonds	386	(746)
Loss due to early retirement of bonds	(858)	0
Excess of revenues under expenses	(472)	(746)
Fund balance, beginning of year	373	1,119
Fund balance, end of year	(\$99)	\$373

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

STATEMENTS OF CASH FLOWS FOR THE GENERAL OPERATING FUND

For the years ended June 30, 2005 and 2004
(in thousands of dollars)

	2005	2004 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over (under) expenses	\$408	(\$61)
Items not affecting cash flows:		
Depreciation	38	44
Unrealized loss on investments	147	578
Change in operating assets:		
Interest receivable	3	(84)
Administrative fees receivable	(45)	0
Prepaid expenses	(8)	(14)
Change in operating liabilities:		
Accounts payable and accrued expenses	18	23
Total adjustments	153	547
Cash flows provided by operating activities	561	486
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,208)	(19,907)
Sales and maturities of investments	8,605	19,402
Purchases of fixed assets	(2)	(18)
Cash flows used in investing activities	(605)	(523)
Net decrease in cash	(44)	(37)
Cash, beginning of year	50	87
Cash, end of year	\$6	\$50

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

STATEMENTS OF CASH FLOWS FOR THE JHMI PARKING SYSTEM FUND

For the years ended June 30, 2005 and 2004
(in thousands of dollars)

	2005	2004
CASH FLOWS FROM JHMI PARKING SYSTEM ACTIVITIES		
Excess of revenues under expenses	(\$472)	(\$746)
Adjustments to reconcile excess of revenue under expenses to net cash and cash equivalents provided by operating activities:		
Loss due to early retirement of bonds	858	0
Depreciation and amortization	4,424	5,417
Change in assets and liabilities:		
Accounts receivable	(449)	(18)
Due from others	32	(66)
Prepaid expenses	(25)	37
Debt service funds	(1,401)	(11)
Other assets	(828)	(1,097)
Accounts payable and accrued expenses	1,806	769
Net cash and cash equivalents provided by operating activities	3,945	4,285
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in construction, debt service and capital reserve funds	1,472	(28,042)
Purchases of fixed assets	(30,111)	(6,791)
Cash flows used in investing activities	(28,639)	(34,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing expense	(484)	0
Repayment of long term debt	(11,518)	(2,140)
Proceeds from long term borrowing	35,195	34,890
Cash flows provided by financing activities	23,193	32,750
(Decrease) increase in cash	(1,501)	2,202
Cash, beginning of year	3,612	1,410
Cash, end of year	\$2,111	\$3,612

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

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION, ACCOUNTING POLICIES AND FUNDS AND ACCOUNTS

Organization

The Maryland Health and Higher Educational Facilities Authority (the "Authority") was established to assist certain non-profit educational institutions as well as hospitals and related healthcare institutions in the constructing, financing and refinancing of projects approved by the Authority. Income of the Authority is derived from fees from institutions 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 the 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.

Accounting Policies

Basis of Presentation- The accompanying combined financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

Concentration of Credit Risk- Financial instruments which subject the Authority to concentration of credit risk consist of cash and cash equivalents. The Authority maintains its cash and cash equivalents in financial institutions which are federally insured under the Federal Depository Insurance Act (FDIA). Total deposits at these institutions at times exceed the FDIA insurance limits and therefore, bear the risk of loss. The Authority has not experienced any losses to date.

Investments- Investments are reported at fair market value with net unrealized gains and losses reported in the statements of changes in fund balances. Short term investments maturing within three months or less are carried at original cost which approximates fair value. 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 discounted 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. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year are included as a change in the fair value of investments reported in the prior year(s) and the current year. Investments are purchased to mature based on cash flow needs (e.g., project costs), however, investments may be liquidated in the event of an unanticipated refunding of an issue or if there are unanticipated cash flow needs.

Collateralized Repurchase Agreements- Collateralized repurchase agreements are carried at the value at which the collateral securities will be subsequently resold as specified in the respective agreements plus accrued interest. The market value of the collateral exceeds the carrying value of the collateralized repurchase agreement, plus accrued interest, by at least 102%, as required by the applicable bond resolutions and indentures of trust. It is the Authority's policy to have such underlying collateral deposited in the Authority's account at the Trustee bank or to use a third party collateral agent. The Authority minimizes the credit risk by monitoring the market value of the underlying collateral and obtaining additional collateral as necessary.

Notes Payable- At the time of the Johns Hopkins Medical Institutions (JHMI) Parking System transaction (see Note 12), notes were prepared for the reimbursement to the Johns Hopkins Health System for certain interfund accounts, which were to be settled at the time of the bond issue and a note was prepared for the pooled loan program borrowing for the McElderry property which was not transferred to the Authority. This note is held for the payment of the loan from operating receipts and the current portion is included in notes payable.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Fixed Assets- Furniture and equipment are recorded at cost. Depreciation is provided on a straight line basis over the asset's estimated useful life. Estimated useful lives are as follows:

• Land improvements	15 years
• Buildings	40 years
• Furniture, fixtures and equipment	3 to 15 years
• Computer equipment	3 to 5 years
• Office equipment	3 to 10 years
• Automobiles	5 years
• Leasehold improvements	7 years

Compensated Absences- The Authority records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Use of Estimates- The preparation of these combined 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.

Funds and Account Group

The Authority maintains books of accounts for the General Operating Fund, the JHMI Parking System (see Note 12), the Debt Principal Account Group and the required Trusteed Funds of each of the issues of bonds and notes outstanding. Trusteed Funds are maintained in accordance with the requirements of the respective bond and note issue documents. The combined financial statements combine the accounts of all bond and note issues outstanding during the year. Interfund activity is eliminated in combination.

Following is a description of the Funds and Account Group:

General Operating Fund- Accounts for the general administrative operations of the Authority, reflecting fee and investment income and operating expenses. The Authority has waived 75% of its annual administrative fee chargeable to borrowing institutions in 2005 and 2004. The portion of the General Operating Fund designated as reserve for operating expenses, maintained at two times the annual operating expenses of the Authority, at June 30, 2005 and 2004, was \$3,054,000 and \$2,876,000, respectively. The portion of the General Operating Fund designated to fund contingencies is subject to a 1% limitation on the total bonds outstanding at July 1, 2005. At June 30, 2005, the designated amount was \$11,487,000 which does not exceed the limitation of \$54,888,370.

Construction Funds- Account for the receipt and disbursement of monies for project costs arising from construction and equipment purchases for the institutions. All Construction and Additional Facilities Funds 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 1985 A & B documents.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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, Special Principal Payment Funds and Revenue Funds (primarily clearing accounts) 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, 2005, 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 which are, in general, to be used should major repairs to a project be necessary. The fund balances are established by the bond indentures and resolutions of certain issues. At June 30, 2005, the fund balances of all issues requiring Project Reserve Funds were in compliance with their respective bond indentures and resolutions. All Renewal and Replacement, Continuing Care Reserve, 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 noncurrent 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 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.

NOTE 2: EFFECTS OF RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The financial statements for the year ended June 30, 2004 have been restated to correct errors made in accurately recording the market value of investment securities held in various funds. The corrections are presented as adjustments to the June 30, 2004 fund balance in the Combined Statement of Changes in Trusteed Fund Balances for the Construction Fund, Debt Service Fund and Debt Service Reserve Fund; the June 30, 2003 fund balances in the Statement of Operations and Changes in Fund Balance for the General Operating Fund; and in 2004 Statement of Cash Flows for the General Operating Fund.

The tables below summarize the aggregate effect of the restatement on the Authority's financial statements for the year ended June 30, 2004 (in thousands of dollars)

COMBINED STATEMENT OF CHANGES IN TRUSTEED FUND BALANCES

	As Previously Reported	As Restated	Impact of Restatement
FUND BALANCES, JUNE 30, 2004			
Construction funds	\$381,231	\$381,115	(\$116)
Program funds	55,480	55,480	\$0
Debt service funds	93,089	92,613	(\$476)
Debt service reserve funds	213,801	198,042	(\$15,759)
Project reserve funds	7,724	7,724	\$0
Redemption funds	46	46	\$0
TOTAL (MEMORANDUM ONLY)	<u>\$751,371</u>	<u>\$735,020</u>	<u>(\$16,351)</u>

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF OPERATIONS AND CHANGES IN GENERAL OPERATING FUND BALANCE

	As Previously Reported	As Restated	Impact of Restatement
JUNE 30, 2004			
Unrealized gain (loss) on investments	\$349	(\$578)	(\$927)
Excess of revenues over (under) expenses	866	(61)	(927)
Fund balance, beginning of year	15,096	14,194	(902)
Fund balance, end of year	\$15,962	\$14,133	(\$1,829)

STATEMENTS OF CASH FLOWS FOR THE GENERAL OPERATING FUND

	As Previously Reported	As Restated	Impact of Restatement
CASH FLOWS FROM OPERATING ACTIVITIES, JUNE 30, 2004			
Excess of revenues over (under) expenses	\$866	(\$61)	(\$927)
Items not affecting cash flows			
Unrealized (gain) loss on investments	(349)	578	927

NOTE 3: INVESTMENTS

The composition of the investments of the funds, at fair value, at June 30, 2005, is as follows (in thousands of dollars):

	GENERAL OPERATING FUNDS	CONSTRUCTION FUNDS	PROGRAM FUNDS	DEBT SERVICE FUNDS	DEBT SERVICE RESERVE FUNDS	PROJECT RESERVE FUNDS	REDEMPTION FUNDS
Commercial Paper	\$0	\$30,396	\$0	\$0	\$0	\$0	\$0
Collateralized Repurchase Agreements	0	0	0	23,338	0	0	0
U.S. Treasury Notes and Bonds	3,392	0	0	0	7,337	0	0
Obligations of U.S. Government Corporations and Agencies	10,746	277,275	11,463	64,391	199,568	0	20,071
Money Market Accounts	99	35,342	1,045	62,953	4,718	8,130	8
Total Market Value	\$14,237	\$343,013	\$12,508	\$150,682	\$211,623	\$8,130	\$20,079
Amortized Cost	\$14,032	\$342,640	\$12,363	\$150,473	\$209,693	\$8,130	\$20,005

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

	AMORTIZED COST	GROSS UNREALIZED LOSSES	GROSS UNREALIZED GAINS	MARKET VALUE
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$591,372	(\$1,267)	\$4,137	\$594,242
Other investments	165,964	0	66	166,030
Total	\$757,336	(\$1,267)	\$4,203	\$760,272

The following table presents the carrying amount of investments by type and category to give an indication of the level of risk assumed by the Authority at June 30, 2005 (in thousands of dollars):

INVESTMENT TYPE	CATEGORY			AMORTIZED COST
	I	II	III	
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$591,372	\$0	\$0	\$591,372
Other investments	142,626	23,338	0	165,964
Total	\$733,998	\$23,338	\$0	\$757,336

The three risk categories are defined as follows: (I) Insured, registered or securities held by the entity or its agent (bank trust department) in entity's name (name of the Authority). (II) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name. (III) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

The amortized cost and market value of investments at June 30, 2005, by contractual maturity, are shown below (in thousands of dollars). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	MARKET VALUE	AMORTIZED COST
Due in one year or less	\$466,406	\$465,729
Due after one year through five years	236,827	234,836
Due after five years through ten years	44,600	44,314
Due after ten years	12,439	12,457
	\$760,272	\$757,336

Proceeds from sales of investments during 2005 were \$60,021,057. Gross gains of \$285,670 and gross losses of \$16,374 were realized on those sales based on the specific identification method.

NOTE 4: BONDS, NOTES AND LEASE OBLIGATIONS PAYABLE

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). On July 1, 2005, all amounts related to debt service requirements at June 30, 2005 were liquidated.

The Authority may hold title to or have a first mortgage on the buildings and related facilities financed by the bonds and utilized by the institutions. The lease and loan payments receivable from the institutions generally correspond to the amortization of the respective bond and note issues. Titles to, and first mortgages on, the buildings and related facilities revert to the institutions upon final payment of the respective bond issues.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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 of the institutions and leases are collateralized by security interests in the equipment purchased. The leases are recorded as financing leases on the Authority's books.

As of June 30, 2005, 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, 2005</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2005</i>
PUBLIC OFFERINGS				
The Johns Hopkins University, Series 1983, dated January 1, 1983	2013	\$52,870	\$1,925	\$4,210
Pooled Loan Program, Series 1985 A and 1985 B, dated December 1, 1985	2035	175,000	0	175,000
The Johns Hopkins Hospital, Series 1990, dated January 1, 1990	2019	90,169	0	16,309
University of Maryland Medical System, Series 1991 B, dated January 1, 1991	2022	38,670	0	27,315
Union Hospital of Cecil County, Series 1992, dated July 1, 1992	2022	14,145	350	1,640
Doctors Community Hospital, Series 1993, dated July 1, 1993	2024	65,165	825	60,960
Montgomery General Hospital, Series 1993, dated July 1, 1993	2023	21,230	550	16,755
Greater Baltimore Medical Center, Series 1993, dated July 1, 1993	2019	76,425	2,805	58,310
Peninsula Regional Medical Center, Series 1993, dated July 1, 1993	2023	62,510	1,610	47,865
Frederick Memorial Hospital, Series 1993, dated July 1, 1993	2028	55,060	1,040	45,840
Edenwald, Series 1993, dated July 1, 1993	2014	25,740	0	14,895
Kennedy Krieger Institute, Series 1993 D, dated July 1, 1993	2023	12,200	0	10,000
Washington County Hospital, Series 1994, dated January 1, 1994	2009	12,415	0	2,775
The Johns Hopkins Medical Institutions Parking Facilities, Series 1996, dated January 1, 1996	2026	42,425	55	30,945
Mercy Medical Center, Series 1996, dated January 1, 1996	2026	30,000	625	26,200
Loyola College, Series 1996 A, dated October 1, 1996	2026	49,810	0	43,960
Loyola College, Series 1996 B, dated October 1, 1996	2013	14,900	0	9,700
The Johns Hopkins Health System (Bayview Campus), Series 1996, dated July 1, 1997	2027	14,440	300	12,295
Pickersgill, Series 1997 A, dated January 1, 1997	2010	14,285	0	10,930

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

As of June 30, 2005, 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, 2005</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2005</i>
Pickersgill, Series 1997 B, dated January 1, 1997	2021	\$3,910	\$0	\$3,910
The Johns Hopkins University, Series 1997, dated January 1, 1997	2027	14,985	305	13,130
Stella Maris, Series 1997, dated January 1, 1997	2021	21,985	750	18,595
Bradford Oaks Nursing & Rehab Center, Series 1997, dated July 10, 1997	2027	13,780	0	12,220
Broadmead, Series 1997, dated July 1, 1997	2017	11,995	515	8,760
Kennedy Krieger, Series 1997, dated November 1, 1997	2022	13,670	430	11,935
Catholic Health Initiatives, Series 1997 B, (St. Joseph Medical Center), dated November 25, 1997	2015	30,500	0	20,500
Charlestown Community, Series 1998 A, dated January 1, 1998	2026	40,960	0	38,700
Charlestown Community, Series 1998 B, dated January 1, 1998	2026	25,285	0	21,400
Calvert Memorial Hospital, Series 1998, dated January 1, 1998	2026	27,860	570	24,415
The Johns Hopkins University, Series 1998, dated April 2, 1998	2020	192,510	5,840	149,305
JHM/Howard County General Hospital Acquisition, Series 1998, dated June 1, 1998	2030	133,910	2,165	127,675
PUMH of Maryland, Inc. (Heron Point of Chestertown) Series 1998 A & B, dated June 15, 1998	2026	35,115	0	34,425
Green Acres School, Series 1998, dated August 5, 1998	2028	4,460	90	3,975
Anne Arundel Medical Center, Series 1998, dated July 1, 1998	2033	69,840	1,100	66,680
Maryland Institute College of Art, Series 1998, dated July 15, 1998	2029	17,950	0	16,030
Upper Chesapeake Hospitals, Series 1998 A & B, dated July 1, 1998	2038	110,605	0	98,520
Union Hospital of Cecil County, Series 1998, dated July 1, 1998	2029	17,675	275	15,685
College of Notre Dame of Maryland, Series 1998, dated September 1, 1998	2023	11,995	0	10,130
Memorial Hospital of Easton, Series 1998, dated October 1, 1998	2019	33,470	1,065	27,630
Memorial Hospital of Easton, Series 1999, dated April 1, 1999	2009	4,260	430	1,965

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

As of June 30, 2005, 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, 2005</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2005</i>
Medlantic/Helix, Series 1998 A, dated December 1, 1998	2038	\$166,605	\$0	\$166,605
Medlantic/Helix, Series 1998 B, dated December 1, 1998	2038	116,910	0	113,725
Kaiser Permanente, 1998 Series A, dated December 1, 1998	2015	12,825	0	12,825
Charity Obligated Group - DCNHC Western MD Health Sys., Series 1999 A, dated February 4, 1999	2029	24,665	0	22,190
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	970	32,095
Loyola College, Series 1999, dated June 1, 1999	2039	33,355	0	33,355
Glen Meadows Retirement Community, Series 1999 A & B, dated August 25, 1999	2029	20,410	305	19,080
Catholic Health Initiatives, Series 2000 A, dated March 1, 2000	2024	23,455	0	8,605
Mercy Ridge, Series 2000, dated March 1, 2000	2031	69,305	0	28,800
University of Maryland Medical System, Series 2000, dated April 1, 2000	2030	123,110	685	120,490
North Arundel Hospital, Series 2000, dated November 21, 2000	2031	15,000	0	15,000
The Bullis School, Series 2000, dated November 28, 2000	2030	20,400	380	19,660
The Johns Hopkins University, Series 2001 A, dated March 15, 2001	2013	20,355	395	18,270
Collington Episcopal Life Care, Series 2001, dated May 9, 2001	2023	48,355	0	42,600
The McLean School, Series 2001, dated May 30, 2001	2031	9,080	150	8,655
Roland Park Country School, Series 2001, dated June 7, 2001	2026	7,500	0	5,130
The Johns Hopkins Hospital, Series 2001, dated August 29, 2001	2034	101,355	0	95,880
The Johns Hopkins Medical Institutions Parking Facilities, Series 2001, dated August 29, 2001	2034	28,030	0	28,030
The Johns Hopkins University, Series 2001 B, dated August 30, 2001	2041	85,775	0	85,775
University of Maryland Medical System, Series 2001, dated December 5, 2001	2034	100,000	760	99,240

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

As of June 30, 2005, 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, 2005</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2005</i>
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
Maryland Institute College of Art, Series 2001, dated December 19, 2001	2036	25,000	0	25,000
University of Maryland Medical System, Series 2002 A, dated January 30, 2002	2032	57,655	1,170	54,625
The Johns Hopkins University, Series 2002 A, dated February 13, 2002	2032	106,725	0	106,725
Board of Child Care, Series 2002, dated May 8, 2002	2032	39,280	1,385	35,445
Carroll County General Hospital, Series 2002, dated June 13, 2002	2037	91,760	375	91,385
Hebrew Home of Greater Washington, Series 2002, dated June 19, 2002	2032	13,140	0	12,915
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	0	71,715
Union Hospital of Cecil County, Series 2002, dated October 15, 2002	2032	24,000	425	22,905
Carnegie Institution of Washington, Series 2002, dated October 23, 2002	2037	30,000	0	30,000
Adventist HealthCare, Series 2003 A, dated February 15, 2003	2025	22,925	0	22,925
Adventist HealthCare, Series 2003 B, dated February 27, 2003	2033	39,560	0	38,015
Johns Hopkins Hospital, Series A, dated March 6, 2003	2013	54,310	0	26,210
Kennedy Krieger, Series 2003, dated April 27, 2003	2033	24,490	80	24,410
Sheppard Pratt, Series 2003 A, dated May 1, 2003	2036	45,590	1,535	44,055
Sheppard Pratt, Series 2003 B, dated May 1, 2003	2028	45,550	0	45,550
Mercy Ridge, Series 2003 A, B, C & D, dated June 1, 2003	2035	41,430	3,165	38,265
Beth Tfiloh Dahan Community School, Series 2003, dated June 25, 2003	2025	7,000	0	7,000
Mercy Medical Center, Series 2003, dated August 21, 2003	2022	42,365	1,350	39,470

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

As of June 30, 2005, 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, 2005</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2005</i>
The Johns Hopkins Hospital, Series 2003, dated September 1, 2003	2034	\$101,425	\$0	\$101,425
University of Maryland Medical System, Series 2004 A, B, C & D, dated January 22, 2004	2032	253,860	6,345	242,375
MedStar Health, Series 2004, dated February 3, 2004	2033	170,350	0	170,350
Anne Arundel Health System, Series 2004 A, B & C, dated February 19, 2004	2034	139,245	495	138,750
LifeBridge Health System, Series 2004, dated March 15, 2004	2034	203,190	2,605	200,585
Friends School of Baltimore, Series 2004, dated April 1, 2004	2029	7,500	0	7,500
Shore Health System, Series 2004, dated April 8, 2004	2029	25,920	0	25,920
The Johns Hopkins University, Series 2004 A, 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	0	35,665
Suburban Hospital, Series 2004, dated June 3, 2004	2029	72,445	750	71,695
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 2004 A & B, dated September 14, 2004	2035	85,985	0	83,265
Annapolis Life Care, Series 2004, dated September 16, 2004	2034	15,860	415	15,445
French International School, Series 2004, dated September 30, 2004	2034	14,000	0	14,000
The Johns Hopkins Medical Institutions Parking Facilities, Series 2004 B, dated December 1, 2004	2038	33,035	0	33,035
Civista Medical Center, Series 2005, dated February 17, 2005	2037	59,000	0	59,000
Johns Hopkins University, Series 2005 A, 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	0	12,000

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

As of June 30, 2005, 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, 2005</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2005</i>
The Johns Hopkins Medical Institutions Utilities, Series 2004 A & B, dated June 29, 2005	2037	\$48,845	\$0	\$48,845
Public Offerings Outstanding		5,227,259	47,360	4,715,544
PRIVATE PLACEMENTS				
Homewood Retirement Center, Series B, dated July 1, 1981	2005	7,475	6	138
Pooled Loan Program, Series D (1994), dated January 1, 1994	2039	380,726	4,310	231,445
University Physicians, Series 1994, dated June 8, 1994	2014	14,250	350	8,500
Greater Baltimore Medical Center, Series 1995, dated July 1, 1995	2025	10,000	260	8,205
Capitol College, Series 1995, dated July 1, 1995	2020	8,000	125	6,275
Augsburg Lutheran, Series 1997, dated January 1, 1997	2022	9,300	220	8,180
The Johns Hopkins Hospital, Series B, dated January 1, 1997	2027	3,404	500	1,500
Doctors' Community Hospital, Series 1997, dated July 1, 1997	2017	7,800	340	5,480
The Norwood School, Series 1998, dated November 1, 1998	2025	10,505	0	3,890
Woodbourne Center, Series 1998, dated November 1, 1998	2020	3,115	0	1,620
Doctors' Community Hospital, Series 1997 (2nd delivery), dated January 1, 1997	2017	6,115	365	4,150
Washington Episcopal School, Series 1999, dated January 28, 1999	2029	11,768	16	11,148
Washington Episcopal School, Series 1999 (Taxable), dated January 26, 1999	2029	632	1	519
Barnesville School, Series 1999, dated March 9, 1999	2024	3,790	0	2,600
Charles E. Smith Jewish Day School, 1999 Issue, dated June 1, 1999	2029	12,600	8	4,495
The Boys Latin School of Maryland, Series 1999, dated August 1, 1999	2019	6,700	0	5,700
Landon School, Series 1999, dated November 1, 1999	2024	11,000	0	9,800
Stone Ridge, Series D, dated November 23, 1999	2020	8,130	155	6,680
The Johns Hopkins University, Commercial Paper, Series A, dated June 13, 2000	2005	200,000	0	86,281

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

As of June 30, 2005, 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, 2005</i>	<i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2005</i>
The Johns Hopkins University, Commercial Paper, Series B, dated March 22, 2001	2005	\$200,000	\$0	\$83,819
Trinity School, Series 2001, dated October 31, 2001	2026	9,000	0	8,605
St. Anne's Day School, dated November 8, 2001	2026	5,000	0	3,977
Community Support Services, dated December 10, 2001	2031	2,660	0	1,462
St. John's Episcopal Day School, dated December 21, 2001	2032	7,000	8	6,932
Memorial Hospital of Easton Lease (2001), dated December 21, 2001	2006	4,500	0	1,268
Severn School, 2002 A, dated February 2, 2002	2027	17,000	35	2,362
LifeBridge Health Lease (2002), dated March 8, 2002	2007	7,107	0	2,687
Johns Hopkins Hospital, Series 2003 C, dated March 6, 2003	2013	14,515	0	10,460
Johns Hopkins Health System, Commercial Paper, Series A, dated February 9, 2004	2022	75,165	570	74,270
Johns Hopkins Health System, Commercial Paper, Series B, dated February 9, 2004	2024	101,240	815	100,750
Johns Hopkins Health System, Commercial Paper, Series C, dated February 9, 2004	2023	60,000	0	60,000
Frederick Memorial Hospital Lease (2004), dated June 23, 2004	2010	5,367	69	4,561
Chesapeake Academy, Series 2004, dated September 29, 2004	2026	2,600	0	1,380
Indian Creek School, Series 2004, dated December 23, 2004	2029	14,300	0	1,342
Washington County Hospital Association Lease (2005), dated April 19, 2005	2012	2,812	0	2,812
Private Placements Outstanding		1,243,576	8,153	773,293
Total Outstanding		\$6,470,835	\$55,513	\$5,488,837

NOTE 5: POOLED LOAN PROGRAMS

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 1985 A/1985 B 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, 2005, there was \$141,051,549 of outstanding loans receivable under the Program to seven different institutions. During the year ended June 30, 2005, \$37,207,096 of new loans were drawn and \$7,942,131 of loan principal was repaid. Commitments to advance funds under outstanding loan agreements totaled \$6,662,881 at June 30, 2005.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

POOLED LOAN PROGRAM- SERIES D

The Series D pooled loan program refinanced a prior issue of commercial paper with convertible seven-day demand convertible bonds. The purpose of the program is to assist institutions to finance and refinance a portion of the costs of acquisition, construction and equipping of projects backed by a letter of credit. As of June 30, 2005, there were \$235,755,000 of outstanding loans receivable under this program to twenty-eight institutions. During the year ended June 30, 2005, \$18,600,000 of new loans were drawn and \$8,235,000 of loan principal was repaid. There were no commitments for authorized and undrawn loans at June 30, 2005.

NOTE 6: ARBITRAGE EARNINGS

Pursuant to the Tax Reform Act of 1986, certain arbitrage investment earnings related to bonds issued subsequent to December 31, 1985 are required to be rebated to the federal government at five year intervals in order to maintain tax-exempt status. The loan and lease agreements for applicable bond issues require that any arbitrage earnings rebate be funded by the affected institution if and when due. Rebates are accrued at the end of five year periods if applicable when the liability is determined.

NOTE 7: COMMITMENTS AND CONTINGENCIES

At June 30, 2005, contractual commitments have been made by participating institutions for the completion of various construction projects. The institutions participating in these projects have acknowledged that they are responsible if total project costs exceed the amount of available Construction Funds and that they have sufficient equity to cover any excess costs.

The Authority has a lease commitment for office space through December 31, 2007. At June 30, 2005, the minimum rental commitments for office space over the next five years and in the aggregate, are as follows:

2006	\$85,563
2007	42,782
2008	0
2009	0
2010	0
	<u>\$128,345</u>

NOTE 8: FIXED ASSETS

Fixed asset balances at June 30, 2005 are as follows (in thousands of dollars):

	General Operating Fund	JHMI Parking System
Land improvements	\$0	\$4,462
Buildings	0	57,776
Furniture and fixtures	24	3,270
Computer equipment & software	183	139
Office equipment	12	0
Automobiles	28	0
Leasehold improvements	6	82
Construction in progress	0	34,102
	<u>253</u>	<u>99,831</u>
Less: Accumulated depreciation	(197)	(14,895)
	<u>\$56</u>	<u>\$84,936</u>

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9: PENSION PLAN

The Authority's employees participate in the Maryland State Retirement and Pension System. The Authority's contribution is based upon a percentage of annual gross wages paid to employees. Certain employees of the Authority also make a contribution for pension benefits; the percentage range of contributions, as determined by the Pension System is 5.2%-2.9% for 2005 and 2004. The Authority's pension expense for 2005 and 2004 amounted to \$28,792 and \$15,400, respectively, and is included in the General Operating Fund. The Maryland State Retirement and Pension System's Plan Information is publicly available from the Maryland State Retirement Agency.

NOTE 10: RELATED PARTIES

Members of the Authority abstain from all deliberation and do not vote on any matters in which they have any interest to the extent required by the Maryland Public Ethics Law.

NOTE 11: DEFEASED ISSUES

The Authority has issued bonds in prior years for the purpose of refunding bond issues that were outstanding. 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 at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity or redemption. Accordingly, the escrow funds, as well as the defeased bonds are not reflected in the financial statements of the Authority.

Defeased Bonds Outstanding at June 30, 2005 are as follows
(in thousands of dollars);

Franklin Square Hospital, Series A	\$1,165
The Johns Hopkins Medical Institutions Parking Facilities, Series 1996	9,180
North Charles General Hospital, Series A (1977)	2,765
Howard County General Hospital, Series A (1978)	4,530
The Johns Hopkins Hospital Redevelopment, 1979 Series	18,590
The Johns Hopkins University, Series 1999	77,805
Good Samaritan Hospital, Series 1993	38,855
Catholic Health Initiatives, Series 2000 A	12,415
Howard County General Hospital, Series 1993	48,555
Helix Health, Series 1997	122,595
	<hr/>
	\$336,455

NOTE 12: THE JOHNS HOPKINS MEDICAL INSTITUTIONS PARKING SYSTEM

In order to satisfy certain financial objectives of The Johns Hopkins Hospital (the "Hospital"), and The Johns Hopkins University (the "University"), the Authority, the Hospital, the University and The Johns Hopkins Health System Corporation (the "Health System"), entered into a Use Agreement dated June 30, 2001 (the "Use Agreement"). Under the Use Agreement, the Authority acquired all of the assets and related debt of the Johns Hopkins Medical Institutions Parking System (the "JHMI Parking System"), consisting of certain parking facilities on or adjacent to the campus of the Hospital in east Baltimore, Maryland (the "East Baltimore Campus"). The transaction was completed with no consideration paid by the Authority and the assets acquired and the liabilities assumed were recorded at fair value. Under the Use Agreement, the Health System, the University, the Hospital and the Authority have agreed that (1) the JHMI Parking System shall continue to be operated for the use of patients, visitors, employees, physicians, students and others using the facilities of the Hospital and the University on the East Baltimore Campus, (2) the JHMI Parking System will be operated by a manager reasonably acceptable to the Hospital, the Health System and the University as a stand alone financial enterprise on a self-sufficient basis, (3) the operations, repairs and debt service will be payable solely from parking receipts, (4) the financial operations of the JHMI Parking System shall, at a minimum, support a debt service coverage ratio of 1.15, (5) any parking receipts not required to pay the costs of operations, repairs and debt service, to maintain reserves required under The Johns Hopkins Medical Institutions Parking Facilities Amended and Restated Bond Resolution

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

(the "Resolution") and the Use Agreement and to pay rentals payable under the Ground Lease between the Hospital and the Authority shall be retained in the funds and accounts created by the Resolution and the Use Agreement and (6) upon expiration of the Ground Lease, the JHMI Parking System, any parking receipts and amounts on deposit in the funds and accounts created by the Resolution and the Use Agreement shall vest in the Health System.

The JHMI Parking System was expanded under an Amended and Restated Use Agreement (the "Amended Use Agreement") as of December 1, 2004 between the parties involved in the original Use Agreement and the Johns Hopkins Bayview Medical Center, Inc. (the "Bayview Medical Center") to include approximately 3,300 parking spaces located in eleven surface parking lots on the Bayview Medical Center campus in southeast Baltimore, Maryland (the "Bayview Campus"). In consideration of the conveyance to the Authority of parking facilities on the Bayview Campus, the Authority executed and delivered to FSK Land Corporation subordinate notes reflecting FSK Land's equity in the facilities.

Under the Amended Use Agreement, the Hospital, the University, the Health System and the Bayview Medical Center have agreed that except for the JHMI Parking System and certain excluded facilities providing approximately 270 parking spaces, neither the Hospital, the Bayview Medical Center nor the University shall construct, acquire or operate any structures, facilities or other properties providing parking for patients, visitors, employees, physicians, students and other persons using the principal health care facilities of the Hospital at the East Baltimore Campus, the Bayview Medical Center at the Bayview Campus or the adjacent facilities of the University.

Broadway Services, Inc., a subsidiary of the Dome Corporation that is owned equally by the Health System and the University, has managed the JHMI Parking System since 1983 and previously entered into a Management Agreement, dated June 30, 2001, with the Authority to manage the JHMI Parking System. In connection with the expansion of the JHMI Parking System, the previous Management Agreement, set to expire on December 31, 2005, was cancelled and replaced with a Management Agreement dated December 1, 2004. The Management Agreement expires on November 30, 2009 and may be extended by agreement of the Authority and Broadway Services, Inc., with the approval of the sponsoring institutions.

As the expansion of the JHMI Parking System took place on December 1, 2004, seven months of operating results for the Bayview expansion have been included in the combined statements of operations for fiscal year 2005. For the years ended June 30, 2005 and 2004, the proforma statements of operations of the JHMI Parking System with the Bayview expansion included are as follows:

(In thousands of dollars)	2005	2004
Total revenues	\$17,176	\$16,818
Total expenses	17,580	17,564
Excess of revenues under expenses	(\$404)	(\$746)

As of June 30, 2004, total assets of the JHMI Parking System with the Bayview expansion included are \$107,329,000.

NOTE 13: SUBSEQUENT BOND ISSUES

Subsequent to June 30, 2005 the following bonds were issued:

\$33,675,000 revenue bonds, Union Hospital of Cecil County, Series 2005

Subsequent to June 30, 2005 the following bonds were authorized and issued:

\$2,500,000 revenue bonds, Mt. Airy Christian Academy (2005)

\$37,000,000 revenue bonds, Pickersgill, Series 2005 A & B

\$51,700,000 revenue bonds, Upper Chesapeake Hospitals, Series 2005

\$29,000,000 revenue bonds, King Farm Presbyterian Retirement Community, 2005 A & B

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

Subsequent to June 30, 2005 the following bonds were authorized:

\$162,000,000 revenue bonds on behalf of University of Maryland Medical System

\$6,000,000 revenue bonds, Pooled Loan Program Series D on behalf of The Children's Home

REPORT OF INDEPENDENT AUDITORS



To the Members of the Maryland Health
and Higher Educational Facilities Authority

In our opinion, the accompanying combined balance sheet and the related combined statement of changes in trustee fund balances and the statements of operations and changes in fund balances and cash flows for the general operating fund and JHMI parking system fund present fairly, in all material respects, the financial position of the Maryland Health and Higher Educational Facilities Authority (the "Authority") at June 30, 2005 and the combined changes in its trustee fund balances for the year then ending, and the results of its operations and its cash flows for the general operating fund and JHMI parking system fund balances for the years ended June 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the Authority has restated its financial statements as of and for the year ended June 30, 2004.

A handwritten signature in black ink that reads "PRICEWATERHOUSE COOPERS LLP". The signature is written in a cursive, stylized font.

September 30, 2005
Baltimore, MD

