Consolidated Interim Financial Statements and Supplementary Information

(Unaudited)

March 31, 2021

AdventHealth

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Consolidated Balance Sheets

March 31, 2021 and December 31, 2020

(dollars in thousands)	*(Unaudited)* March 31, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,072,995	$ 1,210,037
Investments	7,218,315	6,951,313
Current portion of assets whose use is limited	298,736	433,910
Patient accounts receivable	974,116	905,103
Due from brokers	773,421	898,168
Estimated settlements from third parties	44,502	90,576
Other receivables	680,334	597,536
Inventories	349,607	357,367
Prepaid expenses and other current assets	159,699	107,580
	11,571,725	11,551,590
Property and Equipment	7,937,652	7,798,166
Operating Lease Assets	319,122	324,218
Assets Whose Use is Limited, net of current portion	437,984	444,529
Other Assets	1,140,780	1,121,486
	$ 21,407,263	$ 21,239,989
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,603,861	$ 1,572,650
Estimated settlements to third parties	212,352	174,106
Due to brokers	1,053,088	1,083,015
Other current liabilities	1,143,081	1,129,744
Short-term financings	324,285	324,285
Current maturities of long-term debt	62,856	65,011
	4,399,523	4,348,811
Long-Term Debt, net of current maturities	3,049,092	3,048,435
Operating Lease Liabilities, net of current portion	257,411	258,450
Other Noncurrent Liabilities	823,606	821,824
	8,529,632	8,477,520
Net Assets		
Net assets without donor restrictions	12,627,917	12,521,994
Net assets with donor restrictions	199,964	195,078
	12,827,881	12,717,072
Noncontrolling interests	49,750	45,397
	12,877,631	12,762,469
Commitments and Contingencies		
	$ 21,407,263	$ 21,239,989

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations and Changes in Net Assets

For the three months ended March 31, 2021 and 2020 (Unaudited)

(dollars in thousands)	Three Months Ended March 31, 2021	2020
Revenue		
Net patient service revenue	$ 3,274,783	$ 2,902,925
Other	130,711	79,423
Total operating revenue	3,405,494	2,982,348
Expenses		
Employee compensation	1,734,020	1,544,833
Supplies	587,113	535,359
Purchased services	268,548	281,742
Professional fees	193,667	170,552
Other	255,350	223,671
Interest	16,366	20,735
Depreciation and amortization	171,324	169,780
Total operating expenses	3,226,388	2,946,672
Income from Operations	179,106	35,676
Nonoperating Losses		
Investment return	(83,207)	(615,974)
Loss on extinguishment of debt	(185)	–
Total nonoperating losses	(83,392)	(615,974)
Excess (deficiency) of revenue over expenses and losses	95,714	(580,298)
Noncontrolling interests	(936)	1,785
Excess (Deficiency) of Revenue over Expenses and Losses Attributable to Controlling Interest	94,778	(578,513)

Continued on following page.

Consolidated Statements of Operations and Changes in Net Assets (continued)

For the three months ended March 31, 2021 and 2020 (Unaudited)

(dollars in thousands)	Three Months Ended March 31, 2021	2020
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenue over expenses and losses	$ 94,778	$ (578,513)
Net assets released from restrictions for purchase of property and equipment	7,583	4,109
Change in unrealized gains and losses on investments	(433)	281
Other	3,995	4,387
Increase (decrease) in net assets without donor restrictions	105,923	(569,736)
Net Assets With Donor Restrictions		
Gifts and grants	6,014	8,641
Net assets released from restrictions for purchase of property and equipment or use in operations	(8,464)	(5,629)
Investment return	730	(1,445)
Other	6,606	(5,877)
Increase (decrease) in net assets with donor restrictions	4,886	(4,310)
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenue over expenses and losses	936	(1,785)
Distributions	(2,601)	(549)
Other	6,018	1,505
Increase (decrease) in noncontrolling interests	4,353	(829)
Increase (Decrease) in Net Assets	115,162	(574,875)
Net assets, beginning of period	12,762,469	11,811,076
Net assets, end of period	$ 12,877,631	$ 11,236,201

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020 (Unaudited)

(dollars in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating Activities		
Increase (decrease) in net assets	$ 115,162	$ (574,875)
Depreciation and amortization	171,324	169,780
Amortization of deferred financing costs and original issue discounts and premiums	(4,154)	(4,139)
Net realized and unrealized losses on investments	105,545	640,867
Restricted gifts and grants and investment return	(6,744)	(7,196)
Income from unconsolidated entities	(27,992)	(8,149)
Distributions from unconsolidated entities	4,583	8,890
Changes in operating assets and liabilities:		
Patient accounts receivable	(366,936)	18,795
Other receivables	(10,383)	14,975
Other current assets	(44,359)	(49,803)
Accounts payable and accrued liabilities	9,605	(125,340)
Estimated settlements to third parties, net	84,320	(5,738)
Other current liabilities	13,337	38,637
Other noncurrent assets and liabilities	6,496	15,148
Net cash provided by operating activities	49,804	131,852
Investing Activities		
Purchases of property and equipment, net	(282,931)	(382,763)
Sales and maturities of investments	1,698,218	2,691,419
Purchases of investments	(2,070,332)	(1,530,812)
Due from brokers	124,747	(333,802)
Due to brokers	(29,927)	301,890
Sales, maturities, and uses of assets whose use is limited	78,825	354,664
Purchases of and additions to assets whose use is limited	(34,722)	(256,820)
Consideration paid to acquire noncontrolling interest	–	(125,000)
Cash receipts on sold patient accounts receivable	225,508	13,893
(Increase) decrease in other assets	(2,630)	1,514
Net cash (used in) provided by investing activities	(293,244)	734,183
Financing Activities		
Repayments of long-term borrowings	(224,629)	(1,720)
Additional long-term borrowings	227,100	175,475
Additional short-term borrowings	–	428,500
Restricted gifts and grants and investment return	6,744	7,196
Net cash provided by financing activities	9,215	609,451
(Decrease) Increase in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	(234,225)	1,475,486
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	1,565,376	503,065
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents at End of Period	$ 1,331,151	$ 1,978,551
Noncash Investing Activity		
(Increase) decrease in beneficial interest in exchange for patient accounts receivable	$ (297,923)	$ 257,772
Consideration payable to acquire noncontrolling interest	–	225,000

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2021
(Unaudited)
(dollars in thousands)

1. Basis of Presentation

Reporting Entity

Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth (Healthcare Corporation) is a not-for-profit healthcare corporation that owns and/or operates hospitals, nursing homes, physician offices, urgent care centers and other healthcare facilities, and a philanthropic foundation with various informal divisions (collectively referred to herein as the System). The System's affiliated healthcare facilities are operated or controlled through their by-laws, governing board appointments, or operating agreements. The System's 46 hospitals, 10 nursing homes, and philanthropic foundations operate in 9 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas, and Wisconsin.

SunSystem Development Corporation (Foundation) is a charitable foundation operated by Healthcare Corporation for the benefit of many of the hospitals that are divisions or controlled affiliates. Healthcare Corporation is the Foundation's member and appoints its board of managers. The Foundation engages in philanthropic activities.

Healthcare Corporation and the System are collectively controlled by the Lake Union Conference of Seventh-day Adventists, the Mid-America Union Conference of Seventh-day Adventists, the Southern Union Conference of Seventh-day Adventists and the Southwestern Union Conference of Seventh-day Adventists.

Mission

The System exists solely to improve and enhance the local communities that it serves in harmony with Christ's healing ministry. All financial resources and excess of revenue over expenses and losses are used to benefit the communities in the areas of patient care, research, education, community service and capital reinvestment.

Specifically, the System provides:

Benefit to the underprivileged, by offering services free of charge or deeply discounted to those who cannot pay, and by supplementing the unreimbursed costs of the government's Medicaid assistance program.

Benefit to the elderly, as provided through governmental Medicare funding, by subsidizing the unreimbursed costs associated with this care.

Benefit to the community's overall health and wellness through the cost of providing clinics and primary care services, health education and screenings, in-kind donations, extended education and research.

Benefit to the faith-based and spiritual needs of the community in accordance with its mission of extending the healing ministry of Christ.

Benefit to the community's infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community.

Notes to Consolidated Financial Statements

March 31, 2021
(Unaudited)
(dollars in thousands)

Financial Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2020.

Principles of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of affiliated organizations that are controlled by Healthcare Corporation. Any subsidiary or other operations owned and controlled by divisions or controlled affiliates of Healthcare Corporation are included in these consolidated financial statements. Investments in entities that Healthcare Corporation does not control are recorded under the equity or cost method of accounting, depending on the ability to exert significant influence. Income from unconsolidated entities is included in other operating revenue or as a reduction to supplies expense in the accompanying consolidated statements of operations and changes in net assets. All significant intercompany accounts and transactions have been eliminated in consolidation. Partial ownership by another entity in the net assets and results of operations of a consolidated subsidiary is reflected as noncontrolling interests in the accompanying consolidated financial statements.

Recently Adopted Accounting Guidance

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The System adopted the standard effective January 1, 2021, on a prospective basis. This standard did not have a material impact on the System's accompanying consolidated financial statements.

(dollars in thousands)

Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

Cash equivalents represent all highly liquid investments, including certificates of deposit and commercial paper with maturities not in excess of three months when purchased. Interest income on cash equivalents is included in investment return.

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statement of financial position that sum to the total of the same such amounts shown in the statements of cash flows. Restricted cash and cash equivalents consist of funds included in assets whose use is limited. Certain of the System's investments are limited as to use through the terms of trust agreements, internal designation, under the terms of bond indentures, or the provisions of other contractual agreements.

	March 31,	
	2021	2020
Cash and cash equivalents	$ 1,072,995	$ 1,688,846
Restricted cash and restricted cash equivalents included in assets whose use is limited	258,156	289,705
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statement of cash flows	$ 1,331,151	$ 1,978,551

2. Organizational Changes

On April 1, 2020, the System sold substantially all of the assets Central Texas Medical Center together with certain other affiliated assets (CTMC) to CHRISTUS Santa Rosa Healthcare (CHRISTUS), a faith-based health system headquartered in Irving, Texas. CTMC provides healthcare services to the San Marcos, Texas community and surrounding areas. The System received proceeds of approximately $32,500 from the sale.

3. Net Patient Service Revenue

Overview

Net patient service revenue is reported at the amount that reflects the consideration the System expects to be due from patients and third-party payors in exchange for providing patient care. Providing patient care services is considered a single performance obligation, satisfied over time, in both the inpatient and outpatient setting. Generally, the System bills the patients and third-party payors several days after services are performed or the patient is discharged from the facility.

Revenue for inpatient acute care services is recognized based on actual charges incurred in relation to total expected, or actual, charges. The System 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.

As all the System's performance obligations relate to contracts with a duration of less than one year, the System is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period, which 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.

For patients covered by third-party payors, the System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to those third-party payors. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. The System is subject to retroactive revenue adjustments due to future audits, reviews and investigations. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive adjustments 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 the terms of the payment agreement with the payor, correspondence with the payor, and the System's historical settlement activity, attempting to ensure that a significant revenue reversal will not occur when the final amounts are subsequently determined. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Net adjustments for prior-year cost reports and related valuation allowances, principally related to Medicare and Medicaid, resulted in increases to revenue of approximately $2,100 and $1,200 for the three months ended March 31, 2021 and 2020, respectively.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which is referred to as the patient portion. The System also provides services to uninsured patients and offers those uninsured patients a discount from standard charges in accordance with its policies.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances such as copay and deductibles. The difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients is recorded as implicit price concessions, or as a direct reduction to net patient service revenue. Subsequent adjustments that are determined to be the result of an adverse change in the patient's or payor's ability to pay are recognized as bad debt expense. Bad debt expense for the three months ended March 31, 2021 and 2020 was not material for the System, and is included within other expense in the accompanying consolidated statements of operations and changes in net assets, rather than as a deduction to arrive at revenue.

The System estimates the transaction price for the patient portion and uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

(dollars in thousands)

The composition of net patient service revenue by primary payor is as follows:

	Three Months Ended March 31,			
	2021		2020	
	Amount	%	Amount	%
Managed Care	$ 1,701,417	52%	$ 1,489,523	51%
Medicare	605,069	18	610,471	21
Managed Medicare	542,391	17	453,262	16
Medicaid	127,505	4	105,545	4
Managed Medicaid	148,782	4	126,014	4
Self-pay	26,496	1	19,688	1
Other	123,123	4	98,422	3
	$ 3,274,783	100%	$ 2,902,925	100%

Charity Care

The System's patient acceptance policy is based on its mission statement and its charitable purposes and as such, the System accepts patients in immediate need of care, regardless of their ability to pay. Patients that qualify for charity care are provided services for which no payment is due for all or a portion of the patient's bill. Therefore, charity care is excluded from patient service revenue and the cost of providing such care is recognized within operating expenses.

4. Investments

Investments include marketable securities and other investments. Investments in debt and equity securities with readily determinable fair values are reported at fair value, based on quoted market prices and are primarily designated as trading securities. The cost of securities sold is based on the average cost method.

Other investments include alternative investments, which are primarily hedge funds, commingled funds, and private equity funds, which determine fair value using net asset values (NAV). The value of such investments is estimated, and those estimates may change in the near term. The financial statements and internal controls of the funds are audited annually by independent auditors. The System's risk is limited to its investment in the fund. In September 2020, the System submitted redemption notices for approximately $529,000 of its hedge funds, of which approximately $352,000 were redeemed as of December 31, 2020, and the remaining amount was redeemed in January 2021. Private equity funds generally require capital commitments over an initial period of time and capital is returned as monetization events occur. Unfunded commitments related to private equity funds were approximately $50,000 and $43,000 as of March 31, 2021 and December 31, 2020, respectively. Commingled funds are used to obtain the desired exposure targets within the investment portfolio and have daily redemption terms.

Other investments may also include exchange-traded and over-the-counter derivative instruments that are held for trading purposes and to act as economic hedges to manage the risk of the investment portfolio. These instruments, which primarily include futures, options, and swaps, are used to gain broad market exposure and additional exposure to equity markets, adjust the fixed-income portfolio duration, provide an economic hedge against fluctuations in foreign exchange rates, and generate investment returns. These derivative instruments are not designated as hedging instruments.

Notes to Consolidated Financial Statements

March 31, 2021
(Unaudited)
(dollars in thousands)

Investment return includes realized gains and losses, interest, dividends, and net change in unrealized gains and losses. The investment return on investments restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions. Investment return earned on the System's self-insurance trust funds and employee benefits funds is recorded in other operating revenue.

The fair value of investment derivative instruments and the associated notional amounts, presented gross, were as follows:

	March 31, 2021			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	$ 33	$ (107)	$ 33	$ (107)
Interest rate swaps	7,028	(91,645)	7,028	(91,645)
Futures	3,056,167	(626,449)	–	–
Total derivative instruments, gross	$ 3,063,228	$ (718,201)	$ 7,061	$ (91,752)

	December 31, 2020			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	$ –	$ (3)	$ –	$ (3)
Interest rate swaps	18	(2)	18	(2)
Futures	397,014	(148,689)	–	–
Total derivative instruments, gross	$ 397,032	$ (148,694)	$ 18	$ (5)

The System posted collateral related to investment derivative instruments totaling $42,837 and $19,114 as of March 31, 2021 and December 31, 2020, respectively. Collateral is included in either cash and cash equivalents or investments in the accompanying consolidated balance sheets, depending on the type of collateral posted. The System had investment return related to investment derivative instruments of $3,285 and $(122,999) for the three months ended March 31, 2021 and 2020, respectively.

5. Other Assets

Other assets consist of the following:

	March 31, 2021	December 31, 2020
Investments in unconsolidated entities	$ 761,057	$ 733,265
Goodwill	196,048	201,606
Interests in net assets of unconsolidated foundations	75,868	72,832
Notes and other receivables	63,750	65,075
Other noncurrent assets	44,057	48,708
	$ 1,140,780	$ 1,121,486

(dollars in thousands)

The System's ownership interest and carrying amounts of investments in unconsolidated entities consist of the following:

	Ownership Interest	March 31, 2021	December 31, 2020
Health First, Inc.	27%	$ 388,006	$ 374,461
Texas Health Huguley, Inc.	49%	193,917	188,668
Centura Health Corporation	35%	96,368	96,518
Other	5% – 50%	82,766	73,618
		$ 761,057	$ 733,265

Income from unconsolidated entities totaled $27,992 and $6,467 for three months ended March 31, 2021 and 2020, respectively, and is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

On January 3, 2020, the System acquired a noncontrolling interest in Health First, Inc. (Health First). Health First is a community based not-for-profit healthcare system located in Brevard County, Florida and includes hospitals, insurance plans, a multi-specialty medical group, and outpatient and wellness services. The total consideration for the 27% noncontrolling interest acquired was $350,000 and is included in other assets (noncurrent) in the accompanying consolidated balance sheets. The System paid $125,000 at closing and has two remaining installments due totaling $225,000. The first installment of $125,000, which is included in other current liabilities in the accompanying consolidated balance sheets, is due on June 30, 2021. The remaining $100,000 is payable on June 30, 2023 and is included in other noncurrent liabilities in the accompanying consolidated balance sheets.

6. Liquidity and Available Resources

The System's primary cash requirements are paying operating expenses, servicing debt, incurring capital expenditures related to the expansion and renovation of existing facilities, and acquisitions. Cash in excess of near-term working capital needs is invested as described in Note 4 and Note 8. Primary cash sources are cash flows from operating and investing activities. Additionally, the System has access to public and private debt markets and maintains a revolving credit agreement (Revolving Note) and commercial paper program (CP Program).

The System had 254 and 260 days cash on hand at March 31, 2021 and December 31, 2020, respectively. Days cash on hand is calculated as unrestricted cash and cash equivalents, investments, and due to brokers, net, divided by a trailing twelve months of daily operating expenses (excluding depreciation and amortization expense).

(dollars in thousands)

Unrestricted cash and cash equivalents, investments, and due to brokers, net consist of the following:

	March 31, 2021	December 31, 2020
Cash and cash equivalents	$ 1,072,995	$ 1,210,037
Investments	7,218,315	6,951,313
Due to brokers, net	(279,667)	(184,847)
	$ 8,011,643	$ 7,976,503
Unrestricted days cash and investments on hand	254	260

The System's financial assets also consist of patient accounts receivable totaling $974,116 and $905,103 as of March 31, 2021 and December 31, 2020, respectively. Other receivables, totaling $680,334 and $597,536 as of March 31, 2021 and December 31, 2020, respectively, are primarily comprised of the notes associated with the System's sale of patient accounts receivable. The System's financial assets are available as its general expenditures, liabilities, and other obligations come due.

Certain assets whose use is limited are to be used for current liabilities for self-insured programs and employee benefit funds.

7. Debt Obligations

2021 Debt Transactions

During the first quarter of 2021, the System issued approximately $227,000 in commercial paper notes (CP Notes) under its CP Program, with maturity dates ranging from May 2021 to June 2021 and interest rates range from 0.20% to 0.25%. Proceeds from the CP Notes were used to refinance $175,000 outstanding under the Revolving Note and $52,000 of mandatory tender put bonds. The amounts outstanding under the CP Notes will be refinanced with long-term tax-exempt debt during the second quarter of 2021. As such, the borrowing on the CP Notes is classified as long-term debt as of March 31, 2021. As of March 31, 2021, no amounts are outstanding under the Revolving Note.

2020 Debt Transactions

In response to the COVID-19 pandemic, as more fully discussed in Note 11, actions were taken during 2020 to increase liquidity and mitigate the pandemic's disruption to the System's business. In March 2020 the System drew $478,500 from its Revolving Note and as a result, certain variable-rate bonds totaling $221,670 that had been classified as long-term debt, supported by the Revolving Note, were reclassified to short-term debt. As the volatility in operations and financial markets gradually improved during 2020, the System repaid $303,500 of the Revolving Note in August 2020. As of December 31, 2020, $175,000 was outstanding under the Revolving Note.

Additionally, in May 2020, the System borrowed $250,000 on a 1.73% fixed-rate loan, which is due May 2022, and secured additional lines of credit totaling $425,000, which were subsequently cancelled in December 2020.

8. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value, on a recurring basis, into a three-tier fair value hierarchy. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement, which should be determined based on assumptions that would be made by market participants.

In accordance with the Fair Value Measurement Topic of the Accounting Standards Codification (ASC) (ASC 820), investments that are valued using NAV as a practical expedient are excluded from this three-tier hierarchy. For all other investments measured at fair value, the hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Level inputs are defined as follows:

Level 1 – based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.

Level 2 – based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.

Level 3 – based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. The System has no financial assets or financial liabilities with significant Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Notes to Consolidated Financial Statements

March 31, 2021
(Unaudited)
(dollars in thousands)

Recurring Fair Value Measurements

The fair value of financial assets measured at fair value on a recurring basis at March 31, 2021 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 1,072,995	$ 1,072,995	$ –	$ –
INVESTMENTS AND ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	258,156	258,156	–	–
Debt securities				
U.S. government agencies and sponsored entities	3,787,237	–	3,787,237	–
Foreign government agencies and sponsored entities	2,137	–	2,137	–
Corporate bonds	258,079	–	258,079	–
Mortgage backed	27,484	–	27,484	–
Other asset backed	18,662	–	18,662	–
Short-term investments	104,203	–	104,203	–
Domestic equity securities	124,149	124,149	–	–
Exchange traded and mutual funds				
Domestic equity	957,854	957,854	–	–
Foreign equity	437,418	437,418	–	–
Fixed income	929,506	929,506	–	–
	6,904,885	2,707,083	4,197,802	–
Total	$ 7,977,880	$ 3,780,078	$ 4,197,802	$ –

Notes to Consolidated Financial Statements

March 31, 2021
(Unaudited)
(dollars in thousands)

The fair value of financial assets measured at fair value on a recurring basis at December 31, 2020 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 1,210,037	$ 1,151,642	$ 58,395	$ –
INVESTMENTS AND ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	355,339	355,339	–	–
Debt securities				
U.S. government agencies and sponsored entities	3,475,149	–	3,475,149	–
Foreign government agencies and sponsored entities	2,154	–	2,154	–
Corporate bonds	294,329	–	294,329	–
Mortgage backed	27,991	–	27,991	–
Other asset backed	20,805	–	20,805	–
Short-term investments	179,571	–	179,571	–
Domestic equity securities	128,341	128,341	–	–
Exchange traded and mutual funds				
Domestic equity	928,408	928,408	–	–
Foreign equity	426,361	426,361	–	–
Fixed income	735,294	735,294	–	–
	6,573,742	2,573,743	3,999,999	–
Total	$ 7,783,779	$ 3,725,385	$ 4,058,394	$ –

The following tables represent a reconciliation of financial instruments at fair value to the accompanying consolidated balance sheets as follows:

	March 31, 2021	December 31, 2020
Investments and assets whose use is limited measured at fair value	$ 6,904,885	$ 6,573,742
Hedge funds and private equity funds	724,496	872,397
Commingled funds	317,351	373,704
Accrued interest	8,303	9,909
Total	$ 7,955,035	$ 7,829,752
Investments	$ 7,218,315	$ 6,951,313
Assets whose use is limited:		
Current	298,736	433,910
Noncurrent	437,984	444,529
Total	$ 7,955,035	$ 7,829,752

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 financial assets were determined as follows:

> *Cash equivalents, U.S. and foreign government agencies and sponsored entities, corporate bonds, mortgage backed, other asset backed, and short-term investments* – These Level 2 securities were valued through the use of third-party pricing services that use evaluated bid prices adjusted for specific bond characteristics and market sentiment.

Other Fair Value Disclosures

The carrying values of accounts receivable, accounts payable, and accrued liabilities are reasonable estimates of their fair values, due to the short-term nature of these financial instruments.

The fair values of the System's fixed-rate bonds are estimated using Level 2 inputs based on quoted market prices for those or similar instruments. The estimated fair value of the fixed-rate bonds was approximately $2,569,000 and $2,666,000 as of March 31, 2021 and December 31, 2020, respectively. The carrying value of the fixed-rate bonds was approximately $2,256,000 and $2,304,000 as of March 31, 2021 and December 31, 2020, respectively. The carrying amount approximates fair value for all other long-term debt.

9. Commitments and Contingencies

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. There is significant government activity within the healthcare industry with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure.

In addition, certain of the System's affiliated organizations are involved in litigation and other regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect to the System's consolidated financial statements, taken as a whole.

See Note 11 for discussion of the COVID-19 pandemic and contingencies related to this significant event.

10. Functional Expenses

The System's resources and activities are primarily related to providing healthcare services. Corporate services include certain administration, finance and accounting, human resources, legal, information technology, and other functions.

Notes to Consolidated Financial Statements

March 31, 2021
(Unaudited)
(dollars in thousands)

Expenses by functional classification for the three months ended March 31, 2021 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 1,637,849	$ 96,171	$ 1,734,020
Purchased services and professional fees	418,585	43,630	462,215
Supplies	586,450	663	587,113
Other	422,625	20,415	443,040
Total	$ 3,065,509	$ 160,879	$ 3,226,388

Expenses by functional classification for the three months ended March 31, 2020 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 1,447,023	$ 97,810	$ 1,544,833
Purchased services and professional fees	418,448	33,846	452,294
Supplies	533,928	1,431	535,359
Other	392,990	21,196	414,186
Total	$ 2,792,389	$ 154,283	$ 2,946,672

11. Significant Events

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient volumes and the related revenue for most services were significantly impacted beginning in mid-March 2020 through early May 2020 as various policies were implemented by federal, state, and local governments such as suspension of elective procedures. Since that time, gradual improvement in volumes and related revenue have been experienced and as COVID-19 volumes surge, the System's response has been based on learnings and processes established by the System's command center in 2020. The System performs voluntary monitoring of elective and non-emergent procedures based on COVID-19 volumes, available staffing, and capacity. This voluntary monitoring of capacity, along with consumer hesitation, continue to impact overall volumes for the three months ended March 31, 2021. The System's response to the COVID-19 pandemic continues to require supplies utilized at a higher rate and purchased at elevated prices and the need for additional staffing costs.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was enacted on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Grant payments from the Provider Relief Fund are intended to reimburse healthcare providers for healthcare related expenses and/or lost revenue attributable to the COVID-19 pandemic. The System began receiving Provider Relief Funds in April 2020 and as of December 31, 2020, had received approximately $599,000. For the three months ended March 31, 2020, no Provider Relief Funds had been received or recognized. The System received additional Provider Relief Funds of approximately $7,000 during the three months ended March 31, 2021 and recognized approximately $2,000 as other revenue in the accompanying consolidated statement of operations and changes in net assets. The unrecognized amount of Provider Relief Fund payments of approximately $65,000 and $60,000, as of March 31, 2021 and December 31, 2020, respectively, is included in other current liabilities in the accompanying consolidated balance sheet. Grant payments are recognized as income when there is reasonable assurance that the grant conditions are met. These estimates could change materially based on lost revenue or expenses related to COVID-19 as well as future clarifying Provider Relief Fund compliance guidance provided by the Department of Health and Human Services.

The CARES Act provides for an expansion of the Medicare Accelerated and Advance Payment Program (Accelerated Payment Program), which allows inpatient acute care hospitals to request accelerated payments of up to 100% of their Medicare payment amount for a six-month period. In 2020, the System received approximately $446,000 from the Accelerated Payment Program. Such accelerated payments received are included in other current liabilities in the accompanying consolidated balance sheets, and repayment will occur based upon the terms and conditions of the program. Repayments began in April 2021 and will continue through February 2022.

The CARES Act also allows for deferred payment of the employer portion of certain payroll taxes between March 27, 2020 and December 31, 2020, with 50% due December 31, 2021 and the remaining 50% due December 31, 2022. As of March 31, 2021 and December 31, 2020, the System had deferred payroll tax payments of approximately $164,000, of which approximately $82,000 is included in accounts payable and accrued liabilities and approximately $82,000 is included in other noncurrent liabilities in the accompanying consolidated balance sheets. The System is also considering other federal, state and local sources of grants for qualifying expenses. Due to the evolving nature of the COVID-19 pandemic, the ultimate impact to the System and its financial condition is presently unknown.

12. Subsequent Events

The System evaluated events and transactions occurring subsequent to March 31, 2021 through May 21, 2021, the date the accompanying consolidated financial statements were issued. During this period, other than those events noted below, there were no subsequent events that required recognition in the accompanying consolidated financial statements, nor were there any additional nonrecognized subsequent events that required disclosure.

On May 13, 2021, the System signed a definitive agreement to purchase Redmond Regional Medical Center, a 230-bed hospital in Rome, Georgia for approximately $635,000. The acquisition will include substantially all the property and equipment of the hospital, the related physician clinic operations and outpatient services, and all issued and outstanding equity interests. The transaction is expected to close in the third quarter of 2021, pending regulatory approval.

Management's Discussion and Analysis of Financial Condition and Results of Operations

March 31, 2021
(Unaudited)
(dollars in thousands)

The following information should be read with the unaudited consolidated financial statements and related notes included elsewhere in this report, as well as the System's 2020 audited financial statements. Certain of the discussions included in the Management's Discussion and Analysis section of the following document may include certain "forward-looking statements" that involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. In some cases, you can identify forward-looking statements by terms such as "plan," "expect," "believe," "estimate," "budget," or similar expressions intended to identify forward-looking statements. These statements reflect the current views of AdventHealth with respect to future events and are based on assumptions and subject to risks and uncertainties. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. The COVID-19 health situation and related available information, government programs and restrictions, the economy and related impacts are all continually changing. Investors and potential investors should not place undue reliance on forward looking statements. Each forward-looking statement speaks only as of the date of the particular statement. AdventHealth undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this particular disclosure for the quarter ended March 31, 2021.

Management's Discussion and Analysis of Financial Condition and Results of Operations

March 31, 2021
(Unaudited)
(dollars in thousands)

AdventHealth

Volume Trends

Beginning in mid-March 2020, the System's patient volumes and related revenue were significantly impacted by policies resulting from the COVID-19 pandemic and implemented by federal, state, and local governments such as the suspension of elective and nonemergent procedures. As these policies were lifted beginning in May 2020, the System began to see gradual operational improvement. As COVID-19 volumes surge, the System's response has been based on learnings and processes established by the System's command center in 2020. The System performs voluntary monitoring of elective and non-emergent procedures based on COVID-19 volumes, available staffing, and capacity. During January and February 2021, many of the System's markets experienced a surge in COVID-19 volumes. Additionally, consumer hesitancy to use the healthcare system continues to impact overall volumes, especially emergency room visits. For the three months ended March 31, 2021, admissions and adjusted admissions were down by 2.0% and 4.1%, respectively. Emergency room visits for the three months ended March 31, 2021 declined 18.5% compared to the same prior period in the previous year.

Volume Trends
Same Store

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Admissions	98,440	100,436
Observation status patients	32,057	33,908
Adjusted admissions	192,565	200,704
Emergency room visits	328,349	402,981
Medicare average length of stay (days)	5.68	5.21
Medicare case mix	1.94	1.78
Case mix	1.78	1.64

*Same store excludes the sale of CTMC.

Income from Operations

While volumes have not fully recovered to pre-pandemic levels, the System continues to see patients with higher acuity, including COVID patients, resulting in an increased case mix index and length of stay. As such, total operating revenue for the three months ended March 31, 2021, was $3,405,494.

Additionally, operating expenses have increased by 9.5% for the three months ended March 31, 2021 compared to the same period in the previous year. This is a result of the increased acuity of patients, which require a higher level of care, and supplies that are utilized at a higher rate and purchased at elevated prices. Additionally, premium and contract labor costs increased for the three months ended March 31, 2021 compared to the same period in the previous year. We expect consolidated volumes to continue to be impacted by the pandemic and driven by many factors, including but not limited to, the duration and severity of the pandemic, the ultimate level of volumes that return, and general economic conditions.

Total Operating Revenue and Income from Operations

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Total operating revenue*	$ 3,405,494	$ 2,982,348
Total operating expenses	3,226,388	2,946,672
Income from operations*	$ 179,106	$ 35,676
Income from operations as a percent of total operating revenue	5.3%	1.2%

*Inclusive of CARES Act revenue of $1,703 in 2021

Management's Discussion and Analysis of Financial Condition and Results of Operations

March 31, 2021
(Unaudited)
(dollars in thousands)

Balance Sheet Ratios

At the onset of the COVID-19 pandemic, various actions were taken to increase liquidity, including applying for and receiving Medicare Advance Payments and deferring payroll taxes. The adjusted days cash and investments on hand and cash to total debt metrics, exclude the additional cash recorded on the balance sheet for these programs. They will be repaid based on the terms and conditions of the respective programs.

The System has 235 adjusted days of cash and investments on hand at March 31, 2021 compared to 240 days at December 31, 2020. Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments and due to brokers, net, divided by a trailing twelve months of daily operating expenses (excluding depreciation and amortization expense).

Balance Sheet Ratios

	March 31, 2021	December 31, 2020
Cash and cash equivalents	$ 1,072,995	$ 1,210,037
Investments	7,218,315	6,951,313
Due to brokers, net	(279,667)	(184,847)
	$ 8,011,643	$ 7,976,503
Days cash and investments on hand	**254**	**260**
Days cash and investments on hand, adjusted*	**235**	**240**
Total debt to capitalization	**21.4%**	**21.5%**
Cash to total debt	**233%**	**232%**
Cash to total debt, adjusted*	**216%**	**214%**

*Excludes cash on the balance sheet from Medicare Accelerated Payments and deferred payroll taxes

At March 31, 2021, total debt to capitalization decreased to 21.4% from 21.5% at the beginning of the year. Adjusted cash to total debt increased to 216% as of March 31, 2021 compared to 214% as of the beginning of the year.

Community Benefit

The System exists solely to improve and enhance the local communities that it serves. The benefits provided to those communities, measured based on the cost to provide the care and services, for the three months ended March 31, 2021 and 2020 are included in the accompanying table.

Community Benefit (at cost)

	Three Months Ended March 31,	
	2021	2020
Benefits to the underprivileged	$ 279,988	$ 299,582
Benefits to the elderly	231,610	232,502
Benefits to the community's overall health and wellness	33,440	39,238
Benefits to the faith-based and spiritual needs of the community	5,757	5,545
	$ 550,795	$ 576,867

The System also provides benefits to the community's infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community. The cost of capital improvements for the three months ended March 31, 2021 and 2020 was $282,931 and $382,763, respectively.

Supplementary Information

AdventHealth

Consolidating Balance Sheet
(Unaudited)

March 31, 2021
(dollars in thousands)

	AdventHealth Obligated Group [1]	All Other Entities	Eliminations	Consolidated Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 217,478	$ 855,517	$ –	$ 1,072,995
Cash management deposits [2]	6,519,372	–	(6,519,372)	–
Investments	15,196	7,203,119	–	7,218,315
Current portion of assets whose use is limited	690	298,046	–	298,736
Patient accounts receivable	913,037	61,079	–	974,116
Due from brokers	–	773,421	–	773,421
Estimated settlements from third parties	35,816	8,686	–	44,502
Other receivables	872,726	23,326	(215,718)	680,334
Inventories	340,745	8,862	–	349,607
Prepaid expenses and other current assets	125,662	76,894	(42,857)	159,699
	9,040,722	9,308,950	(6,777,947)	11,571,725
Property and Equipment	7,142,480	795,172	–	7,937,652
Operating Lease Assets	302,114	17,008	–	319,122
Assets Whose Use is Limited, net of current portion	23,600	414,384	–	437,984
Other Assets	911,056	470,694	(240,970)	1,140,780
	$ 17,419,972	$ 11,006,208	$ (7,018,917)	$ 21,407,263
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	$ 1,134,147	$ 471,393	$ (1,679)	$ 1,603,861
Estimated settlements to third parties	197,108	15,244	–	212,352
Due to brokers	–	1,053,088	–	1,053,088
Due to affiliates – cash management deposits [2]	–	6,519,372	(6,519,372)	–
Other current liabilities	857,772	498,271	(212,962)	1,143,081
Short-term financings	324,285	–	–	324,285
Current maturities of long-term debt	57,961	4,895	–	62,856
	2,571,273	8,562,263	(6,734,013)	4,399,523
Long-Term Debt, net of current maturities	2,773,676	276,098	(682)	3,049,092
Operating Lease Liabilities, net of current portion	244,873	12,538	–	257,411
Other Noncurrent Liabilities	192,793	910,802	(279,989)	823,606
	5,782,615	9,761,701	(7,014,684)	8,529,632
Net Assets				
Net assets without donor restrictions	11,422,767	1,209,383	(4,233)	12,627,917
Net assets with donor restrictions	196,712	3,252	–	199,964
	11,619,479	1,212,635	(4,233)	12,827,881
Noncontrolling interests	17,878	31,872	–	49,750
	11,637,357	1,244,507	(4,233)	12,877,631
Commitments and Contingencies				
	$ 17,419,972	$ 11,006,208	$ (7,018,917)	$ 21,407,263

[1] The AdventHealth Obligated Group (Obligated Group) is defined by the Amended and Restated Master Trust Indenture dated as of August 1, 2014, which secures substantially all long-term debt.

[2] Cash management deposits represent deposits by the Obligated Group into the System's cash management program. The System invests these cash management deposits in a central investment pool.

AdventHealth

Consolidating Statement of Operations and Changes in Net Assets
(Unaudited)

For the Three Months Ended March 31, 2021
(dollars in thousands)

	AdventHealth Obligated Group	All Other Entities	Eliminations	Consolidated Total
Revenue				
Net patient service revenue	$ 3,182,257	$ 92,526	$ –	$ 3,274,783
Other	92,935	369,978	(332,202)	130,711
Total operating revenue	3,275,192	462,504	(332,202)	3,405,494
Expenses				
Employee compensation	1,552,953	235,322	(54,255)	1,734,020
Supplies	571,845	41,453	(26,185)	587,113
Purchased services	224,320	47,532	(3,304)	268,548
Professional fees	359,081	52,679	(218,093)	193,667
Other	261,298	23,687	(29,635)	255,350
Interest	16,000	501	(135)	16,366
Depreciation and amortization	151,095	20,959	(730)	171,324
Total operating expenses	3,136,592	422,133	(332,337)	3,226,388
Income from Operations	138,600	40,371	135	179,106
Nonoperating Losses				
Investment return	(74,089)	(8,983)	(135)	(83,207)
Loss on extinguishment of debt	(185)	–	–	(185)
Total nonoperating losses	(74,274)	(8,983)	(135)	(83,392)
Excess of revenue over expenses and losses	64,326	31,388	–	95,714
Noncontrolling interests	(237)	(699)	–	(936)
Excess of Revenue over Expenses and Losses Attributable to Controlling Interest	64,089	30,689	–	94,778

Continued on following page.

AdventHealth

Consolidating Statement of Operations and Changes in Net Assets (continued)
(Unaudited)

For the Three Months Ended March 31, 2021
(dollars in thousands)

	AdventHealth Obligated Group	All Other Entities	Eliminations	Consolidated Total
CONTROLLING INTEREST				
Net Assets Without Donor Restrictions				
Excess of revenue over expenses and losses	$ 64,089	$ 30,689	$ –	$ 94,778
Net assets released from restrictions for purchase of property and equipment	7,583	–	–	7,583
Change in unrealized gains and losses on investments	(272)	(161)	–	(433)
Transfers (to) from affiliates	(16,756)	16,756	–	–
Other	4,032	(37)	–	3,995
Increase in net assets without donor restrictions	58,676	47,247	–	105,923
Net Assets With Donor Restrictions				
Gifts and grants	6,014	–	–	6,014
Net assets released from restrictions for purchase of property and equipment or use in operations	(8,464)	–	–	(8,464)
Investment return	730	–	–	730
Other	6,452	154	–	6,606
Increase in net assets with donor restrictions	4,732	154	–	4,886
NONCONTROLLING INTERESTS				
Net Assets Without Donor Restrictions				
Excess of revenue over expenses and losses	237	699	–	936
Distributions	–	(2,601)	–	(2,601)
Other	6,008	10	–	6,018
Increase (decrease) in noncontrolling interests	6,245	(1,892)	–	4,353
Increase in Net Assets	69,653	45,509	–	115,162
Net assets, beginning of period	11,567,704	1,198,998	(4,233)	12,762,469
Net assets, end of period	$ 11,637,357	$ 1,244,507	$ (4,233)	$ 12,877,631

AdventHealth Obligated Group

Combined Statement of Cash Flows
(Unaudited)

For the Three Months Ended March 31, 2021
(dollars in thousands)

Operating Activities		
Increase in net assets	$	69,653
Depreciation and amortization		151,095
Amortization of deferred financing costs and original issue discounts and premiums		(4,154)
Transfers to affiliates, net		16,756
Net unrealized gains on investments		272
Restricted gifts and grants and investment return		(6,744)
Income from unconsolidated entities		(6,861)
Distributions from unconsolidated entities		2,530
Changes in operating assets and liabilities:		
Patient accounts receivable		(363,070)
Other receivables		(58,468)
Other current assets		(13,709)
Accounts payable and accrued liabilities		91,809
Estimated settlements to third parties, net		83,748
Other current liabilities		43,009
Other noncurrent assets and liabilities		625
Net cash provided by operating activities		6,491
Investing Activities		
Purchase of property and equipment, net		(220,613)
Decrease in investments		484
Decrease in assets whose use is limited		1,445
Cash receipts on sold patient accounts receivable		225,508
Increase in other assets		(1,687)
Net cash provided by investing activities		5,137
Financing Activities		
Repayments of long-term borrowings		(48,442)
Additional long-term borrowings		227,100
Transfers to affiliates, net		(16,756)
Restricted gifts and grants and investment return		6,744
Net cash provided by financing activities		168,646
Increase in Cash, Cash Equivalents, and Cash Management Deposits		180,274
Cash, cash equivalents, and cash management deposits at beginning of period		6,556,576
Cash, Cash Equivalents, and Cash Management Deposits at End of Period	$	6,736,850
Noncash Investing Activity		
Increase in beneficial interest in exchange for patient accounts receivable	$	(297,923)