

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Financial Statements
and Supplementary Information

December 31, 2021 and 2020

Adventist HealthCare, Inc. and Controlled Entities

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Adventist HealthCare, Inc. and Controlled Entities (the Corporation), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2021 and 2020, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information located on pages 38-40 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it 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 consolidating information has been subjected to the auditing procedures applied in the audit 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 consolidating 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
April 27, 2022

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 37,017	\$ 55,444
Medicare advance and accelerated payments	85,080	140,112
Short-term investments	254,738	250,502
Assets whose use is limited	18,718	16,597
Patient accounts receivable	125,171	117,816
Other receivables	89,085	41,574
Inventories	10,328	11,567
Prepaid expenses and other current assets	11,917	10,089
	<u>632,054</u>	<u>643,701</u>
Total current assets	632,054	643,701
Property and Equipment, Net	778,129	729,007
Financing Lease Right-of-Use Assets	19,990	10,364
Operating Lease Right-of-Use Assets	81,512	99,334
Assets Whose Use is Limited		
Under trust indentures and mortgage loan agreement, held by trustees and banks	182,561	30,464
Professional liability trust fund	14,528	16,361
Deferred compensation fund	1,977	1,405
Cash and Cash Equivalents Restricted for Capital Acquisitions	1,673	1,075
Investments and Investments in Unconsolidated Subsidiaries	29,438	29,021
Land Held for Healthcare Development	5,177	49,430
Intangible Assets, Net	7,513	7,717
Deposits and Other Noncurrent Assets	7,387	6,104
Assets Held for Sale	12,054	12,029
	<u>12,054</u>	<u>12,029</u>
Total assets	<u>\$ 1,773,993</u>	<u>\$ 1,636,012</u>

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets

December 31, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 159,269	\$ 124,674
Accrued compensation and related items	62,324	55,350
Interest payable	8,311	9,312
Deferred revenues	9,019	52,512
Due to third party payors	20,727	20,897
Medicare advance and accelerated payments	85,080	60,771
Estimated self-insured professional liability	2,519	1,942
Current maturities of:		
Long-term obligations	13,832	13,991
Financing lease obligations	3,373	1,922
Operating lease obligations	14,587	15,042
	<u>379,041</u>	<u>356,413</u>
Total current liabilities		
	379,041	356,413
Construction Payable	9,707	3,878
Long-Term Obligations, Net		
Bonds payable	715,656	526,600
Notes payable	6,857	26,529
Financing Lease Obligations	15,174	8,347
Operating Lease Obligations	69,478	86,228
Other Liabilities	9,515	9,893
Medicare Advance and Accelerated Payments	-	79,341
Estimated Self-Insured Professional Liability	17,818	17,995
	<u>1,223,246</u>	<u>1,115,224</u>
Total liabilities		
Net Assets		
Net assets without donor restrictions	537,796	513,402
Net assets with donor restrictions	12,951	7,386
	<u>550,747</u>	<u>520,788</u>
Total net assets		
	550,747	520,788
Total liabilities and net assets	<u>\$ 1,773,993</u>	<u>\$ 1,636,012</u>

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
Revenues		
Net patient service revenue	\$ 914,726	\$ 873,273
Other revenues	163,282	57,416
COVID-19 grant income	76,268	44,222
Total revenues	<u>1,154,276</u>	<u>974,911</u>
Expenses		
Salaries and wages	428,251	414,329
Employee benefits	81,799	78,553
Contract labor	187,907	67,926
Medical supplies	133,024	125,485
General and administrative	139,161	132,269
Building and maintenance	83,785	51,311
Insurance	13,579	10,357
Interest	25,635	25,414
Depreciation and amortization	48,191	45,906
Total expenses	<u>1,141,332</u>	<u>951,550</u>
Income from operations	<u>12,944</u>	<u>23,361</u>
Other Income (Expense)		
Investment income	11,410	14,346
Other loss	(6)	(612)
Loss on extinguishment of debt	(750)	(281)
Total other income	<u>10,654</u>	<u>13,453</u>
Revenues in excess of expenses from continuing operations	23,598	36,814
Change in Net Unrealized Gains and Losses on Investments in Debt Securities	(5,489)	4,271
Net Assets Released From Restrictions for Purchases of Property and Equipment	5,697	5,687
Deferred Compensation Plan Liability Adjustment	112	860
Other Net Asset Activity	<u>701</u>	<u>2,070</u>
Increase in net assets without donor restrictions from continuing operations	24,619	49,702
Loss From Discontinued Operations	<u>(225)</u>	<u>(7,576)</u>
Increase in net assets without donor restrictions	<u>\$ 24,394</u>	<u>\$ 42,126</u>

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2021 and 2020

(In Thousands)

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Revenues in excess of expenses from continuing operations	\$ 23,598	\$ 36,814
Change in net unrealized gains and losses on investments in debt securities	(5,489)	4,271
Net assets released from restrictions for purchase of property and equipment	5,697	5,687
Deferred compensation plan liability adjustment	112	860
Other net asset activity	701	2,070
	<u>24,619</u>	<u>49,702</u>
Increase in net assets without donor restrictions from continuing operations	24,619	49,702
Loss from discontinued operations	<u>(225)</u>	<u>(7,576)</u>
Increase in net assets without donor restrictions	<u>24,394</u>	<u>42,126</u>
Net Assets With Donor Restrictions		
Restricted gifts and donations	13,081	9,623
Net assets released from restrictions for purchase of property and equipment	(5,697)	(5,687)
Net assets released from restrictions used for operations	(1,765)	(2,564)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(13)	47
Change in discount of pledges receivable and provision for doubtful pledges	(41)	-
Donor restricted investment income	<u>-</u>	<u>8</u>
Increase in net assets with donor restrictions	<u>5,565</u>	<u>1,427</u>
Increase in net assets	29,959	43,553
Net Assets, Beginning	<u>520,788</u>	<u>477,235</u>
Net Assets, Ending	<u>\$ 550,747</u>	<u>\$ 520,788</u>

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 29,959	\$ 43,553
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	48,191	45,906
Change in operating lease right-of-use assets and obligations	18,322	18,214
Termination of operating lease right-of-use assets and obligations	(227)	-
Amortization of deferred financing costs	254	212
Deferred compensation plan liability adjustment	(112)	(860)
Loss on extinguishment of debt	750	281
Restricted contributions and grants	(13,081)	(7,907)
Losses (earnings) recognized from unconsolidated subsidiaries and affiliates	912	(300)
Impairment of land held for healthcare development	26,108	-
Loss on disposal of property and equipment	-	4,763
Net realized and unrealized gains and losses on investments	(5,786)	(1,682)
Change in net unrealized gains and losses on investments in debt securities	5,489	(4,271)
Change in value of beneficial interest in trusts and charitable gift obligation	13	(47)
Change in discount on pledges receivable and provision for doubtful pledges	41	-
Operating lease obligations, payments	(18,346)	(17,352)
Changes in assets and liabilities:		
Patient accounts receivable	(7,355)	(318)
Other receivables	(47,511)	(27,810)
Inventories, prepaid expenses and other current assets	(589)	(1,162)
Accounts payable and accrued expenses	34,595	16,340
Accrued compensation and related items	6,974	9,675
Interest payable	(1,001)	(604)
Deferred revenues	(43,493)	50,509
Estimated self-insured professional liability	400	1,869
Due to third party payors	(170)	1,308
Medicare advance and accelerated payments	(55,032)	140,112
Other noncurrent assets and liabilities	(1,136)	(5,415)
Net cash (used in) provided by operating activities	<u>(21,831)</u>	<u>265,014</u>

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
 Years Ended December 31, 2021 and 2020
 (In Thousands)

	<u>2021</u>	<u>2020</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	\$ (90,620)	\$ (56,946)
Change in investments and investments in unconsolidated		
Change in investments and investments in unconsolidated subsidiaries	51,093	(157,148)
Additions to land held for healthcare development	-	(1,339)
Proceeds from sale of land for healthcare development	18,145	-
Distributions from investments in unconsolidated subsidiaries	824	583
Purchase of investment in unconsolidated subsidiary	(2,620)	(7,562)
Change in trustee held funds and restricted cash	(139,799)	5,199
	<u>(162,977)</u>	<u>(217,213)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Payment of financing costs	(2,019)	(206)
Proceeds from issuance of long-term obligations, net	187,354	314
Repayments on long-term obligations, net	(15,762)	(14,435)
Repayment of financing lease obligations	(2,517)	(1,058)
Proceeds from restricted contributions and grants	13,081	7,907
	<u>180,137</u>	<u>(7,478)</u>
Net cash provided by (used in) financing activities		
Net (decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(4,671)	40,323
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>83,826</u>	<u>43,503</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 79,155</u>	<u>\$ 83,826</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 26,434</u>	<u>\$ 25,476</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Financing lease obligation incurred for equipment	<u>\$ 10,795</u>	<u>\$ 8,525</u>
Operating lease obligations incurred for right-of-use asset	<u>\$ 4,360</u>	<u>\$ 40,961</u>
Construction payable for property and equipment	<u>\$ 9,707</u>	<u>\$ 3,878</u>
Long-term debt refinanced	<u>\$ 93,570</u>	<u>\$ 20,500</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 37,017	\$ 55,444
Cash and cash equivalents restricted for capital acquisitions	1,673	1,075
Cash and cash equivalents included in the current portion of assets whose use is limited	18,718	16,597
Cash and cash equivalents included in the noncurrent portion of assets whose use is limited	21,747	10,710
	<u>79,155</u>	<u>83,826</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 79,155</u>	<u>\$ 83,826</u>

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Notes to Consolidated Financial Statements
December 31, 2021 and 2020
(In Thousands)

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, which opened in August 2019.

Rehabilitation (Rehab) operates two inpatient hospitals and five outpatient locations in Maryland. The two inpatient hospitals consist of Rehab-Rockville, a 55-bed rehabilitation facility, and Rehab-WOMC (relocated from Takoma Park in December 2021), a 42-bed rehabilitation facility.

Adventist HealthCare Imaging (Imaging) operates eight 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 transitioned back to AHC during 2021 and the contract with MFA ended. The respective operating results of the specialist practices are 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.

Adventist HealthCare, Inc. and Controlled Entities

Notes to Consolidated Financial Statements
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(In Thousands)

The Corporation has amounts due from the State of Maryland of \$38,883 and \$12,297 as of December 31, 2021 and 2020, respectively, 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 \$23,183 and \$6,054 as of December 31, 2021 and 2020, respectively, 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). 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. On December 3, 2021, Urgent Care entered into an asset purchase agreement with an unrelated party for the purchase of the Germantown, Laurel and Rockville urgent care centers which closed on February 1, 2022. AHC entered into an affiliation agreement with the unrelated party as of February 1, 2022 to become the exclusive health system affiliate for the urgent care centers through One Health Quality Alliance (OHQA).

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 1,559 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.

Adventist HealthCare, Inc. and Controlled Entities

Notes to Consolidated Financial Statements
December 31, 2021 and 2020
(In Thousands)

Principles of Consolidation

The consolidated financial statements include the accounts of AHC, the controlling parent, SGMC, WOMC, Rehab, Imaging, CIS, LWS, CCPL, ACS, 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 2020 amounts have been reclassified to conform to the 2021 consolidated financial statements presentation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through April 27, 2022, the date the consolidated financial statements were available to be 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).

Adventist HealthCare, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(In Thousands)

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.

The 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 a net overcharge of \$11,010 and a net undercharge of \$801 as of December 31, 2021 and 2020, 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, 2021, 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 hospitals 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. The HSCRC regulations also include a provision whereby a hospital may apply for an exemption from the requirements to charge for services in accordance with the 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 2021 and 2020.

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.

Adventist HealthCare, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(In Thousands)

Other Receivables

Other receivables represent amounts due to the Corporation for charges other than providing health care services to patients, pledges from donors reported at their net realizable value and amounts obligated by the Federal Emergency Management Agency (FEMA) for eligible costs as a result of the Corporation's COVID-19 response. 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 from FEMA as of December 31, 2021 are \$28,572 and were received subsequent to year-end. 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.

Investments and investments in unconsolidated subsidiaries includes the Corporation's investments in healthcare entities in which the Corporation has a financial interest. The Corporation follows authoritative guidance in determining whether to record such investments at cost or using the equity method.

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.

Adventist HealthCare, Inc. and Controlled Entities

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(In Thousands)

Property and Equipment, Net

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 on property and equipment recognized in 2021 or 2020.

Leases and Right-of-Use Assets

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 expense in the consolidated statements of operations. The lease term is determined based on the date the Corporation acquires control of the leased premises or equipment through the end of the lease term. Optional renewal periods are initially not included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

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 \$204 in 2021 and \$202 in 2020. Accumulated amortization of intangible assets was \$4,463 and \$4,259 as of December 31, 2021 and 2020, 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.

Adventist HealthCare, Inc. and Controlled Entities

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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, 2021 and 2020 totaled \$6,039 and \$5,024, respectively, and are included in the consolidated balance sheets as a reduction of bonds payable. Amortization expense was \$254 and \$212 in 2021 and 2020, 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 the 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 2021 or 2020.

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 \$85,080 and \$60,771 is classified as a current liability in the accompanying consolidated balance sheets as of December 31, 2021 and 2020, respectively and \$79,341 is classified as a long-term liability in the accompanying consolidated balance sheet as of December 31, 2020. The proceeds received were invested in short-term investments and are separately classified on the accompanying consolidated balance sheets.

Repayment of the advances began one year after receipt of the advances and will 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 the remainder of the liability is expected to be paid in full during 2022. The repayments occur automatically through a partial offset in Medicare payments due to the Corporation for services rendered to Medicare program beneficiaries.

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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 without donor restrictions include amounts available for use in general operations and not subject to donor restrictions. All revenues not restricted by donors as well as 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 \$7,462 in 2021 and \$8,251 in 2020.

Net assets with donor restrictions includes those whose use by the Corporation has been limited by donors to specific purposes in the amount of \$12,951 and \$7,386 as of December 31, 2021 and 2020, 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.

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(In Thousands)

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 restrictions 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, contributions of long-lived assets (including contributions which by donor restriction were to be used for the purpose of acquiring such long-lived assets), the deferred compensation plan liability adjustment, 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 awarded 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. Revenues 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.

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(In Thousands)

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 (PRF) to provide financial support for hospitals and other healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Company received \$4,596 and \$95,988 in the years ended December 31, 2021 and 2020, respectively, related to this funding. In 2021, as discussed earlier, FEMA obligated \$28,572 for eligible costs. The Corporation also received funding from various state and other funding sources of \$849 in 2021 and \$4,705 in 2020 to offset eligible expenses in accordance with the terms and conditions of the respective funding sources. Subsequent to December 31, 2021, the Corporation received additional funding of \$1,425 from the PRF and other sources.

The Corporation incurred lost revenues and eligible expenses of \$76,268 in 2021 and \$44,222 in 2020 in accordance with the terms of the respective funding sources. These amounts were recognized and included in COVID-19 grant income in the accompanying consolidated statements of operations. A portion of the funding was also applied to eligible capital expenditures of \$3,784 in 2021 and \$5,839 in 2020 and is included in net assets released from restrictions for purchase of property and equipment in the accompanying consolidated statements of operations.

Deferred revenues include \$4,597 and \$50,632 as of December 31, 2021 and 2020 of amounts received which the Corporation has determined the recognition criteria was not met as of year-end.

In 2020, 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 the HSCRC rate setting and the difference between 2020 budgeted and actual 2020 net patient service revenues for revenues not subject to the HSCRC rate setting.

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Based on additional guidance provided related to the measurement of lost revenues for the PRF and the HSCRC in 2021, the Corporation changed its methodology for the measurement of lost revenues. The methodology used in 2021 was based on the difference between 2020 budgeted patient care revenues compared to actual patient care revenues in 2021 and 2020. The change in methodology resulted in an increase in measurement of lost revenues through December 31, 2020 of \$17,914.

The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these consolidated financial statements were issued.

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 2021 or 2020.

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 \$16,446 and \$15,302 in 2021 and 2020, respectively.

Advertising Costs

The Corporation expenses advertising costs as they are incurred.

2. Accounting Standards

Goodwill

During January 2017, the FASB issued Accounting Standards Update (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.

Adventist HealthCare, Inc. and Controlled Entities

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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.

Reference Rate Reform

During March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The Corporation has not elected the optional expedients and exceptions included in ASU No. 2020-04 as of December 31, 2021.

3. 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 upon the closure of the ACS (Note 1).

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. 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 building and improvements of \$11,790 and \$11,765 at December 31, 2021 and 2020, respectively, that will be sold as part of the agreement. No gain or loss on sale has been recognized for the sale in 2021 or 2020.

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

	<u>2021</u>	<u>2020</u>
Total revenues	\$ -	\$ -
Total expenses, including loss on disposal of \$4,822 in 2020	<u>(225)</u>	<u>(7,576)</u>
Loss on discontinued operations	<u>\$ (225)</u>	<u>\$ (7,576)</u>

Adventist HealthCare, Inc. and Controlled Entities

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4. 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 adjustments, financial assistance and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue 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.

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 revenues and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

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Net patient service revenue disaggregated by service type for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Global budget revenue	\$ 761,918	\$ 737,799
Rehabilitation services	55,318	47,781
Physician practice services	26,359	24,775
Imaging services	32,833	25,605
Home health services	26,994	27,917
Other health services	11,304	9,396
	<u> </u>	<u> </u>
Total	<u>\$ 914,726</u>	<u>\$ 873,273</u>

Net patient service revenue disaggregated by payor for the years ended December 31, 2021 and 2020 are as follows:

	<u>Medicare</u>	<u>Medicaid</u>	<u>Other Third Party Payors</u>	<u>Self-Pay and Other</u>	<u>Total</u>
December 31, 2021	<u>\$ 329,931</u>	<u>\$ 71,531</u>	<u>\$ 475,667</u>	<u>\$ 37,597</u>	<u>\$ 914,726</u>
December 31, 2020	<u>\$ 323,111</u>	<u>\$ 87,327</u>	<u>\$ 419,171</u>	<u>\$ 43,664</u>	<u>\$ 873,273</u>

5. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,444	\$ 25,011
Corporate bonds	100,070	107,316
Asset backed securities	112,419	80,143
Marketable equity securities	27,715	22,564
U.S. government securities:		
U.S. treasury notes	75,758	93,033
Mutual funds:		
Fixed income, short-term	1,381	50,195
Equity, balanced	6,634	6,457
Equity, growth	6,397	5,895
	<u> </u>	<u> </u>
Total	339,818	390,614
Less Medicare advance and accelerated payments	<u>(85,080)</u>	<u>(140,112)</u>
	<u> </u>	<u> </u>
Total short-term investments	<u>\$ 254,738</u>	<u>\$ 250,502</u>

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Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2021 and 2020 is set forth in the following tables:

	<u>2021</u>	<u>2020</u>
Under trust indentures and mortgage loan agreement, held by trustees and banks:		
Cash and cash equivalents	\$ 37,960	\$ 24,781
U.S. government securities:		
U.S. treasury notes	150,197	20,338
U.S. government agency notes	10,699	-
Total	<u>198,856</u>	<u>45,119</u>
Less funds held for current liabilities	<u>16,295</u>	<u>14,655</u>
Noncurrent portion of assets held under trust indentures and mortgage loan agreement, held by trustees and banks	<u>\$ 182,561</u>	<u>\$ 30,464</u>
	<u>2021</u>	<u>2020</u>
Professional liability trust fund:		
Cash and cash equivalents	\$ 2,505	\$ 2,526
Mutual funds:		
Equity, large value	3,231	2,962
Equity, growth	3,074	3,275
Fixed income, intermediate	2,882	3,026
Fixed income, multi-sector	2,475	2,504
Fixed income, short-term	2,784	4,010
Total	<u>16,951</u>	<u>18,303</u>
Less funds held for current liabilities	<u>2,423</u>	<u>1,942</u>
Noncurrent portion of professional liability trust fund	<u>\$ 14,528</u>	<u>\$ 16,361</u>
	<u>2021</u>	<u>2020</u>
Deferred compensation fund:		
Mutual funds:		
Equity, growth	\$ 294	\$ 292
Equity, large value	282	237
Equity, midcap value	98	110
Equity, other	183	298
Equity, international	300	-
Fixed income, multi-sector	267	-
Fixed income, intermediate	553	468
	<u>\$ 1,977</u>	<u>\$ 1,405</u>

The indenture requirements of certain tax-exempt financings provide for the establishment and maintenance of various accounts with a trustee (Note 11). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders.

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The composition of assets whose use is limited under trust indentures and mortgage loan agreement, held by trustees and banks at December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Debt service reserve funds	\$ 25,329	\$ 28,804
Principal and interest funds	31,570	9,185
Project fund	140,258	5,471
Mortgage reserve funds	<u>1,699</u>	<u>1,659</u>
Total	<u>\$ 198,856</u>	<u>\$ 45,119</u>

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 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment income:		
Interest and dividends, net	\$ 5,058	\$ 12,126
Interest on trustee held funds	566	538
Net realized and unrealized gains and losses on investments	<u>5,786</u>	<u>1,682</u>
Total	<u>\$ 11,410</u>	<u>\$ 14,346</u>

	<u>2021</u>	<u>2020</u>
Other changes in net assets without donor restrictions:		
Change in net unrealized gains and losses on investments in debt securities	\$ (5,489)	\$ 4,271

6. Fair Value Measurements and Financial Instruments

The Corporation measures its short-term investments, assets whose use is limited, investments and beneficial interest in trusts 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.

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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.

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:

	2021			
	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	\$ 3,435	\$ 3,435	\$ -	\$ -
Fixed income, multi-sector	2,742	2,742	-	-
Fixed income, short-term	4,165	4,165	-	-
Equity, international	300	300	-	-
Equity, growth	9,765	9,765	-	-
Equity, large value	3,513	3,513	-	-
Equity, balanced	6,634	6,634	-	-
Equity, midcap value	98	98	-	-
Equity, other	183	183	-	-
Marketable equity securities	27,715	27,715	-	-
U.S. government securities:				
U.S. treasury notes	225,955	-	225,955	-
U.S. government notes	10,699	-	10,699	-
Asset backed securities	112,419	-	112,419	-
Corporate bonds	100,070	-	100,070	-
Beneficial interest in trusts	566	-	-	566
Total assets measured at fair value	508,259	\$ 58,550	\$ 449,143	\$ 566
Cash and cash equivalents	50,803			
Total	\$ 559,062			

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	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			

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:

	2021	2020
Short-term investments (Note 5)	\$ 254,738	\$ 250,502
Medicare advance and accelerated payments (Note 5)	85,080	140,112
Assets whose use is limited (Note 5):		
Current portion	18,718	16,597
Under trust indentures and mortgage loan agreement, held by trustees and banks	182,561	30,464
Professional liability trust fund	14,528	16,361
Deferred compensation fund	1,977	1,405
Investments held by foundations (Note 8)	894	926
Beneficial interest in trusts, included in deposits and other noncurrent assets	566	554
	\$ 559,062	\$ 456,921

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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, 2021 and 2020.

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.

7. Property and Equipment, Net

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

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 42,987	\$ 38,263
Buildings and improvements	773,389	742,391
Office furniture and equipment	213,886	204,016
Computer software and hardware	<u>138,669</u>	<u>136,769</u>
Total	1,168,931	1,121,439
Less accumulated depreciation and amortization	<u>(453,864)</u>	<u>(409,895)</u>
Total	715,067	711,544
Construction in progress	<u>63,062</u>	<u>17,463</u>
Property and equipment, net	<u>\$ 778,129</u>	<u>\$ 729,007</u>

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 2021 and 2020, the Corporation capitalized \$659 and \$365, respectively.

Construction in progress as of December 31, 2021 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were \$22,943 at December 31, 2021. The cost of these projects is expected to be funded through operations, borrowed funds, as well as transfers from the Corporation's related foundations.

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8. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments and investments in unconsolidated subsidiaries include the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment in healthcare entities	\$ 28,589	\$ 28,171
Investments held by foundations	849	850
Total	<u>\$ 29,438</u>	<u>\$ 29,021</u>

Investment in Healthcare Entities

The Corporation recognized (loss) earnings of \$(912) and \$300 during 2021 and 2020, 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 had a 20 percent ownership interest in CPRCC. The Corporation's ownership interest was sold on December 31, 2021.

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 had 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. Advanced Health Collaborative, LLC was dissolved in 2021.

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 its related chronic illnesses.

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Summarized financial information related to these entities is presented below:

	<u>2021</u>	<u>2020</u>
Net revenue	\$ 26,258	\$ 25,109
Revenues in excess of (less than) expenses	607	(429)
Total assets	93,463	99,632
Total liabilities	67,451	59,153

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.

9. 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.

In December 2018, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 62.81 acres of the land located in Clarksburg at a purchase price of \$18,800 and the proceeds of \$18,145 were received in April and June 2021.

The total proceeds received related to the parcels of land sold by the Corporation through December 31, 2021 was \$49,142. No gain or loss was recognized on the sale of the parcels of land as of December 31, 2021 and 2020. In 2021, the Corporation obtained an independent appraisal to assess the fair value of the remaining developable acres in Clarksburg, and as a result an impairment loss of \$26,108 was recognized within building and maintenance expense on the consolidated statements of operations for the year ended December 31, 2021. The total remaining land held for healthcare development in Clarksburg as of December 31, 2021 and 2020, was \$5,177 and \$49,430, respectively.

10. 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 (1.61 percent at December 31, 2021). There were no borrowings outstanding under this line of credit as of December 31, 2021 or 2020.

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11. Long-Term Obligations

Long-term obligations as of December 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Fixed Rate Revenue Bonds	\$ 698,787	\$ 509,232
Variable Rate Revenue Bonds	-	20,300
Note payable	-	20,481
Mortgage loan payable	5,727	6,247
Other long-term liabilities	<u>2,658</u>	<u>4,521</u>
Total obligations	707,172	560,781
Plus bond premium	35,212	11,363
Less:		
Current maturities	(13,832)	(13,991)
Deferred financing costs	<u>(6,039)</u>	<u>(5,024)</u>
Noncurrent portion of long-term obligations, net	<u>\$ 722,513</u>	<u>\$ 553,129</u>

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:

	<u>Par Amounts</u>	<u>Interest Rates</u>	<u>2021</u>	<u>2020</u>
Adventist Healthcare, Inc.:				
Series 2011A	\$ 57,205	5-6.25%	\$ -	\$ 57,205
Series 2013	15,623	3.21%	6,037	6,037
Series 2016A	269,750	5.00%	261,845	267,315
Series 2016B	126,395	3.72%	120,280	122,350
Series 2017	40,000	2.77%	36,350	37,600
Series 2020	18,725	4.00%	17,660	18,725
Series 2021A	48,120	5.00%	48,120	-
Series 2021B	138,660	4.00%-5.00%	138,660	-
Series 2021C	69,835	.70%-3.76%	<u>69,835</u>	<u>-</u>
Total			<u>\$ 698,787</u>	<u>\$ 509,232</u>

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 Variable Rate 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 extinguishment of debt was recognized in the accompanying consolidated statements of operations for the year ended December 31, 2020, which is comprised of the following:

Write-off of unamortized deferred financing costs	\$ 183
Redemption premium	<u>98</u>
Loss on extinguishment of debt	<u>\$ 281</u>

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In October 2021, the Maryland Health and Higher Educational Facilities Authority issued \$48,120 of Hospital Revenue Bonds on behalf of the Corporation (Series 2021A). The proceeds of the Series 2021A Bonds were used for the purpose of refunding the Series 2011A and expenses incurred in connection with the issuance. The Bonds are due in varying annual installments of principal and interest through January 2036.

In September 2021, the Maryland Health and Higher Educational Facilities Authority issued \$138,600 (Series 2021B) and \$69,835 (Series 2021C) of Hospital Revenue Bonds on behalf of the Corporation. The proceeds of the Series 2021B Bonds were used for the purpose of setting up a construction fund for an addition and renovations to SGMC and expenses incurred in connection with the issuance. The 2021C Bonds were used to refund the Series 2014B and 2014 term loan and expenses incurred in connection with the issuance. The Series 2021B and C Bonds are due in varying annual installments of principal and interest through January 2051. In conjunction with the refunding, a \$750 loss on extinguishment of debt was recognized in the accompanying consolidated statements of operations for the year ended December 31, 2021, which represents the write-off of unamortized deferred financing costs related to the Series 2014B Variable Rate Bonds and 2014 term loan.

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, 2021 and 2020. Debt service reserve funds are required on the Series 2016A, Series 2017, Series 2021A and Series 2021C Bonds.

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 bore interest at one month LIBOR plus 2.45 percent. The amortization on the note extended to December 18, 2034, however, the note was scheduled to mature on December 18, 2024. As of December 31, 2020, the outstanding balance was \$20,481. The note was repaid in 2021 through the issuance of the Series 2021C Bonds.

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, 2021 and 2020, the outstanding balance on the loan was \$5,727 and \$6,247, 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 in the accompanying consolidated balance sheets. The loan is secured by FWMC's premises and all the assets and cash flows contained therein.

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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 to 3.40 percent.

Scheduled principal repayments of long-term obligations, excluding financing and operating lease obligations at December 31, 2021 are as follows:

Years ending December 31:		
2022	\$	13,832
2023		16,484
2024		16,991
2025		17,044
2026		17,278
Thereafter		<u>625,543</u>
Total	\$	<u>707,172</u>

12. 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 the 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.

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Future minimum payments under financing lease obligations as of December 31, 2021 were as follows:

Years ending December 31:		
2022	\$	3,817
2023		3,303
2024		3,103
2025		3,072
2026		2,896
Thereafter		<u>3,937</u>
Total		20,128
Less amount representing interest		<u>1,581</u>
Total financing lease obligations		18,547
Less current portion		<u>3,373</u>
Long-term obligations	\$	<u><u>15,174</u></u>

Future minimum payments under operating lease obligations as of December 31, 2021 were as follows:

Years ending December 31:		
2022	\$	17,159
2023		15,879
2024		10,080
2025		9,050
2026		8,093
Thereafter		<u>35,817</u>
Total		96,078
Lease amount representing interest		<u>12,013</u>
Total operating lease obligations		84,065
Less current portion		<u>14,587</u>
Long-term obligations	\$	<u><u>69,478</u></u>

Total lease costs are comprised of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financing lease cost:		
Amortization of right-of-use asset	\$ 1,166	\$ 1,127
Interest on lease obligations	356	72
Operating lease cost	<u>18,322</u>	<u>18,214</u>
Total lease cost	<u><u>\$ 19,844</u></u>	<u><u>\$ 19,413</u></u>

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Other supplemental information as of and for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Weighted-average remaining lease term:		
Financing lease obligations	6.05 years	6.20 years
Operating lease obligations	8.45 years	8.50 years
Weighted-average discount rate:		
Financing lease obligations	2.71 %	3.03 %
Operating lease obligations	3.45 %	3.81 %

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.

13. 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 \$12,755 and \$12,023 in 2021 and 2020, respectively.

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 \$686 in 2021 and \$161 in 2020. In addition, a SERP liability adjustment was recorded for (\$112) in 2021 and (\$860) in 2020, which was recognized in net assets without donor restrictions in the consolidated statements of changes in net assets. At December 31, 2021 and 2020, the Corporation's liability for the SERP was \$2,200 and \$2,312, 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 \$2,385 in 2021 and \$2,142 in 2020. The Corporation's liability for the 457(F) Plan at December 31, 2021 and 2020 was \$4,098 and \$3,480, 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.

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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.

14. 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, 2021, management determined that the fully-funded professional liability reserve reported at December 31, 2021 and 2020 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 \$20,337 and \$19,937 at December 31, 2021 and 2020, respectively. The discount rate used in determining these liabilities was 2.5 percent at both December 31, 2021 and 2020.

The Corporation is self-insured for unemployment and workers' compensation benefits. The liability for unemployment and workers' 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.

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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 2022 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.

15. 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, 2021 and 2020, concentrations of gross receivables from third party payors and others are as follows:

	<u>2021</u>	<u>2020</u>
Medicare	19 %	19 %
Medicaid	11	15
Other third party payors	48	42
Self-pay and others	<u>22</u>	<u>24</u>
	<u>100 %</u>	<u>100 %</u>

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.

16. Liquidity and Availability

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 37,017	\$ 55,444
Medicare advance and accelerated payments (Note 1)	85,080	140,112
Short-term investments	254,738	250,502
Patient accounts receivable	125,171	117,816
Other receivables	89,085	41,574
Assets whose use is limited, Professional liability trust fund	<u>2,423</u>	<u>1,942</u>
Total	<u>\$ 593,514</u>	<u>\$ 607,390</u>

The Corporation has designated certain assets as available for settling professional liability claims, however, these assets could be used for general expenditures 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.

Adventist HealthCare, Inc. and Controlled Entities

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(In Thousands)

17. Functional Expenses

A summary of the Corporation's operating expenses by function for the year ended December 31, 2021 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	\$ 262,218	\$ 15,466	\$ 95,837	\$ 54,730	\$ -	\$ 428,251
Employee benefits	51,301	2,687	16,355	11,456	-	81,799
Contract labor	88,927	838	97,286	856	-	187,907
Medical supplies	119,439	389	13,774	(578)	-	133,024
General and administrative	64,599	3,421	39,515	31,319	307	139,161
Building and maintenance	39,811	735	15,281	27,958	-	83,785
Insurance	9,031	117	1,417	3,014	-	13,579
Interest	21,408	(3)	2,018	2,212	-	25,635
Depreciation and amortization	34,163	243	4,985	8,800	-	48,191
Total	<u>\$ 690,897</u>	<u>\$ 23,893</u>	<u>\$ 286,468</u>	<u>\$ 139,767</u>	<u>\$ 307</u>	<u>\$ 1,141,332</u>

In 2021, the Corporation also incurred other health care services expenses of \$225 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 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, 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	<u>\$ 642,645</u>	<u>\$ 24,146</u>	<u>\$ 165,554</u>	<u>\$ 117,467</u>	<u>\$ 1,738</u>	<u>\$ 951,550</u>

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.

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet

December 31, 2021

(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	\$ 341,051	\$ (113,872)	\$ 19,483	\$ (38,301)	\$ (49,964)	\$ 8,208	\$ (128,543)	\$ -	\$ 38,062	\$ 1,996	\$ (257)	\$ 15,392	\$ (20,295)	\$ (4,557)	\$ 6,676	\$ -	\$ 37,017
Medicare advance and accelerated payments	-	-	-	-	-	-	85,080	-	85,080	-	-	-	-	-	-	-	85,080
Short-term investments	-	-	-	-	-	-	254,738	-	254,738	-	-	-	-	-	-	-	254,738
Assets whose use is limited	-	7,495	-	-	-	-	11,127	-	18,622	96	-	-	-	-	-	-	18,718
Patient accounts receivable	57,543	40,640	7,996	5,436	408	(5)	430	-	112,448	5,821	-	4,943	1,959	-	-	-	125,171
Other receivables	2,837	2,220	229	3,253	5,141	39,618	34,626	(2,480)	85,444	424	1,884	(7)	-	77	1,263	-	89,085
Inventories	4,857	4,436	134	-	-	135	-	-	9,562	766	-	-	-	-	-	-	10,328
Prepaid expenses and other current assets	1,280	1,114	146	76	87	120	8,774	-	11,597	205	-	49	66	-	-	-	11,917
Total current assets	407,568	(57,967)	27,988	(29,536)	(44,328)	48,076	266,232	(2,480)	615,553	9,308	1,627	20,377	(18,270)	(4,480)	7,939	-	632,054
Property and Equipment, Net	171,791	451,546	21,591	15,048	2,884	119	83,109	-	746,088	24,869	1,012	691	5,469	-	-	-	778,129
Financing Lease Right-of-Use Assets	9,177	2,045	717	2,277	-	290	5,307	-	19,813	141	-	36	-	-	-	-	19,990
Operating Lease Right-of-Use Assets	25,830	36,917	551	5,401	1,595	291	-	-	70,585	2,115	898	1,339	6,575	-	-	-	81,512
Assets Whose Use is Limited																	
Under trust indentures and mortgage loan agreement, held by trustees and banks	153,660	22,816	454	-	-	-	3,932	-	180,862	1,699	-	-	-	-	-	-	182,561
Professional liability trust fund	-	-	-	-	-	-	14,365	-	14,365	163	-	-	-	-	-	-	14,528
Deferred compensation fund	-	-	-	-	-	-	1,977	-	1,977	-	-	-	-	-	-	-	1,977
Cash and Cash Equivalents Restricted for Capital Acquisitions	-	-	186	-	-	-	-	-	186	-	858	-	-	-	629	-	1,673
Investments and Investments in Unconsolidated Subsidiaries	(2,033)	14,999	-	-	-	-	27,976	-	40,942	-	-	-	-	-	849	(12,353)	29,438
Land Held for Healthcare Development	-	-	-	-	-	-	5,177	-	5,177	-	-	-	-	-	-	-	5,177
Intangible Assets, Net	1,235	-	717	5,435	-	-	-	-	7,387	-	-	126	-	-	-	-	7,513
Deposits and Other Noncurrent Assets	501	33	54	104	18	33	4,405	-	5,148	34	-	27	63	-	2,115	-	7,387
Assets Held for Sale	-	-	-	-	-	12,054	-	-	12,054	-	-	-	-	-	-	-	12,054
Total assets	\$ 767,729	\$ 470,389	\$ 52,258	\$ (1,271)	\$ (39,831)	\$ 60,863	\$ 412,480	\$ (2,480)	\$ 1,720,137	\$ 38,329	\$ 4,395	\$ 22,596	\$ (6,163)	\$ (4,480)	\$ 11,532	\$ (12,353)	\$ 1,773,993

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet

December 31, 2021

(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	\$ 53,515	\$ 25,636	\$ 3,169	\$ 1,254	\$ 1,689	\$ 36,188	\$ 28,156	\$ -	\$ 149,607	\$ 8,142	\$ 96	\$ 621	\$ 591	\$ 200	\$ 12	\$ -	\$ 159,269
Accrued compensation and related items	18,504	11,492	4,355	1,748	1,319	452	20,655	(2,480)	56,045	2,851	1,053	1,761	525	89	-	-	62,324
Interest payable	-	-	-	-	-	-	8,311	-	8,311	-	-	-	-	-	-	-	8,311
Deferred revenues	2,656	211	-	-	211	-	5,564	-	8,642	-	377	-	-	-	-	-	9,019
Due to third party payors	11,647	8,298	73	-	-	-	68	-	20,086	641	-	-	-	-	-	-	20,727
Medicare advance and accelerated payments	-	-	-	-	-	-	77,520	-	77,520	7,560	-	-	-	-	-	-	85,080
Intercompany payable (receivable)	40,255	33,034	558	-	803	-	(77,520)	-	(2,870)	-	-	2,870	-	-	-	-	-
Estimated self-insured professional liability	-	-	-	-	-	-	2,423	-	2,423	96	-	-	-	-	-	-	2,519
Current maturities of:																	
Long-term obligations	3,405	4,913	337	-	-	-	4,613	-	13,268	541	-	-	23	-	-	-	13,832
Financing lease obligations	1,249	272	99	872	-	39	776	-	3,307	61	-	5	-	-	-	-	3,373
Operating lease obligations	8,081	2,600	338	835	477	226	-	-	12,557	538	563	311	618	-	-	-	14,587
Total current liabilities	139,312	86,456	8,929	4,709	4,499	36,905	70,566	(2,480)	348,896	20,430	2,089	5,568	1,757	289	12	-	379,041
Construction Payable	4,621	1,850	984	604	-	-	1,369	-	9,428	279	-	-	-	-	-	-	9,707
Long-Term Obligations, Net																	
Bonds payable	273,531	356,404	3,771	-	-	-	81,950	-	715,656	-	-	-	-	-	-	-	715,656
Notes payable	522	343	-	-	-	-	998	-	1,863	4,968	-	-	26	-	-	-	6,857
Financing Lease Obligations	7,257	1,687	541	1,191	-	232	4,146	-	15,054	91	-	29	-	-	-	-	15,174
Operating Lease Obligations	18,868	35,018	219	4,856	1,190	78	-	-	60,229	1,632	360	1,091	6,166	-	-	-	69,478
Other Liabilities	1,490	31	-	-	380	-	7,566	-	9,467	-	-	-	-	-	48	-	9,515
Estimated Self-Insured Professional Liability	-	-	-	-	-	-	17,655	-	17,655	163	-	-	-	-	-	-	17,818
Total liabilities	445,601	481,789	14,444	11,360	6,069	37,215	184,250	(2,480)	1,178,248	27,563	2,449	6,688	7,949	289	60	-	1,223,246
Net Assets (Deficit)																	
Net assets (deficit) without donor restrictions	321,263	(12,571)	37,344	(12,631)	(45,900)	23,648	226,603	-	537,756	10,482	1,148	15,900	(14,112)	(4,769)	3,637	(12,246)	537,796
Net assets with donor restrictions	865	1,171	470	-	-	-	1,627	-	4,133	284	798	8	-	-	7,835	(107)	12,951
Total net assets (deficit)	322,128	(11,400)	37,814	(12,631)	(45,900)	23,648	228,230	-	541,889	10,766	1,946	15,908	(14,112)	(4,769)	11,472	(12,353)	550,747
Total liabilities and net assets (deficit)	\$ 767,729	\$ 470,389	\$ 52,258	\$ (1,271)	\$ (39,831)	\$ 60,863	\$ 412,480	\$ (2,480)	\$ 1,720,137	\$ 38,329	\$ 4,395	\$ 22,596	\$ (6,163)	\$ (4,480)	\$ 11,532	\$ (12,353)	\$ 1,773,993

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations

Year Ended December 31, 2021

(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	\$ 435,187	\$ 287,386	\$ 58,780	\$ 32,833	\$ 8,318	\$ 1,738	\$ -	\$ (4)	\$ 824,238	\$ 55,617	\$ 961	\$ 26,994	\$ 6,967	\$ -	\$ -	\$ (51)	\$ 914,726
Other revenues	9,832	4,192	560	1,693	1,009	134,753	9,332	(10,642)	150,729	465	13,931	22	663	364	1,752	(4,644)	163,282
COVID-19 grant income	22,360	26,001	1,013	45	-	40	20,122	-	69,581	6,113	470	26	78	-	-	-	76,268
Total revenues	467,379	317,579	60,353	34,571	9,327	136,531	29,454	(10,646)	1,044,548	62,195	15,362	27,042	7,708	364	1,752	(4,695)	1,154,276
Expenses																	
Salaries and wages	154,307	101,081	32,947	16,821	7,599	5,869	54,730	-	373,354	24,538	9,279	15,466	4,739	875	-	-	428,251
Employee benefits	30,377	18,627	6,160	2,732	1,134	1,025	11,456	-	71,511	4,629	2,010	2,687	824	138	-	-	81,799
Contract labor	46,916	34,549	619	(1,255)	144	96,049	856	(3)	177,875	10,063	167	838	214	(146)	-	(1,104)	187,907
Medical supplies	58,151	54,295	2,147	2,352	533	8,011	(578)	-	124,911	7,346	131	389	247	-	-	-	133,024
General and administrative	38,895	27,202	5,880	4,575	1,380	21,224	31,486	(7,136)	123,506	7,729	3,077	3,456	936	232	1,256	(1,031)	139,161
Building and maintenance	27,761	12,418	2,348	4,445	1,673	4,337	27,958	(3,507)	77,433	3,448	803	735	1,371	-	-	(5)	83,785
Insurance	6,703	2,318	341	231	200	5	3,014	-	12,812	592	20	117	38	-	-	-	13,579
Interest	5,271	15,826	98	113	-	1,724	98	-	25,244	311	-	(3)	83	-	-	-	25,635
Depreciation and amortization	15,887	17,431	1,382	2,430	303	56	8,800	-	46,289	1,134	154	243	371	-	-	-	48,191
IT depreciation	5,630	2,648	412	76	-	24	(8,969)	-	(179)	111	-	68	-	-	-	-	-
IT services	21,458	11,653	2,108	1,177	119	131	(37,785)	-	(1,139)	445	-	694	-	-	-	-	-
Shared services	20,454	12,293	1,686	508	781	76	(37,298)	-	(1,500)	702	320	423	55	-	-	-	-
Management fees	9,941	5,716	1,417	494	493	146	(20,123)	-	(1,916)	552	339	875	150	-	-	-	-
Total expenses	441,751	316,057	57,545	34,699	14,359	138,677	35,759	(10,646)	1,028,201	61,600	16,300	25,988	9,028	1,099	1,256	(2,140)	1,141,332
Income (loss) from operations	25,628	1,522	2,808	(128)	(5,032)	(2,146)	(6,305)	-	16,347	595	(938)	1,054	(1,320)	(735)	496	(2,555)	12,944
Other Income (Expense)																	
Investment income	6,006	317	560	-	-	34	4,132	-	11,049	40	11	329	-	-	(19)	-	11,410
Other loss	-	(6)	-	-	-	-	-	-	(6)	-	-	-	-	-	-	-	(6)
Loss on extinguishment of debt	-	-	-	-	-	-	(750)	-	(750)	-	-	-	-	-	-	-	(750)
Total other income (expense)	6,006	311	560	-	-	34	3,382	-	10,293	40	11	329	-	-	(19)	-	10,654
Revenues in excess of (less than) expenses from continuing operations	31,634	1,833	3,368	(128)	(5,032)	(2,112)	(2,923)	-	26,640	635	(927)	1,383	(1,320)	(735)	477	(2,555)	23,598
Change in Net Unrealized Gains and Losses on Investments in Debt Securities	(3,044)	(324)	(206)	-	-	(15)	(1,751)	-	(5,340)	-	(6)	(134)	-	-	(9)	-	(5,489)
Transfers From (to) Subsidiaries	(66,432)	(54,583)	(6,000)	(147)	(803)	16,256	117,207	-	5,498	-	-	(5,498)	-	-	-	-	-
Net Assets Released From Restrictions for Purchase of Property and Equipment	2,256	2,727	39	-	-	-	-	-	5,022	645	-	-	30	-	-	-	5,697
Deferred Compensation Plan Liability Adjustment	-	-	-	-	-	-	112	-	112	-	-	-	-	-	-	-	112
Other Net Asset Activity	-	-	-	-	-	-	701	-	701	-	-	-	-	-	-	-	701
Increase (decrease) in net assets (deficit) without donor restrictions from continuing operations	(35,586)	(50,347)	(2,799)	(275)	(5,835)	14,129	113,346	-	32,633	1,280	(933)	(4,249)	(1,290)	(735)	468	(2,555)	24,619
Loss From Discontinued Operations	-	-	-	-	-	(225)	-	-	(225)	-	-	-	-	-	-	-	(225)
Increase (decrease) in net assets (deficit) without donor restrictions	<u>\$ (35,586)</u>	<u>\$ (50,347)</u>	<u>\$ (2,799)</u>	<u>\$ (275)</u>	<u>\$ (5,835)</u>	<u>\$ 13,904</u>	<u>\$ 113,346</u>	<u>\$ -</u>	<u>\$ 32,408</u>	<u>\$ 1,280</u>	<u>\$ (933)</u>	<u>\$ (4,249)</u>	<u>\$ (1,290)</u>	<u>\$ (735)</u>	<u>\$ 468</u>	<u>\$ (2,555)</u>	<u>\$ 24,394</u>