THE JOHNS HOPKINS HEALTH SYSTEM CORPORATION AND AFFILIATES

Combined Financial Statements and Supplementary Combining Information
June 30, 2011 and 2010

The Johns Hopkins Health System Corporation and Affiliates
Index
June 30, 2011 and 2010

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates:

In our opinion, the accompanying combined balance sheets and the related combined statements of operations and changes in net assets and cash flows present fairly, in all material respects, the financial position of The Johns Hopkins Health System Corporation and Affiliates ("JHHS") at June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of JHHS' 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.

PricewaterhouseCoopers LLP

September 28, 2011

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The Johns Hopkins Health System Corporation and Affiliates
Combined Balance Sheets
June 30, 2011 and 2010
(in thousands)

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	$ 406,717	$ 401,197
Short-term investments	127,456	129,597
Assets whose use is limited - used for current liabilities	26,933	21,234
Patient accounts receivables, net of estimated uncollectibles of $208,571 and $94,410 as of June 30, 2011 and 2010, respectively	379,495	242,884
Due from others - current portion	57,372	48,221
Due from affiliates	6,112	7,011
Inventories of supplies	68,105	58,084
Prepaid expenses and other current assets	37,436	26,374
Total current assets	1,109,626	934,602
Assets whose use is limited		
By long-term debt agreement for:		
Debt service reserve funds	4,953	-
Construction fund	1,713	-
By donors or grantors for:		
Future campus development	7,516	74,969
Pledges receivable	33,672	25,832
Other	75,994	29,920
By Board of Trustees	377,493	212,900
Malpractice funding arrangement	24,161	7,866
Interest in net assets of Howard Hospital Foundation	14,439	13,898
Other	18,938	14,721
Total assets whose use is limited	558,879	380,106
Investments	1,501,464	518,033
Property, plant and equipment	3,850,892	2,883,955
Less: allowance for depreciation and amortization	(1,172,782)	(1,101,455)
Total property, plant and equipment, net	2,678,110	1,782,500
Due from affiliates, net of current portion	2,082	2,413
Due from others, net of current portion	5,796	7,575
Net pension asset	2,742	-
Other assets	88,621	84,102
Total assets	$5,947,320	$3,709,331

See notes to the combined financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Combined Balance Sheets, continued
June 30, 2011 and 2010
(in thousands)

LIABILITIES AND NET ASSETS	**2011**	**2010**
Current liabilities:		
Current portion of long-term debt and obligations under capital leases	$ 144,598	$ 26,415
Accounts payable and accrued liabilities	456,720	338,181
Medical claims reserve	75,549	67,881
Deferred revenue	242	55,479
Due to affiliates	4,577	5,121
Accrued vacation	58,198	41,146
Advances from third-party payors	109,585	102,864
Current portion of estimated malpractice costs	8,941	4,058
Total current liabilities	858,410	641,145
Long-term debt and obligations under capital leases, net of current portion	1,337,158	1,136,783
Estimated malpractice costs, net of current portion	92,024	51,985
Net pension liability	311,445	343,262
Other long-term liabilities	190,512	186,832
Total liabilities	2,789,549	2,360,007
Net assets:		
Unrestricted	2,513,523	903,606
Temporarily restricted	593,638	428,441
Permanently restricted	50,610	17,277
Total net assets	3,157,771	1,349,324
Total liabilities and net assets	$ 5,947,320	$ 3,709,331

See notes to the combined financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Combined Statements of Operations and Changes in Net Assets
for the years ended June 30, 2011 and 2010
(in thousands)

	2011	2010
Operating revenues:		
Net patient service revenue	$3,719,955	$3,219,477
Other revenue	325,989	263,096
Investment income	47,109	31,314
Net assets released from restrictions used for operations	4,283	2,975
Total operating revenues	4,097,336	3,516,862
Operating expenses:		
Salaries, wages and benefits	1,561,047	1,367,601
Purchased services	1,458,120	1,227,390
Supplies and other	585,576	535,936
Interest	24,461	22,146
Provision for bad debts	92,591	94,032
Depreciation and amortization	159,778	131,320
Total operating expenses	3,881,573	3,378,425
Income from operations	215,763	138,437
Non-operating revenues and expenses:		
Interest expense on swap agreements	(25,471)	(24,824)
Change in market value of swap agreements	26,002	(39,549)
Realized and unrealized gains on investments	73,749	5,029
Contribution received in donation of SMH, ACH and ACHS	1,250,152	-
Other revenue	(3,014)	(4,493)
Excess of revenues over expenses	1,537,181	74,600
Noncontrolling interests	(15,826)	(1,183)
Excess of revenues over expenses after noncontrolling interests	1,521,355	73,417
Contributions to affiliates	(10,746)	(1,062)
Changes in unrealized gains on investments	6,556	24,378
Change in funded status of defined benefit plans	68,630	(70,505)
Net assets released from restrictions used for purchases of property, plant, and equipment	8,560	92,785
Noncontrolling interests	15,562	1,183
Increase in unrestricted net assets	1,609,917	120,196
Changes in temporarily restricted net assets:		
Gifts, grants and bequests	81,603	37,406
Net change in Howard Hospital Foundation	542	688
Net assets released from restrictions used for purchases of property, plant, and equipment	(8,560)	(92,785)
Net assets released from restrictions used for operations	(4,283)	(2,975)
Contribution received in donation of SMH, ACH and ACHS	95,895	-
Increase (decrease) in temporarily restricted net assets	165,197	(57,666)
Changes in permanently restricted net assets:		
Gifts, grants and bequests	269	1
Contribution received in donation of SMH, ACH and ACHS	33,064	-
Increase in permanently restricted net assets	33,333	1
Increase in net assets	1,808,447	62,531
Net assets at beginning of year	1,349,324	1,286,793
Net assets at end of year	$3,157,771	$1,349,324

See notes to the combined financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Combined Statements of Cash Flows
for the years ended June 30, 2011 and 2010
(in thousands)

	2011	2010
Operating activities:		
Change in net assets	$ 1,808,447	$ 62,531
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	164,056	136,462
Provision for bad debts	92,591	94,032
Net realized and changes in unrealized (gains) on investments	(87,100)	(23,103)
Change in market value of swap agreements	(26,002)	39,549
Change in funded status of defined benefit plans	(68,630)	70,505
Increase in net assets from SMH, ACH and ACHS acquisitions	(1,379,111)	-
Restricted contributions and investment income received	(73,183)	(69,300)
Gains on and returns of equity investments	(15,745)	(18,671)
Noncontrolling interests	15,826	1,183
Other operating activities	(770)	6,555
Change in assets and liabilities:		
Patient accounts receivables	(160,665)	(84,732)
Inventories of supplies, prepaid expenses and other current assets	4,021	1,958
Due from affiliates, net	(1,445)	(4,129)
Pledges receivable	(1,798)	37,052
Other assets	12,982	(15,815)
Accounts payable, accrued liabilities and accrued vacation	16,726	16,992
Medical claims reserve	7,433	19,133
Deferred revenue	(55,237)	13,606
Advances from third-party payors	(5,980)	(2,184)
Accrued pension benefit costs	7,281	25,368
Estimated malpractice costs	6,880	486
Other long-term liabilities	14,189	928
Net cash and cash equivalents provided by operating activities	274,766	308,406
Investing activities:		
Purchases of property, plant and equipment	(289,522)	(318,907)
Return of equity investments	1,855	10,364
Purchases of investment securities	(2,496,888)	(1,291,950)
Sales of investment securities	2,359,681	1,124,166
Cash acquired as a result of acquisitions of SMH, ACH and ACHS	119,471	-
Other investing activities	(9,714)	(4,007)
Net cash and cash equivalents used in investing activities	(315,117)	(480,334)
Financing activities:		
Proceeds from restricted contributions and investment income received	73,183	69,300
Proceeds from long-term borrowings	-	150,000
Repayment of long-term debt and obligations under capital lease	(28,101)	(29,106)
Other financing activities	789	(7,892)
Net cash and cash equivalents provided by financing activities	45,871	182,302
Increase in cash and cash equivalents	5,520	10,374
Cash and cash equivalents at beginning of year	401,197	390,823
Cash and cash equivalents at end of year	$ 406,717	$ 401,197

See notes to the combined financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization. The Johns Hopkins Health System Corporation ("JHHSC") is incorporated in the State of Maryland to, among other things, formulate policy among and provide centralized management for JHHSC and Affiliates ("JHHS"). In addition, it provides certain shared services including purchasing, legal, advertising, finance and other functions. JHHS is organized and operated for the purpose of promoting health by functioning as a parent holding company of affiliates whose combined mission is to provide patient care in the treatment and prevention of human illness which compares favorably with that rendered by any other institution in this country or abroad.

JHHSC is the sole member of The Johns Hopkins Hospital ("JHH"), an academic medical center, Johns Hopkins Bayview Medical Center, Inc. ("JHBMC"), a community based teaching hospital and long-term care facility, Howard County General Hospital, Inc. ("HCGH"), a community based hospital, Suburban Hospital, Inc. ("SHI"), a community based hospital, Sibley Memorial Hospital ("SMH"), a community based hospital, All Children's' Hospital, Inc. ("ACH"), an academic children's hospital, Suburban Hospital Healthcare System, Inc. ("SHHS"), a diverse healthcare system, All Children's Health System ("ACHS"), a diverse healthcare system, Johns Hopkins Community Physicians ("JHCP"), a community based physician practice group, The Johns Hopkins Medical Services Corporation ("JHMSC"), the contracting entity for the Uniformed Services Family Health Plan contract, and the HCGH OB/GYN Associates Series, LLC ("HCOB"), a taxable community based obstetrics and gynecology practice. JHHSC is also the sole shareholder of Howard County Health Services, Inc. ("HSI"), a taxable entity organized to hold interests in various health care enterprises, Johns Hopkins Medical Management Corp. ("JHMMC"), a taxable entity organized to provide temporary nursing and clerical staffing and to promote ambulatory care arrangements in support of JHHS, and Johns Hopkins Employer Health Programs, Inc. ("EHP"), a taxable third-party administrator for employee health benefit plans self-funded by the constituent employee sponsors. JHHSC owns a 99.7% interest in Ophthalmology Associates, LLC ("OA"), a taxable professional services organization which operates an ophthalmology center at Green Spring Station. JHHSC and the Johns Hopkins University (the "University") each own a 50% membership interest in Johns Hopkins HealthCare LLC ("JHHC"), a taxable managed care entity supporting JHHS and the University in cooperative strategies by which patient care, education, and research may be advanced. JHHSC consolidates JHHC. These entities are all operating entities and are collectively known as the "Affiliates".

Use of estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 those estimates.

Basis of presentation. The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of combination. The combined financial statements include the accounts of JHHSC and all Affiliates after elimination of all significant intercompany accounts and transactions.

Cash and cash equivalents. Cash and cash equivalents include amounts invested in accounts with depository institutions which are readily convertible to cash, with original maturities of three months or less. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. JHHS has not experienced such losses on these funds.

Through arrangements with banks, excess operating cash is invested daily. This investment is considered a cash equivalent in the accompanying Combined Balance Sheets. JHHS earns interest on these funds at a rate that is based upon the bank's Federal Funds rate. The interest is recorded in the accompanying combined Statements of Operations as investment income.

Inventories. Inventories of supplies are composed of medical supplies, drugs, linen, and parts inventory for repairs. Inventories of supplies are recorded at lower of cost or market using a first in, first out method.

Assets whose use is limited. Assets whose use is limited or restricted by the donor are recorded at fair value at the date of donation, which is then considered cost. Investment income or losses on investments of temporarily or permanently restricted assets is recorded as an increase or decrease in temporarily or permanently restricted net assets to the extent restricted by the donor or law. The cost of securities sold is based on the specific identification method.

Assets whose use is limited include assets set aside for future capital improvements, assets held by trustees under debt agreements, assets restricted by the board of trustees, pledges receivable, and assets held for malpractice funding. These assets consist primarily of cash and short-term investments, accrued interest and pledges receivable. The carrying amounts reported in the Combined Balance Sheets approximate fair value.

Investments and investment income. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the Combined Balance Sheets. Debt and equity securities traded on a national securities and international exchange are valued as of the last reported sales price on the last business day of the fiscal year; investments traded on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

Investments include equity method investments in managed funds, which include hedge funds, private partnerships and other investments which do not have readily ascertainable fair values and may be subject to withdrawal restrictions. Investments in hedge funds, private partnerships, and other investments in managed funds (collectively "alternative investments"), are accounted for under the equity method, which approximates fair value. The equity method income or loss from these alternative investments is included in the Statements of Operations as an unrealized gain or loss within the performance indicator.

Alternative investments are less liquid than JHHS' other investments. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition.

Investment income earned on cash balances (interest and dividends) is reported in the operating income section of the Combined Statements of Operations and Changes in Net Assets under 'Investment income'. Realized gains or losses related to the sale of investments, other than temporary impairments, unrealized gains or losses on alternative investments, and realized and unrealized gains or losses on investments classified as trading are included in the non-operating section of the Combined Statements of Operations and Changes in Net Assets and are included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains or losses on investments, other than alternative investments and investments classified as trading, are excluded from excess of revenues over expenses.

On April 1, 2011, JHHS changed the classification of certain investments to a trading portfolio from available for sale. Certain JHHSC affiliates already held a trading portfolio. Accordingly, cumulative unrealized gains of $29.8 million were reclassified from below excess of revenues over expenses to non-operating income included in the 'realized and unrealized gains on investments' within the Consolidated Statement of Operations and Changes in Net Assets. This change was made as management's intent with respect to the nature of the investment portfolios has changed.

Investments in companies in which JHHS does not have control, but has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method of accounting, and operating results flow through investment income on the Combined Statements of Operations and Changes in Net Assets. Dividends paid are recorded as a reduction of the carrying amount of the investment.

Investments in companies in which JHHS does not have control, nor has the ability to exercise significant influence over operating and financial policies are accounted for using the cost method of accounting. Investments are originally recorded at cost, with dividends received being recorded as investment income.

Property, plant and equipment. Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of lease term or estimated useful life of the equipment. Estimated useful lives assigned by JHHS range from 3 to 25 years for land improvements, 3 to 40 years for buildings and improvements, 3 to 25 years for fixed and movable equipment, and 4 to 20 years for leasehold improvements. Interest costs incurred on borrowed funds, net of income earned, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

The cost of software is capitalized provided the cost of the project is at least $30 thousand ($100 thousand for JHH) and the expected life is at least two years. Costs include payment to vendors for the purchase of software and assistance in its installation, payroll costs of employees directly involved in the software installation, and the interest costs of the software project. Preliminary costs to document system requirements, vendor selection, and any costs incurred before the software purchase are expensed. Capitalization of costs ends when the project is completed and is ready to be used. Where implementation of the project is in phases, only those costs incurred which further the development of the project will be capitalized. Costs incurred to maintain the system are expensed.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of long-lived assets. Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. JHHS' policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value and are reported in the non-operating section of the Statements of Operations and Changes in Net Assets. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment charges were recorded in 2011. Impairment charges of $4.5 million were recorded for the year ended June 30, 2010.

Financing expenses. Financing expenses incurred in connection with the issuance of the Maryland Health and Higher Educational Facilities Authority ("MHHEFA") series bonds have been capitalized and are included in other assets. These expenses are being amortized over the terms of the related bond issues using the effective interest method.

Medical claims reserve. JHHC's medical claims reserve is an estimate of payments to be made for reported claims and losses incurred but not reported. The estimate was developed using actuarial methods based upon historical data for payment patterns, cost trends, and other relevant factors. The estimate is continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Deferred revenue. JHHC's capitated receipts received in advance for future services to be provided are recorded as deferred revenue.

Accrued vacation. JHHS records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Estimated malpractice costs. The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Noncontrolling interests. JHHC is owned by JHHSC and the University, each member having a 50% interest. JHHC's profits are divided between the members based on product line. JHHSC consolidates JHHC and records noncontrolling interests for the profits attributable to the University. Additionally, JHHC owns a 50% interest in Priority Partners Managed Care Organization, Inc. ("Priority Partners"), a for-profit joint venture. JHHC consolidates Priority Partners and records noncontrolling interests for 50% of the profits. During 2010, JHHC adopted the Financial Accounting Standards Board's ("FASB") guidance on noncontrolling interests applicable to for-profit entities, which requires that the noncontrolling interests of consolidated entities be reported as a component of unrestricted net assets. During 2011, JHHSC adopted this guidance applicable to not-for-profit entities. Therefore, net assets were restated and increased by $18.4 million and $20.5 million as of June 30, 2010 and 2009, respectively.

Asset retirement obligations. The FASB's guidance on accounting for asset retirement obligations provides for the recognition of an estimated liability for legal obligations associated with the retirement of tangible long-lived assets, including obligations that are conditional upon a future event. JHHS measures asset retirement obligations at fair value when incurred and capitalizes a corresponding amount as part of the book value of the related long-lived assets. The increase in the capitalized cost is included in determining depreciation expense over the estimated useful life of these assets. Since the fair value of the asset retirement obligation is determined using a present value approach, accretion of the obligation due to the passage of time until its settlement is recognized each year as part of interest expense in JHHS' Combined Statements of Operations and Changes in Net Assets.

Temporarily and permanently restricted net assets. Temporarily restricted net assets are those whose use has been limited by donors or law to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Income generated from these assets is available as restricted by the donor or for general program support.

Donor restricted gifts. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises to give cash to JHHS greater than one year are discounted using a rate of return that a market participant would expect to receive at the date the pledge is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Combined Statements of Operations and Changes in Net Assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

Grants. JHHS receives various grants from individuals and agencies of the Federal and State Governments for the purpose of furthering its mission of providing patient care. Grants are recognized as support and the related project costs are recorded as expenses when services related to grants are incurred. Grant receivables are included in due from others and grant income is included in other revenue in the accompanying combined financial statements.

Excess of revenues over expenses. The Combined Statements of Operations and Changes in Net Assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include, among other items, changes in unrealized gains and losses on investments other than trading securities, change in funded status of defined benefit plans, cumulative effect of changes in accounting principle, permanent transfers of assets to and from affiliates for other than goods or services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Income taxes. JHHSC and the Affiliates, except JHMMC, EHP, HSI, OA, HCOB, and JHHC are not-for-profit organizations that qualify under Section 501(c)(3) of the Internal Revenue Code, and are therefore not subject to tax under current income tax regulations.

JHHC is classified as a partnership for Federal and State income tax purposes and accordingly, there is no provision for income taxes in the accompanying combined financial statements. Taxable income or loss passes through to and is reported by the members in their respective tax returns. Taxable subsidiaries of Affiliates account for income taxes in accordance with FASB’s guidance on accounting for income taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. Affiliate subsidiaries otherwise exempt from Federal and State taxation are nonetheless subject to taxation at corporate tax rates at both the Federal and State levels on their unrelated business income.

FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. JHHS has adopted this guidance, and there was no impact on its financial statements during the years ended June 30, 2011 and 2010.

Reclassifications. Certain amounts from the prior year have been reclassified in order to conform to current year presentation.

Acquisition of SMH. Effective November 1, 2010, JHHSC became the sole member of SMH. SMH is a not-for-profit corporation that operates a general acute care community based hospital located in northwest Washington D.C. SMH also operates an assisted living residence, skilled nursing care and an Alzheimer's unit. No consideration was given for this transaction that was accounted for using the acquisition method of accounting, which requires all the assets and liabilities of SMH to be revalued at their fair value as of the acquisition date. The acquisition date fair values have been determined using various fair value techniques including independent appraisals for property and equipment, quotations from independent market sources for investments and debt, and independent actuarial projections for pension, workers compensation, and medical malpractice liabilities. Since the fair value of SMH's assets was larger than its liabilities, inherent contributions received were recorded by JHHSC. The table below discloses each major class of asset and liability at fair value as of November 1, 2010 and the inherent contributions received from this transaction (in thousands):

Cash	$ 15,913
Accounts receivable	28,213
Assets whose use is limited	180,056
Investments	441,086
Property and equipment	248,745
Other assets	8,058
Total assets	922,071
Accounts payable and other current liabilities	35,386
Estimated malpractice costs	19,319
Net pension liability	15,455
Long-term debt	117,411
Other liabilities	15,973
Total liabilities	203,544
Unrestricted contribution received	692,164
Temporarily restricted contribution received	14,102
Permanently restricted contribution received	12,261
Total contributions received	$ 718,527

Acquisition of ACH and ACHS. Effective April 1, 2011, JHHSC became the sole member of ACH and ACHS. No consideration was given for this transaction that was accounted for using the acquisition method of accounting, which requires all the assets and liabilities of ACH and ACHS to be revalued at their fair value as of the acquisition date. The acquisition date fair values have been determined using various fair value techniques including independent appraisals for property and equipment, quotations from independent market sources for investments and debt, and independent actuarial projections for workers compensation and medical malpractice liabilities. Since the fair value of ACH and ACHS' assets was larger than its liabilities, inherent contributions received were recorded by JHHSC. The table below discloses each major class of asset and liability at fair value as of April 1, 2011 and the inherent contributions received from this transaction (in thousands):

	ACH	ACHS
Cash	$ 81,763	$ 21,795
Accounts receivable	35,005	6,805
Assets whose use is limited	94,924	15,788
Investments	197,190	72,502
Property and equipment	468,104	35,414
Other assets	32,019	4,232
Total assets	909,005	156,536
Accounts payable and other current liabilities	54,261	2,612
Estimated malpractice costs	20,052	-
Long-term debt	225,435	-
Other liabilities	30,053	4,864
Total liabilities	329,801	7,476
Unrestricted contribution received	552,806	60,755
Temporarily restricted contribution received	13,248	69,725
Permanently restricted contribution received	13,150	18,580
Total contributions received	$ 579,204	$ 149,060

2. Net Patient Service Revenue

JHHS has agreements with third-party payors that provide for payments to JHHS at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments mandated by the Health Services Cost Review Commission are also included in contractual adjustments, a portion of which are also included in established rates. Contractual adjustments to gross patient service revenue were $684.9 million and $363.2 million for the years ended June 30, 2011 and 2010, respectively.

SMH and ACH operate outside of the State of Maryland, and are paid prospectively based upon negotiated rates for commercial insurance carriers, and predetermined rates per discharge for Medicaid and Medicare program beneficiaries.

JHHS' not-for-profit Affiliates provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based on information obtained from the patient and subsequent analysis. Because the Affiliates do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges for these services, measured at JHHS Affiliates' established rates, amounted to $66.0 million and $53.4 million for the years ended June 30, 2011 and 2010, respectively.

Capitation payments included in net patient service revenue are recognized as premium revenues during the period in which JHHS Affiliates are obligated to provide services to its enrollees at contractually determined rates.

Approximately 15.9% and 21.0% of patient accounts receivable were due from the Medicare program, 16.9% and 10.0% from the Medicaid program, 15.9% and 14.9% from Blue Cross and Blue Shield, 43.5% and 46.5% from self pay and other third-party payers, and 7.8% and 7.6% from Medicaid managed care organizations as of June 30, 2011 and 2010, respectively.

3. Pledges Receivable

As of June 30, 2011 and 2010, the total value of pledges receivable was $33.7 million and $25.8 million, respectively. Pledges receivable have been discounted at rates ranging from 1.38% to 6.0% and consist of the following (in thousands):

As of June 30, 2011	1 Year	2 –5 Years	5 Years or Greater	Totals
Departmental capital campaigns	$ 1,038	$ 1,257	$ 338	$ 2,633
Future campus development	17,707	13,134	198	31,039
	$18,745	$ 14,391	$ 536	$ 33,672

As of June 30, 2010	1 Year	2 –5 Years	5 Years or Greater	Totals
Departmental capital campaigns	$ 312	$ 3,641	$ 175	$ 4,128
Future campus development	5,439	15,897	368	21,704
	$ 5,751	$ 19,538	$ 543	$ 25,832

Pledges are deemed to be fully collectible and therefore, no allowance for uncollectible pledges has been recorded.

4. Fair Value Measurements

FASB's guidance on the fair value option for financial assets and financial liabilities permits companies to choose to measure many financial assets and liabilities, and certain other items at fair value. This guidance requires a company to record unrealized gains and losses on items for which the fair value option has been elected in its performance indicator. The fair value option may be applied on an instrument by instrument basis. Once elected, the fair value option is irrevocable for that instrument. The fair value option can be applied only to entire instruments and not to portions thereof. JHHS did not elect fair value accounting for any asset or liability that were not currently required to be measured at fair value.

JHHS adopted FASB's guidance on fair value measurements, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. This guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, this guidance does not require any new fair value measurements.

The FASB's guidance establishes valuation techniques such as the market approach, cost approach and income approach. The guidance establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2 – Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions.

The financial instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Each of the financial instruments below has been valued utilizing the market approach.

The following table presents the financial instruments carried at fair value as of June 30, 2011 grouped by hierarchy level:

Assets	Total Fair Value	Level 1	Level 2
Cash equivalents (1)	$ 233,825	$ 43,552	$ 190,273
Certificates of deposit (1)	2,260	-	2,260
U.S. Treasuries (2)	291,439	-	291,439
Corporate bonds (2)	374,793	-	374,793
Mortgage backed securities (2)	285,878	-	285,878
Equities and equity funds (3)	932,334	623,509	308,825
Fixed income funds (4)	40,911	-	40,911
Totals	$ 2,161,440	$ 667,061	$ 1,494,379
Liabilities			
Interest rate swap agreements (5)	$ 136,750	$ -	$ 136,750

The following table presents the financial instruments carried at fair value as of June 30, 2010 grouped by hierarchy level:

Assets	Total Fair Value	Level 1	Level 2
Cash equivalents (1)	$ 244,179	$ 22,895	$ 221,284
Certificates of deposit (1)	1,113	-	1,113
U.S. Treasuries (2)	152,279	-	152,279
Corporate bonds (2)	274,724	-	274,724
Mortgage backed securities (2)	203,588	-	203,588
Equities and equity funds (3)	166,790	25,891	140,899
Fixed income funds (4)	-	-	-
Totals	$ 1,042,673	$ 48,786	$ 993,887
Liabilities			
Interest rate swap agreements (5)	$ 149,243	$ -	$ 149,243

(1) Cash equivalents include investments with original maturities of three months or less, including certificates of deposit and overnight investments. Certificates of deposit are carried at amortized cost, which approximates fair value. Certificates of deposit that have original maturities greater than three months and are considered short-term investments. Overnight investments are rendered level 1. Computed prices and frequent evaluation versus market value render the certificates of deposit level 2.

(2) For investments in U.S. Treasuries (notes, bonds, and bills), corporate bonds, and mortgage backed securities, fair value is based upon quotes for similar securities; therefore these investments are rendered level 2. These investments fluctuate in value based upon changes in interest rates. Until April 1, 2011, significant changes in the credit quality of the underlying entity were analyzed and any other than temporary impairments was recorded upon that determination, if any.

(3) Equities include individual equities and investments in mutual funds, commingled trusts and hedge funds. A small portion of the investments are lent out under securities lending. The ability to liquidate these funds is not limited except for the small percentage of each securities lending fund that is on loan. The individual equities and mutual funds are rendered level 1. The commingled trusts and hedge funds are valued regularly within each month utilizing NAV per unit and are rendered level 2.

(4) Fixed income funds are investments in mutual funds and commingled trusts investing in fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. The mutual funds are rendered level 1. The commingled trusts are valued regularly within each month utilizing NAV per unit and are rendered level 2.

(5) The interest rate swap agreements are valued using a pricing service at net present value. These evaluated prices render these instruments level 2. The volatility in the fair value of the swap agreements change as long-term interest rates change. See footnote 9.

During 2011, there were no transfers between level 1 and 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while JHHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

The estimated total fair value of long-term debt excluding capital leases, based on quoted market prices for the same or similar issues, was approximately $1.5 billion and $1.2 billion as of June 30, 2011, and 2010, respectively.

JHHS holds alternative investments that are not traded on national exchanges or over-the counter markets. JHHS is provided a net asset value per share for these alternative investments that has been calculated in accordance investment company rules, which among other requirements, indicates that the underlying investments be measured at fair value. There are no unfunded commitments related to JHHS' alternative investments.

The following table displays information by major alternative investment category as of June 30, 2011 (in thousands):

Description	Fair Market Value	Liquidity	Notice Period	Receipt of Proceeds
Global asset allocation	$ 103,838	Monthly	5-15 days	Within 15-30 days, or 95% within 1 business day of the redemption date; 5% after the 12th business day of the month
Fund of funds	$ 56,727	Monthly, quarterly or annually, or December 31, 2011	30-60 days	Within 5 days, or 95% in 1 - 30 days, 5% within 60 days or after annual audit
Hedge Funds	$ 5,509	Quarterly - last day of the calendar quarter	60 days	95% within 30 days of redemption date; 5% within 120 days of redemption date

The following table displays information by major alternative investment category as of June 30, 2010 (in thousands):

Description	Fair Market Value	Liquidity	Notice Period	Receipt of Proceeds
Global asset allocation	$ 42,146	Monthly/manager's discretion	5 days	15-30 days
Fund of funds	$ 16,342	Monthly, quarterly or annually	30-60 days	5-30 days, or 90% in 30 days, 10% after annual audit

5. Investments and Assets Whose Use is Limited

Investments (short and long-term) as of June 30 consisted of the following (in thousands):

	2011		2010	
	Cost	Carrying Amount	Cost	Carrying Amount
Investments in affiliates	$ 105,874	$ 105,874	$ 76,082	$ 76,082
U.S. Treasuries	222,666	217,996	91,873	96,976
Certificates of deposit	858	858	613	613
Corporate bonds	331,035	319,278	195,013	202,292
Mortgage backed securities	208,783	204,080	150,414	157,511
Fixed income funds	43,683	43,472	-	-
Equities and equity funds	584,625	623,028	68,027	60,149
Alternative investments	104,686	114,334	58,352	54,007
	$1,602,210	$1,628,920	$640,374	$647,630

Assets whose use is limited as of June 30 consisted of the following (in thousands):

	2011		2010	
	Cost	Carrying Amount	Cost	Carrying Amount
Cash and cash equivalents	$ 21,996	$ 22,074	$ 45,002	$ 45,002
U.S. Treasuries	85,897	76,428	50,055	55,303
Corporate bonds	71,715	68,749	71,352	72,432
Mortgage backed securities	56,604	52,811	44,780	46,077
Equities and equity funds	225,462	242,304	124,536	106,641
Alternative investments	46,602	51,740	24,655	29,780
Pledges receivable	34,087	33,672	25,832	25,832
Beneficial interest remainder trust	23,373	23,360	6,275	6,275
Interest in net assets of HHF/ACF	14,439	14,439	13,898	13,898
Other	235	235	100	100
	$580,410	$585,812	$406,485	$401,340

The following tables show the gross unrealized losses and fair value of JHHS' investments and assets whose use is limited with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

As of June 30, 2010

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasuries	$ 19,619	$ 135	$ -	$ -	$ 19,619	$ 135
Corporate bonds	37,230	277	6,159	898	43,389	1,175
Mortgage backed securities	15,878	205	2,493	39	18,371	244
Alternative investments	-	-	49,524	4,878	49,524	4,878
Equities and equity funds	7,416	128	115,838	29,087	123,254	29,215
Total	$ 80,143	$ 745	$ 174,014	$ 34,902	$ 254,157	$ 35,647

There were 111 investment positions in an unrealized loss position as of 2010. The unrealized loss on the government obligations, corporate bonds, and mortgage backed securities were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. For the debt securities in an unrealized loss position, JHHS does not have the intent or requirement to sell them; therefore, JHHS did not consider these investments to be other-than-temporarily impaired as of June 30, 2010. The equities are invested in broad based index funds and have fluctuated between an unrealized gain or loss position since acquisition and based on management's impairment policy, JHHS did not consider these investments to be other-than-temporarily impaired as of June 30, 2010. Starting April 1, 2011, JHHS discontinued its evaluation of investments for other than temporary impairment due to its change in investment portfolio classification.

Realized and unrealized gains (losses) on investments for the years ended June 30, included in the non-operating revenues and expenses section of the Statement of Operations consisted of the following (in thousands):

	2011	2010
Realized gains (losses) on investments	$ 11,364	$ (1,451)
Unrealized gains (losses) on investments	62,385	6,480
Total	$ 73,749	$ 5,029

Investments recorded under the cost or equity method as of June 30 consisted of the following (in thousands):

Affiliate	Cost / Equity	%	2011	2010
Johns Hopkins International, LLC ("JHI")	Equity	50.00%	$ 17,597	$13,143
Johns Hopkins Home Care Group, Inc. ("JHHCG")	Equity	50.00%	7,218	6,002
FSK Land Corporation	Equity	50.00%	5,425	6,434
Broadway Development Corp.	Equity	50.00%	2,215	2,347
Mt. Washington Pediatric Hospital and Foundation	Equity	50.00%	15,990	11,725
Dome Corporation	Equity	50.00%	2,804	1,738
JHMI Utilities, LLC	Equity	50.00%	3,862	3,737
Sibley-Suburban Home Health Agency, Inc.	Equity	50.00%	5,440	2,503
Suburban/NRH Medical Rehabilitation, Inc.	Equity	50.00%	968	839
Germantown Wellness and Fitness, LLC	Equity	50.00%	531	690
Rockville Imaging, LLC	Equity	40.00%	372	320
Chevy Chase Imaging, LLC	Equity	27.00%	620	287
Ten Acres Medical Center, LLC	Equity	25.00%	2,074	2,464
Sleep Services of America	Equity	24.30%	3,581	3,221
Central Maryland Radiation Oncology, LLC	Equity	20.00%	1,469	1,582
Suburban Endoscopy, LLC	Equity	20.00%	118	149
Johns Hopkins Suburban Health Center, L.P.	Cost	19.00%	1,407	1,317
MCIC Bermuda	Cost	10.00%	29,635	15,150
MCIC Vermont	Cost	10.00%	1,000	1,000
Patient First Corporation	Cost	3.00%	750	750
Other			2,798	684
			$105,874	$76,082

JHHS consolidates certain affiliates that it owns 50% or more, but less than 100%. The net asset activity attributable to the noncontrolling interests consisted of the following as of June 30, (in thousands):

	2011	2010
Net assets attributable to noncontrollling interests at beginning of period	$ 36,658	$ 41,913
Income attributable to noncontrolling interests	15,826	1,183
Distributions attributable to noncontrolling interests	(9,833)	(6,792)
Other comprehensive (loss) income attributable to noncontrolling interests	(396)	354
Net assets attributable to noncontrolling interests at end of period	$ 42,255	$ 36,658

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization consisted of the following as of June 30 (in thousands):

	2011		2010	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land and land improvements	$ 127,400	$ 6,389	$ 34,557	$ 5,488
Buildings and improvements	1,574,869	549,687	1,111,558	491,127
Fixed and moveable equipment	1,027,617	547,288	869,837	545,430
Capitalized software	135,103	69,418	118,528	59,410
Construction in progress	985,903	-	749,475	-
	$ 3,850,892	$ 1,172,782	$ 2,883,955	$ 1,101,455

Accruals for purchases of property, plant and equipment as of June 30, 2011 and 2010 amounted to $62.1 million and $42.7 million, respectively, and are included in accounts payable and accrued liabilities in the Combined Balance Sheets. Depreciation and amortization expense for the years ended June 30, 2011 and 2010 amounted to $159.8 million and $131.3 million, respectively.

During the year ended June 30, 2010, pursuant to the completion of several phases of its campus development plan, JHHS determined that certain long-lived assets had no remaining future value. JHHS recorded impairment charges on long-lived assets of $4.5 million, which are included in the non-operating section of the Statement of Operations included in excess of revenues over expenses. The original cost of the impaired assets removed from the books was $8.2 million, with a corresponding accumulated depreciation of $3.7 million. No impairments of long-lived assets were recorded in 2011.

During the year ended June 30, 2011 and 2010, JHHS retired long-lived assets determined to have no future value. During 2011, the original cost and corresponding accumulated depreciation of these long-lived assets was $85.3 million and $85.3 million, respectively. During 2010, the original cost and corresponding accumulated depreciation of these long-lived assets was $185.8 million and $185.3 million, respectively. No proceeds from retirement were received in 2011 or 2010.

JHH and the University share various facilities, equipment, software, and services. The costs related to these facilities, equipment, software, and services are generally paid for in their entirety by one institution. Under the provisions of a Joint Administrative Agreement and a lease agreement between JHH and the University, these costs are allocated to both institutions on the basis of usage. The University leased approximately 26.6% and 25.9% of the net square footage within JHH's buildings as of June 30, 2011 and 2010, respectively.

7. Medical Claims Reserves

JHHC's activity related to its liability for unpaid health claims for the years ended June 30 are summarized in the table below (in thousands):

	2011	2010
Balance, July 1	$ 84,029	$ 64,896
Incurred related to:		
Current year	850,076	703,881
Prior year	(26,177)	(8,753)
Total incurred	823,899	695,128
Paid related to:		
Current year	758,615	619,853
Prior year	57,851	56,142
Total paid	816,466	675,995
Balance, June 30	$ 91,462	$ 84,029

The medical claims reserve is inherently subject to a number of highly variable circumstances, including changes in payment patterns, cost trends and other relevant factors. Consequently, the actual experience may vary materially from the original estimate. The above medical claims reserves include intercompany activity that is eliminated in combination.

8. Debt

Debt as of June 30 is summarized as follows (in thousands):

	2011		2010	
	Current Portion	Long-term Portion	Current Portion	Long-term Portion
MHHEFA Bonds and Notes:				
1985 Series A and B – Pooled Loan Program Issue (JHBMC, JHHS and JHCP)	$ 1,284	$ 8,409	$ 1,283	$ 9,696
1990 Series - Revenue Bonds (JHH)	9,370	54,850	9,370	59,753
1996 Series - Revenue Bonds (SMH)	1,500	6,545	-	-
1998 Series - Revenue Bonds (HCGH) - net of original issue discount of $1,703 and $1,833 as of June 30, 2011 and 2010, respectively	2,800	110,877	2,675	113,547
2001 Series – Revenue Bonds (JHH) – net of original issue discount of $790 and $816 as of June 30, 2011 and 2010, respectively	2,755	78,514	2,595	81,244
2002 Series - Revenue Bonds (SMH)	907	34,806	-	-
2002 Series - Revenue Bonds (ACH)	1,660	22,370	-	-
2004 Series A - Revenue Bonds (SHI) – including original issue premium of $311 and $411 as of June 30, 2011 and 2010, respectively	2,200	16,016	2,875	18,316
2004 – Commercial Paper Series A (JHH)	54,625	-	1,450	54,625
2004 – Commercial Paper Series B (JHBMC)	3,815	82,145	3,630	85,960
2004 – Commercial Paper Series C (JHH)	10,000	50,000	-	60,000
2005 Series - Revenue Bonds (ACH)	1,575	102,352	-	-
2007 – Commercial Paper Series D (JHH)	-	40,000	-	40,000
2007 Series B – Revenue Refunding Bonds (ACH)	700	27,400	-	-
2008 – Commercial Paper Series E (JHH)	-	84,100	-	84,100
2008 – Commercial Paper Series F (JHH)	-	84,550	-	84,550
2008 Variable Rate Demand Bonds – Series A	505	10,545	485	11,050
2008 Series – Revenue Bonds (HCGH)	-	40,000	-	40,000
2008 Series - Revenue Bonds (JHH) – including original issue premium of $4,806 and $4,958 as of June 30, 2011 and 2010, respectively	48,245	101,301	-	149,697
2008 Series – Revenue Bonds (SHI)	1,435	54,855	1,385	56,290
2009 Series - Revenue Bonds (SMH)	-	71,648	-	-
2009 Series A – Revenue Refunding Bonds (ACH)	215	67,474	-	-
2010 Series - Revenue Bonds (JHH) – including original issue premium of $1,742 and $1,805 as of June 30, 2011 and 2010, respectively	-	149,937	-	150,000
Other debt:				
Capital leases (SHHS and ACH)	650	35,811	331	34,945
Johns Hopkins Endowment (JHHS)	357	2,653	336	3,010
	$144,598	$1,337,158	$ 26,415	$1,136,783

The above debt amounts for SMH and ACH includes an adjustment made at the time of acquisition to increase the value of the debt to fair market value and is being amortized to interest expense over the life of the respective debt. As of June 30, 2011 the unamortized fair market value adjustment was $9.3 million and $4.0 million for SMH and ACH, respectively.

Obligated Groups
The Johns Hopkins Health System Obligated Group ("JHHS Obligated Group") consists of JHH, JHBMC, SHHS and SHI. JHBMC was admitted into the JHHS Obligated Group in 2004 as part of a plan of debt refinancing. SHHS and SHI were admitted into the JHHS Obligated Group in 2010 as part of a JHH debt issuance. The 2004 JHBMC Commercial Paper Series B, the SHI 2004 Series A Revenue Bonds, the JHBMC 2008 Variable Rate Demand Bonds Series A, the JHH and JHBMC Pooled Loan Program Issue Series 1985A and 1985B debt, the JHH 1990, 2001 and 2008 Series Revenue Bonds, the JHH 2004 Commercial Paper Series A and C, the JHH 2007 Commercial Paper Series D, the JHH 2008 Commercial Paper Series E and F, the SHI 2008 Series Revenue Bonds, the JHH 2010 Series Revenue Bonds are parity debt, and as such are collateralized equally and ratably by a claim on and a security interest in all of JHH's, JHBMC's, SHI's, and SHHS' receipts as defined in the Master Loan Agreement with MHHEFA. JHH, JHBMC, SHI and SHHS are required to achieve a defined minimum debt service coverage ratio each year, maintain adequate insurance coverage, and comply with certain restrictions on their ability to incur additional debt. As of June 30, 2011, JHH, JHBMC, SHI, and SHHS were in compliance with these requirements. As of June 30, 2011 and 2010, the outstanding JHH, JHBMC, SHI, and SHHS parity debt was $946.0 million and $963.5 million, respectively.

The Sibley Memorial Hospital Obligated Group ("SMH Obligated Group") consists of SMH. The 1996, 2002, and 2009 Series Revenue Bonds are parity debt, and as such are collateralized equally and ratably by a claim on and a security interest in all of SMH's gross receipts. SMH is required to achieve a defined minimum debt service coverage ratio each year, maintain adequate insurance coverage, and comply with certain restrictions on their ability to incur additional debt. As of June 30, 2011, SMH was in compliance with these requirements. As of June 30, 2011, the total amount of debt outstanding under the SMH Obligated Group was $115.4 million.

The All Children's Hospital Obligated Group ("ACH Obligated Group") consists of ACH. The 2002 and 2005 Series Revenue Bonds, and the 2007B and 2009A Revenue Refunding Bonds are parity debt, and as such are collateralized equally and ratably by a claim on and a security interest in all of ACH's gross receipts. ACH is required to achieve a defined minimum debt service coverage ratio each year, maintain adequate insurance coverage, and comply with certain restrictions on their ability to incur additional debt. As of June 30, 2011, ACH was in compliance with these requirements. As of June 30, 2011, the total amount of debt outstanding under the ACH Obligated Group was $225.2 million.

1985A and B – Pooled Loan Program – JHBMC, JHHS & JHCP
JHBMC, JHHS and JHCP entered into loan agreements by borrowing through draws from the $175.0 million MHHEFA Revenue Bonds, Pooled Loan Program Issue, Series 1985A and Series 1985B. The debt bears interest at a variable rate. The interest rate in effect for the years ended June 30, 2011 and 2010 was 1.00% and 0.80%, respectively. The JHBMC and JHHS loans are due June 30, 2013. The JHCP loan is payable in monthly installments through May 15, 2026, and is guaranteed by JHBMC.

1990 Series – Revenue Bonds – JHH
Portions of the Series 1990 Revenue Bonds have been advance refunded by the 1993 Series – Refunding Revenue Bonds.

The bonds outstanding consist of Capital Appreciation Bonds which pay non-current interest until maturity. Interest on the Capital Appreciation Bonds accrues from the date of delivery, is compounded semi-annually on each July 1, and January 1, and is to be paid at maturity or redemption. Serial Capital Appreciation Bonds of $40.8 million and $47.3 million as of June 30, 2011 and 2010, respectively, bearing interest at rates ranging from 7.25% to 7.35% per annum, are due each July 1 in the amount of $9.4 million from 2011 to 2015. Term Capital Appreciation Bonds of $23.4 million and $21.8 million as of June 30, 2011 and 2010, respectively, are due July

1, 2019 and bear interest, compounded semi-annually at a rate of 7.40%. Annual sinking fund installments for the Term Capital Appreciation Bonds are $9.4 million from July 1, 2016 to July 1, 2019.

1996 Series – Revenue Bonds – SMH
In October 1996, SMH obtained a loan in the amount of $30.0 million representing proceeds of tax-exempt Revenue Bonds issued by the District of Columbia, maturing November 1, 2016. SMH is required to make monthly principal payments of $125 thousand plus accrued interest at a rate of 6.22% per annum.

1998 Series – Revenue Bonds – HCGH
In June 1998, Howard County Acquisition Corporation (now known as HCGH) borrowed $133.9 million through the issuance by MHHEFA of its 1998 Johns Hopkins Medicine Howard County General Hospital Series Revenue Bonds with stated interest rates ranging from 4.15% to 5.00%. Annual principal payments totaling $8.8 million as of June 30, 2011, ranging from $2.8 million to $3.1 million, are due July 1 of each year until 2013. The bonds include three series of term bonds - $21.9 million due July 1, 2019, $54.3 million due July 1, 2029, and $30.3 million due July 1, 2033. The annual sinking fund payments on these term bonds range from $3.2 million on July 1, 2014 to $8.1 million on July 1, 2033. JHH and the University have each guaranteed 4.5% of the aggregate principal amount of the 1998 Bonds together with accrued interest limited to the regularly scheduled payments of principal and interest at an annual amount of $385 thousand each. The bond discount is being amortized on a straight-line basis over the term of the bonds.

2001 Series – Revenue Bonds – JHH
The outstanding 2001 bonds consist of Serial Bonds of $14.6 million and $17.2 million as of June 30, 2011 and 2010, respectively, bearing interest at rates ranging from 4.06% to 5.00%. The remaining 2001 bonds are Term Bonds amounting to $67.5 million. These bonds pay interest semi-annually at a rate of 5.0%. Annual sinking fund installments begin May 15, 2017, ranging from $3.1 million to $7.0 million. The bond discount is being amortized on a straight-line basis over the term of the bonds.

2002 Series – Revenue Bonds – SMH
In July 2002, SMH obtained a loan in the amount of $40.0 million representing proceeds of tax-exempt Revenue Bonds issued through a private placement offering by the District of Columbia, maturing August 1, 2032. The loan requires monthly payments of $277 thousand including principal and accrued interest at an effective interest rate of 5.19% per annum.

2002 Series – Revenue Bonds – ACH
In December 2002, ACH obtained a loan in the amount of $35.0 million representing proceeds of tax-exempt Revenue Bonds issued through the City of St. Petersburg Health Facilities Authority. The loan requires annual principal payments ranging from $1.6 million to $2.7 million through 2021, plus semi-annual interest payments at fixed rates ranging from 3.4% to 5.5%.

2004 Series A and B – Revenue Bonds – SHI
In June 2004, SHI issued $72.4 million principal amount of Revenue Bonds, Series 2004 A and B. The proceeds of the bonds were used to advance refund the remaining balance of the Series 1993 bonds. The 2004A bonds consist of $7.6 million of Serial bonds due in annual installments beginning July 1, 2005 at interest rates between 4.40% and 5.5%, and $8.2 million Term bonds due on July 1, 2016 at a rate of 5.5%. Interest is payable semiannually on January 1 and July 1 of each year on the fixed rate Series 2004A bonds. The bond premium is being amortized over the term of the remaining 2004A bonds. The Series 2004B bonds were fully repaid during 2009 with the proceeds of the SHI 2008 Series Revenue Bonds.

2004 Commercial Paper Revenue Notes – Series A – JHH
The Series A Notes pay interest as the notes mature at a variable rate based on the commercial paper sold by a designated re-marketing agent for terms ranging from 1 to 270 days. The rates for the years ended June 30, 2011 and 2010 were approximately 0.31% and 0.33%, respectively.

In connection with the 2004 Commercial Paper Revenue Notes – Series A, JHH entered into a $75.2 million line of credit agreement dated February 9, 2004 with the Bank of America to provide for payment of such commercial paper at maturity, subject to certain conditions described therein. This agreement expires on October 31, 2011. In connection with the expiration of this line of credit, JHH plans to refinance this commercial paper series through a competitive bid process with a direct bank placement of a tax-exempt floating rate note. Accordingly, $53.5 million of these commercial paper notes have been reclassified as short-term on the June 30, 2011 Balance Sheet.

Amounts advanced under the line of credit agreement bear interest at a variable rate based upon the overnight Federal funds rate plus 0.30% for the first 90 days outstanding and at a prime rate plus 2.00% thereafter. The advances are repayable on the earliest of the date that is 360 days from the date of such advance, the date of termination, the date of receipts by JHH of the proceeds of any subsequent issuances of notes and the final date. No amounts were outstanding as of June 30, 2011 or 2010.

2004 Commercial Paper Revenue Notes – Series B – JHBMC
The Series B Notes pay interest as the notes mature at a variable rate based on the commercial paper sold by a designated re-marketing agent for terms ranging from 1 to 270 days. The rates for the years ended June 30, 2011 and 2010 were approximately 0.24% and 0.34%, respectively. Annual payments of principal began July 1, 2004 and range in amounts from $425 thousand on July 1, 2004 to $8.3 million on July 1, 2025.

In connection with the 2004 Commercial Paper Revenue Notes – Series B, JHBMC entered into an $89.6 million line of credit agreement with Wachovia Bank, National Association to provide for payment of such commercial paper at maturity, subject to certain conditions described therein. This agreement expires on October 31, 2016 subject to extension or earlier termination.

Amounts advanced under the line of credit agreement bear interest at a variable rate based upon the overnight Federal funds rate plus .30% for the first 90 days outstanding and at a prime rate plus 2% thereafter. The advances are repayable on the earliest of the date that is 360 days from the date of such advance, the date of termination, or the date of receipts by JHBMC of the proceeds of any subsequent issuances of notes and the final date. No amounts were outstanding as of June 30, 2011 or 2010.

2004 Commercial Paper Revenue Notes – Series C – JHH
The Series C Notes pay interest as the notes mature at a variable rate based on the commercial paper sold by a designated re-marketing agent for terms ranging from 1 to 270 days. The rate for the year ended June 30, 2011 and 2010 was approximately 0.46% and 0.66%, respectively.

In connection with the 2004 Commercial Paper Revenue Series C, JHH entered into a $60.0 million line of credit agreement dated March 1, 2004 with SunTrust Bank to provide for payment of such commercial paper at maturity subject to certain conditions described therein. This agreement expires on November 1, 2012, subject to extension or earlier termination.

Amounts advanced under the line of credit agreement bear interest at a variable rate based upon the higher of the prime rate and the Federal funds rate plus 0.50% for the first 60 days outstanding and the higher of these two rates plus 2.00% thereafter. The advances are repayable on the earliest of the date that is 360 days from the date of receipt by JHH of the proceeds of subsequent issuances of notes and the final date. No amounts were outstanding as of June 30, 2011 or 2010.

2005 Series – Revenue Bonds – ACH
In April 2005, ACH obtained a loan in the amount of $140.0 million representing proceeds of tax-exempt Revenue Bonds issued through the City of St. Petersburg Health Facilities Authority. The loan requires annual principal payments ranging from $1.5 million to $8.0 million through 2034, plus interest at a weekly rate paid monthly. The rate for the three months ended June 30, 2011 was 0.19%. In connection with the revenue bonds, ACH entered into a direct-pay letter of credit to provide payment on the revenue bonds. The agreement expires July 1, 2012, subject to extension or early termination.

2007 Commercial Paper Revenue Notes – Series D – JHH
The Series D Notes pay interest monthly at a variable rate based on the commercial paper sold by a designated re-marketing agent for terms ranging from 1 to 270 days. The rates for the years ended June 30, 2011 and 2010 were approximately 0.43% and 0.66%, respectively.

In connection with the 2007 Commercial Paper Revenue Series D, JHH entered into a $40.0 million line of credit agreement dated November 1, 2007 with SunTrust Bank to provide for payment of such commercial paper at maturity subject to certain conditions described therein. This agreement expires on November 1, 2012 subject to extension or earlier termination.

Amounts advanced under the line of credit agreement bear interest at a variable rate based upon the higher of the prime rate and the Federal funds rate plus 0.50% for the first 60 days outstanding and the higher of these two rates plus 2.00% thereafter. The advances are repayable on the earliest date that is 360 days from the date of such advance, the date of termination, the date of receipts by JHH of proceeds of any subsequent issuances of notes or the final date. No amounts were outstanding as of June 30, 2011 or 2010.

2007 Series – Revenue Refunding Bonds – ACH
In October 2007, ACH obtained a loan in the amount of $92.2 million representing proceeds of tax-exempt Revenue Bonds issued through the City of St. Petersburg Health Facilities Authority. A portion of the bonds were used to advance refund $30.0 million of the 2005 Series Revenue Bonds. The loan requires annual principal payments ranging from $650 thousand to $1.8 million through 2034, plus interest at a weekly rate paid monthly. The rate for the three months ended June 30, 2011 was 1.063%. The bonds are insured by a financial guaranty insurance policy.

2008 Commercial Paper Revenue Notes – Series E and Series F – JHH
In April 2008, JHH issued $84.1 million and $84.6 million 2008 Commercial Paper Revenue Notes Series E and Series F, respectively. This debt was issued to retire the 2007 Series A and Series B Revenue Bonds. The Notes are due May 15, 2038 and pay interest as they mature at a variable rate based on the commercial paper sold by a designated remarketing agent for terms ranging from 1 to 270 days. The interest rates for the year ended June 30, 2011 were approximately 0.28% and 0.29% for the Series E and Series F notes, respectively. The interest rates for the year ended June 30, 2010 were approximately 0.32% and 0.33% for the Series E and Series F notes, respectively.

In connection with the 2008 Commercial Paper Revenue Notes Series E and Series F, JHH entered into a $170.5 million letter of credit agreement dated April 1, 2008 with Bank of America, National Association equal to the principal amount of the Notes plus thirty-four days of interest at the maximum rate of 12.0%. This agreement expires on June 30, 2015, subject to extension or earlier termination.

Amounts advanced under the line of credit agreements bear interest at the prime rate for the first 90 days outstanding and the prime rate plus 1.00% thereafter. The advances are repayable on the earliest date that is 366 days from the date of the advance or the date of receipt by JHH of proceeds of subsequent issuances of notes in excess of the principal of notes maturing or the expiration date. No amounts were outstanding as of June 30, 2011 or 2010.

2008 Variable Rate Demand Bonds – Series A – JHBMC
The Variable Rate Demand Bonds - Series A pay interest monthly at a variable rate based on the bonds sold by a designated re-marketing agent on a weekly basis. The rates for the years ended June 30, 2011 and 2010 were approximately 0.12% and 0.25%, respectively. Annual payments of principal will begin May 15, 2009 and range in amount from $210 thousand on May 15, 2009 to $915 thousand on May 15, 2027.

In connection with the 2008 Variable Rate Demand Bonds - Series A, JHBMC entered into a $12.2 million letter of credit agreement (367 day repayment terms) with PNC Bank, National Association to provide for payment of such bonds at maturity, subject to certain conditions described therein. This agreement expires on April 23, 2013 subject to extension or earlier termination. The cost of the letter of credit is 0.40% per annum. There have been no amounts drawn on the letter of credit as of June 30, 2011 or 2010.

2008 Series-Revenue Bonds – HCGH
In May 2008, HCGH borrowed $40.0 million through the issuance by MHHEFA of its 2008 Series Revenue Bonds (“2008 Bonds”) to finance the expansion, renovation and equipping of HCGH’s acute care hospital. The 2008 Bonds are due July 1, 2046, and bear interest at a weekly rate and pay interest monthly. The rates for the years ended June 30, 2011 and 2010 were approximately 0.23% and 0.23%, respectively. Annual sinking fund installments begin July 1, 2034, ranging from $2.3 million to $3.9 million. The 2008 Bonds are collateralized by a pledge of the receipts of HCGH and guaranteed by the JHHS Obligated Group.

In connection with the 2008 Bonds, HCGH entered into a $40.5 million direct-pay letter of credit agreement with PNC Bank, National Association to provide for the payment of principal and interest on the 2008 Bonds. This agreement includes the principal amount of the debt plus 42 days of interest at the maximum rate of 10%, and expires on May 8, 2013, subject to extension or earlier termination. The advances are repayable on the earliest of the date that is 367 days from the date of such advance, the date of termination, the date of receipts by HCGH of the proceeds of any subsequent issuances of notes and the final due date. There have been no amounts drawn on the letter of credit as of June 30, 2011 or 2010.

2008 Series Revenue Bonds – JHH
In June 2008 JHH issued $144.7 million of Revenue Bonds to finance construction of two new clinical care buildings. The bonds are term bonds that were sold in three tranches of approximately $48.2 million each that have final maturities in 2042, 2046 and 2048. The payment terms require sinking fund deposits that begin in 2036 in amounts of $2.3 million to $20.2 million in 2048. The interest rates on the bonds are based on initial term rate periods of three, five and seven years and currently range between 3.65% and 5.0%. Interest is payable semi-annually. At the end of these initial periods the bonds are subject to mandatory purchase by JHH. The first tranche of term bonds are required to be purchased by JHH on November 1, 2011. Accordingly, $48.2 million of debt has been reclassified to current on the June 30, 2011 Balance Sheet. JHH

has the option at the end of each term period to change the length of the term periods or extend the fixed rate period to the final maturity of the bonds. JHH also has the right to retire the bonds at par value at the end of each term period. JHH plans to refinance the first tranche of term bonds through a tax-exempt floating rate note issuance. The bonds were sold at a premium of $5.3 million which is being accounted for using the bond outstanding method.

2008 Series Revenue Bonds – SHI
In November 2008, SHI issued $58.5 million principal amount of MHHEFA Revenue Bonds, Series 2008. The bonds are due in annual installments beginning July 1, 2009 and bear interest at a daily rate, weekly rate, commercial paper rates, or long term rate as selected by the issuer and payable at varying periods depending on the interest rate type. The rates for the years ended June 30, 2011 and 2010 were approximately 0.08% and 0.25%, respectively. Annual sinking fund installments began July 1, 2009 and range from $1.4 million to $6.2 million. The proceeds of the bonds were used to advance refund the remaining balance of the SHI Series 2004B bonds and to finance or refinance the acquisition, construction, renovations or equipping of healthcare facilities.

2008 Series Revenue Bonds – SMH
In July 2009, SMH obtained a loan in the amount of $63.0 million representing proceeds of tax-exempt Revenue Bonds issued through a public offering by the District of Columbia, with stated interest rates ranging from 4.0% to 6.5%, maturing October 1, 2039. The loan requires semi-annual interest payments until October 1, 2013, at which time SMH will begin making annual principal payments ranging from $1.0 million to $4.6 million until maturity.

2009 Series – Revenue Refunding Bonds – ACH
In April 2009, ACH obtained a loan in the amount of $64.4 million representing proceeds of tax-exempt Revenue Bonds issued through the City of St. Petersburg Health Facilities Authority. The loan requires annual principal payments ranging from $230 thousand to $13.3 million through 2039, plus semi-annual interest payments at fixed rates ranging from 3.0% to 6.5%.

2010 Series Revenue Bonds – JHH
In June 2010, JHH issued $148.2 million of Revenue Bonds to further finance construction of the two new clinical buildings. $29.8 million of the bonds are serial bonds that mature in 2031 through 2035 and pay interest semi-annually at rates ranging from 4.38% to 4.63%. The remaining 2010 Bonds are Term Bonds amounting to $118.4 million paying interest semi-annually at a rate of 5.0% and maturing in 2040. The payment terms for the Term Bonds require sinking fund deposits in 2036 through 2040 in amounts ranging from $21.0 million to $26.3 million. The Serial Bonds were sold at a discount of $500 thousand and the Term Bonds were sold at a premium of $2.3 million both of which are being accounted for using the bond outstanding method.

Johns Hopkins Endowment Loan – JHHS
JHHS has a $6.1 million loan from The Johns Hopkins Endowment Fund, Incorporated (“Endowment Corporation”). The proceeds of this loan were used for the renovation of the Pavilions II building at Green Spring Station. The loan is payable in monthly installments beginning July 1, 1998 and bears an interest rate of 6%. The amount outstanding on the loan was $3.3 million and $3.3 million as of June 30, 2011 and 2010, respectively.

For the debt of JHHS and Affiliates, total maturities of debt and sinking fund requirements, excluding capital leases, during the next five fiscal years and thereafter are as follows as of June 30, 2011 (in thousands):

2012	$ 143,948
2013	81,165
2014	45,740
2015	93,797
2016	47,541
Thereafter	1,015,406
	$1,427,597

For the debt of JHHS and Affiliates described above, interest costs incurred, paid and capitalized in the years ended June 30 are as follows (in thousands):

	2011	2010
Net interest costs:		
Capitalized	$ 18,332	$ 8,921
Expensed	49,932	46,970
Allocated to others	64	64
	$ 68,328	$ 55,955
Interest costs paid	$ 62,033	$ 49,935

Capital Leases

On November 2, 1999, SHHS entered into a lease agreement with an unrelated party for the lease of real property. The leased property consists of land and a building, located in north Bethesda, Maryland, which is known as the Suburban Outpatient Medical Center ("SOMC"). The lease term began on August 1, 2001 and will continue through December 31, 2026. The base rent escalates 2.25% per year, in accordance with the lease agreement. The lease contains four optional renewal periods for five years each.

The SOMC lease has been recorded as a capital lease, as the SOMC lease agreement satisfies the requirements for capitalization under accounting principles generally accepted in the United States. Accordingly, the leased property of $36.8 million is reflected in property, plant and equipment as of June 30, 2011 and 2010. Accumulated depreciation on the SOMC asset was $14.0 million and $12.5 million as of June 30, 2011 and 2010, respectively.

Depreciation expense on these assets is included within depreciation expense in the Combined Statements of Operations and Changes in Net Assets.

The future minimum lease payments required under JHHS capital leases are as follows as of June 30, 2011 (in thousands):

		Capital Lease Payments
2012	$	4,510
2013		4,593
2014		4,679
2015		4,365
2016		4,069
2017 and thereafter		48,652
Minimum lease payments		70,868
Interest on capital lease obligations		(34,407)
Net minimum payments		36,461
Current portion of capital lease obligation		(650)
Capital lease obligation, less current	$	35,811

9. Derivative Financial Instruments

JHHS' primary objective for holding derivative financial instruments is to manage interest rate risk. Derivative financial instruments are recorded at fair value and are included in other long-term liabilities. The total notional amount of interest rate swap agreements was $785.0 million and $690.9 million as of June 30, 2011 and 2010, respectively.

JHHS follows accounting guidance on derivative financial instruments that is based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. The criteria for designating a derivative as a hedge include the assessment of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction, and the assessment of the probability that the underlying transaction will occur. All of JHHS' derivative financial instruments are interest rate swap agreements without hedge accounting designation.

The value of interest rate swap agreements entered into by JHHS are adjusted to market value monthly at the close of each accounting period based upon quotations from market makers. Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayment, market and documentation risk in excess of the amounts recognized on the Combined Balance Sheets. Such risks involve the possibility that there will be no liquid market for these agreements, the counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates. JHHS does not hold derivative instruments for the purpose of managing credit risk and limits the amount of credit exposure to any one counterparty and enters into derivative transactions with high quality counterparties. JHHS recognizes gains and losses from changes in fair values of interest rate swap agreements as a non-operating revenue or expense within excess of revenues over expenses on the Combined Statements of Operations and Changes in Net Assets.

Each swap agreement has certain collateral thresholds whereby, on a daily basis, if the market value of the swap agreement declines such that its devaluation exceeds the threshold, cash must be deposited by JHHS with the swap counterparty for the difference between the threshold amount and the fair value. As of June 30, 2011 and 2010, the amount of required collateral was $54.4 million and $65.3 million, respectively. The collateral is included in other long-term assets on the Combined Balance Sheets.

Fair value of derivative instruments as of June 30 (in thousands):

	Derivatives reported as liabilities			
	2011		2010	
	Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Interest rate swaps not designated as hedging instruments	Other long-term liabilities	$ 136,750	Other long-term liabilities	$ 149,243

Derivatives not designated as hedging instruments as of June 30 (in thousands):

Classification of derivative loss in Statement of Operations	Amount of loss recognized in change in unrestricted net assets	
	2011	2010
Interest rate swaps:		
Non-operating expense	$ 26,002	$ (39,549)

The following is a description of JHHS' interest rate swap agreements:

In January 2004, JHH entered into a fixed payor interest swap with J.P. Morgan. The notional amount on this swap agreement was $54.6 million and $56.1 million as of June 30, 2011 and 2010, respectively. JHH will pay J.P. Morgan a fixed annual rate of 3.329% on the outstanding loan value of the 2004 Series A Notes in return for the receipt of a floating rate of interest equal to 67% of the one month LIBOR rate. The floating rate payments from this interest rate swap agreement are intended to substantially offset the floating rate of the 2004 Series A Notes. The floating rates as of June 30, 2011 and 2010 were 0.13% and 0.23%, respectively.

In January 2004, JHBMC entered into a fixed payor interest rate swap agreement with Bank of America. The notional amount on this swap agreement was $86.0 million and $89.6 million as of June 30, 2011 and 2010, respectively. JHBMC will pay Bank of America a fixed annual rate of 3.3265% on the outstanding loan value of the 2004 Series B Notes in return for the receipt of a floating rate of interest equal to 67% of the one month LIBOR rate. The floating rate payments from this interest rate swap agreement are intended to substantially offset the floating rate of the 2004 Series B Notes. The floating rates as of June 30, 2011 and 2010 were 0.33% and 0.23%, respectively.

In May 2004, SHI entered into a fixed payor interest rate swap agreement with J.P. Morgan in connection with the issuance of Series 2004B tax-exempt floating rate securities with a notional amount of $25.0 million. This swap agreement carries a term of 17 years with payments beginning July 1, 2004. SHI will pay J.P. Morgan a fixed annual rate of 3.919% on the notional amount of the swap agreement in return for the receipt of a floating rate of interest equal to 68% of the one month LIBOR rate. The floating rate payments from the interest rate swap agreements are intended to substantially offset the floating rate of the debt issue. The floating rates as of June 30, 2011 and 2010 were 0.08% and 0.24%, respectively.

In May 2005, ACH entered into two fixed payor interest rate swap agreements. The first swap agreement with the Royal Bank of Canada ("RBC") had a notional amount of $14.7 million as of June 30, 2011. The second swap agreement with Citibank, N.A. ("Citibank"), had a notional amount of $24.6 million as of June 30, 2011. Payments under these swap agreements began May 1, 2005. These agreements carry a term of 29 years. ACH will pay RBC and Citibank a fixed annual rate of 3.6235% on the notional amount of the swap agreements in return for the receipt of a floating rate of interest equal to 62.2% of the one-month LIBOR plus 0.27%. The floating rate as of June 30, 2011 was 0.40% under these swap agreements.

In April 2006, JHH entered into two fixed payor interest rate swap agreements with Goldman Sachs Capital Markets, L.P. ("GSCM"). The notional amount on these swap agreements is $150.0 million each. Payments under the first of the swap agreements began May 1, 2007 and payments under the second agreement began May 1, 2008. These agreements carry a term of 32 years. JHH will pay GSCM a fixed annual rate of 3.911% on the notional amount of the swap agreement in return for the receipt of a floating rate of interest equal to 67% of the one-month LIBOR rate. Under the second swap agreement, JHH will pay GSCM a fixed annual rate of 3.922% on the notional amount of the swap agreement in return for the receipt of a floating rate of interest equal to 67% of the one-month LIBOR rate. The floating rates as of June 30, 2011 and 2010 were 0.13% and 0.23%, respectively.

In May 2006, HCGH entered into a forward start fixed payor interest rate swap agreement with GSCM in connection with a future issue of tax-exempt floating rate securities. The notional amount on this swap agreement is $40.0 million. Payments began June 1, 2007 and carry a term of 32 years. HCGH will pay GSCM a fixed annual rate of 3.946% on the notional amount of the swap agreement in return for the receipt of a floating rate of interest equal to 67% of the one month LIBOR rate. The floating rate payments from the interest rate swap agreement are intended to substantially offset the floating rate of the debt issue. JHHS has guaranteed the prompt payment of this interest rate swap agreement. The floating rates as of June 30, 2011 and 2010 were 0.13% and 0.23%, respectively.

In July 2007, JHH entered into two fixed payor interest rate swap agreements. One with GSCM in a notional amount of $84.1 million and another with Merrill Lynch Capital Services ("MLCS") in a notional amount of $84.6 million. JHH will pay GSCM a fixed annual rate of 3.819% and will pay MLCS a fixed annual rate of 3.8091% on the outstanding loan values in return for the receipt of a floating rate of interest equal to 67% of the one-month LIBOR rate. The floating rate payment from these interest rate swap agreements are intended to substantially offset the floating rate of the 2008 Commercial Paper Notes Series E and Series F. The floating rates as of June 30, 2011 and 2010 were 0.13% and 0.23%, respectively.

In July 2007, JHBMC entered into a forward start fixed payor interest rate swap agreement with GSCM in connection with a future issue of tax-exempt floating rate securities with a notional amount of $11.1 million. This swap agreement carries a term of 19.5 years with payments beginning November 15, 2007. JHBMC will pay Goldman Sachs & Co. a fixed annual rate of 3.691% on the notional amount of the swap agreement in return for the receipt of a floating rate of interest equal to 67% of the one month LIBOR rate. The floating rate payments from the interest rate swap agreements are intended to substantially offset the floating rate of the debt issue. The floating rates as of June 30, 2011 and 2010 were 0.11% and 0.23%, respectively.

In October 2007, ACH entered into a fixed payor interest rate swap agreement with Citibank with a notional amount of $60.0 million as of June 30, 2011. Payments under this swap agreement began October 1, 2007. This agreement carries a term of 40 years. ACH will pay Citibank a fixed annual rate of 3.8505% on the notional amount of the swap agreement in return for the receipt of a floating rate of interest equal to 61.8% of the one-month LIBOR plus 0.25%. The floating rate as of June 30, 2011 was 0.38% under this swap agreement.

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30 (in thousands) are restricted to:

	2011	2010
Purchase of property, plant, and equipment	$ 480,522	$ 403,627
Health care services	106,236	22,584
Health education and counseling	5,624	1,079
Indigent care	1,256	1,151
	$ 593,638	$ 428,441

Permanently restricted net assets as of June 30 (in thousands) are restricted to:

	2011	2010
Health care services	$ 39,478	$ 12,196
Health education and counseling	11,132	5,081
	$ 50,610	$ 17,277

The JHHS endowments do not include amounts designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the JHHS has interpreted UPMIFA in the State of Maryland, the State of Florida, and the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the JHHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

11. Pension Plans

The Affiliates sponsor a variety of defined benefit pension plans (the "Plans") covering substantially all of their employees. The retirement income benefits are based on a combination of years of service and compensation at various points of service. The FASB's guidance on employer's accounting for defined benefit pension and other postretirement plans requires that the funded status of defined benefit postretirement plans be recognized on JHHS' Combined Balance Sheets, and changes in the funded status be reflected as a change in net assets.

The funding policy of all Affiliates is to make sufficient contributions to meet the Internal Revenue Service minimum funding requirements. Assets in the plans as of June 30, 2011 and 2010 consisted of cash and cash equivalents, listed stocks, corporate bonds, government securities, and alternative investments. All assets are managed by external investment managers, consistent with the plan's investment policy.

The change in benefit obligation, plan assets, and funded status of the Plans is shown below (in thousands):

	2011	2010
Change in benefit obligation		
Benefit obligation as of beginning of year	$ 946,311	$ 774,477
SMH benefit obligation as of 11/1/10	81,614	-
Service cost	41,938	36,958
Interest cost	58,939	53,811
Actuarial loss (gain)	20,526	104,631
Benefits paid	(28,555)	(23,566)
Benefit obligation as of June 30	$ 1,120,773	$ 946,311
Change in plan assets		
Fair value of plan assets as of beginning of year	$ 603,049	$ 513,384
SMH fair value of plan assets as of 11/1/10	66,159	-
Actual return on plan assets	112,611	72,028
Employer contribution	59,363	41,683
Benefits paid	(29,112)	(24,046)
Fair value of plan assets as of June 30	$ 812,070	$ 603,049
Funded Status as of June 30		
Fair value of plan assets	$ 812,070	$ 603,049
Projected benefit obligation	(1,120,773)	(946,311)
Funded status	$ (308,703)	$ (343,262)

Amounts recognized in the Combined Balance Sheets consist of (in thousands):

Amounts recognized on balance sheets	2011	2010
Net pension asset	$ 2,742	$ -
Net pension liability	(311,445)	(343,262)
Net amount recognized	$ (308,703)	$ (343,262)

Amounts not yet recognized in net periodic benefit cost and included in unrestricted net assets consist of (in thousands):

Amounts not yet recognized	2011	2010
Actuarial net loss	$ 367,755	$ 434,387
Prior service cost	4,712	6,715
	$ 372,467	$ 441,102
Accumulated benefit obligation	$ 982,262	$ 815,312

Net Periodic Pension Cost
Components of net periodic pension cost (in thousands):

Net periodic pension cost	2011	2010
Service cost	$ 41,938	$ 36,958
Interest cost	58,939	53,811
Expected return on plan assets	(59,341)	(56,600)
Amortization of prior service cost	2,003	2,003
Recognized net actuarial loss	33,902	16,870
Net periodic pension cost	$ 77,441	$ 53,042

The actuarial net loss and prior service cost for the defined benefit plans that will be amortized from unrestricted net assets into net periodic pension cost in 2012 are $36.1 million and $1.8 million, respectively.

The assumptions used in determining net periodic pension cost for all plans except the SHI and SMH plans are as follows for the years ended June 30:

	2011	2010
Discount rate	6.04%	7.10%
Expected return on plan assets	8.25%	8.25%
Rate of compensation increase	2.00% - 3.00% (1)	3.00% - 4.00% (2)

The assumptions used in determining net periodic pension cost for the SHI plan are as follows for the years ended June 30:

	2011	**2010**
Discount rate	6.04%	6.50%
Expected return on plan assets	8.25%	8.25%
Rate of compensation increase	2.00% - 3.00% (1)	4.00%

(1) The rate of compensation increase was 2.00% for July 1, 2011, 2.50% for July 1, 2012, and 3.00% thereafter.
(2) The rate of compensation increase was 3.00% for July 1, 2010, and 4.00% thereafter.

The SMH plan utilized a discount rate of 6.00%, and an expected rate of return on assets of 8.00% for the eight months ended June 30, 2011, due to the nature of the plan being frozen and management's future expectations surrounding this plan.

The assumptions used in determining the benefit obligations for all plans except the SMH plan are as follows as of July 1:

	2011	**2010**
Discount rate	6.03%	6.04%
Expected return on plan assets	8.25%	8.25%
Rate of compensation increase	2.50% - 3.00% (3)	2.00% - 3.00% (4)

(3) The rate of compensation increase was 2.50% for July 1, 2011, and 3.00% thereafter.
(4) The rate of compensation increase was 2.00% for July 1, 2011, 2.50% for July 1, 2012, and 3.00% thereafter.

The SMH plan utilized a discount rate of 5.25%, and an expected rate of return on assets of 7.50% as of June 30, 2011, due to the nature of the plan being frozen and management's future expectations surrounding this plan.

The expected rate of return on plan assets assumption, excluding SMH, was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future conditions.

Plan Assets

Pension plan weighted average asset allocations as of June 30 by asset category are as follows:

Asset Category	**2011**	**2010**
Cash and cash equivalents	4.88%	4.90%
Equities and equity funds	36.65%	37.62%
Fixed income funds	18.00%	18.16%
Alternative investments	40.47%	39.32%
Total	100.00%	100.00%

The Plans assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with JHHS' risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management style(s), providing a broad exposure to different segments of the fixed income and equity markets. The Plans strive to allocate assets between equity securities (including global asset allocation) and debt securities at a target rate of approximately 75% and 25%, respectively.

Fair Value of Plan Assets
Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2 – Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions.

The following table presents the plan assets carried at fair value as of June 30, 2011 grouped by hierarchy level (in thousands):

Assets	Total Fair Value	Level 1	Level 2
Cash equivalents (1)	$ 39,589	$ -	$ 39,589
Equities and equity funds (2)	297,664	30,739	266,925
Fixed income funds (3)	146,167	106,814	39,353
Alternative investments (4)	328,650	-	328,650
Totals	$ 812,070	$ 137,553	$ 674,517

The following table presents the plan assets carried at fair value as of June 30, 2010 grouped by hierarchy level (in thousands):

Assets	Total Fair Value	Level 1	Level 2
Cash equivalents (1)	$ 29,535	$ 890	$ 28,645
Equities and equity funds (2)	226,891	46,132	180,759
Fixed income funds (3)	109,484	101,171	8,313
Alternative investments (4)	237,139	-	237,139
Totals	$ 603,049	$ 148,193	$ 454,856

(1) Cash equivalents include investments with original maturities of three months or less and overnight investments. Overnight investments are rendered level 1. Computed prices and frequent evaluation versus market value render the other investments level 2.

(2) Equities include individual equities. Equity funds include investments in mutual funds, commingled trusts and hedge funds. A small portion of the investments are lent out under securities lending. The ability to liquidate these funds is not limited except for the small percentage of each securities lending fund that is on loan. The individual equities and mutual funds are rendered level 1. The commingled trusts and hedge funds are valued regularly within each month utilizing NAV per unit and are rendered level 2.

(3) Fixed income funds are investments in mutual funds and commingled trusts investing in fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. The mutual funds are rendered level 1. The commingled trusts are valued regularly within each month utilizing NAV per unit and are rendered level 2.

(4) Alternative investments include investments that are not traded on national exchanges or over-the-counter markets. These investments are valued at net asset value per share that has been calculated in accordance with investment company rules, which among other things, indicates that the underlying investments be measured at fair value. This valuation technique coupled with short term redemption notice periods renders these investments level 2.

The Plans hold alternative investments that are not traded on national exchanges or over-the counter markets. The Plans are provided a net asset value per share for these alternative investments that has been calculated in accordance investment company rules, which among other requirements, indicates that the underlying investments be measured at fair value. There are no unfunded commitments related to the Plans' alternative investments. The following table displays information by major alternative investment category as of June 30, 2011 (in thousands):

Description	Fair Market Value	Liquidity	Notice Period	Receipt of Proceeds
Global asset allocation	$ 143,908	Monthly	5 to 30 days	Within 15 days, or 95% on redemption date and 5% on third business day
Fund of funds	102,622	Monthly, quarterly, or annually	30 to 65 days	Within 5 days, or 90% within 30 to 60 days, 10% after annual audit
Hedge funds	38,341	Monthly or Quarterly	30 to 65 days	90-95% within 30 days, 5-10% after 10 days or after annual audit
Credit funds	29,526	Annual	60 to 90 days	Within 30 days, or 90% within 10 days, 10% after annual audit
Distressed credit	14,253	December 31, 2013		

The following table displays information by major alternative investment category as of June 30, 2010 (in thousands):

Description	Fair Market Value	Liquidity	Notice Period	Receipt of Proceeds
Global asset allocation	$ 85,555	Monthly	5 days	15 days
Fund of funds	92,399	Mthly, qtrly, or annual	30 to 65 days	Within 5 to 30 days, or 90% within 30 to 60 days, 10% after annual audit
Hedge funds	13,311	Quarterly	30 days	Within 30 days, 5% after annual audit
Credit funds	25,343	Annual	30 to 90 days	Within 30 days, or 90% within 10 days, 10% after annual audit
Distressed credit	20,531	31-Dec-2013		

Contributions and Estimated Future Benefit Payments (unaudited)
JHHS expects to contribute $118.3 million to its pension plans in the fiscal year ending June 30, 2011.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the following fiscal years as of June 30, 2011 (in thousands):

2012	$ 39,214
2013	41,442
2014	46,007
2015	50,977
2016	54,858
2017 – 2021	362,473

HCGH also has a 401(k) savings plan available to all employees, which was amended during 1996. The revised plan provides that HCGH will contribute 1% to 2% of each employee's total compensation in addition to contributing from fifty cents to one dollar and fifty cents, based on years of service, for each dollar contributed by the employee. HCGH's contribution match basis is limited to 6% of the employee's total compensation. HCGH funded $2.9 million and $2.8 million for the years ended June 30, 2011 and 2010, respectively.

ACH participates in a defined contribution retirement plan of ACHS covering substantially all of its employees. Contributions are determined at the discretion of the Board of Directors of ACHS. Defined contribution plan expenses represent approximately 4.5% of eligible salaries for the three months ended June 30, 2011. Expenses recorded by ACH were approximately $1.5 million for three months ended June 30, 2011.

12. Maryland Health Services Cost Review Commission ("Commission" or "HSCRC")

JHH, JHBMC, HCGH, and SHI charges are subject to review and approval by the Commission. The Affiliates' management has filed the required forms with the Commission and believes the Affiliates are in compliance with Commission requirements. The total rate of reimbursement for services to patients under the Medicare and Medicaid programs is based on an agreement between the Center for Medicare and Medicaid Services and the Commission. Management believes that this program will remain in effect at least through June 30, 2012. Effective April 1, 1999, the Commission developed a methodology to control inpatient hospital charges and JHH, JHBMC, HCGH and SHI elected to be paid under the new methodology. The methodology established a charge per admission cap for each hospital. The hospital specific charge per admission is adjusted annually to reflect cost inflation, and is also adjusted for changes in the hospital's case mix index. Certain highly tertiary inpatient cases such as solid organ transplants, bone marrow transplants and certain oncology cases are treated as exclusions from the charge per case methodology.

In addition to the HSCRC annual rate update, JHH's management successfully negotiated a prospective rate setting agreement effective July 1, 2004 to provide annual rate increases through fiscal year 2010 for capital costs related to the planned east Baltimore campus redevelopment project. This capital cost rate increase is budgeted to increase JHH's annual approved rate base by approximately $39.3 million by fiscal year 2012 when the new hospital facilities are projected to open. JHH received a certificate of need ("CON") from the Maryland Health Care Commission. For this capital project, CON approval is a condition required by the HSCRC.

Effective July 1, 2008, the HSCRC developed a new methodology to establish a charge per visit (CPV) for certain types of outpatient services. The hospital specific charge per visit is adjusted annually to reflect cost inflation and is also adjusted for changes in case mix. This methodology is primarily focused on ambulatory surgery procedures, medical clinic visits and emergency room visits. Effective July 1, 2009, the CPV methodology was expanded to include other types of outpatient services including infusion procedures, therapies, mental health and major radiology procedures. Certain types of visits such as radiation therapy, psychiatric day hospital and certain types of recurring visits will be treated as exclusions under this methodology.

The Commission approves hospital rates on a departmental unit rate basis. Individual unit rates are the basis for hospital reimbursement for inpatient excluded cases and for hospital outpatient services. Under the Commission rate methodology, amounts collected for services to patients under the Medicare and Medicaid programs are computed at approximately 94% of Commission approved charges. Other payors are eligible to receive up to a 2.25% discount on prompt payment of claims.

13. Professional and General Liability Insurance

The University and JHHS and Affiliates participate in an agreement with four other medical institutions to provide a program of professional and general liability insurance for each member institution. As part of this program, the participating medical institutions have formed a risk retention group ("RRG") and a captive insurance company to provide self insurance for a portion of their risk.

JHH and the University each have a 10% ownership interest in the RRG and the captive insurance company, which is included in investments on the Combined Balance Sheets. The medical institutions obtain primary and excess liability insurance coverage from commercial insurers and the RRG. The primary coverage is written by the RRG, and a portion of the risk is reinsured with the captive insurance company. Commercial excess insurance and reinsurance is purchased under a claims-made policy by the participating institutions for claims in excess of primary coverage retained by the RRG and the captive. Primary retentions range between $1.0 million and $5.0 million per incident. Primary coverage is insured under a retrospectively rated claims-made policy; premiums are accrued based upon an estimate of the ultimate cost of the experience to date of each participating member institution. The basis for loss accruals for unreported claims under the primary policy is an actuarial estimate of asserted and unasserted claims including reported and unreported incidents and includes costs associated with settling claims. Projected losses were discounted using 1.2% and 2.0% as of June 30, 2011 and 2010, respectively.

SMH has established the Sibley Memorial Hospital Self-insurance Trust (the "Self-insurance Trust"), to accumulate the necessary funds for self-insured malpractice, general liability, and workers' compensation claims, should any occur. An independent trustee manages the Self-insurance Trust. SMH accrues the ultimate cost of asserted and unasserted claims in the year of occurrence using past experience, and other known information, in developing estimates. Of the total liability of $19.3 million, approximately $16.9 million represents the estimated malpractice liability, and $2.4 million represents the total workers' compensation liability as of June 30, 2011. The estimated malpractice liability has been discounted at 1.2% as of June 30, 2011. SMH carries an excess liability insurance policy with a limit of $10.0 million per claim and $10.0 million in the aggregate that covers amounts in excess of agreed upon deductibles.

Professional and general liability insurance expense incurred by JHHS and Affiliates was $37.8 million and $34.6 million for the years ended June 30, 2011 and 2010, respectively. Reserves were $101.0 million and $56.0 million as of June 30, 2011 and 2010, respectively.

14. Related Party Transactions

During the years ended June 30, 2011 and 2010, JHHS and its Affiliates engaged in various related party transactions. These transactions were not eliminated because these entities are not consolidated. There were no significant intercompany profits that were eliminated. The following is a summary of the significant related party transactions and balances for the year ended June 30:

Revenue/(expense) transactions (in thousands):

	2011	2010
Cost recoveries for fringe benefits and various support services from JHHCG	$ 13,807	$ 12,642
Security and management of housekeeping and parking garage services from BSI	19,365	19,020
Telecommunication services provided by JHMI Utilities	(27,661)	(26,540)

Due from/(to) related party balances as of June 30 (in thousands):

	2011	2010
Due to JHHCG	$ (499)	$ (1,013)
Due from (to) JHMI Utilities	(1,306)	529
Due (to) from JHI	(142)	(961)
Due from others	5,564	5,748

15. Contracts, Commitments and Contingencies

JHHS and Affiliates

JHHS has made an indirect guarantee with the University in connection with debt issued by the East Baltimore Development Inc. ("EBDI"). EBDI entered into two loan commitments for $15.0 million, and $3.9 million, respectively. In connection with the terms of the loan, the Annie E. Casey Foundation ("the Foundation") guaranteed the loans. To mitigate the risks associated with this guarantee, the Foundation solicited other guarantors. The University signed an agreement to participate and provide a guarantee to the Foundation for repayment up to 25% of the principal amount of the loans. The University guarantee was structured such that any payment that might be triggered by this guarantee is not due for 10 years from the initial close of the loans. In the event that the University would be called to fulfill its guarantee, there is reasonable likelihood that JHHS would share in 50% of any payments made by the University.

JHHS has agreements with the University, under which the University provides medical administration and educational services, conducts medical research programs, provides patient care medical services, and provides certain other administrative and technical support services through the physicians employed by The Johns Hopkins University School of Medicine ("JHUSOM"). Compensation for providing medical administration and educational services is paid to the University by JHHS; funding for services in conducting medical research is paid from grant funds and by JHHS; compensation for patient care medical care services is derived from billings to patients (or third-party payors) by the University; and compensation for other support services is paid to the University by JHHS.

The aggregate amount of purchased services incurred by JHHS under these agreements was $241.3 million and $233.4 million for the years ended June 30, 2011 and 2010, respectively.

JHHS has an agreement with the University under which the University recruits and pays interns and resident physicians who furnish services to JHHS on a rotating basis. Included in supplies and other expenses in the accompanying Combined Statements of Operations and Changes in Net Assets for services under this agreement is $5.2 million and $4.8 million for the years ended June 30, 2011 and 2010, respectively for physicians providing services on a rotating basis and $3.6 million for the years ended June 30, 2011 and 2010, for physicians providing services on a non-rotating basis.

JHHS provides departmental support for Chiefs of Service based on personal recruitment agreements between JHHS, JHUSOM and the respective Chief of Service. These commitments to the department are conditional to the extent the Chief of Service remains in the position. Future expected payments related to agreements currently in place were $3.1 million and $3.9 million as of June 30, 2011 and 2010, respectively.

JHHS is leasing space to the University for which payments totaled $3.4 million and $4.3 million for the year ended June 30, 2011 and 2010, respectively.

JHH had non-cancellable commitments under construction contracts of $238.2 million and $268.3 million as of June 30, 2011 and 2010, respectively, relating primarily to its campus redevelopment plan which includes the construction of a new Cardiovascular and Critical Care Adult Tower and a Children’s Hospital.

Commitments for leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2011, that have initial or remaining lease terms in excess of one year (in thousands).

2012	$ 18,967
2013	16,290
2014	14,310
2015	11,212
2016	10,087

Rental expense for all operating leases for the years ended June 30, 2011 and 2010 amounted to $34.5 million and $37.1 million, respectively.

Asset Retirement Obligations
During 2006, JHHS recorded asset retirement obligations associated with the abatement of asbestos in several of its buildings constructed prior to 1980. The fair value of the estimated asset retirement obligations as of June 30, 2011 and 2010 was $19.6 million and $18.0 million, respectively.

The change in asset retirement obligation for the years ended June 30 consisted of the following (in thousands):

	2011	2010
Retirement obligation at beginning of year	$ 17,970	$ 17,476
Addition of SMH asset retirment obligation	1,262	-
Liabilities settled	(220)	(90)
Accretion expense	604	584
Retirement obligation at end of year	$ 19,616	$ 17,970

The Johns Hopkins Hospital
In order to upgrade their management information systems and to purchase medical equipment, JHH authorized MHHEFA to issue $80.0 million in revenue bonds in 1999. MHHEFA uses the bond proceeds to purchase the management information systems and medical equipment from JHH. JHH has entered into a master lease pursuant to which MHHEFA leases each item to JHH in accordance with a schedule in the master lease. On each schedule JHH makes lease payments sufficient to pay the debt service of the bonds. The term of the leases is short-term, in the range of 5 to 7 years, due to the nature of the systems being financed. Upon expiration of each schedule, JHH has the option to extend the lease, purchase the project or return the project to MHHEFA. These leases meet the criteria of operating leases, and are therefore charged to operations as incurred. As funds become available with the payment of bond principal, JHH will request MHHEFA to add additional schedules to the master lease. As of June 30, 2011 and 2010, the principal on outstanding leases was $0.2 million and $2.8 million, respectively.

In 2005, JHH and the University created a Limited Liability Company (JHMI Utilities, LLC) to provide utility and telecommunication services for their East Baltimore Campus. Each member owns 50% of the LLC and shares equally in the governance of the LLC. The existing JHH utility assets have been transferred at cost to the LLC. The LLC has also assumed the liability for the JHH's 1985 Pooled Loan obligation of $8.4 million. The cost of acquiring and upgrading the existing utility facilities, the construction of a new power plant and an upgrade of the telecommunication system have been financed through the issuance of tax exempt bonds by MHHEFA and the proceeds of the Pooled Loan program sponsored by MHHEFA. JHH and the University have guaranteed the total debt issued by MHHEFA. As of June 30, 2011, the amount of the debt guarantee by JHH was $49.7 million.

JHH has pledged investments having an aggregate market value of $23.7 million as of June 30, 2011 for JHHS compliance with regulations of the Workers Compensation Commission and the Department of Economic and Employment Development's Unemployment Insurance Fund. These investments are included in assets whose use is limited by board of trustees in the Combined Balance Sheet.

Department of Defense Agreement - MSC
Commencing June 1, 1998, and renewed on June 1, 2003 and again on June 1, 2008, JHMSC entered into a contract with the Department of Defense to provide the TRICARE Prime benefit to eligible beneficiaries enrolled in the Johns Hopkins Uniformed Services Family Health Plan ("USFHP"). Under the USFHP contract, JHMSC provides services covered under the TRICARE Designated Provider Contract to enrollees for a monthly capitation fee. The current sole source commercial contract was awarded for an initial period commencing October 1, 2008 through September 30, 2009, with four on-year option periods to be exercised at the Government's discretion. Two of the option periods have been exercised and, accordingly, the current contract covers the initial period through September 30, 2011.

16. Functional Expenses

JHHS provides general health care services to residents within its geographic location as well as to national and international patients. Expenses related to providing these services for the years ended June 30 consisted of the following (in thousands):

	2011	2010
Health care services	$ 3,218,197	$ 2,796,199
General and administrative services	660,119	580,912
Fundraising	3,257	1,314
Total expenses	$ 3,881,573	$ 3,378,425

17. The Johns Hopkins Hospital Endowment Fund, Incorporated

The Endowment Corporation was organized for the purpose of holding and managing the endowment and certain other funds transferred from and for the benefit of JHHS. The affairs of the Endowment Corporation are managed by a Board of Trustees, comprised of Trustees who are self perpetuating. Neither JHHS nor any Affiliate holds legal title to any Endowment Corporation funds. The Board of Trustees may, in its discretion, award funds from the Endowment Corporation to organizations other than JHHS if the Board of Trustees determines that doing so is for the support, benefit of, or in furtherance of the mission of JHHS. Accordingly, these amounts are not presented in the combined financial statements of JHHS and its Affiliates until they are subsequently distributed to JHHS and its affiliates from the Endowment Corporation. The Endowment Corporation's net assets were $553.2 million and $466.1 million as of June 30, 2011 and 2010, respectively. The Endowment Corporation's distributions from net assets to JHHS and its affiliates were $10.3 million and $10.7 million for the years ended June 30, 2011 and 2010, respectively, and were recorded as other revenue.

18. Howard Hospital Foundation, Inc.

Funds for the benefit of HCGH are owned, held and managed by Howard Hospital Foundation, Inc. ("HHF"), a separate, not-for-profit Maryland corporation chartered in 1976. The affairs of HHF are managed by a Board of Trustees who are self-perpetuating. HCGH records an interest in net assets of HHF resulting from unrestricted, temporarily restricted and permanently restricted contributions that were solicited and held by HHF to be used exclusively for HCGH.

Interest in net assets of HHF of $14.4 million and $13.9 million as of June 30, 2011 and 2010, respectively, are presented within the assets whose use is limited on the Combined Balance Sheets of JHHS.

HHF assets consist of cash and cash equivalents of $874 thousand and $687 thousand, marketable securities of $7.8 million and $6.7 million, and other assets of $5.9 million and $6.8 million as of June 30, 2011 and 2010, respectively.

Liabilities of HHF were $163 thousand and $212 thousand and net assets were $14.4 million and $13.9 million as of June 30, 2011 and 2010, respectively. The change in net assets was $542 thousand and $688 thousand for the years ended June 30, 2011 and 2010, respectively.

19. Subsequent Events

JHHS has performed an evaluation of subsequent events through September 28, 2011, which is the date the financial statements were issued.

SUPPLEMENTARY COMBINING INFORMATION
AND COMBINING SUPPLEMENTARY OPINION

REPORT OF INDEPENDENT AUDITORS ON ACCOMPANYING COMBINING INFORMATION

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates

The report on our audits of the combined financial statements of The Johns Hopkins Health System Corporation and Affiliates ("JHHS") as of June 30, 2011 and 2010 and for the years then ended appears on page 1 of this document. Those audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and changes in net assets and cash flows of the individual entities. Accordingly, we do not express an opinion on the financial position, results of operations and changes in net assets and cash flows of the individual entities. However, the combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 28, 2011

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The Johns Hopkins Health System Corporation and Affiliates
Supplemental Combining Balance Sheet
June 30, 2011
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc.	Sibley Memorial Hospital	All Children's Hospital, Inc.	Johns Hopkins Community Physicians, Inc.	Johns Hopkins HealthCare LLC and Subsidiaries	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	All Children's Health System, Inc.	The Johns Hopkins Medical Services Corporation	Howard County Health Services, Inc.	Johns Hopkins Medical Management Corporation	Ophthalmology Associates, L.L.C.	Johns Hopkins Employer Health Programs, Inc.	HCGH OB/GYN Associates Series, LLC	Eliminations	Combined Johns Hopkins Health System Corporation and Affiliates
ASSETS																			
Current assets:																			
Cash and cash equivalents	$ 153,388	$ 31,727	$ 7,590	$ 19,061	$ 18,277	$ 73,343	$ 4,446	$ 42,942	$ 25,430	$ 897	$ 23,482	$ 936	$ -	$ 2,729	$ 1,715	$ 128	$ 626	$ -	$ 406,717
Short-term investments	89,230	6,865	937	200	8,914	1,029	-	19,171	-	-	1,110	-	-	-	-	-	-	-	127,456
Assets whose use is limited - used for curr liabs	9,370	-	5,677	4,144	7,742	-	-	-	-	-	-	-	-	-	-	-	-	-	26,933
Patient accounts receivables, net of estimated uncollectibles of $208,571	167,573	58,552	23,285	33,616	29,935	31,609	6,271	23,485	-	1,061	6,705	-	-	-	785	-	150	(3,532)	379,495
Due from others - current portion	21,302	9,839	1,195	2,370	3,627	-	346	12,539	841	317	2,232	615	-	1,505	-	644	-	-	57,372
Due from affiliates	2,876	3,152	-	229	-	7,115	353	22,445	16,424	29	-	3,560	-	481	16	869	4	(51,441)	6,112
Inventories of supplies	36,281	6,525	3,899	7,502	1,216	7,086	-	-	5,359	193	36	-	-	-	8	-	-	-	68,105
Prepaid expenses and other current assets	5,484	1,872	1,353	4,475	4,363	8,642	511	7,126	1,428	678	1,023	-	-	445	-	3	33	-	37,436
Total current assets	485,504	118,532	43,936	71,597	74,074	128,824	11,927	127,708	49,482	3,175	34,588	5,111	-	5,160	2,524	1,644	813	(54,973)	1,109,626
Assets whose use is limited																			
By long-term debt agreements for:																			
Debt service reserve funds	-	-	-	-	4,953	-	-	-	-	-	-	-	-	-	-	-	-	-	4,953
Construction fund	-	-	-	-	1,713	-	-	-	-	-	-	-	-	-	-	-	-	-	1,713
By donors or grantors for:																			
Future campus development	7,516	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,516
Pledges receivable	25,614	338	-	1,942	5,325	-	-	-	-	-	453	-	-	-	-	-	-	-	33,672
Other	-	10,627	-	20,943	29,664	-	-	-	-	-	14,760	-	-	-	-	-	-	-	75,994
By Board of Trustees	61,758	4,081	-	73,576	111,893	27,401	-	-	-	98,634	150	-	-	-	-	-	-	-	377,493
Malpractice funding arrangement	-	-	-	3,270	20,891	-	-	-	-	-	-	-	-	-	-	-	-	-	24,161
Interest in net assets of HHF/ACH	-	-	14,439	-	-	67,795	-	-	-	-	-	-	-	-	-	-	-	(67,795)	14,439
Other	6,549	808	135	2,901	-	-	-	100	8,282	163	-	-	-	-	-	-	-	-	18,938
Total assets whose use is limited	101,437	15,854	14,574	102,632	174,439	95,196	-	100	8,282	98,797	15,363	-	-	-	-	-	-	(67,795)	558,879
Investments	587,003	39,313	19,064	420	463,327	197,855	-	59,447	76,897	5,160	70,758	-	3,581	-	-	-	-	(21,361)	1,501,464
Property, plant and equipment	1,850,549	415,680	248,550	302,633	267,243	471,140	20,957	11,256	82,498	91,179	35,690	47,630	-	1,263	2,123	3	2,498	-	3,850,892
Less: allowance for depreciation and amort	(514,360)	(248,605)	(70,250)	(186,617)	(9,307)	(9,552)	(10,536)	(7,944)	(33,232)	(38,214)	(515)	(40,408)	-	(558)	(1,763)	(3)	(918)	-	(1,172,782)
Total property, plant and equipment, net	1,336,189	167,075	178,300	116,016	257,936	461,588	10,421	3,312	49,266	52,965	35,175	7,222	-	705	360	-	1,580	-	2,678,110
Due from affiliates, net of current portion	54,641	2,626	-	-	-	-	-	2,359	2,421	-	-	372	-	-	-	-	-	(60,337)	2,082
Due from others, net of current portion	-	5,796	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,796
Net pension asset	1,878	-	864	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,742
Other assets	4,648	473	4,907	2,800	2,727	11,670	-	24	54,768	2,941	1,281	-	-	1,326	-	-	1,056	-	88,621
Total assets	$ 2,571,300	$ 349,669	$ 261,645	$ 293,465	$ 972,503	$ 895,133	$ 22,348	$ 192,950	$ 241,116	$ 163,038	$ 157,165	$ 12,705	$ 3,581	$ 7,191	$ 2,884	$ 1,644	$ 3,449	$ (204,466)	$ 5,947,320
LIABILITIES AND NET ASSETS																			
Current liabilities:																			
Current portion of long-term debt and capital lease obligation	$ 124,995	$ 5,328	$ 2,800	$ 3,933	$ 2,407	$ 4,373	$ 36	$ -	$ 597	$ 129	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 144,598
Accounts payable and accrued liabilities	199,077	37,135	22,904	29,724	32,584	36,868	7,147	26,645	50,313	3,044	3,400	4,899	1	2,125	80	77	697	-	456,720
Medical claims reserve	-	-	-	-	-	-	-	91,462	-	-	-	-	-	-	-	-	-	(15,913)	75,549
Deferred revenue	-	-	-	-	-	-	-	242	-	-	-	-	-	-	-	-	-	-	242
Current portion of due to affiliates	8,782	2,821	727	448	38	-	5,946	9,470	2,692	9	7,115	1,802	-	1,566	148	1,567	469	(39,023)	4,577
Accrued vacation	16,755	5,796	5,852	6,953	8,772	6,887	-	-	7,025	158	-	-	-	-	-	-	-	-	58,198
Advances from third-party payors	66,903	17,134	8,595	8,406	-	8,547	-	-	-	-	-	-	-	-	-	-	-	-	109,585
Current portion of est malpractice costs	1,235	243	79	1,296	4,704	776	195	-	-	-	400	-	-	-	-	-	13	-	8,941
Total current liabilities	417,747	68,457	40,957	50,760	48,505	57,451	13,324	127,819	60,627	3,340	10,915	6,701	1	3,691	228	1,644	1,179	(54,936)	858,410
Long-term debt and capital lease obligation, net of current portion	643,252	96,891	150,877	71,625	112,999	220,872	501	-	6,360	33,781	-	-	-	-	-	-	-	-	1,337,158
Est malpractice costs, net of current portion	39,943	7,870	2,565	2,406	14,561	18,358	6,321	-	-	-	-	-	-	-	-	-	-	-	92,024
Net pension liability	133,270	85,606	-	4,851	15,033	-	-	-	72,685	-	-	-	-	-	-	-	-	-	311,445
Due to affiliates, net of current portion	-	-	-	-	-	-	372	-	54,370	-	-	5,632	-	-	-	-	-	(60,374)	-
Other long-term liabilities	127,166	11,841	8,882	6,648	12,033	17,553	878	1,315	1,707	1,065	429	372	-	573	50	-	-	-	190,512
Total liabilities	1,361,378	270,665	203,281	136,290	203,131	314,234	21,396	129,134	195,749	38,186	11,344	12,705	1	4,264	278	1,644	1,179	(115,310)	2,789,549
Net assets:																			
Unrestricted	748,394	67,588	43,792	134,290	740,886	554,569	885	63,816	43,274	124,852	56,794	-	3,580	2,927	2,606	-	2,270	(77,000)	2,513,523
Temporarily restricted	461,528	7,842	11,561	12,094	16,122	13,150	67	-	2,093	-	70,406	-	-	-	-	-	-	(1,225)	593,638
Permanently restricted	-	3,574	3,011	10,791	12,364	13,180	-	-	-	-	18,621	-	-	-	-	-	-	(10,931)	50,610
Total net assets	1,209,922	79,004	58,364	157,175	769,372	580,899	952	63,816	45,367	124,852	145,821	-	3,580	2,927	2,606	-	2,270	(89,156)	3,157,771
Total liabilities and net assets	$ 2,571,300	$ 349,669	$ 261,645	$ 293,465	$ 972,503	$ 895,133	$ 22,348	$ 192,950	$ 241,116	$ 163,038	$ 157,165	$ 12,705	$ 3,581	$ 7,191	$ 2,884	$ 1,644	$ 3,449	$ (204,466)	$ 5,947,320

The Johns Hopkins Health System Corporation and Affiliates
Supplemental Combining Balance Sheet
June 30, 2010
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc.	Sibley Memorial Hospital	All Children's Hospital, Inc.	Johns Hopkins Community Physicians, Inc.	Johns Hopkins HealthCare LLC and Subsidiaries	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	All Children's Health System, Inc.	The Johns Hopkins Medical Services Corporation	Howard County Health Services, Inc.	Johns Hopkins Medical Management Corporation	Ophthalmology Associates, L.L.C.	Johns Hopkins Employer Health Programs, Inc.	HCGH OB/GYN Associates Series, LLC	Eliminations	Combined Johns Hopkins Health System Corporation and Affiliates
ASSETS																			
Current assets:																			
Cash and cash equivalents	$ 252,389	$ 22,457	$ 10,454	$ 16,914	$ -	$ -	$ 776	$ 82,708	$ 9,985	$ -	$ -	$ 553	$ -	$ 2,137	$ 1,957	$ 302	$ 565	$ -	$ 401,197
Short-term investments	86,885	8,060	1,026	-	-	-	-	33,626	-	-	-	-	-	-	-	-	-	-	129,597
Assets whose use is limited - used for curr liabs	9,370	-	5,614	6,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,234
Patient accounts receivables, net																			
of estimated uncollectibles of $94,410	125,820	53,144	23,223	24,950	-	-	4,717	14,339	-	2,646	-	-	-	-	502	-	240	(6,697)	242,884
Due from others - current portion	17,539	8,855	1,168	2,724	-	-	2,479	10,983	1,084	2,416	-	194	-	276	12	491	-	-	48,221
Due from affiliates	3,656	656	4	444	-	-	472	18,531	14,922	-	-	4,587	-	245	46	325	-	(36,877)	7,011
Inventories of supplies	35,011	6,544	3,573	7,655	-	-	-	-	4,818	461	-	-	-	-	22	-	-	-	58,084
Prepaid expenses and other current assets	5,142	1,339	1,150	3,988	-	-	473	11,681	1,289	905	-	-	-	300	-	21	86	-	26,374
Total current assets	535,812	101,055	46,212	62,925	-	-	8,917	171,868	32,098	6,428	-	5,334	-	2,958	2,539	1,139	891	(43,574)	934,602
Assets whose use is limited																			
By donors or grantors for:																			
Future campus development	74,969	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,969
Pledges receivable	23,831	167	-	1,834	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,832
Other	-	10,378	-	19,542	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,920
By Board of Trustees	65,402	7,456	-	52,081	-	-	-	-	-	87,961	-	-	-	-	-	-	-	-	212,900
Malpractice funding arrangement	3,944	722	-	2,737	-	-	463	-	-	-	-	-	-	-	-	-	-	-	7,866
Interest in net assets of HHF	-	-	13,898	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,898
Other	4,798	904	-	2,382	-	-	-	100	6,327	210	-	-	-	-	-	-	-	-	14,721
Total assets whose use is limited	172,944	19,627	13,898	78,576	-	-	463	100	6,327	88,171	-	-	-	-	-	-	-	-	380,106
Investments	381,454	26,662	13,419	372	-	-	-	44,424	62,550	4,788	-	-	3,221	-	-	-	-	(18,857)	518,033
Property, plant and equipment	1,703,948	403,106	232,692	293,396	-	-	18,129	10,428	77,230	92,015	-	47,630	-	866	2,095	3	2,417	-	2,883,955
Less: allowance for depreciation and amort	(530,107)	(222,859)	(55,483)	(173,478)	-	-	(8,813)	(7,015)	(27,431)	(34,873)	-	(38,644)	-	(461)	(1,665)	(3)	(623)	-	(1,101,455)
Total property, plant and equipment, net	1,173,841	180,247	177,209	119,918	-	-	9,316	3,413	49,799	57,142	-	8,986	-	405	430	-	1,794	-	1,782,500
Due from affiliates, net of current portion	65,894	3,283	-	-	-	-	-	2,831	3,092	-	-	372	-	-	-	-	-	(73,059)	2,413
Due from others, net of current portion	-	6,796	-	-	-	-	-	-	779	-	-	-	-	-	-	-	-	-	7,575
Other assets	4,848	527	6,210	2,867	-	-	-	34	65,670	2,314	-	-	-	399	-	-	1,233	-	84,102
Total assets	$ 2,334,793	$ 338,197	$ 256,948	$ 264,658	$ -	$ -	$ 18,696	$ 222,670	$ 220,315	$ 158,843	$ -	$ 14,692	$ 3,221	$ 3,762	$ 2,969	$ 1,139	$ 3,918	$ (135,490)	$ 3,709,331
LIABILITIES AND NET ASSETS																			
Current liabilities:																			
Current portion of long-term debt																			
and capital lease obligation	$ 13,415	$ 5,123	$ 2,675	$ 4,546	$ -	$ -	$ 36	$ -	$ 574	$ 46	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,415
Accounts payable and accrued liabilities	168,930	36,529	27,673	26,477	-	-	5,278	19,666	42,987	3,582	-	5,137	-	1,156	62	95	609	-	338,181
Medical claims reserve	-	-	-	-	-	-	-	84,029	-	-	-	-	-	-	-	-	-	(16,148)	67,881
Deferred revenue	-	-	-	-	-	-	-	55,479	-	-	-	-	-	-	-	-	-	-	55,479
Current portion of due to affiliates	7,223	3,695	787	-	-	-	6,345	6,787	578	2,497	-	1,776	1	1,197	160	1,044	457	(27,426)	5,121
Accrued vacation	16,509	5,560	5,843	6,860	-	-	-	-	6,229	145	-	-	-	-	-	-	-	-	41,146
Advances from third-party payors	73,064	15,738	7,657	6,405	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,864
Current portion of est malpractice costs	2,317	468	139	735	-	-	229	-	-	-	-	-	-	-	-	-	170	-	4,058
Total current liabilities	281,458	67,113	44,774	45,023	-	-	11,888	165,961	50,368	6,270	-	6,913	1	2,353	222	1,139	1,236	(43,574)	641,145
Long-term debt and capital lease obligation,																			
net of current portion	763,969	102,219	153,547	75,687	-	-	540	-	6,957	33,864	-	-	-	-	-	-	-	-	1,136,783
Est malpractice costs, net of current portion	36,305	7,329	2,314	1,800	-	-	4,237	-	-	-	-	-	-	-	-	-	-	-	51,985
Net pension liability	172,211	92,334	84	11,201	-	-	-	-	67,432	-	-	-	-	-	-	-	-	-	343,262
Due to affiliates, net of current portion	-	-	-	-	-	-	372	-	65,280	-	-	7,407	-	-	-	-	-	(73,059)	-
Other long-term liabilities	149,578	14,003	11,086	6,531	-	-	707	1,194	1,595	1,231	-	372	-	481	54	-	-	-	186,832
Total liabilities	1,403,521	282,998	211,805	140,242	-	-	17,744	167,155	191,632	41,365	-	14,692	1	2,834	276	1,139	1,236	(116,633)	2,360,007
Net assets:																			
Unrestricted	532,768	44,655	29,248	104,849	-	-	885	55,515	27,542	117,478	-	-	3,220	928	2,693	-	2,682	(18,857)	903,606
Temporarily restricted	398,504	6,970	12,884	8,875	-	-	67	-	1,141	-	-	-	-	-	-	-	-	-	428,441
Permanently restricted	-	3,574	3,011	10,692	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,277
Total net assets	931,272	55,199	45,143	124,416	-	-	952	55,515	28,683	117,478	-	-	3,220	928	2,693	-	2,682	(18,857)	1,349,324
Total liabilities and net assets	$ 2,334,793	$ 338,197	$ 256,948	$ 264,658	$ -	$ -	$ 18,696	$ 222,670	$ 220,315	$ 158,843	$ -	$ 14,692	$ 3,221	$ 3,762	$ 2,969	$ 1,139	$ 3,918	$ (135,490)	$ 3,709,331

The Johns Hopkins Health System Corporation and Affiliates
Supplemental Combining Statements of Operations and Changes in Net Assets
June 30, 2011
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc.	Sibley Memorial Hospital (1)	All Children's Hospital, Inc. (2)	Johns Hopkins Community Physicians, Inc.	Johns Hopkins HealthCare LLC and Subsidiaries	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	All Children's Health System, Inc. (2)	The Johns Hopkins Medical Services Corporation	Howard County Health Services, Inc.	Johns Hopkins Medical Management Corporation	Ophthalmology Associates, L.L.C.	Johns Hopkins Employer Health Programs, Inc.	HCGH OB/GYN Associates Series, LLC	Eliminations	Combined Johns Hopkins Health System Corporation and Affiliates
Operating revenues:																			
Net patient service revenue	$ 1,585,310	$ 464,474	$ 229,505	$ 241,456	$ 148,519	$ 81,530	$ 102,054	$ 1,152,974	$ -	$ 12,848	$ 13,413	$ 291,818	$ -	$ -	$ 3,683	$ -	$ 10,298	$ (617,927)	$ 3,719,955
Other revenue	130,577	44,663	2,402	11,576	22,402	8,039	29,545	42,917	160,891	6,177	3,004	1,815	-	41,753	-	15,943	454	(196,169)	325,989
Investment income	14,145	1,430	299	1,187	10,086	1,035	-	1,770	82,847	4,520	348	-	360	-	2	-	-	(70,920)	47,109
Net assets released from restrict used for operations	245	320	-	2,168	1,001	116	-	-	-	-	433	-	-	-	-	-	-	-	4,283
Total operating revenues	1,730,277	510,887	232,206	256,387	182,008	90,720	131,599	1,197,661	243,738	23,545	17,198	293,633	360	41,753	3,685	15,943	10,752	(885,016)	4,097,336
Operating expenses:																			
Salaries, wages and benefits	667,347	241,709	106,555	119,322	85,935	41,521	84,812	62,331	99,225	5,359	14,865	-	-	34,212	645	-	6,786	(9,577)	1,561,047
Purchased services	497,833	142,508	45,566	42,934	28,587	16,974	27,244	1,040,008	85,674	12,593	4,039	291,869	-	5,190	1,626	16,531	3,463	(804,519)	1,458,120
Supplies and other	346,880	76,136	40,766	55,132	29,127	14,555	8,797	3,350	2,860	2,036	1,032	-	-	2,607	1,379	-	919	-	585,576
Interest	9,861	475	5,726	1,055	2,395	1,523	5	-	230	3,170	12	-	-	9	-	-	-	-	24,461
Provision for bad debts	38,243	15,017	10,219	10,355	4,774	846	7,800	4,161	102	165	726	-	-	(18)	24	-	177	-	92,591
Depreciation and amortization	69,357	25,729	15,846	13,888	9,307	9,552	1,737	939	5,939	4,431	515	1,764	-	204	98	-	472	-	159,778
Total operating expenses	1,629,521	501,574	224,678	242,686	160,125	84,971	130,395	1,110,789	194,030	27,754	21,189	293,633	-	42,204	3,772	16,531	11,817	(814,096)	3,881,573
Income from operations	100,756	9,313	7,528	13,701	21,883	5,749	1,204	86,872	49,708	(4,209)	(3,991)	-	360	(451)	(87)	(588)	(1,065)	(70,920)	215,763
Non-operating revenues and expenses:																			
Interest expense on swap agreements	(19,078)	(3,116)	(1,508)	(936)	-	(833)	-	-	-	-	-	-	-	-	-	-	-	-	(25,471)
Change in market value of swap agreements	24,207	1,789	2,204	485	-	(2,683)	-	-	-	-	-	-	-	-	-	-	-	-	26,002
Realized and unrealized gains on investments	27,049	2,172	975	7,279	27,642	651	-	-	-	7,732	249	-	-	-	-	-	-	-	73,749
Contribution received in donation of SMH, ACH and ACHS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,250,152	1,250,152
Other	-	-	-	-	-	(1,435)	-	-	-	(1,513)	-	-	-	-	-	-	-	(66)	(3,014)
Excess of revenues over expenses (expenses over revenues)	132,934	10,158	9,199	20,529	49,525	1,449	1,204	86,872	49,708	2,010	(3,742)	-	360	(451)	(87)	(588)	(1,065)	1,179,166	1,537,181
Noncontrolling interests	-	-	-	-	-	-	-	(4,104)	-	126	-	-	-	-	-	-	-	(11,848)	(15,826)
Excess of revenues over expenses (expenses over revenues) after noncontrolling interests	132,934	10,158	9,199	20,529	49,525	1,449	1,204	82,768	49,708	2,136	(3,742)	-	360	(451)	(87)	(588)	(1,065)	1,167,318	1,521,355
Contributions (to) from affiliates	31,200	-	(579)	-	-	221	(1,204)	(78,043)	(34,097)	-	(219)	-	-	2,450	-	588	653	68,284	(10,746)
Changes in unrealized gains (losses) on investments	(1,145)	(71)	567	3,076	-	-	-	(264)	(1,103)	5,364	-	-	-	-	-	-	-	132	6,556
Change in funded status of defined benefit plans	49,240	12,286	1,800	5,337	(992)	-	-	-	959	-	-	-	-	-	-	-	-	-	68,630
Net assets released from restrictions used for purchases of property, plant, and equipment	3,397	560	3,557	499	189	93	-	-	265	-	-	-	-	-	-	-	-	-	8,560
Noncontrolling interests	-	-	-	-	-	-	-	3,840	-	(126)	-	-	-	-	-	-	-	11,848	15,562
Increase (decrease) in unrestricted net assets	215,626	22,933	14,544	29,441	48,722	1,763	-	8,301	15,732	7,374	(3,961)	-	360	1,999	(87)	-	(412)	1,247,582	1,609,917
Changes in temporarily restricted net assets:																			
Gifts, grants and bequests	66,666	1,752	1,692	5,886	3,210	66	-	-	1,217	-	1,114	-	-	-	-	-	-	-	81,603
Net change in HHF and ACF	-	-	542	-	-	45	-	-	-	-	-	-	-	-	-	-	-	(45)	542
Net assets released from restrictions used for purchases of property, plant, and equipment	(3,397)	(560)	(3,557)	(499)	(189)	(93)	-	-	(265)	-	-	-	-	-	-	-	-	-	(8,560)
Net assets released from restrict used for operations	(245)	(320)	-	(2,168)	(1,001)	(116)	-	-	-	-	(433)	-	-	-	-	-	-	-	(4,283)
Contribution received in donation of SMH, ACH and ACHS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	95,895	95,895
Increase (decrease) in temporarily restricted net assets	63,024	872	(1,323)	3,219	2,020	(98)	-	-	952	-	681	-	-	-	-	-	-	95,850	165,197
Changes in permanently restricted net assets:																			
Gifts, grants and bequests	-	-	-	99	103	26	-	-	-	-	41	-	-	-	-	-	-	-	269
Net change in HHF and ACF	-	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-	(4)	-
Contribution received in doantion of SMH, ACH and ACHS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,064	33,064
Increase in permanently restricted net assets	-	-	-	99	103	30	-	-	-	-	41	-	-	-	-	-	-	33,060	33,333
Increase (decrease) in net assets	278,650	23,805	13,221	32,759	50,845	1,695	-	8,301	16,684	7,374	(3,239)	-	360	1,999	(87)	-	(412)	1,376,492	1,808,447
Net assets pushed down to SMH, ACH and ACHS	-	-	-	-	718,527	579,204	-	-	-	-	149,060	-	-	-	-	-	-	(1,446,791)	-
Net assets at beginning of year	931,272	55,199	45,143	124,416	-	-	952	55,515	28,683	117,478	-	-	3,220	928	2,693	-	2,682	(18,857)	1,349,324
Net assets at end of year	$ 1,209,922	$ 79,004	$ 58,364	$ 157,175	$ 769,372	$ 580,899	$ 952	$ 63,816	$ 45,367	$ 124,852	$ 145,821	$ -	$ 3,580	$ 2,927	$ 2,606	$ -	$ 2,270	$ (89,156)	$ 3,157,771

(1) Includes results of operations and changes in net assets for the eight months ended June 30, 2011 (2) Includes results of operations and changes in net assets for the three months ended June 30, 2011

The Johns Hopkins Health System Corporation and Affiliates
Supplemental Combining Statements of Operations and Changes in Net Assets
June 30, 2010
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc.	Sibley Memorial Hospital	All Children's Hospital, Inc.	Johns Hopkins Community Physicians, Inc.	Johns Hopkins HealthCare LLC and Subsidiaries	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	All Children's Health System, Inc.	The Johns Hopkins Medical Services Corporation	Howard County Health Services, Inc.	Johns Hopkins Medical Management Corporation	Ophthalmology Associates, L.L.C.	Johns Hopkins Employer Health Programs, Inc.	HCGH OB/GYN Associates Series, LLC	Eliminations	Combined Johns Hopkins Health System Corporation and Affiliates
Operating revenues:																			
Net patient service revenue	$ 1,544,364	$ 464,523	$ 221,799	$ 225,127	$ -	$ -	$ 78,555	$ 946,785	$ -	$ 28,168	$ -	$ 261,241	$ -	$ -	$ 3,206	$ -	$ 9,751	$ (564,042)	$ 3,219,477
Other revenue	121,995	40,546	2,328	12,083	-	-	21,795	36,822	153,899	9,423	-	1,821	-	33,563	-	14,642	391	(186,212)	263,096
Investment income	10,912	1,425	802	1,343	-	-	-	1,522	54,209	4,388	-	-	(229)	-	2	-	-	(43,060)	31,314
Net assets released from restrict used for operations	199	502	-	2,274	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,975
Total operating revenues	1,677,470	506,996	224,929	240,827	-	-	100,350	985,129	208,108	41,979	-	263,062	(229)	33,563	3,208	14,642	10,142	(793,314)	3,516,862
Operating expenses:																			
Salaries, wages and benefits	648,002	236,651	106,587	117,372	-	-	60,947	56,882	93,199	21,604	-	-	-	28,445	736	-	6,624	(9,448)	1,367,601
Purchased services	469,357	138,371	45,410	37,034	-	-	19,405	876,466	81,657	15,284	-	261,292	-	3,192	1,439	15,936	3,353	(740,806)	1,227,390
Supplies and other	338,350	80,136	40,290	53,650	-	-	11,128	2,981	2,437	2,674	-	-	-	2,072	1,199	-	1,019	-	535,936
Interest	10,819	414	5,787	1,660	-	-	5	-	269	3,192	-	-	-	-	-	-	-	-	22,146
Provision for bad debts	46,139	20,267	10,545	8,962	-	-	3,365	3,930	(37)	638	-	-	-	15	24	-	184	-	94,032
Depreciation and amortization	65,432	25,544	12,024	13,831	-	-	1,350	870	5,741	4,136	-	1,770	-	55	130	-	437	-	131,320
Total operating expenses	1,578,099	501,383	220,643	232,509	-	-	96,200	941,129	183,266	47,528	-	263,062	-	33,779	3,528	15,936	11,617	(750,254)	3,378,425
Income from operations	99,371	5,613	4,286	8,318	-	-	4,150	44,000	24,842	(5,549)	-	-	(229)	(216)	(320)	(1,294)	(1,475)	(43,060)	138,437
Non-operating revenues and expenses:																			
Interest expense on swap agreements	(19,115)	(3,268)	(1,507)	(934)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,824)
Change in market value of swap agreements	(32,290)	(3,533)	(2,718)	(1,008)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(39,549)
Realized and unrealized gains (losses) on investments	2,717	170	(31)	949	-	-	-	-	-	1,224	-	-	-	-	-	-	-	-	5,029
Contribution received in donation of SMH, ACH and ACHS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	(4,263)	-	-	-	-	-	-	(230)	-	-	-	-	-	-	-	-	(4,493)
Excess of revenues over expenses (expenses over revenues)	50,683	(1,018)	(4,233)	7,325	-	-	4,150	44,000	24,842	(4,555)	-	-	(229)	(216)	(320)	(1,294)	(1,475)	(43,060)	74,600
Noncontrolling interests	-	-	-	-	-	-	-	3,431	-	(243)	-	-	-	-	-	-	-	(4,371)	(1,183)
Excess of revenues over expenses (expenses over revenues)																			
after noncontrolling interests	50,683	(1,018)	(4,233)	7,325	-	-	4,150	47,431	24,842	(4,798)	-	-	(229)	(216)	(320)	(1,294)	(1,475)	(47,431)	73,417
Contributions (to) from affiliates	45,720	-	(1,869)	-	-	-	(4,150)	(48,800)	(52,570)	-	-	-	-	433	-	1,005	2,441	56,728	(1,062)
Contribution of land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in unrealized gains (losses) on investments	7,659	692	562	6,154	-	-	-	474	495	8,581	-	-	-	-	-	-	-	(239)	24,378
Change in funded status of defined benefit plans	(40,248)	(15,197)	910	1,481	-	-	-	-	(17,451)	-	-	-	-	-	-	-	-	-	(70,505)
Net assets released from restrictions used for																			
purchases of property, plant, and equipment	89,080	-	3,500	186	-	-	-	-	19	-	-	-	-	-	-	-	-	-	92,785
Noncontrolling interests	-	-	-	-	-	-	-	(3,431)	-	243	-	-	-	-	-	-	-	4,371	1,183
Increase (decrease) in unrestricted net assets	152,894	(15,523)	(1,130)	15,146	-	-	-	(4,326)	(44,665)	4,026	-	-	(229)	217	(320)	(289)	966	13,429	120,196
Changes in temporarily restricted net assets:																			
Gifts, grants and bequests	31,074	583	1,861	2,728	-	-	-	-	1,160	-	-	-	-	-	-	-	-	-	37,406
Net change in Howard Hospital Foundation	-	-	688	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	688
Net assets released from restrictions used for																			
purchases of property, plant, and equipment	(89,080)	-	(3,500)	(186)	-	-	-	-	(19)	-	-	-	-	-	-	-	-	-	(92,785)
Net assets released from restrict used for operations	(199)	(502)	-	(2,274)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,975)
Increase (decrease) in temporarily restricted net assets	(58,205)	81	(951)	268	-	-	-	-	1,141	-	-	-	-	-	-	-	-	-	(57,666)
Changes in permanently restricted net assets:																			
Gifts, grants and bequests	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Increase in permanently restricted net assets	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Increase (decrease) in net assets	94,689	(15,442)	(2,081)	15,415	-	-	-	(4,326)	(43,524)	4,026	-	-	(229)	217	(320)	(289)	966	13,429	62,531
Net assets at beginning of year	836,583	70,641	47,224	109,001	-	-	952	59,841	72,207	113,452	-	-	3,449	711	3,013	289	1,716	(32,286)	1,286,793
Net assets at end of year	$ 931,272	$ 55,199	$ 45,143	$ 124,416	$ -	$ -	$ 952	$ 55,515	$ 28,683	$ 117,478	$ -	$ -	$ 3,220	$ 928	$ 2,693	$ -	$ 2,682	$ (18,857)	$ 1,349,324

The Johns Hopkins Health System Corporation and Affiliates
Supplemental Combining Statements of Cash Flows
June 30, 2011
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc.	Sibley Memorial Hospital (1)	All Children's Hospital, Inc. (2)	Johns Hopkins Community Physicians, Inc.	Johns Hopkins HealthCare LLC and Subsidiaries	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	All Children's Health System, Inc. (2)	The Johns Hopkins Medical Services Corporation	Howard County Health Services, Inc.	Johns Hopkins Medical Management Corporation	Ophthalmology Associates, L.L.C.	Johns Hopkins Employer Health Programs, Inc.	HCGH OB/GYN Associates Series, LLC	Eliminations	Johns Hopkins Health System Corporation and Affiliates
Operating activities:																			
Change in net assets	$ 278,650	$ 23,805	$ 13,221	$ 32,759	$ 50,845	$ 1,695	$ -	$ 8,301	$ 16,684	$ 7,374	$ (3,239)	$ -	$ 360	$ 1,999	$ (87)	$ -	$ (412)	$ 1,376,492	$ 1,808,447
Adjustments to reconcile change in net assets to net																			
cash and cash equivalents provided by operating activities:																			
Depreciation and amortization	73,635	25,729	15,846	13,888	9,307	9,552	1,737	939	5,939	4,431	515	1,764	-	204	98	-	472	-	164,056
Provision for bad debts	38,243	15,017	10,219	10,355	4,774	846	7,800	4,161	102	165	726	-	-	(18)	24	-	177	-	92,591
Net realized and changes in unrealized (gains) losses on investments	(25,905)	(2,360)	(1,542)	(12,747)	(30,587)	(651)	-	(237)	818	(13,640)	(249)	-	-	-	-	-	-	-	(87,100)
Change in market value of swap agreements	(24,207)	(1,789)	(2,204)	(485)	-	2,683	-	-	-	-	-	-	-	-	-	-	-	-	(26,002)
Change in funded status of defined benefit plans	(49,240)	(12,286)	(1,800)	(5,337)	992	-	-	-	(959)	-	-	-	-	-	-	-	-	-	(68,630)
Increase in net assets from SMH, ACH and ACHS acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,379,111)	(1,379,111)
Restricted contributions and investment income received	(64,882)	(1,752)	(1,692)	(692)	(3,302)	(141)	-	-	-	-	(722)	-	-	-	-	-	-	-	(73,183)
Gains on and returns of equity investments	-	-	503	-	(2,569)	-	-	264	(12,030)	(4,057)	-	-	(360)	-	-	-	-	2,504	(15,745)
Noncontrolling interests	-	-	-	-	-	-	-	4,104	-	(126)	-	-	-	-	-	-	-	11,848	15,826
Other operating activities	(31,200)	-	579	1,958	493	(447)	1,253	78,043	32,491	(2,206)	-	-	-	(2,450)	-	(588)	(653)	(78,043)	(770)
Change in assets and liabilities:																			
Patient accounts receivables	(83,759)	(20,425)	(10,281)	(16,653)	(6,496)	2,550	(9,354)	(13,307)	-	(595)	(625)	-	-	(1,211)	(307)	(115)	(87)	-	(160,665)
Inventories of supplies, prepaid expenses and other current assets	(1,612)	(1,498)	(556)	(357)	(1,150)	197	2,095	5,619	(580)	2,333	(422)	-	-	(145)	26	18	53	-	4,021
Due from affiliates, net	13,592	(3,370)	(56)	663	38	(2,691)	(280)	(1,232)	632	-	2,692	(722)	-	133	18	(21)	69	(10,910)	(1,445)
Pledges receivable	(1,783)	-	-	(131)	(299)	-	-	-	-	-	415	-	-	-	-	-	-	-	(1,798)
Other assets	5,836	54	(65)	-	(2,727)	-	463	8	10,825	-	81	(421)	-	(1,034)	-	(38)	-	-	12,982
Accounts payable, accrued liabilities and accrued vacation	15,293	3,619	(6,614)	2,219	3,155	(18,206)	1,869	6,515	8,122	(1,208)	1,203	(238)	-	969	18	(18)	28	-	16,726
Medical claims reserve	-	-	-	-	-	-	-	7,433	-	-	-	-	-	-	-	-	-	-	7,433
Deferred revenue	-	-	-	-	-	-	-	(55,237)	-	-	-	-	-	-	-	-	-	-	(55,237)
Advances from third-party payors	(6,161)	1,396	938	2,001	(1,598)	(392)	-	(2,164)	-	-	-	-	-	-	-	-	-	-	(5,980)
Accrued pension benefit costs	8,421	(6,728)	852	(1,012)	(1,414)	-	-	-	6,212	950	-	-	-	-	-	-	-	-	7,281
Estimated malpractice costs	2,556	1,134	191	606	(54)	554	2,050	-	-	-	-	-	-	-	-	-	(157)	-	6,880
Other long-term liabilities	1,795	11,910	-	-	3	-	171	121	112	-	(11)	-	-	92	(4)	-	-	-	14,189
Net cash and cash equivalents provided by (used in) operating activities	149,272	32,456	17,539	27,035	19,411	(4,451)	7,804	43,331	68,368	(6,579)	364	383	-	(1,461)	(214)	(762)	(510)	(77,220)	274,766
Investing activities:																			
Purchases of property, plant and equipment	(216,403)	(15,331)	(13,720)	(10,735)	(18,826)	(3,031)	(2,891)	(828)	(5,755)	(1,218)	(277)	-	-	(397)	(28)	-	(82)	-	(289,522)
Return of equity investments	-	-	-	-	913	-	-	-	(3,058)	4,000	-	-	-	-	-	-	-	-	1,855
Purchases of investment securities	(1,379,696)	(86,627)	(11,470)	(79,352)	(356,252)	(21,271)	-	(472,992)	-	(82,756)	(6,472)	-	-	-	-	-	-	-	(2,496,888)
Sales of investment securities	1,265,159	80,486	6,891	70,018	355,516	16,876	-	472,133	-	87,450	5,152	-	-	-	-	-	-	-	2,359,681
Cash acquired as a result of acquisitions of SMH, ACH and ACHS	-	-	-	-	15,913	81,763	-	-	-	-	21,795	-	-	-	-	-	-	-	119,471
Other investing activities	-	-	(542)	(936)	-	3,195	-	(3,367)	1,471	-	2,198	-	-	-	-	-	-	(11,733)	(9,714)
Net cash and cash equivalents (used in) provided by investing activities	(330,940)	(21,472)	(18,841)	(21,005)	(2,736)	77,532	(2,891)	(5,054)	(7,342)	7,476	22,396	-	-	(397)	(28)	-	(82)	(11,733)	(315,117)
Financing activities:																			
Proceeds from restricted contributions and investment income received	64,882	1,752	1,692	692	3,302	141	-	-	-	-	722	-	-	-	-	-	-	-	73,183
Repayment of long-term debt and obligations under capital lease	(13,415)	(5,123)	(2,675)	(4,575)	(1,700)	-	(39)	-	(574)	-	-	-	-	-	-	-	-	-	(28,101)
Other financing activities	31,200	1,657	(579)	-	-	121	(1,204)	(78,043)	(45,007)	-	-	-	-	2,450	-	588	653	88,953	789
Net cash and cash equivalents provided by (used in) financing activities	82,667	(1,714)	(1,562)	(3,883)	1,602	262	(1,243)	(78,043)	(45,581)	-	722	-	-	2,450	-	588	653	88,953	45,871
Increase (decrease) in cash and cash equivalents	(99,001)	9,270	(2,864)	2,147	18,277	73,343	3,670	(39,766)	15,445	897	23,482	383	-	592	(242)	(174)	61	-	5,520
Cash and cash equivalents at beginning of year	252,389	22,457	10,454	16,914	-	-	776	82,708	9,985	-	-	553	-	2,137	1,957	302	565	-	401,197
Cash and cash equivalents at end of year	$ 153,388	$ 31,727	$ 7,590	$ 19,061	$ 18,277	$ 73,343	$ 4,446	$ 42,942	$ 25,430	$ 897	$ 23,482	$ 936	$ -	$ 2,729	$ 1,715	$ 128	$ 626	$ -	$ 406,717

(1) Includes cash flows for the eight months ended June 30, 2011

(2) Includes cash flows for the three months ended June 30, 2011

The Johns Hopkins Health System Corporation and Affiliates
Supplemental Combining Statements of Cash Flows
June 30, 2010
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Controlled Entity	Suburban Hospital, Inc.	Sibley Memorial Hospital	All Children's Hospital, Inc.	Johns Hopkins Community Physicians, Inc.	Johns Hopkins HealthCare LLC and Subsidiaries	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	All Children's Health System, Inc.	The Johns Hopkins Medical Services Corporation	Howard County Health Services, Inc.	Johns Hopkins Medical Management Corporation	Ophthalmology Associates, L.L.C.	Johns Hopkins Employer Health Programs, Inc.	HCGH OB/GYN Associates Series, LLC	Eliminations	Johns Hopkins Health System Corporation and Affiliates
Operating activities:																				
Change in net assets	$ 94,689	$ (15,442)	$ (2,081)	$ -	$ 15,415	$ -	$ -	$ -	$ (4,326)	$ (43,524)	$ 4,026	$ -	$ -	$ (229)	$ 217	$ (320)	$ (289)	$ 966	$ 13,429	$ 62,531
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:																				
Depreciation and amortization	70,574	25,544	12,024	-	13,831	-	-	1,350	870	5,741	4,136	-	1,770	-	55	130	-	437	-	136,462
Provision for bad debts	46,139	20,267	10,545	-	8,962	-	-	3,365	3,930	(37)	638	-	-	-	15	24	-	184	-	94,032
Net realized and changes in unrealized (gains) losses on investments	(10,395)	(738)	(532)	-	(8,467)	-	-	-	135	(624)	(2,482)	-	-	-	-	-	-	-	-	(23,103)
Change in market value of swap agreements	32,290	3,533	2,718	-	1,008	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,549
Change in funded status of defined benefit plans	40,248	15,197	(910)	-	(1,481)	-	-	-	-	17,451	-	-	-	-	-	-	-	-	-	70,505
Restricted contributions and investment income received	(65,645)	(583)	(1,861)	-	(1,211)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(69,300)
Gains on and returns of equity investments	-	-	817	-	(589)	-	-	-	312	(4,643)	(9,296)	-	-	229	-	-	-	-	(5,501)	(18,671)
Noncontrolling interests	-	-	-	-	-	-	-	-	(3,431)	-	243	-	-	-	-	-	-	-	4,371	1,183
Other operating activities	(45,720)	(195)	6,132	-	281	-	-	4,150	48,800	52,557	1,155	-	-	-	(431)	-	(1,005)	(2,441)	(56,728)	6,555
Change in assets and liabilities:																				
Patient accounts receivables	(27,049)	(23,167)	(12,360)	-	(11,266)	-	-	(6,765)	(5,285)	-	1,078	-	-	-	162	(16)	(5)	(59)	-	(84,732)
Inventories of supplies, prepaid expenses and other current assets	1,523	(333)	1,866	-	(54)	-	-	(2,708)	2,995	133	(1,361)	-	-	-	(43)	(18)	(3)	(39)	-	1,958
Due from affiliates, net	(25,243)	627	85	-	-	-	-	4,456	3,452	2,350	-	-	(5,061)	-	755	(18)	(579)	(8)	15,055	(4,129)
Pledges receivable	34,590	-	-	-	2,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,052
Other assets	1,382	57	(24)	-	301	-	-	-	(474)	(17,935)	419	-	476	-	4	-	(29)	8	-	(15,815)
Accounts payable, accrued liabilities and accrued vacation	(1,747)	1,993	2,381	-	(224)	-	-	1,247	5,192	4,319	(1,060)	-	4,553	-	41	(30)	33	294	-	16,992
Medical claims reserve	-	-	-	-	-	-	-	-	19,133	-	-	-	-	-	-	-	-	-	-	19,133
Deferred revenue	-	-	-	-	-	-	-	-	13,606	-	-	-	-	-	-	-	-	-	-	13,606
Advances from third-party payors	2,483	774	215	-	-	-	-	-	(5,656)	-	-	-	-	-	-	-	-	-	-	(2,184)
Accrued pension benefit costs	15,693	4,138	-	-	3,053	-	-	-	-	2,484	-	-	-	-	-	-	-	-	-	25,368
Estimated malpractice costs	1,081	(312)	111	-	(648)	-	-	312	-	-	-	-	-	-	-	-	-	(58)	-	486
Other long-term liabilities	(559)	111	-	-	67	-	-	138	13	393	763	-	-	-	1	1	-	-	-	928
Net cash and cash equivalents provided by (used in) operating activities	164,334	31,471	19,126	-	21,440	-	-	5,545	79,266	18,665	(1,741)	-	1,738	-	776	(247)	(1,877)	(716)	(29,374)	308,406
Investing activities:																				
Purchases of property, plant and equipment	(245,356)	(22,557)	(30,266)	-	(11,693)	-	-	(3,199)	(496)	(1,561)	(1,622)	-	-	-	(433)	29	-	(1,753)	-	(318,907)
Return of equity investments	-	-	-	-	576	-	-	-	-	6,348	3,440	-	-	-	-	-	-	-	-	10,364
Purchases of investment securities	(1,069,534)	(99,765)	(9,969)	-	(43,074)	-	-	-	(42,827)	-	(26,781)	-	-	-	-	-	-	-	-	(1,291,950)
Sales of investment securities	926,032	95,254	18,618	-	51,956	-	-	-	-	-	32,306	-	-	-	-	-	-	-	-	1,124,166
Other investing activities	-	530	(4,307)	-	(934)	-	-	-	4,633	686	(244)	-	-	-	-	-	-	-	(4,371)	(4,007)
Net cash and cash equivalents (used in) provided by investing activities	(388,858)	(26,538)	(25,924)	-	(3,169)	-	-	(3,199)	(38,690)	5,473	7,099	-	-	-	(433)	29	-	(1,753)	(4,371)	(480,334)
Financing activities:																				
Proceeds from restricted contributions and investment income received	65,645	583	1,861	-	1,211	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,300
Proceeds from long-term borrowings	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000
Repayment of long-term debt and obligations under capital lease	(7,645)	(4,938)	(2,560)	-	(7,997)	-	-	(29)	-	-	(5,937)	-	-	-	-	-	-	-	-	(29,106)
Other financing activities	45,720	1,656	(1,869)	-	-	-	-	(4,150)	(48,800)	(36,298)	-	-	(1,775)	-	433	-	1,005	2,441	33,745	(7,892)
Net cash and cash equivalents provided by (used in) financing activities	253,720	(2,699)	(2,568)	-	(6,786)	-	-	(4,179)	(48,800)	(36,298)	(5,937)	-	(1,775)	-	433	-	1,005	2,441	33,745	182,302
Increase (decrease) in cash and cash equivalents	29,196	2,234	(9,366)	-	11,485	-	-	(1,833)	(8,224)	(12,160)	(579)	-	(37)	-	776	(218)	(872)	(28)	-	10,374
Cash and cash equivalents at beginning of year	223,193	20,223	19,820	-	5,429	-	-	2,609	90,932	22,145	579	-	590	-	1,361	2,175	1,174	593	-	390,823
Cash and cash equivalents at end of year	$ 252,389	$ 22,457	$ 10,454	$ -	$ 16,914	$ -	$ -	$ 776	$ 82,708	$ 9,985	$ -	$ -	$ 553	$ -	$ 2,137	$ 1,957	$ 302	$ 565	$ -	$ 401,197