Adventist HealthCare, Inc.
and Controlled Entities

Consolidated Financial Statements
and Supplementary Information

December 31, 2020 and 2019

Independent Auditors' Report

To the Board of Trustees of
Adventist HealthCare, Inc. and Controlled Entities

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Adventist HealthCare, Inc. and Controlled Entities (collectively, the Corporation), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Adventist HealthCare, Inc. and Controlled Entities as of December 31, 2020 and 2019, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Wilkes-Barre, Pennsylvania
May 17, 2021

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2020 and 2019
(In Thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 55,444	$ 25,807
Medicare advance and accelerated payments	140,112	-
Short-term investments	250,502	226,700
Assets whose use is limited	3,795	3,716
Patient accounts receivable	117,816	117,498
Other receivables	41,574	13,764
Inventories	11,567	12,418
Prepaid expenses and other current assets	10,089	8,076
Total current assets	630,899	407,979
Property and Equipment, Net	729,007	724,844
Financing Lease Right-of-Use Asset	10,364	2,966
Operating Lease Right-of-Use Asset	99,334	73,138
Assets Whose Use is Limited		
Under trust indentures and mortgage loan agreement, held by trustees and banks	43,266	40,291
Professional liability trust fund	16,361	13,948
Deferred compensation fund	1,405	1,538
Cash and Cash Equivalents Restricted for Capital Acquisitions	1,075	922
Investments and Investments in Unconsolidated Subsidiaries	29,021	22,555
Land Held for Healthcare Development	49,430	48,091
Intangible Assets, Net	7,717	7,919
Deposits and Other Noncurrent Assets	6,104	3,678
Assets Held for Sale	12,029	15,940
Total assets	$ 1,636,012	$ 1,363,809

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2020 and 2019
(In Thousands)

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 124,674	$ 108,334
Accrued compensation and related items	55,350	45,675
Interest payable	9,312	9,916
Deferred revenues	52,512	2,003
Due to third party payors	20,897	19,589
Medicare advance and accelerated payments	60,771	-
Estimated self-insured professional liability	1,942	1,929
Current maturities of:		
Long-term obligations	13,991	14,071
Financing lease obligations	1,922	1,054
Operating lease obligations	15,042	13,243
Total current liabilities	356,413	215,814
Construction Payable	3,878	10,894
Long-Term Obligations, Net		
Bonds payable	526,600	536,332
Notes payable	26,529	30,889
Financing Lease Obligations	8,347	1,748
Operating Lease Obligations	86,228	60,969
Other Liabilities	9,893	13,789
Medicare Advance and Accelerated Payments	79,341	-
Estimated Self-Insured Professional Liability	17,995	16,139
Total liabilities	1,115,224	886,574
Net Assets		
Net assets without donor restrictions	513,402	471,276
Net assets with donor restrictions	7,386	5,959
Total net assets	520,788	477,235
Total liabilities and net assets	$ 1,636,012	$ 1,363,809

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2020 and 2019
(In Thousands)

	2020	2019
Revenues		
Net patient service revenue	$ 873,273	$ 821,576
Other revenues	57,416	40,927
COVID-19 grant income	44,222	-
Total revenues	974,911	862,503
Expenses		
Salaries and wages	414,329	384,439
Employee benefits	78,553	73,676
Contract labor	67,926	38,699
Medical supplies	125,485	107,737
General and administrative	132,269	127,423
Building and maintenance	51,311	44,001
Insurance	10,357	6,951
Interest	25,414	16,586
Depreciation and amortization	45,906	41,582
Loss on disposal of property and equipment	-	3,265
Total expenses	951,550	844,359
Income from operations	23,361	18,144
Other Income (Expense)		
Investment income	14,346	14,156
Other loss	(612)	(1,511)
Loss on extinguishment of debt	(281)	-
Inherent contribution on business combination	-	7,046
Total other income	13,453	19,691
Revenues in excess of expenses from continuing operations	36,814	37,835
Change in net unrealized gains and losses on investments in debt securities	4,271	8,144
Net assets released from restrictions for purchase of property and equipment	5,687	1,778
Deferred compensation plan liability adjustment	860	(789)
Other net asset activity	2,070	675
Increase in net assets without donor restrictions from continuing operations	49,702	47,643
Loss From Discontinued Operations	(7,576)	(14,841)
Increase in net assets without donor restrictions	$ 42,126	$ 32,802

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019
(In Thousands)

	2020	2019
Net Assets Without Donor Restrictions		
Revenues in excess of expenses from continuing operations	$ 36,814	$ 37,835
Change in net unrealized gains and losses on investments in debt securities	4,271	8,144
Net assets released from restrictions for purchase of property and equipment	5,687	1,778
Deferred compensation plan liability adjustment	860	(789)
Other net asset activity	2,070	675
Increase in net assets without donor restrictions from continuing operations	49,702	47,643
Loss from discontinued operations	(7,576)	(14,841)
Increase in net assets without donor restrictions	42,126	32,802
Net Assets With Donor Restrictions		
Restricted gifts and donations	9,623	6,175
Net assets released from restrictions for purchase of property and equipment	(5,687)	(1,778)
Net assets released from restrictions used for operations	(2,564)	(3,516)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	47	(205)
Change in discount of pledges receivable and provision for doubtful pledges	-	26
Donor restricted investment income	8	9
Increase in net assets with donor restrictions	1,427	711
Increase in net assets	43,553	33,513
Net Assets, Beginning	477,235	444,820
Cumulative Effect of Change in Accounting Principle	-	(1,098)
Net Assets, Ending	$ 520,788	$ 477,235

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(In Thousands)

	2020	2019
Cash Flows From Operating Activities		
Increase in net assets	$ 43,553	$ 33,513
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	45,906	41,582
Change in operating lease right-of-use asset and obligations	18,214	12,459
Amortization of deferred financing costs	212	229
Deferred compensation plan liability adjustment	(860)	789
Loss on extinguishment of debt	281	-
Restricted contributions and grants	(7,907)	(4,768)
Earnings recognized from unconsolidated subsidiaries and affiliates	(300)	(2,198)
Inherent contribution on business combination, net of cash received	-	(8,338)
Cumulative effect of change in accounting principle	-	1,098
Loss on disposal of property and equipment	4,763	14,671
Net realized and unrealized gains and losses on investments	(1,682)	(7,382)
Change in net unrealized gains and losses on investments in debt securities	(4,271)	(8,144)
Change in value of beneficial interest in trusts and charitable gift obligation	(47)	205
Change in discount on pledges receivable and provision for doubtful pledges	-	(26)
Changes in assets and liabilities:		
Patient accounts receivable	(318)	(20,226)
Other receivables	(27,810)	(307)
Inventories, prepaid expenses and other current assets	(1,162)	(1,915)
Accounts payable and accrued expenses	16,340	16,706
Accrued compensation and related items	9,675	7,243
Interest payable	(604)	141
Deferred revenues	50,509	1,026
Estimated self-insured professional liability	1,869	1,343
Due to third party payors	1,308	(972)
Medicare advance and accelerated payments	140,112	-
Operating lease obligations	(17,352)	(15,962)
Other noncurrent assets and liabilities	(5,415)	(226)
Net cash provided by operating activities	265,014	60,541

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(In Thousands)

	2020	2019
Cash Flows From Investing Activities		
Purchase of property and equipment	$ (56,946)	$ (157,328)
Increase in investments and investments in unconsolidated subsidiaries	(157,148)	(15,129)
Additions to land held for healthcare development	(1,339)	(2,686)
Distributions from investments in unconsolidated subsidiaries	583	9,608
Purchase of investment in unconsolidated subsidiary	(7,562)	(3,781)
Cash received in the acquisition of Fort Washington	-	1,293
Decrease in trustee held funds and restricted cash	5,199	57,058
Net cash used in investing activities	(217,213)	(110,965)
Cash Flows From Financing Activities		
Payment of financing costs	(206)	(590)
Proceeds from issuance of long-term obligations, net	314	-
Repayments on long-term obligations, net	(14,435)	(9,236)
Repayment of financing lease obligations	(1,058)	(1,089)
Proceeds from restricted contributions and grants	7,907	4,768
Net cash used in financing activities	(7,478)	(6,147)
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	40,323	(56,571)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	43,503	100,074
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 83,826	$ 43,503
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 25,476	$ 18,919
Supplemental Disclosure of Noncash Investing and Financing Activities		
Financing lease obligation incurred for equipment	$ 8,525	$ -
Operating lease obligations incurred for right-of-use asset	$ 40,961	$ -
Land contributed to investment in unconsolidated subsidiary	$ -	$ 8,627
Construction payable for property and equipment	$ 3,878	$ 10,894
Long-term debt refinanced	$ 20,500	$ -
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 55,444	$ 25,807
Cash and cash equivalents restricted for capital acquisitions	1,075	922
Cash and cash equivalents included in the current portion of assets whose use is limited	3,795	3,716
Cash and cash equivalents included in the noncurrent portion of assets whose use is limited	23,512	13,058
Total cash, cash equivalents and restricted cash and cash equivalents	$ 83,826	$ 43,503

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Adventist HealthCare, Inc. (AHC) is a nonstock membership corporation organized to effectuate coordinated administration of hospitals and other health care organizations through the provision of key management and administrative services. The mission of AHC is to extend God's care through the ministry of physical, mental and spiritual healing. AHC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). AHC is not exempt from income taxes for unrelated business income. AHC's sole corporate member is Mid-Atlantic Adventist HealthCare, Inc. AHC is comprised of several operating divisions and controlled entities, as follows:

Shady Grove Medical Center (SGMC) is a 329-bed acute care hospital located in Rockville, Maryland. Behavioral Health & Wellness Services (BH&WS) is a department of SGMC and as a result is reimbursed under SGMC's global budget revenue agreement. BH&WS is comprised of BH&WS - Rockville, a 117-bed psychiatric hospital.

White Oak Medical Center (WOMC) is a 178-bed acute care hospital located in Silver Spring, Maryland. On August 25, 2019, the newly constructed WOMC opened.

Rehabilitation (Rehab) operates one inpatient hospital with two sites in Maryland, as well as two outpatient locations. Rehab - Rockville is a 55-bed rehabilitation facility and Rehab - Takoma Park is a 42-bed rehabilitation facility. The Rehab - Takoma Park facility plans to relocate to WOMC in 2021.

Adventist HealthCare Imaging (Imaging) operates seven clinical sites and provides inpatient and outpatient imaging services at SGMC and WOMC.

Clinical Integration Services (CIS) is comprised of Adventist Medical Group (AMG). AMG is a not-for-profit entity that provides primary care and specialty care physician professional health services to the communities it serves. AHC contracted with Medical Faculty Associates, Inc. (MFA) to employ the AMG employees, through a wholly owned affiliate of MFA, in exchange for certain economic support to facilitate the growth by MFA of the AMG physician practices. In December 2017, however, AHC terminated its contract with MFA as it relates to the primary care, physiatry and endocrinology practices. The termination was effective July 2018, at which time AHC began operating the primary care, physiatry and endocrinology practices. The remaining specialty care practices will continue to be operated by MFA, with the respective operating results recorded in SGMC and WOMC. CIS also includes the administration needed to facilitate the coordination of patient care across conditions, providers and settings.

The Other Health Services (OHS) operating division is comprised of two entities. Lifework Strategies (LWS) provides employee assistance and employee wellness programs to client employees. LWS's mission is to help individuals live healthier, happier and more productive lives. Capital Choice Pathology Lab (CCPL) provides full pathology production services to client hospitals.

In May 2020, an alternate care site (ACS) opened to increase the number of beds available in the State of Maryland to care for COVID-19 patients as a result of the following sequence of events. In March 2020, the Secretary of Health within the State of Maryland identified the Takoma Park campus as a potential location for the treatment, isolation and quarantining of COVID-19 patients. On April 4, 2020, the Maryland Health Care Commission approved an Emergency Certificate of Need to establish a 200 bed ACS. In accordance with the terms of the agreement with the State of Maryland, all costs to open, operate and close and decommission the campus will be reimbursed.

The Corporation has amount due from the State of Maryland of $12,297 as of December 31, 2020 which is included in other receivables in the accompanying consolidated balance sheets. Any reimbursement received by the Corporation for services provided to patients is required to be remitted to the State of Maryland. The Corporation has amounts due to the State of Maryland of $6,054 as of December 31, 2020 which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. The agreement will remain in effect until the earlier of the determination by the State of Maryland and the Corporation that the ACS is no longer needed or the termination of the State of Emergency and a Catastrophic Health Emergency proclamation by the Governor of Maryland. The financial results of the ACS are included in OHS.

The Support Center is comprised of the Corporate Office (CO) and the AHC benefit business unit. The CO provides corporate and centralized shared service functions that benefit the entire AHC system. The AHC benefit business unit administers the self-insurance health benefit program, including health insurance, dental and vision coverage for AHC and controlled entities.

In October 2019, Adventist HealthCare Fort Washington Medical Center, Inc., a subsidiary of AHC, acquired Fort Washington Medical Center (FWMC) (Note 3). FWMC is a 28-bed acute care hospital located in Fort Washington, Maryland.

The Lourie Center for Infants and Young Children (Lourie Center) is a not-for-profit organization that specializes in the diagnosis, treatment and prevention of developmental and emotional disorders in children from birth through ten years of age.

Adventist Home Care Services, Inc. (AHCS) is a nonstock membership corporation organized to provide home health services in Maryland and includes Adventist Home Assistance (AHA). AHA provides nonclinical assistance to homebound patients who cannot perform certain daily activities on their own.

Adventist HealthCare Urgent Care Center, Inc. (Urgent Care) is comprised of three urgent care centers located in Germantown, Laurel and Rockville, Maryland. These centers provide ambulatory services to patients without life threatening conditions, as well as occupational health screenings to the community.

One Health Quality Alliance (OHQA) is a physician-led clinically integrated network designed to deliver value to payors, employers and consumers through the highest quality care at a lower cost. Through this alliance, participating physicians gain access to resources to support the transition to value-based care, while maintaining their independence. Through this collaboration, OHQA aims to improve the health of patient populations and communities, while enhancing the patient experience and reducing the costs of health care. The OHQA currently has over 1,180 physician members, most of whom are on the medical staff of AHC, including primary care, orthopedics and other community and hospital based specialists.

The Foundations operating division is comprised of Washington Adventist Hospital Foundation, Inc., d/b/a White Oak Medical Center Foundation Inc. and Shady Grove Medical Center Foundation, Inc. (collectively, the Foundations). Each are separate nonstock corporations that operate for the furtherance of each named hospital's health care objectives primarily through the solicitation of contributions, gifts and bequests. The Foundations also exist to help fund new equipment purchases and capital improvement projects for their respective hospitals.

All of the operating divisions and controlled entities mentioned above are tax-exempt under Section 501(c)(3) of the IRC.

Principles of Consolidation

The consolidated financial statements include the accounts of AHC, the controlling parent, SGMC, WOMC, Rehab, Imaging, CIS, LWS, CCPL, the Support Center, FWMC, the Lourie Center, AHCS, Urgent Care, OHQA, and the Foundations, which include their majority-owned subsidiaries and controlled affiliates (collectively, the Corporation). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements of the Corporation.

Reclassification

Certain 2019 amounts have been reclassified to conform to the 2020 consolidated financial statements presentation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through May 17, 2021, the date the consolidated financial statements were issued.

Use of Estimates

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

Maryland Health Services Cost Review Commission

Certain hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC). The HSCRC has jurisdiction over hospital reimbursement in Maryland by agreement with the Centers for Medicare and Medicaid Services (CMS). This agreement is based on a waiver from the Medicare Prospective Payment System reimbursement principles granted under Section 1814(b) of the Social Security Act. Management has filed the required forms with the HSCRC and believes all entities that fall under the HSCRC's jurisdiction are in compliance with applicable requirements.

In January 2014, the Centers for Medicare and Medicaid Services approved a modernized waiver that grants Maryland (via the HSCRC) the authority to regulate hospital revenue within a rigorous per capita expenditure limit. Maryland's All Payer Model Agreement builds on decades of innovation and equity in healthcare payment and delivery - with an aim to enhance patient care, improve health outcomes and lower costs.

As a result of the waiver, the HSCRC introduced revenue arrangements, including the Global Budget Revenue (GBR) model. The GBR methodology encourages hospitals to focus on population health strategies by establishing a fixed annual revenue cap for each GBR hospital. The agreement establishes a fixed amount of charging authority (i.e. revenue) at the beginning of the rate year. It is evergreen in nature and covers both regulated inpatient and outpatient revenues. Annual revenue is calculated from a base year and is adjusted annually for inflation, infrastructure requirements, population changes, performance in quality-based programs and changes in the levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services from one health system to another and from a regulated setting to an unregulated setting (or vice versa).

In 2014, AHC entered into GBR Agreements with the HSCRC for SGMC, WOMC and Shady Grove Germantown Emergency Center. FWMC entered into a GBR agreement with the HSCRC in 2014. The agreements set an initial fixed amount of revenue for each entity for the period July 1, 2013 through June 30, 2014 and is subsequently updated on an annual basis every July 1.

HSCRC requires rate-regulated hospitals under its jurisdiction to calculate the amount of revenue lost or gained due to variances from approved rates. Revenue lost due to undercharges in rates is recouped through increases in prospective rates. Similarly, revenue gained due to overcharges in rates is paid back, wholly or in part, through reductions in prospective rates. The Corporation reported net undercharge of $801 and a net overcharge of $1,022 as of December 31, 2020 and 2019, respectively. These price variances reflect the variance between actual patient charges and the pro-rata share of approved rate orders. The net amounts are reported as a component of net patient service revenue and patient accounts receivable in the accompanying consolidated financial statements. Since the HSCRC's rate year extends from July 1 through June 30, these amounts will continue to fluctuate until the end of the rate year as actual patient charges deviate from the total approved charging authority. At the conclusion of the rate year ended June 30, 2019, any over/under charges are amortized on the straight-line basis over the following rate year when the price variance adjustments are actually built into each entity's rate order. Due to unique funding made available by the Coronavirus Aid, Relief and Economic Security (CARES) Act during 2020, net patient service revenue for hospital under the HSCRC jurisdiction were recognized as actual charges and no accrual for net overcharges or undercharges were made for the period July 1, 2019 through December 31, 2020. The variance between the HSCRC approved Global Budget and the amount charged for services during this period was calculated as lost revenues covered by the CARES Act Provider Relief Fund and reported as other revenues in the accompanying consolidated statements of operations.

Under Maryland law, charges of specialty hospitals such as Rehab are subject to review and approval by the HSCRC. HSCRC regulations also include a provision whereby a hospital may apply for an exemption from the requirements to charge for services in accordance with HSCRC regulations. Certain conditions regarding the percentage of revenue related to Medicare and Medicaid patients and total revenues must be met to receive the initial exemption and must be met each year thereafter. Reporting requirements as established by the HSCRC continue even if an exemption regarding charging for services is received. The Corporation's management believes Rehab met the conditions for exemption during 2020 and 2019.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and certificates of deposit purchased with original maturities of less than 90 days, excluding assets whose use is limited. For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Patient Accounts Receivable

The Corporation assesses collectability on patient contracts prior to the recognition of net patient service revenue. Patient accounts receivable are reported at their net realizable value. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and determines accounts are impaired based on changes in patient credit worthiness. Patient accounts receivable also includes management's estimate of the impact of certain undercharges to be recouped or overcharges to be paid back for inpatient and outpatient services in subsequent years rates as discussed earlier.

Other Receivables

Other receivables represent amounts due to the Corporation for charges other than providing health care services to patients and pledges from donors and are reported at their net realizable value. These services include, but are not limited to, fees from educational programs, rental of health care facility space, interest earned and management services provided to unconsolidated subsidiaries. Other receivables are written off when they are determined to be uncollectible based on management's assessment of individual accounts.

Assets Whose Use Is Limited

Assets whose use is limited includes assets held by bond trustees under trust indentures, assets set aside as required by the Corporation's self-funded professional liability trust, assets set aside for deferred compensation agreements and those set aside in accordance with the United States Department of Housing and Urban Development (HUD) mortgage loan payable. Amounts available to meet current liabilities of the Corporation have been reclassified as current assets in the accompanying consolidated balance sheets.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Cash and cash equivalents and certificates of deposit are carried at cost which approximates fair value. Investments in joint ventures are accounted for using the equity or cost method of accounting depending on the Corporation's ownership interest. Investment income or loss (including realized and unrealized gains and losses on investments, write-downs of the cost basis of investments in debt securities due to an other-than-temporary decline in fair value, interest and dividends) is included in the determination of revenues in excess of expenses from continuing operations unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments in debt securities are excluded from the determination of revenues in excess of expenses from continuing operations. Donor restricted investment income is reported as an increase in net assets with donor restrictions. Investments available for current operations have been classified as short-term investments in the accompanying consolidated balance sheets.

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated balance sheets are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Inventories

Inventories of drugs, medical supplies and surgical supplies are valued at the lower of cost or net realizable value. Cost is determined primarily by the weighted average cost method.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support 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. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment losses are recognized in the consolidated statements of operations as a component of revenues in excess of expenses from continuing operations as they are determined. The Corporation reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, the Corporation calculates the estimated future net cash flows to be generated by the asset. If those future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. There were no impairment losses reported in 2020 or 2019.

Leases and Right-of-Use Assets

Under Topic 842, the Corporation evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either financing or operating. All lease liabilities are measured as the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

Amortization of financing lease ROU assets, which is recognized on a straight-line basis over the lesser of the lease term or the estimated useful life of the asset, is included within depreciation and amortization expense in the consolidated statements of operations. Interest expense associated with financing lease obligations is included within interest expense in the consolidated statements of operations. Operating lease expense is recognized on a straight-line basis over the lease term and is included within building and maintenance in the consolidated statements of operations. The lease term is determined based on the date the Corporation acquires control of the leased premises through the end of the lease term.

Intangible Assets

The Corporation's intangible assets primarily include costs in excess of net assets acquired related to certain business acquisitions. The Corporation is amortizing certain intangible assets over a period not to exceed 40 years. Amortization of these intangible assets was $202 in 2020 and $231 in 2019. Accumulated amortization of intangible assets was $4,259 and $4,057 as of December 31, 2020 and 2019, respectively.

Goodwill, which is included in intangible assets in the accompanying consolidated balance sheets, is reviewed annually for impairment or more frequently if events or circumstances indicate the carrying amount of the goodwill will not be recoverable.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term obligations have been deferred and are being amortized over the term of the related obligation using the straight-line method. Deferred financing costs remaining as of December 31, 2020 and 2019 totaled $5,024 and $5,213, respectively, and are included in the consolidated balance sheets as a reduction of bonds payable. Amortization expense was $212 and $229 in 2020 and 2019, respectively, and is included as a component of interest expense in the consolidated statements of operations.

Due to Third Party Payors

The Corporation receives advances from third party payors to provide working capital for services rendered to the beneficiaries of such services. These advances are principally determined based on the timing differences between the provision of care and the anticipated payment date of the claim for service in accordance with HSCRC's rate regulations. These advances are subject to periodic adjustment.

Settlements with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on reimbursable costs, the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information become available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2020 or 2019.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result, health care entities, may from time to time and in the ordinary course of business, receive requests for information and notices from government agencies regarding alleged noncompliance with those laws and regulations, some of which may result in settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. Management is not aware of any material incidents of noncompliance, however, there can be no assurance that regulatory authorities will not challenge the Corporation's compliance in the future.

Medicare Advance and Accelerated Payments

The CARES Act included provisions to expand the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In April 2020, the Corporation received $140,112 in advance payments under this program, of which $60,771 is classified as a current liability and $79,341 is classified as a long-term liability in the accompanying consolidated balance sheets. The proceeds received were invested in short-term investments and are separately classified on the accompanying consolidated balance sheets.

Repayment of the advances is scheduled to begin one year after receipt of the advances and end 17 months later (29 months from initial payment), at which time the advances are required to be repaid in full. The Corporation began repaying the Medicare advance during April 2021 and has recorded an estimated current portion based on historical Medicare payment trends. The repayments are expected to occur automatically through a partial offset in Medicare payments due to the Corporation for services rendered to Medicare program beneficiaries.

Estimated Self-Insured Professional Liability

The provision for estimated self-insured professional liability includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Corporation's consolidated balance sheets at net realizable value.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets with donor restrictions include amounts available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets with donor restrictions include amounts subjected to donor imposed restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets were released from donor restriction by satisfying their restricted purposes in the amount of $8,251 in 2020 and $5,294 in 2019.

Net assets with donor restrictions includes those whose use by the Corporation has been limited by donors to specific purposes in the amount of $7,386 and $5,618 as of December 31, 2020 and 2019, respectively.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the underlying conditions have been substantially met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Restricted funds to be used for capital acquisitions have been reported as noncurrent assets in the accompanying consolidated balance sheets, while other restricted cash and investments are included with the cash and cash equivalents of net assets without donor restrictions.

Measure of Operations

The consolidated statements of operations reflect all changes in net assets without donor restrictions, including changes from both operating and nonoperating activities. Operating revenues and expenses consist of those items that are an integral part of the Corporation's provision of healthcare and related supporting activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenues in Excess of Expenses From Continuing Operations

The consolidated statements of operations include the determination of revenues in excess of expenses from continuing operations. Revenues in excess of expenses from continuing operations is the Corporation's performance indicator. Changes in net assets without donor restriction which are excluded from the determination of revenues in excess of expenses from continuing operations, consistent with industry practice, include the change in net unrealized gains and losses on investments in debt securities, the effective portion of the net unrealized gain on derivative financial instruments, the deferred compensation plan liability adjustment, contributions of long-lived assets (including contributions which by donor restriction were to be used for the purpose of acquiring such long-lived assets), other net asset without donor restriction activity and the loss from discontinued operations.

Net Patient Service Revenue

Net patient service revenue is recognized at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third party payors (including commercial and governmental programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Corporation bills the patients and third party payors after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenues for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges, ultimately adjusted in accordance with the charging authority awarding at the beginning of every year by the HSCRC. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving services over multiple days. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point-in-time are generally recognized when goods or services are provided and the Corporation does not believe it is required to provide additional services to the patient. Generally, performance obligations satisfied at a point-in-time relate to patients receiving outpatient services in a single day. The Corporation measures the performance obligation from the commencement of the outpatient service, to the point when it is no longer required to provide services to that patient, which is generally the completion of the outpatient service.

All of the Corporation's performance obligations generally relate to contracts with a duration of less than one year, therefore, the Corporation has elected to apply the optional exemptions provided in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and as a result is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third party payors, financial assistance provided to uninsured or underinsured patients in accordance with the Corporation's policies, and/or implicit price concessions provided to uninsured or underinsured patients. The Corporation determines its estimates of contractual adjustments based on contractual agreements, its financial assistance policies and historical experience. The Corporation determines its estimates of implicit price concessions based on its historical collection experience with a respective class of patient. Certain amounts categorized as implicit price concessions under ASC 606 were previously categorized as provision for doubtful accounts. The Corporation pursues collection of amounts defined as implicit price concessions.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third party payor pays for that service will be one year or less.

COVID-19 Grant Income and Deferred Revenues

COVID-19 grant income includes amounts received from federal, state and local funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the FASB ASC 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met which occurs when the Corporation complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the CARES Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Company received $96,102 in the year ended December 31, 2020 related to this funding. In accordance with the terms and conditions in place at December 31, 2020, the Corporation could apply the funding against eligible expenses, and then lost revenues. The Corporation's methodology for calculating lost revenues was based on the difference between charges and the prospective Global Budget allowed by the HSCRC for hospitals falling under jurisdiction of HSCRC rate setting and the difference between 2020 budgeted and actual 2020 net patient service revenues for revenues not subject to HSCRC rate setting. The Corporation also received COVID-19 related assistance of $4,756 from various other sources in the year ended December 31, 2020.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Provider Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized, however, an estimate of the possible effects cannot be made as of the date these financial statements were issued. In addition, it's unknown whether there will be further developments in the regulatory guidance.

The Corporation has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the Provider Relief Fund and other funding sources that were applicable as of December 31, 2020 of $44,222, which were recognized and included in COVID-19 grant income in the accompanying consolidated statements of operations for the year ended December 31, 2020. A portion of the funding was also applied to eligible capital expenditures of $5,839 and is included in net assets released from restriction for purchase of property and equipment in the accompanying consolidated statements of operations for the year ended December 31, 2020.

Deferred revenues are primarily comprised of funding received related to the above funding sources which the Company has not overcome the barriers for recognition and, therefore, are reflected as a refundable advance in the accompanying consolidated balance sheets as of December 31, 2020. In 2021, the Corporation also received additional funding of $2,322 to combat the ongoing financial effects of COVID-19.

Income Taxes

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2020 or 2019.

The Corporation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Charity Care

The Corporation provides 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 financial information obtained from the patient (or their guarantor) and subsequent analysis which includes the patient's ability to pay for services rendered. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as a component of net patient service revenue or patient accounts receivable.

The Corporation maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The level of charity care provided by the Corporation amounted to $15,302 in 2020 and $13,819 in 2019.

Advertising Costs

The Corporation expenses advertising costs as they are incurred.

2. Accounting Standards

Disclosure Requirements for Fair Value Measurement

During 2020, the Corporation adopted the FASB's Accounting Standards Update (ASU) No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on concepts in the FASB's Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. The adoption of ASU No. 2018-13 did not result in a change in the Corporation's net assets, however, certain disclosures related to fair value measurements have been revised accordingly.

Goodwill

During January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*. ASU No. 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU No. 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Corporation does not believe that the adoption of ASU No. 2017-04 will have a material effect on its consolidated financial statements.

Contributed Nonfinancial Assets

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. The Corporation has not yet determined the impact adoption of ASU No. 2020-07 will have on its consolidated financial statements.

3. Business Combination

On October 27, 2019, AHC and Adventist Healthcare Fort Washington Medical Center, Inc. entered into an asset purchase agreement (the Purchase Agreement) with Fort Washington Medical Center, Inc., Fort Washington Ambulatory Services, LLC, Nexus Health, Inc. (owner of Fort Washington Medical Center, Inc. and Fort Washington Ambulatory Services, LLC) and Carolyn Boone Lewis Health Care Center (former subsidiary of Nexus Health, Inc.) (collectively, Fort Washington). In accordance with the terms of the Purchase Agreement, substantially all assets and liabilities of Fort Washington were acquired in exchange for no consideration. The contractual amounts of accounts receivable approximate fair value due to their short-term nature.

(In Thousands)

In accordance with the authoritative guidance, the assets and liabilities of Fort Washington were recorded at fair market value as of the date of acquisition as follows:

Assets Acquired		
Cash and cash equivalents	$	1,293
Accounts receivable		2,516
Trustee held funds		1,659
Property and equipment		17,273
Other assets		2,202
Inventories		1,299
Total assets acquired		26,242
Liabilities Assumed		
Accounts payable and accrued expenses		7,160
Other liabilities		5,072
Long-term obligations		6,857
Total liabilities assumed		19,089
Net Assets Assumed	$	7,153
Inherent Contribution Without Donor Restrictions	$	7,046
Inherent Contribution With Donor Restrictions	$	107

4. Discontinued Operations and Assets Held for Sale

In July 2019, AHC entered into an agreement to sell the Takoma Park campus to an unrelated third party for $12,000. The opportunities for growth and expansion at the Takoma Park campus were limited, and the Corporation wanted to expand access to care throughout the Washington DC region, leading to the decision to sell the campus. The closing is expected to take place in 2021 upon the closure of the ACS (Note 1) and the relocation of Rehab to WOMC.

The current operations on the Takoma Park Campus consist of a walk-in clinic, which began in August 2019, which is included in the loss from discontinued operations in the accompanying consolidated statements of operations.

As a result of entering into the sale agreement, a significant amount of property and equipment (other than real estate) was disposed of and a loss of $11,576 was recognized in 2019 and included in the loss from discontinued operations in the accompanying consolidated statements of operations. During 2020, an additional loss on disposal of $4,822 was recognized and included in the loss from discontinued operations in the accompanying consolidated statements of operations.

Assets held for sale in the accompanying consolidated balance sheets is comprised of land and improvements of $264 and $330 and building and improvements of $11,765 and $15,610 at December 31, 2020 and 2019, respectively, that will be sold as part of the agreement.
No gain or loss on sale has been recognized in 2020 or 2019.

(In Thousands)

The following amounts related to discontinued operations are included in the loss from discontinued operations in the accompanying consolidated statements of operations:

	2020	2019
Total revenues	$ -	$ 308
Total expenses, including loss on disposal of $4,822 in 2020 and $11,576 in 2019	(7,576)	(15,149)
Loss on discontinued operations	$ (7,576)	$ (14,841)

5. Net Patient Service Revenue

The Corporation routinely obtains assignments of (or is otherwise entitled to receive) patient benefits receivable under their health insurance programs, plans or policies (i.e. third party payors). Third party payors include both government payors, which include Medicare, Medicaid and Management Care Organizations and commercial insurance carriers. Agreements with third party payors typically provide for payments at amounts less than established charges. A summary of payment arrangements with third party payors, by service type, is as follows:

- Global budget revenue - SGMC, WOMC and FWMC have entered into agreements by which the third party payors pay a percentage of approved HSCRC charges. A reduced percentage can be obtained if the payor advances a certain amount of working capital.
- Rehabilitation services - Rehab has entered into agreements by which the third party payors pay at a contract rate per day or visit.
- Physician practice services - AMG has entered into agreements by which the third party payors pay negotiated rates per procedures as defined in the term sheet of the agreements.
- Imaging services - Imaging has entered into agreements by which the third party payors pay negotiated rates per procedures as defined in the term sheet of the agreements.
- Home health services - AHCS has entered into agreements by which the third party payors pay negotiated rates on a per visit basis.

Generally, patients who are covered by third party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured or underinsured patients financial assistance, by either policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustment, financial assistance and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenues in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

(In Thousands)

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

Net patient service revenues disaggregated by service type for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Global budget revenue	$ 737,799	$ 673,535
Rehabilitation services	47,781	51,093
Physician practice services	24,775	29,281
Imaging services	25,605	29,654
Home health services	27,917	29,742
Other health services	9,396	8,271
Total	$ 873,273	$ 821,576

Net patient service revenues disaggregated by payor for the years ended December 31, 2020 and 2019 are as follows:

	Medicare	Medicaid	Other Third Party Payors	Self-Pay and Other	Total
December 31, 2020	$ 323,111	$ 87,327	$ 419,171	$ 43,664	$ 873,273
December 31, 2019	$ 312,084	$ 85,808	$ 391,027	$ 32,657	$ 821,576

6. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2020 and 2019 are comprised of the following:

	2020	2019
Cash and cash equivalents	$ 25,011	$ 17,761
Corporate bonds	107,316	66,539
Asset backed securities	80,143	49,013
Marketable equity securities	22,564	-
U.S. government securities:		
U.S. treasury notes	93,033	61,879
Mutual funds:		
Fixed income	50,195	-
Equity, balanced	6,457	19,697
Equity, growth	5,895	11,811
Total	390,614	226,700
Less Medicare advance and accelerated payments	(140,112)	-
Total short-term investments	$ 250,502	$ 226,700

(In Thousands)

Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2020 and 2019 is set forth in the following tables:

	2020	2019
Under trust indentures and mortgage loan agreement, held by trustees and banks:		
Cash and cash equivalents	$ 24,781	$ 14,586
U.S. government securities:		
U.S. treasury notes	20,338	26,294
U.S. government agency notes	-	1,198
Total	45,119	42,078
Less funds held for current liabilities	1,853	1,787
Noncurrent portion of assets held under trust indentures and mortgage loan agreement	$ 43,266	$ 40,291
Professional liability trust fund:		
Cash and cash equivalents	$ 2,526	$ 2,188
Mutual funds:		
Equity, large value	2,962	4,189
Equity, growth	3,275	1,745
Fixed income, intermediate	3,026	3,821
Fixed income, multi-sector	2,504	1,958
Fixed income, short-term	4,010	1,976
Total	18,303	15,877
Less funds held for current liabilities	1,942	1,929
Noncurrent portion of professional liability trust fund	$ 16,361	$ 13,948
Deferred compensation fund:		
Mutual funds:		
Equity, growth	$ 292	$ 300
Equity, large value	237	277
Equity, midcap value	110	112
Equity, other	298	423
Fixed income, intermediate	468	426
	$ 1,405	$ 1,538

The indenture requirements of certain tax-exempt financings provide for the establishment and maintenance of various accounts with a trustee (Note 12). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders.

(In Thousands)

The composition of trustee held and escrow funds at December 31, 2020 and 2019 is as follows:

	2020	2019
Debt service reserve funds	$ 28,804	$ 28,804
Principal and interest funds	9,185	9,179
Project fund	5,471	2,436
Mortgage reserve funds	1,659	1,659
Total	$ 45,119	$ 42,078

Investment income and gains and losses for investments, assets whose use is limited and cash and cash equivalents without donor restrictions are comprised of the following in 2020 and 2019:

	2020	2019
Investment income:		
Interest and dividends, net	$ 12,126	$ 5,820
Interest on trustee held funds	538	954
Net realized and unrealized gains and losses on investments	1,682	7,382
Total	$ 14,346	$ 14,156
Other changes in net assets without donor restriction:		
Change in net unrealized gains and losses on investments in debt securities	$ 4,271	$ 8,144

7. Fair Value Measurements and Financial Instruments

The Corporation measures its short-term investments, assets whose use is limited, investments, beneficial interest in trusts and derivative financial instrument at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

(In Thousands)

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The fair value of the Corporation's financial instruments was measured using the following inputs at December 31:

	2020			
	Fair Value	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Reported at Fair Value				
Assets:				
Mutual funds:				
Fixed income, intermediate	$ 3,494	$ 3,494	$ -	$ -
Fixed income, multi-sector	2,504	2,504	-	-
Fixed income, short-term	54,205	54,205	-	-
Equity, growth	9,463	9,463	-	-
Equity, large value	3,199	3,199	-	--
Equity, balanced	6,457	6,457	-	-
Equity, midcap value	110	110	-	-
Equity, other	298	298	-	-
Marketable equity securities	22,564	22,564		
U.S. government securities:				
U.S. treasury notes	113,372	-	113,372	-
Asset backed securities	80,143	-	80,143	-
Corporate bonds	107,316	-	107,316	-
Beneficial interest in trusts	554	-	-	554
Total assets measured at fair value	403,679	$ 102,294	$ 300,831	$ 554
Cash and cash equivalents	53,242			
Total	$ 456,921			

(In Thousands)

	2019			
	Fair Value	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Reported at Fair Value				
Assets:				
Mutual funds:				
Fixed income, intermediate	$ 4,247	$ 4,247	$ -	$ -
Fixed income, multi-sector	1,958	1,958	-	-
Fixed income, short-term	1,976	1,976	-	-
Equity, growth	13,857	13,857	-	-
Equity, large value	4,466	4,466	-	-
Equity, balanced	19,697	19,697	-	-
Equity, midcap value	112	112		
Equity, other	423	423		
U.S. government securities:				
U.S. treasury notes	88,173	-	88,173	-
U.S. government agency notes	1,198	-	1,198	-
Asset backed securities	49,013	-	49,013	-
Corporate bonds	66,539	-	66,539	-
Beneficial interest in trusts	566	-	-	566
Total assets measured at fair value	252,225	$ 46,736	$ 204,923	$ 566
Cash and cash equivalents	35,449			
Total	$ 287,674			
Liabilities:				
Derivative financial instrument	$ 236	$ -	$ 236	$ -

The following represents a reconciliation of the assets reported at fair value included in the fair value table within the accompanying consolidated balance sheets at December 31:

	2020	**2019**
Short-term investments (Note 6)	$ 250,502	$ 226,700
Medicare advance and accelerated payments (Note 6)	140,112	-
Assets whose use is limited (Note 6):		
Current portion	3,795	3,716
Under trust indentures and mortgage loan agreement, held by trustees and banks	43,266	40,291
Professional liability trust fund	16,361	13,948
Deferred compensation fund	1,405	1,538
Investments held by foundations (Note 9)	926	915
Beneficial interest in trusts, included in deposits and other noncurrent assets	554	566
	$ 456,921	$ 287,674

(In Thousands)

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at December 31, 2020 and 2019.

Mutual funds and marketable equity securities are valued based on quoted market prices.

U.S. government securities, asset backed securities and corporate bonds are valued based on estimated quoted market prices of similar securities.

Beneficial interest in trusts are valued based on the fair value of the trusts underlying assets which represents a proxy for discounted present value of future cash flows. Beneficial interest in trusts are included in deposits and other noncurrent assets in the accompanying consolidated balance sheets.

The Corporation measures its derivative financial instrument at fair value based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument and considers the credit risk of the Corporation and counterparty. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would pay to terminate the agreement.

8. Property and Equipment, Net

Property and equipment, net at December 31, 2020 and 2019 consist of the following:

	2020	2019
Land and improvements	$ 38,263	$ 35,833
Buildings and improvements	742,391	704,920
Office furniture and equipment	204,016	205,545
Computer software and hardware	136,769	131,687
Total	1,121,439	1,077,985
Less accumulated depreciation and amortization	(409,895)	(367,927)
Total	711,544	710,058
Construction in progress	17,463	14,786
	$ 729,007	$ 724,844

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2020 and 2019, the Corporation capitalized $365 and $763, respectively.

Construction in progress as of December 31, 2020 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were $17,794 at December 31, 2020. The cost of these projects is expected to be funded through operations, as well as transfers from the Corporation's related foundations.

(In Thousands)

9. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments and investments in unconsolidated subsidiaries include the following at December 31, 2020 and 2019:

	2020	2019
Investment in healthcare entities	$ 28,171	$ 21,721
Investments held by foundations	850	834
Total	$ 29,021	$ 22,555

Investment in Healthcare Entities

The Corporation recognized earnings of $313 and $431 during 2020 and 2019, respectively, related to its ownership interest in the healthcare entities accounted for under the equity method. A brief description of these investments is presented below:

Chesapeake Potomac Regional Cancer Center (CPRCC) - CPRCC provides outpatient radiation oncology services to patients in Maryland. The Corporation has a 20 percent ownership interest in CPRCC.

Doctors Regional Cancer Center (DRCC) - DRCC provides outpatient radiation oncology services to patients in Bowie and Lanham, Maryland. The Corporation has a 20 percent ownership interest in DRCC.

Shady Grove Medical Building, LLC (SGMB) - SGMB was organized for the purpose of developing and constructing a cancer care center on the campus of SGMC. The Corporation has a 50 percent ownership interest in SGMB.

White-Oak AHF-1 Manager, LLC (White-Oak) - White-Oak was organized for the purpose of developing and constructing a medical office building on the White Oak campus of WOMC. The Corporation has a 50 percent ownership in White-Oak.

The Corporation has invested $259 in Advanced Health Collaborative, LLC for a 25 percent ownership interest. This organization was formed to share ideas and explore opportunities to enhance quality of healthcare in the state of Maryland.

The Corporation has invested $3,885 in Advanced Health Collaborative II, LLC (AHC II) for a 25 percent interest. AHC II was formed to hold a 24 percent interest in Maryland Health Advantage, LLC which is a Medicare preferred provider network providing health services to its members.

The Corporation has invested $450 in CoreLife Adventist, LLC (CoreLife) for a 50 percent interest. CoreLife was formed to provide weight loss services.

The Corporation has invested $6,000 in CoreLife Management Services, Inc. (CoreLife Management) for a 15 percent interest. CoreLife Management was formed to develop, manage and coordinate the provision of a comprehensive scope of integrated medical, nutrition, behavioral and exercise services to treat obesity and it related chronic illnesses.

(In Thousands)

Summarized financial information related to these entities is presented below:

	2020	2019
Net revenue	$ 25,109	$ 20,940
Revenues (less than) in excess of expenses	(429)	1,845
Total assets	99,632	84,300
Total liabilities	59,153	44,572

Investments Held by Foundations

The Foundations also hold marketable debt and equity securities for funds not required to be expended in less than 90 days. These marketable securities are subject to credit and market risks.

10. Land Held for Healthcare Development

From 2002 through 2011, the Corporation acquired various parcels of land in Clarksburg, Maryland totaling approximately 200 acres. Several parcels of the land are fully owned by the Corporation, and the remainder is owned by Cabin Branch Commons, LLC (Cabin Branch), of which the Corporation owns 45 percent.

In May 2013, the Corporation and Cabin Branch entered into a purchase and sale agreement with an unrelated third party to sell 48.8 acres of the land located in Clarksburg. In June 2015, the Corporation and Cabin Branch closed on the sale of the land at a purchase price of $28,250. The Corporation's portion of the proceeds was $25,102.

In April 2017, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 1.6 acres of the land located in Clarksburg. The Corporation closed on the sale of the land in April 2017 at a purchase price of $1,330 and the proceeds were received in April 2017.

In April 2017, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 9.95 acres of the land located in Clarksburg at a purchase price of $7,251. The Corporation's share of $4,565 was received in November and December 2018.

The total proceeds received related to the parcels of land sold by the Corporation through December 31, 2020 was $30,997. No gain or loss was recognized on the sale of the parcels of land as of December 31, 2020 and 2019. Total remaining land held for healthcare development in Clarksburg as of December 31, 2020 and 2019, was $49,340 and $48,091, respectively.

11. Short-Term Financing

The Corporation has a $10,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 1.50 percent (1.65 percent at December 31, 2020). There were no borrowings outstanding under this line of credit as of December 31, 2020 or 2019.

(In Thousands)

12. Long-Term Obligations

Long-term obligations as of December 31, 2020 and 2019 are comprised of the following:

	2020	2019
Fixed Rate Revenue Bonds	$ 509,232	$ 520,240
Variable Rate Revenue Bonds	20,300	21,165
Note payable	20,481	21,296
Mortgage loan payable	6,247	7,105
Other long-term liabilities	4,521	7,184
Total obligations	560,781	576,990
Plus bond premium	11,363	9,515
Less:		
Current maturities	(13,991)	(14,071)
Deferred financing costs	(5,024)	(5,213)
Noncurrent portion of long-term obligations, net	$ 553,129	$ 567,221

Fixed Rate Revenue Bonds

Fixed Rate Revenue Bonds consist of the Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds. Fixed Rate Revenue Bonds consist of the following at December 31:

	Par Amounts	Interest Rates	2020	2019
Adventist Healthcare, Inc.:				
Series 2011A	$ 57,205	5-6.25%	$ 57,205	$ 57,205
Series 2013	15,623	3.21%	6,037	6,750
Series 2014A	24,280	3.56%	-	21,315
Series 2016A	269,750	5.00%	267,315	269,750
Series 2016B	126,395	3.72%	122,350	126,395
Series 2017	40,000	2.77%	37,600	38,825
Series 2020	18,725	4.00%	18,725	-
Total			$ 509,232	$ 520,240

In December 2020, the Maryland Health and Higher Educational Facilities Authority issued $18,725 of Hospital Revenue Bonds on behalf of the Corporation. The proceeds of the Series 2020 Bonds were used for the purpose of refunding the Series 2014A Bonds and expenses incurred in connection with the issuance. The Bonds are due in varying annual installments of principal and interest through January 2038. In conjunction with the refunding, a loss on refinancing was recognized in the accompanying consolidated statements of operations, which is comprised of the following:

Write-off of unamortized deferred financing costs	$ 183
Redemption premium	98
Loss on refinancing	$ 281

The Corporation also entered into a forward bond delivery purchase agreement with the Maryland Health and Higher Educational Facilities Authority related to the expected issuance of the Series 2021 Revenue Bonds of $48,120 in October 2021 for the purpose of refunding the Series 2011A and expenses incurred in connection with the issuance.

The above bond issues are subject to trust indentures which impose various covenants on SGMC, WOMC, Rehab, Imaging, CIS, Other Health Services and the Support Center (collectively, the Obligated Group) which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities and the achievement of certain pre-established financial indicators. Management believes it has complied with these required financial covenants for the years ended December 31, 2020 and 2019. Debt service reserve funds are required on the Series 2011A, Series 2016A and Series 2017 Bonds.

Variable Rate Revenue Bonds

The Variable Rate Revenue Bonds consist of the Maryland Health and Higher Educational Facilities Authority Revenue Refunding Bonds, Series 2014B, Adventist HealthCare, Inc. which had an outstanding balance of $20,300 and $21,165 as of December 31, 2020 and 2019, respectively. The Series 2014B Bonds bear interest at a variable rate of one month LIBOR plus 2.3 percent (2.45 percent at December 31, 2020). The Series 2014B Bonds are subject to an Amended and Restated Master Trust Indenture that imposes various covenants on the Obligated Group which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities and the achievement of certain pre-established financial indicators. Management believes it has complied with these required financial covenants for the years ended December 31, 2020 and 2019.

The Bonds subject to the Amended and Restated Master Trust Indenture are secured by the unrestricted revenues of the Obligated Group as well as a mortgage interest in the facilities of SGMC, WOMC and Rehab.

Note Payable

In December 2014, the corporation entered into a taxable term note for $25,000 with a commercial bank, which is secured by a Master Note issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003. The note bears interest at one month LIBOR plus 2.45 percent (2.6 percent as of December 31, 2020). The amortization on the note extends to December 18, 2034, however, the note matures on December 18, 2024. As of December 31, 2020 and 2019, the outstanding balance was $20,481 and $21,296, respectively.

Mortgage Loan Payable

On December 23, 2004, FWMC entered into an $11,055 taxable mortgage loan insured by HUD through the Federal Housing Administration. The loan provided for the satisfaction of FWMC's previous bond obligation and for construction, new equipment and financing costs.

During the year ended December 31, 2013, the loan was refinanced through the same lender to lower the interest from 6.125 percent to 3.95 percent per annum payable in monthly installments. The term of the loan was not changed and the last payment is due in 2030.

As of December 31, 2020 and 2019, the outstanding balance on the loan was $6,247 and $7,105, respectively, and payable in monthly installments, including interest at 3.95 percent. The loan is subject to restrictive covenants, including restrictions on additional long-term borrowings and prepayment of the outstanding obligation. In accordance with the terms of the Regulatory Agreement with HUD, FWMC is required to meet certain financial covenants in order to distribute assets to affiliates or incur additional indebtedness. Under the terms of the HUD-insured mortgage loan, FWMC is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited. The loan is secured by FWMC's premises and all the assets and cash flows contained therein.

(In Thousands)

Other Long-Term Liabilities

This category consists of other long-term obligations. Interest rates on these other long-term liabilities range from 2.70 percent - 3.40 percent.

Scheduled principal repayments of long-term obligations, excluding financing and operating lease obligations at December 31, 2020 are as follows:

Years ending December 31:		
2021	$	13,991
2022		14,195
2023		13,545
2024		13,361
2025		13,167
Thereafter		492,522
Total	$	560,781

13. Leases

The Corporation leases office space and equipment used in operations. For many of these leases, the Corporation is responsible for paying property taxes, insurance, as well as maintenance and repair costs. The Corporation's real estate leases generally have initial lease terms of 3 to 20 years or more and typically include one or more options to renew, with renewal terms that generally extend the lease term for an additional five to ten years or more. The Corporation assesses renewal options using a "reasonably certain" threshold, which is understood to be a high threshold and, therefore, the majority of its leases' terms do not include renewal periods for accounting purposes. For leases where the Corporation is reasonably certain to exercise its renewal option, the option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability. The payment structure of the Corporation's leases generally include annual escalation clauses that are either fixed or variable in nature, some of which are dependent upon published indices. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and expenses for these leases are recognized on a straight-line basis over the lease term as an operating expense.

Certain leases include an option to purchase the leased assets. The Corporation assesses the likelihood of exercising the purchase option using a "reasonably certain" threshold, which is understood to be a high threshold and, therefore, purchase options are generally accounted for when a compelling economic reason to exercise the option exists. Certain leases include an option to terminate the lease, the terms and condition of which vary by contract. These options allow the parties to the contract to terminate their obligations typically in return for an agreed upon financial consideration amount. The Corporation's lease agreements do not contain material residual value guarantees.

The Corporation makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The Corporation uses a risk-free discount rate based on information available at the commencement date in determining the present value of lease payments. In order to apply discount rate, a portfolio approach was utilized to group assets based on similar lease terms in a manner whereby the Corporation reasonably expects that the application does not differ materially from application to individual leases.

Subsequent to the lease commencement date, the Corporation reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

(In Thousands)

Future minimum payments under operating lease obligations as of December 31, 2020 were as follows:

Years ending December 31:		
2021	$	18,538
2022		18,452
2023		17,224
2024		11,653
2025		9,255
Thereafter		41,783
Total		116,905
Lease amount representing interest		15,635
Total operating lease obligations		101,270
Less current portion		15,042
Long-term obligation	$	86,228

Future minimum payments under financing lease obligations as of December 31, 2020 were as follows:

Years ending December 31:		
2021	$	2,199
2022		2,093
2023		1,579
2024		1,379
2025		1,348
Thereafter		2,694
Total		11,292
Less amount representing interest		1,023
Total financing lease obligations		10,269
Less current portion		1,922
Total	$	8,347

Total lease costs are comprised of the following for the years ended December 31, 2020 and 2019:

		2020		2019
Financing lease cost:				
Amortization of right-of-use asset	$	1,127	$	1,126
Interest on lease obligations		72		104
Operating lease cost		18,214		17,035
Total lease cost	$	19,413	$	18,265

(In Thousands)

Other supplemental information as of and for the years ended December 31, 2020 and 2020 is as follows:

	2020	2020
Weighted-average remaining lease term:		
Financing lease obligations	6.20 years	3.03 years
Operating lease obligations	8.50 years	6.12 years
Weighted-average discount rate:		
Financing lease obligations	3.03 %	3.19 %
Operating lease obligations	3.81 %	4.44 %

Certain lease agreements contain a number of restrictive covenants that, among other things, and subject to certain exemptions, impose operating and financial restrictions on the Corporation.

14. Retirement, Health Plan and Life Insurance

Defined Contribution Retirement Plan

The Corporation sponsors a 401(a) defined contribution retirement plan, which covers substantially all full-time employees. After 12 months of full-time or regular part-time employment of at least 1,000 base hours, the Corporation will contribute a total of 2 percent of eligible employees' compensation, plus a matching employer contribution equal to 50 percent of employee contributions (to the 403(b) plan) up to 6 percent of base salary. The Corporation also has a 403(b) retirement savings plan for employees. Employee contributions are made to the 403(b) retirement savings plan. Retirement plan expense was $12,023 in 2020 and $11,087 in 2019.

Supplemental Executive Retirement Plan

The Corporation also has a Supplemental Executive Retirement Plan (SERP) that became effective in 2015 and covers a group of key executives. SERP expense was $161 in 2020 and $201 in 2019. In addition, a SERP liability adjustment was recorded for ($860) in 2020 and $789 in 2019, which was recognized in net assets without donor restriction in the consolidated statements of changes in net assets. At December 31, 2020 and 2019, the Corporation's liability for the SERP was $2,312 and $3,010, respectively, which is included in other liabilities in the consolidated balance sheets.

Executive Retention 457(F) Plan

Effective January 1, 2015, the Corporation established the Executive Retention 457(F) Plan (the 457(F) Plan). The 457(F) Plan is a tax-deferred plan offered to key executives, whereby annual employer contributions are made to the Plan. Plan participants become vested in the contributions and receive plan payments in the second calendar year after the contribution is made, if the participant is still employed. The final contribution will be made to the Plan for the year in which the plan participant becomes 62. The 457(F) plan expense was $2,142 in 2020 and $2,198 in 2019. The Corporation's liability for the 457(F) plan at December 31, 2020 and 2019 was $3,480 and $2,993, respectively, which is included in other liabilities in the consolidated balance sheets.

Salary Deferral (457(b)) Plan

Employees who contribute the maximum allowable amount to the 403(b) retirement plan have an opportunity to contribute additional funds on a tax-deferred basis to a 457(b) retirement plan up to the maximum tax-sheltered opportunity. There are no employer contributions to this plan.

Health Plan

The Corporation maintains a self-insurance employee program for its health insurance coverage. The Corporation accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its stop-loss insurance coverage, based upon data provided by the third party administrator of the program and historical claims experience.

Life Insurance

Full-time and part-time employees are insured, through a third party carrier, for an amount equal to one times their base salary at time of enrollment up to $450,000 for full-time employees and $10,000 for part-time employees. In addition, if death is caused by accident, the employee is insured for an additional benefit equal to the amount of their life insurance.

15. Commitments and Contingencies

Litigation and Claims

The Corporation is subject to asserted and unasserted claims (in addition to litigation) encountered in the ordinary course of business. In the opinion of management and after consultation with legal counsel, the Corporation has established adequate reserves related to all known matters. The outcome of any potential investigative, regulatory or prosecutorial activity that may occur in the future cannot be predicted with certainty. However, any associated potential future losses resulting from such activity could have a material adverse effect on the Corporation's future financial position, results of operations and liquidity.

Insurance

The Corporation's primary coverage for professional liability is provided through a self-funded insurance retention trust (the Trust) established on January 1, 1993. The Trust is funded based on actuarial estimates and provides coverage of $4,000,000 per occurrence with no annual aggregate limitation. The Trust also provides general liability coverage up to $1,000,000 per occurrence and $3,000,000 in the aggregate. The Corporation also carries umbrella excess liability insurance on a claims made basis with a commercial carrier, with limits of $20,000,000 per occurrence and in aggregate.

It is the Corporation's policy to accrue for the ultimate cost of uninsured asserted and unasserted malpractice claims, if any, when incidents occur. Based on a review of the Corporation's prior experience and incidents occurring through December 31, 2020, management determined that the fully-funded professional liability reserve reported at December 31, 2020 and 2019 is adequate in light of the program's excess umbrella policy currently in force and historical claims experience. The estimated professional liability for both asserted and unasserted claims was $19,937 and $18,068 at December 31, 2020 and 2019, respectively. The discount rate used in determining these liabilities was 2.5 percent at both December 31, 2020 and 2019.

The Corporation is self-insured for unemployment and workers' compensation benefits. The liability for unemployment and worker's compensation claims payable is an estimate based on the Corporation's past experience and is included in the accompanying consolidated balance sheets. It is reasonably possible that the estimates used could change materially in the near term.

Remediation

Certain buildings, which were constructed prior to the passage of the Clean Air Act, contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe fashion prior to demolition and renovation of these buildings. At this time, the Corporation has no plans to demolish or renovate these buildings and, as such, cannot reasonably estimate the fair value of the liability for such asbestos removal.

(In Thousands)

COVID-19

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Corporation's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were issued. COVID-19 may impact various parts of the Corporation's 2021 operations and financial performance. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

16. Business and Credit Concentrations

The Corporation grants credit to patients, substantially all of whom are local residents. The Corporation generally does not require collateral or other security in extending credit, however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies.

At December 31, 2020 and 2019, concentrations of gross receivables from third party payors and others are as follows:

	2020	2019
Medicare	19 %	21 %
Medicaid	16	13
Other third party payors	30	46
Self-pay and others	35	20
	100 %	100 %

The Corporation maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000.

17. Liquidity and Availability

The Corporation's financial assets available for general expenditure within one year of the consolidated balance sheets date, consist of the following at December 31:

	2020	2019
Cash and cash equivalents	$ 55,444	$ 25,807
Medicare advance and accelerated payments (Note 1)	140,112	-
Short-term investments	250,502	226,700
Patient accounts receivable	117,816	117,498
Other receivables	41,574	13,764
Assets whose use is limited:		
Professional liability trust fund	16,361	13,948
Total	$ 621,809	$ 397,717

The Corporation has designated certain assets as available for settling professional liability claims, however, these assets could be used for general expenditure if necessary and, therefore, have been included in the information above.

As part of the Corporation's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests excess cash in short-term investments.

(In Thousands)

18. Functional Expenses

A summary of the Corporation's operating expenses by function for the year ended December 31, 2020 is as follows:

	Hospital Acute and Ambulatory Services	Home Care Services	Other Health Care Services	Other, Including General and Administrative	Fundraising	Total
Salaries and wages	$ 263,923	$ 18,146	$ 88,188	$ 44,072	$ -	$ 414,329
Employee benefits	51,944	3,198	15,270	8,141	-	78,553
Contract labor	55,010	106	12,507	303	-	67,926
Medical supplies	116,966	529	7,614	376	-	125,485
General and administrative	60,105	969	21,907	47,550	1,738	132,269
Building and maintenance	34,321	814	13,782	2,394	-	51,311
Insurance	5,350	117	1,775	3,115	-	10,357
Interest	22,675	-	480	2,259	-	25,414
Depreciation and amortization	32,351	267	4,031	9,257	-	45,906
Total	$ 642,645	$ 24,146	$ 165,554	$ 117,467	$ 1,738	$ 951,550

In 2020, the Corporation also incurred other health care services expenses of $7,576 related to the Takoma Park campus that were included in the loss from discontinued operations in the consolidated statements of operations. These expenses were comprised of the loss on disposal of $4,822 and miscellaneous other operating expenses related to the operations of the walk-in clinic.

A summary of the Corporation's operating expenses by function for the year ended December 31, 2019 is as follows:

	Hospital Acute and Ambulatory Services	Home Care Services	Other Health Care Services	Other, Including General and Administrative	Fundraising	Total
Salaries and wages	$ 237,700	$ 19,812	$ 88,847	$ 38,080	$ -	$ 384,439
Employee benefits	46,479	3,414	15,608	8,175	-	73,676
Contract labor	35,781	479	2,167	272	-	38,699
Medical supplies	101,993	407	5,369	(32)	-	107,737
General and administrative	56,215	1,137	21,347	46,742	1,982	127,423
Building and maintenance	29,983	688	11,154	2,176	-	44,001
Insurance	4,778	118	2,007	48	-	6,951
Interest	13,355	-	536	2,695	-	16,586
Depreciation and amortization	26,247	322	4,108	10,905	-	41,582
Loss on disposal of property and equipment	-	-	-	3,265	-	3,265
Total	$ 552,531	$ 26,377	$ 151,143	$ 112,326	$ 1,982	$ 844,359

In 2019, the Corporation also incurred other health care services expenses of $15,150 related to the Takoma Park campus that were included in the loss from discontinued operations in the consolidated statements of operations. These expenses were comprised of the loss on disposal of $11,576, building and maintenance of $1,174, interest of $1,860 and miscellaneous other operating expenses related to the operations of the walk-in clinic.

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2020
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	One Health Quality Alliance	Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Assets																	
Current Assets																	
Cash and cash equivalents	$ 315,949	$ (90,072)	$ 34,108	$ (28,371)	$ (41,454)	$ (8,001)	$ (141,539)	$ -	$ 40,620	$ 9,612	$ 643	$ 18,381	$ (14,680)	$ (3,546)	$ 4,414	$ -	$ 55,444
Medicare advance and accelerated payments	-	-	-	-	-	-	140,112	-	140,112	-	-	-	-	-	-	-	140,112
Short-term investments	-	-	-	-	-	-	250,502	-	250,502	-	-	-	-	-	-	-	250,502
Assets whose use is limited	-	-	-	-	-	-	3,795	-	3,795	-	-	-	-	-	-	-	3,795
Patient accounts receivable	61,401	38,254	4,912	2,250	192	-	432	-	107,441	6,150	-	3,050	1,175	-	-	-	117,816
Other receivables	3,074	5,313	127	2,603	1,165	19,170	8,752	(2,388)	37,816	1,100	1,623	29	(20)	-	1,026		41,574
Inventories	5,001	5,164	96	-	-	133	-	-	10,394	1,173	-	-	-	-	-	-	11,567
Prepaid expenses and other current assets	1,084	639	143	69	127	155	7,617	-	9,834	214	-	38	77	(74)	-	-	10,089
Total current assets	386,509	(40,702)	39,386	(23,449)	(39,970)	11,457	269,671	(2,388)	600,514	18,249	2,266	21,498	(13,448)	(3,620)	5,440	-	630,899
Property and Equipment, Net	170,831	446,674	10,349	6,847	2,980	121	64,296	-	702,098	19,090	1,235	850	5,734	-			729,007
Financing Lease Right-of-Use Asset	5,251	601	736	2,783	-	-	493	-	9,864	500	-	-	-	-	-	-	10,364
Operating Lease Right-of-Use Asset	32,685	39,255	640	4,381	2,053	501	7,538	-	87,053	1,665	1,638	1,761	7,217	-	-	-	99,334
Assets Whose Use is Limited																	
Under trust indentures and mortgage loan agreement, held by trustees and banks	1,361	36,402	454	-	-	-	3,390	-	41,607	1,659	-	-	-	-	-	-	43,266
Professional liability trust fund	-	-	-	-	-	-	16,361	-	16,361	-	-	-	-	-	-	-	16,361
Deferred compensation fund	-	-	-	-	-	-	1,405	-	1,405	-	-	-	-	-	-	-	1,405
Cash and Cash Equivalents Restricted for Capital Acquisitions	-	-	138	-	-	-	-	-	138	-	361	-	-	-	576	-	1,075
Investments and Investments in Unconsolidated Subsidiaries	(1,690)	13,967	-	-	-	-	25,692	-	37,969	-	-	-	-	-	850	(9,798)	29,021
Land Held for Healthcare Development	-	-	-	-	-	-	49,430	-	49,430	-	-	-	-	-	-	-	49,430
Intangible Assets, Net	1,391	1	749	5,435	-	6	-	-	7,582	-	-	135	-	-	-	-	7,717
Deposits and Other Noncurrent Assets	741	31	43	233	21	33	2,875	-	3,977	445	5	31	201	-	1,445	-	6,104
Assets Held for Sale	-	-	-	-	-	12,029	-	-	12,029	-	-	-	-	-	-	-	12,029
Total assets	$ 597,079	$ 496,229	$ 52,495	$ (3,770)	$ (34,916)	$ 24,147	$ 441,151	$ (2,388)	$ 1,570,027	$ 41,608	$ 5,505	$ 24,275	$ (296)	$ (3,620)	$ 8,311	$ (9,798)	$ 1,636,012

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2020
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	One Health Quality Alliance	Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Liabilities and Net Assets (Deficit)																	
Current Liabilities																	
Accounts payable and accrued expenses	$ 42,798	$ 24,403	$ 2,665	$ 1,019	$ 1,440	$ 13,485	$ 30,841	$ -	$ 116,651	$ 6,313	$ 247	$ 522	$ 511	$ 412	$ 18	$ -	$ 124,674
Accrued compensation and related items	18,156	11,764	3,559	370	1,006	391	16,090	(2,388)	48,948	3,036	1,068	1,787	509	2	-	-	55,350
Interest payable	-	-	-	-	-	-	9,312	-	9,312	-	-	-	-	-	-	-	9,312
Deferred revenues	-	-	-	-	164	-	50,071	-	50,235	2,061	216	-	-	-	-	-	52,512
Due to third party payors	11,929	8,303	(44)	-	-	-	68	-	20,256	641	-	-	-	-	-	-	20,897
Medicare advance and accelerated payments	-	-	-	-	-	-	57,675	-	57,675	3,096		-					60,771
Estimated self-insured professional liability	-	-	-	-	-	-	1,942	-	1,942	-	-	-	-	-	-	-	1,942
Current maturities of:																	
Long-term obligations	2,972	8,637	-	-	-	-	1,673	-	13,282	520	-	-	189	-	-	-	13,991
Financing lease obligations	684	78	96	900	-	-	64		1,822	100	-	-	-	-	-	-	1,922
Operating lease obligations	7,326	2,348	271	970	450	213	1,533	-	13,111	318	614	415	584	-	-	-	15,042
Total current liabilities	83,865	55,533	6,547	3,259	3,060	14,089	169,269	(2,388)	333,234	16,085	2,145	2,724	1,793	414	18	-	356,413
Construction Payable	974	2,397	163	29	-	10	16	-	3,589	289	-	-	-	-	-	-	3,878
Long-Term Obligations, Net																	
Bonds payable	122,684	362,059	4,302	-	-	-	37,555	-	526,600	-	-	-	-	-	-	-	526,600
Notes payable	-	-	-	-	-	-	17,096	-	17,096	5,484	-	-	3,949	-	-	-	26,529
Financing Lease Obligations	4,565	522	640	1,778	-	-	428	-	7,933	414	-	-	-	-	-	-	8,347
Operating Lease Obligations	26,319	37,156	376	3,520	1,667	304	6,276	-	75,618	1,368	1,056	1,402	6,784	-	-	-	86,228
Other Liabilities	1,477	27	-	-	422	-	7,508	-	9,434	411	-	-	-	-	48	-	9,893
Medicare Advance And Accelerated Payments	-	-	-	-	-	-	71,093	-	71,093	8,248	-	-	-	-	-	-	79,341
Estimated Self-Insured Professional Liability	-	-	-	-	-	-	17,995	-	17,995	-	-	-	-	-	-	-	17,995
Total liabilities	239,884	457,694	12,028	8,586	5,149	14,403	327,236	(2,388)	1,062,592	32,299	3,201	4,126	12,526	414	66	-	1,115,224
Net Assets (Deficit)																	
Net assets (deficit) without donor restrictions	356,849	37,776	40,143	(12,356)	(40,065)	9,744	113,257	-	505,348	9,202	2,081	20,149	(12,822)	(4,034)	3,169	(9,691)	513,402
Net assets with donor restrictions	346	759	324	-	-	-	658	-	2,087	107	223	-	-	-	5,076	(107)	7,386
Total net assets (deficit)	357,195	38,535	40,467	(12,356)	(40,065)	9,744	113,915	-	507,435	9,309	2,304	20,149	(12,822)	(4,034)	8,245	(9,798)	520,788
Total liabilities and net assets (deficit)	$ 597,079	$ 496,229	$ 52,495	$ (3,770)	$ (34,916)	$ 24,147	$ 441,151	$ (2,388)	$ 1,570,027	$ 41,608	$ 5,505	$ 24,275	$ (296)	$ (3,620)	$ 8,311	$ (9,798)	$ 1,636,012

Adventist Healthcare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2020
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	One Health Quality Alliance	Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Revenues																	
Net patient service revenue	$ 419,808	$ 287,096	$ 50,771	$ 25,605	$ 7,486	$ 22	$ -	$ (353)	$ 790,435	$ 47,127	$ 1,053	$ 27,917	$ 6,792	$ -	$ -	$ (51)	$ 873,273
Other revenues	9,870	2,927	317	1,919	1,047	26,367	9,520	(10,157)	41,810	389	15,566	290	1,082	724	2,201	(4,646)	57,416
COVID-19 grant income	19,401	10,369	3,726	189	279	487	5,747	-	40,198	3,817	16	108	83	-	-	-	44,222
Total revenues	449,079	300,392	54,814	27,713	8,812	26,876	15,267	(10,510)	872,443	51,333	16,635	28,315	7,957	724	2,201	(4,697)	974,911
Expenses																	
Salaries and wages	155,095	102,933	30,155	14,628	7,155	4,379	44,072	-	358,417	25,117	9,069	18,146	3,507	73	-	-	414,329
Employee benefits	30,850	19,121	5,805	2,551	1,107	757	8,141	-	68,332	4,497	1,878	3,198	634	14	-	-	78,553
Contract labor	28,823	22,866	467	(1,654)	77	10,878	303	-	61,760	5,569	171	106	160	656	-	(496)	67,926
Medical supplies	59,742	52,120	2,397	1,277	436	2,786	376	-	119,134	5,366	111	529	345	-	-	-	125,485
General and administrative	37,339	25,919	4,272	3,718	1,788	4,992	49,639	(7,282)	120,385	6,440	2,885	1,009	1,096	523	1,738	(1,807)	132,269
Building and maintenance	27,005	8,572	1,990	4,179	1,598	2,360	2,394	(3,228)	44,870	2,364	2,028	814	1,279	1	-	(45)	51,311
Insurance	3,280	2,074	294	453	229	5	3,115	-	9,450	706	11	117	73	-	-	-	10,357
Interest	5,915	16,430	181	145	-	-	2,259	-	24,930	330	-	-	154	-	-	-	25,414
Depreciation and amortization	15,756	15,927	1,089	2,085	174	53	9,257	-	44,341	771	160	267	367	-	-	-	45,906
IT depreciation	5,630	2,648	412	76	-	24	(8,857)	-	(67)	-	-	67	-	-	-	-	-
IT services	21,458	11,653	2,108	1,177	119	131	(37,340)	-	(694)	-	-	694	-	-	-	-	-
Shared services	19,812	11,914	1,686	508	781	76	(35,575)	-	(798)	-	320	423	55	-	-	-	-
Management fees	9,941	5,716	1,417	494	493	146	(19,571)	-	(1,364)	-	339	875	150	-	-	-	-
Total expenses	420,646	297,893	52,273	29,637	13,957	26,587	18,213	(10,510)	848,696	51,160	16,972	26,245	7,820	1,267	1,738	(2,348)	951,550
Income (loss) from operations	28,433	2,499	2,541	(1,924)	(5,145)	289	(2,946)	-	23,747	173	(337)	2,070	137	(543)	463	(2,349)	23,361
Other Income (Expense)																	
Investment income	5,365	443	598	-	-	31	7,561	-	13,998	-	22	326	-	-	-	-	14,346
Other (loss) income	(221)	(93)	(5)	-	-	-	257	-	(62)	-	-	-	(550)	-	-	-	(612)
Loss on extinguishment of debt	-	-	-	-	-	-	(281)	-	(281)	-	-	-	-	-	-	-	(281)
Total other income (expense)	5,144	350	593	-	-	31	7,537	-	13,655	-	22	326	(550)	-	-	-	13,453
Revenues in excess of (less than) expenses from continuing operations	33,577	2,849	3,134	(1,924)	(5,145)	320	4,591	-	37,402	173	(315)	2,396	(413)	(543)	463	(2,349)	36,814
Change in net unrealized gains and losses on investments in debt securities	2,201	66	250	-	-	14	1,613	-	4,144	-	3	124	-	-	-	-	4,271
Transfers from (to) subsidiaries	57,522	78,473	5,373	(1,158)	802	(23,369)	(122,854)	-	(5,211)	-	(273)	5,461	-	-	-	23	-
Net assets released from restrictions for purchase of property and equipment	1,762	3,515	-	-	-	-	123	-	5,400	287	-	-	-	-	-	-	5,687
Deferred compensation plan liability adjustment	-	-	-	-	-	-	860	-	860	-	-	-	-	-	-	-	860
Other net asset activity	-	-	-	-	-	-	701	-	701	1,390	-	-	-	-	2	(23)	2,070
Increase (decrease) in net assets (deficit) without donor restrictions from continuing operations	95,062	84,903	8,757	(3,082)	(4,343)	(23,035)	(114,966)	-	43,296	1,850	(585)	7,981	(413)	(543)	465	(2,349)	49,702
Loss from discontinued operations	-	-	-	-	-	(7,576)	-	-	(7,576)	-	-	-	-	-	-	-	(7,576)
Increase (decrease) in net assets (deficit) without donor restrictions	$ 95,062	$ 84,903	$ 8,757	$ (3,082)	$ (4,343)	$ (30,611)	$ (114,966)	$ -	$ 35,720	$ 1,850	$ (585)	$ 7,981	$ (413)	$ (543)	$ 465	$ (2,349)	$ 42,126