

**Consolidated
Interim
Financial
Statements and
Supplementary
Information
(Unaudited)**

June 30, 2021

AdventHealth

Table of Contents

Consolidated Interim Financial Statements (<i>Unaudited</i>)	
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Net Assets	3
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Supplementary Information	
Consolidating Balance Sheet	25
Consolidating Statement of Operations and Changes in Net Assets	26
AdventHealth Obligated Group Combined Statement of Cash Flows	28
AdventHealth Obligated Group Combined Interim Statement of Operations and Changes in Net Assets for the Three Months Ended June 30, 2021	29

Consolidated Balance Sheets

June 30, 2021 and
December 31, 2020

	(Unaudited) June 30, 2021	December 31, 2020
(dollars in thousands)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 951,781	\$ 1,210,037
Investments	7,488,279	6,951,313
Current portion of assets whose use is limited	353,736	433,910
Patient accounts receivable	1,050,117	905,103
Due from brokers	103,085	898,168
Estimated settlements from third parties	54,232	90,576
Other receivables	717,044	597,536
Inventories	343,145	357,367
Prepaid expenses and other current assets	137,828	107,580
	<u>11,199,247</u>	<u>11,551,590</u>
Property and Equipment	8,078,215	7,798,166
Operating Lease Assets	307,433	324,218
Assets Whose Use is Limited, net of current portion	438,231	444,529
Other Assets	1,172,178	1,121,486
	<u>\$ 21,195,304</u>	<u>\$ 21,239,989</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,594,174	\$ 1,572,650
Estimated settlements to third parties	169,301	174,106
Due to brokers	366,342	1,083,015
Other current liabilities	1,038,568	1,129,744
Short-term financings	324,285	324,285
Current maturities of long-term debt	65,543	65,011
	<u>3,558,213</u>	<u>4,348,811</u>
Long-Term Debt, net of current maturities	3,024,437	3,048,435
Operating Lease Liabilities, net of current portion	245,255	258,450
Other Noncurrent Liabilities	835,486	821,824
	<u>7,663,391</u>	<u>8,477,520</u>
Net Assets		
Net assets without donor restrictions	13,274,950	12,521,994
Net assets with donor restrictions	204,528	195,078
	<u>13,479,478</u>	<u>12,717,072</u>
Noncontrolling interests	52,435	45,397
	<u>13,531,913</u>	<u>12,762,469</u>
Commitments and Contingencies	<u>\$ 21,195,304</u>	<u>\$ 21,239,989</u>

Consolidated Statements of Operations and Changes in Net Assets

For the three months ended
June 30, 2021 and 2020
(Unaudited)

	Three Months Ended June 30,	
	2021	2020
<i>(dollars in thousands)</i>		
Revenue		
Net patient service revenue	\$ 3,479,620	\$ 2,430,272
Other	176,113	402,315
Total operating revenue	<u>3,655,733</u>	<u>2,832,587</u>
Expenses		
Employee compensation	1,744,945	1,454,511
Supplies	596,927	492,016
Purchased services	284,049	275,361
Professional fees	221,609	180,986
Other	291,885	237,425
Interest	15,880	21,266
Depreciation and amortization	176,469	171,821
Total operating expenses	<u>3,331,764</u>	<u>2,833,386</u>
Income (Loss) from Operations	323,969	(799)
Nonoperating Gains		
Investment return	<u>324,176</u>	<u>291,856</u>
Excess of revenue and gains over expenses	648,145	291,057
Noncontrolling interests	<u>(2,464)</u>	<u>(259)</u>
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	645,681	290,798

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

For the three months ended
June 30, 2021 and 2020
(Unaudited)

	Three Months Ended June 30,	
	2021	2020
<i>(dollars in thousands)</i>		
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	\$ 645,681	\$ 290,798
Net assets released from restrictions for purchase of property and equipment	510	3,877
Other	842	2,196
Increase in net assets without donor restrictions	<u>647,033</u>	<u>296,871</u>
Net Assets With Donor Restrictions		
Gifts and grants	2,251	5,947
Net assets released from restrictions for purchase of property and equipment or use in operations	(3,250)	(4,652)
Investment return	1,081	1,554
Other	4,482	(958)
Increase in net assets with donor restrictions	<u>4,564</u>	<u>1,891</u>
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	2,464	259
Distributions	(87)	(50)
Other	308	(202)
Increase in noncontrolling interests	<u>2,685</u>	<u>7</u>
Increase in Net Assets	654,282	298,769
Net assets, beginning of period	12,877,631	11,236,201
Net assets, end of period	<u>\$ 13,531,913</u>	<u>\$ 11,534,970</u>

Consolidated Statements of Operations and Changes in Net Assets

For the six months ended
June 30, 2021 and 2020
(Unaudited)

	Six Months Ended June 30,	
	2021	2020
<i>(dollars in thousands)</i>		
Revenue		
Net patient service revenue	\$ 6,754,403	\$ 5,333,197
Other	306,824	481,738
Total operating revenue	<u>7,061,227</u>	<u>5,814,935</u>
Expenses		
Employee compensation	3,478,965	2,999,344
Supplies	1,184,040	1,027,375
Purchased services	552,597	557,103
Professional fees	415,276	351,538
Other	547,235	461,096
Interest	32,246	42,001
Depreciation and amortization	347,793	341,601
Total operating expenses	<u>6,558,152</u>	<u>5,780,058</u>
Income from Operations	503,075	34,877
Nonoperating Gains (Losses)		
Investment return	240,969	(324,118)
Loss on extinguishment of debt	(185)	—
Total nonoperating gains (losses), net	<u>240,784</u>	<u>(324,118)</u>
Excess (deficiency) of revenue and gains over expenses and losses	743,859	(289,241)
Noncontrolling interests	<u>(3,400)</u>	<u>1,526</u>
Excess (Deficiency) of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest	740,459	(287,715)

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

For the six months ended
June 30, 2021 and 2020
(Unaudited)

	Six Months Ended June 30,	
	2021	2020
<i>(dollars in thousands)</i>		
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenue and gains over expenses and losses	\$ 740,459	\$ (287,715)
Net assets released from restrictions for purchase of property and equipment	8,093	7,986
Other	<u>4,404</u>	<u>6,864</u>
Increase (decrease) in net assets without donor restrictions	752,956	(272,865)
Net Assets With Donor Restrictions		
Gifts and grants	8,265	14,588
Net assets released from restrictions for purchase of property and equipment or use in operations	(11,714)	(10,281)
Investment return	1,811	109
Other	<u>11,088</u>	<u>(6,835)</u>
Increase (decrease) in net assets with donor restrictions	9,450	(2,419)
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenue and gains over expenses and losses	3,400	(1,526)
Distributions	(2,688)	(599)
Other	<u>6,326</u>	<u>1,303</u>
Increase (decrease) in noncontrolling interests	<u>7,038</u>	<u>(822)</u>
Increase (Decrease) in Net Assets	769,444	(276,106)
Net assets, beginning of period	<u>12,762,469</u>	<u>11,811,076</u>
Net assets, end of period	<u>\$ 13,531,913</u>	<u>\$ 11,534,970</u>

Consolidated Statements of Cash Flows

For the six months ended
June 30, 2021 and 2020
(Unaudited)

	Six Months Ended June 30,	
<i>(dollars in thousands)</i>	2021	2020
Operating Activities		
Increase (decrease) in net assets	\$ 769,444	\$ (276,106)
Depreciation and amortization	347,793	341,601
Amortization of deferred financing costs and original issue discounts and premiums	(8,313)	(8,227)
Net realized and unrealized (gains) losses on investments	(165,237)	368,223
Restricted gifts and grants and investment return	(10,076)	(14,697)
Income from unconsolidated entities	(56,304)	(19,357)
Distributions from unconsolidated entities	9,338	11,220
Changes in operating assets and liabilities:		
Patient accounts receivable	(724,378)	(439,867)
Other receivables	(25,349)	(5,977)
Other current assets	(16,026)	(160,664)
Accounts payable and accrued liabilities	7,599	(186,943)
Estimated settlements to third parties, net	31,539	33,268
Other current liabilities	33,824	353,297
Other noncurrent assets and liabilities	17,278	92,558
Net cash provided by operating activities	211,132	88,329
Investing Activities		
Purchases of property and equipment, net	(606,755)	(699,441)
Sales and maturities of investments	2,373,931	3,787,271
Purchases of investments	(2,744,667)	(3,164,192)
Due from brokers	795,083	(182,402)
Due to brokers	(716,673)	438,962
Sales, maturities, and uses of assets whose use is limited	129,393	385,066
Purchases of and additions to assets whose use is limited	(73,306)	(394,673)
Consideration paid to acquire noncontrolling interest	(125,000)	(125,000)
Cash receipts on sold patient accounts receivable	485,205	473,867
(Increase) decrease in other assets	(17,282)	979
Net cash (used in) provided by investing activities	(500,071)	520,437
Financing Activities		
Repayments of long-term borrowings	(235,966)	(13,639)
Additional long-term borrowings	227,181	426,757
Additional short-term borrowings	—	303,500
Restricted gifts and grants and investment return	10,076	14,697
Net cash provided by financing activities	1,291	731,315
(Decrease) increase in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents		
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	\$ 1,277,728	\$ 1,843,146
Noncash Investing Activity		
Beneficial interest obtained in exchange for patient accounts receivable	\$ (579,364)	\$ (206,469)
Consideration payable to acquire noncontrolling interest	—	225,000

Notes to Consolidated Financial Statements

June 30, 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 and gains 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

June 30, 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 six months ended June 30, 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.

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.

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

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.

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 951,781	\$ 1,644,705
Restricted cash and restricted cash equivalents included in assets whose use is limited	<u>325,947</u>	<u>198,441</u>
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statement of cash flows	<u>\$ 1,277,728</u>	<u>\$ 1,843,146</u>

2. Organizational Changes

On April 1, 2020, the System sold substantially all of the assets of Central Texas Medical Center together with certain other affiliated assets (CTMC) to CHRISTUS Santa Rosa Healthcare, 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.

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 fourth quarter of 2021, pending regulatory approval.

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.

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

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 \$25,400 and \$3,800 for the three months ended June 30, 2021 and 2020, respectively, and approximately \$27,500 and \$5,000 for the six months ended June 30, 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 and six months ended June 30, 2021 and 2020 was not material for the System, and is included within other expenses 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.

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

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

	Three Months Ended June 30,			
	2021		2020	
	Amount	%	Amount	%
Managed Care	\$ 1,848,537	53%	\$ 1,256,083	52%
Medicare	617,670	18	485,082	20
Managed Medicare	545,867	16	366,716	15
Medicaid	132,431	4	129,263	5
Managed Medicaid	156,763	4	108,931	4
Self-pay	22,690	1	14,662	1
Other	155,662	4	69,535	3
	<u>\$ 3,479,620</u>	<u>100%</u>	<u>\$ 2,430,272</u>	<u>100%</u>

	Six Months Ended June 30,			
	2021		2020	
	Amount	%	Amount	%
Managed Care	\$ 3,549,954	53%	\$ 2,745,606	52%
Medicare	1,222,739	18	1,095,553	21
Managed Medicare	1,088,258	16	819,978	15
Medicaid	259,936	4	234,808	4
Managed Medicaid	305,545	4	234,945	4
Self-pay	49,186	1	34,350	1
Other	278,785	4	167,957	3
	<u>\$ 6,754,403</u>	<u>100%</u>	<u>\$ 5,333,197</u>	<u>100%</u>

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 \$53,000 and \$43,000 as of June 30, 2021 and December 31, 2020, respectively. Commingled funds are used

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

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, foreign currency exchange contracts, 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.

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:

	June 30, 2021			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	\$ 9	\$ (78)	\$ 9	\$ (78)
Interest rate swaps	3,867	(1,899)	3,867	(1,899)
Futures	1,432,879	(121,969)	-	-
Foreign currency exchange contracts	178,564	(377,633)	5,623	(559)
Total derivative instruments, gross	<u>\$ 1,615,319</u>	<u>\$ (501,579)</u>	<u>\$ 9,499</u>	<u>\$ (2,536)</u>
	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	<u>\$ 397,032</u>	<u>\$ (148,694)</u>	<u>\$ 18</u>	<u>\$ (5)</u>

The System posted collateral related to investment derivative instruments totaling \$37,614 and \$19,114 as of June 30, 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 \$59,928 and \$7,529 for the three months ended June 30, 2021 and 2020, respectively, and \$63,213 and \$(115,470) for the six months ended June 30, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

5. Other Assets

Other assets consist of the following:

	June 30, 2021	December 31, 2020
Investments in unconsolidated entities	\$ 796,422	\$ 733,265
Goodwill	190,572	201,606
Interests in net assets of unconsolidated foundations	80,212	72,832
Notes and other receivables	61,007	65,075
Other noncurrent assets	43,965	48,708
	<u>\$ 1,172,178</u>	<u>\$ 1,121,486</u>

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

	Ownership Interest	June 30, 2021	December 31, 2020
Health First, Inc.	27%	\$ 403,343	\$ 374,461
Texas Health Huguley, Inc.	49%	203,754	188,668
Centura Health Corporation	35%	98,713	96,518
Other	5% – 50%	90,612	73,618
		<u>\$ 796,422</u>	<u>\$ 733,265</u>

Income from unconsolidated entities totaled \$28,312 and \$3,040 for three months ended June 30, 2021 and 2020, respectively, and \$56,304 and \$9,507 for the six months ended June 30, 2021 and 2020, respectively. Income from unconsolidated entities 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 a second payment of \$125,000 was paid in June 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).

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

The System had 248 and 260 days cash on hand at June 30, 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).

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

	June 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 951,781	\$ 1,210,037
Investments	7,488,279	6,951,313
Due to brokers, net	(263,257)	(184,847)
	<u>\$ 8,176,803</u>	<u>\$ 7,976,503</u>
Unrestricted days cash and investments on hand	<u>248</u>	<u>260</u>

The System's financial assets also consist of patient accounts receivable totaling \$1,050,117 and \$905,103 as of June 30, 2021 and December 31, 2020, respectively. Other receivables, totaling \$717,044 and \$597,536 as of June 30, 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 were refinanced with long-term tax-exempt debt during the third quarter of 2021, as discussed below. As such, the borrowing on the CP Notes is classified as long-term debt as of June 30, 2021. As of June 30, 2021, no amounts are outstanding under the Revolving Note.

Subsequent to June 30, 2021, the System issued fixed-rate bonds (Fixed-Rate Bonds) with par amounts totaling \$491,785, maturity dates ranging from 2037 to 2051, stated interest rates ranging from 3.00% to 5.00%, and effective interest rates ranging from 1.40% to 2.19% through the call date of 2031. The System also issued put bonds with par amounts totaling \$228,660 (Put Bonds). The Put Bonds have a stated interest rate of 5.00% with mandatory redemptions ranging from 2026 to 2031 and final maturities ranging from 2052 to 2054. The effective interest rates on the Put Bonds range from 0.56% to 1.17% through the mandatory redemption date. The System also issued variable-rate bonds (Variable-Rate Bonds) with par amounts totaling \$200,000, mandatory redemption dates ranging from 2054 to 2056, and final maturity dates ranging from 2055 to 2056. The Fixed-Rate Bonds and Put Bonds were issued with premiums totaling \$159,551, which resulted in total proceeds, including Variable-Rate

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

Bonds, of \$1,079,996. The System used bond proceeds of \$227,000 for repayment of CP Notes, approximately \$348,000 for repayment of put bonds and variable-rate bonds, and \$250,000 for repayment of a fixed-rate loan. The System will use the remaining bond proceeds to finance or refinance certain costs of the acquisition, construction and equipping of certain facilities.

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. 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 was subsequently repaid in July 2021, 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.

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

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.

Recurring Fair Value Measurements

The fair value of financial assets measured at fair value on a recurring basis at June 30, 2021 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
<i>CASH AND CASH EQUIVALENTS</i>				
	\$ 951,781	\$ 951,781	\$ —	\$ —
<i>INVESTMENTS AND ASSETS WHOSE USE IS LIMITED</i>				
Cash and cash equivalents				
	325,947	325,947	—	—
Debt securities				
U.S. government agencies and sponsored entities				
	3,635,465	—	3,635,465	—
Foreign government agencies and sponsored entities				
	250,037	—	250,037	—
Corporate bonds				
	227,940	—	227,940	—
Mortgage backed				
	27,890	—	27,890	—
Other asset backed				
	23,706	—	23,706	—
Short-term investments				
	79,868	—	79,868	—
Domestic equity securities				
	126,576	126,576	—	—
Exchange traded and mutual funds				
Domestic equity				
	1,052,802	1,052,802	—	—
Foreign equity				
	456,934	456,934	—	—
Fixed income				
	948,615	948,615	—	—
	<u>7,155,780</u>	<u>2,910,874</u>	<u>4,244,906</u>	<u>—</u>
Total	<u>\$ 8,107,561</u>	<u>\$ 3,862,655</u>	<u>\$ 4,244,906</u>	<u>\$ —</u>

Notes to Consolidated Financial Statements

June 30, 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				
<i>CASH AND CASH EQUIVALENTS</i>				
	\$ 1,210,037	\$ 1,151,642	\$ 58,395	\$ –
<i>INVESTMENTS AND ASSETS WHOSE USE IS LIMITED</i>				
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	–	–
	<u>6,573,742</u>	<u>2,573,743</u>	<u>3,999,999</u>	<u>–</u>
Total	<u>\$ 7,783,779</u>	<u>\$ 3,725,385</u>	<u>\$ 4,058,394</u>	<u>\$ –</u>

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

	June 30, 2021	December 31, 2020
Investments and assets whose use is limited measured at fair value	\$ 7,155,780	\$ 6,573,742
Hedge funds and private equity funds	768,633	872,397
Commingled funds	346,045	373,704
Accrued interest	9,788	9,909
Total	<u>\$ 8,280,246</u>	<u>\$ 7,829,752</u>
Investments	\$ 7,488,279	\$ 6,951,313
Assets whose use is limited:		
Current	353,736	433,910
Noncurrent	438,231	444,529
Total	<u>\$ 8,280,246</u>	<u>\$ 7,829,752</u>

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

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.

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.

Expenses by functional classification for the three months ended June 30, 2021 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	\$ 1,643,064	\$ 101,881	\$ 1,744,945
Purchased services and professional fees	459,552	46,106	505,658
Supplies	595,583	1,344	596,927
Other	463,175	21,059	484,234
Total	<u>\$ 3,161,374</u>	<u>\$ 170,390</u>	<u>\$ 3,331,764</u>

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

Expenses by functional classification for the three months ended June 30, 2020 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	\$ 1,361,851	\$ 92,660	\$ 1,454,511
Purchased services and professional fees	415,772	40,575	456,347
Supplies	490,551	1,465	492,016
Other	410,209	20,303	430,512
Total	<u>\$ 2,678,383</u>	<u>\$ 155,003</u>	<u>\$ 2,833,386</u>

Expenses by functional classification for the six months ended June 30, 2021 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	\$ 3,280,913	\$ 198,052	\$ 3,478,965
Purchased services and professional fees	878,137	89,736	967,873
Supplies	1,182,033	2,007	1,184,040
Other	885,800	41,474	927,274
Total	<u>\$ 6,226,883</u>	<u>\$ 331,269</u>	<u>\$ 6,558,152</u>

Expenses by functional classification for the six months ended June 30, 2020 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	\$ 2,808,874	\$ 190,470	\$ 2,999,344
Purchased services and professional fees	834,220	74,421	908,641
Supplies	1,024,479	2,896	1,027,375
Other	803,199	41,499	844,698
Total	<u>\$ 5,470,772</u>	<u>\$ 309,286</u>	<u>\$ 5,780,058</u>

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 hospitals monitor elective and non-emergent procedures based on COVID-19 volumes, available staffing, and capacity. Certain of the System's hospitals experienced COVID-19 surges early in 2021 and are currently experiencing another COVID-19 volume surge in late July and August 2021, requiring voluntary monitoring of elective and non-emergent procedures. 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.

Notes to Consolidated Financial Statements

June 30, 2021
(Unaudited)
(dollars in thousands)

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. During the three and six months ended June 30, 2021, the System recognized \$2,000 and \$5,000, respectively, of Provider Relief Funds as other revenue in the accompanying consolidated statements of operations and changes in net assets. During the three and six months ended June 30, 2020, the System recognized \$290,000 of Provider Relief Funds as other revenue in the accompanying consolidated statements of operations and changes in net assets.

The unrecognized amount of Provider Relief Fund payments of approximately \$63,000 and \$60,000, as of June 30, 2021 and December 31, 2020, respectively, is included in other current liabilities in the accompanying consolidated balance sheets. 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. Consistent with the terms and conditions of the program repayments began in April 2021, totaled \$35,000 for the three months ended June 30, 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 June 30, 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 June 30, 2021 through August 25, 2021, the date the accompanying consolidated financial statements were issued. During this period, 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 other than the debt activity discussed in Note 7 and the events discussed in Note 11.

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

June 30, 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 June 30, 2021.

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

June 30, 2021
(Unaudited)
(dollars in thousands)

Volume Trends

The pandemic continues to have significant economic and operational impact on the healthcare industry. During the six months ended June 30, 2021, the System experienced an increase in COVID-19 related volume in January and February that required voluntary monitoring of non-emergent procedures based on available staffing and capacity. As vaccines became available in the spring, the System experienced increasing volumes in March through June. For the six months ended June 30, 2021, admissions and adjusted admissions were up by 7.9% and 10.4%, respectively and were closer to pre-pandemic levels. Emergency room visits for the six months ended June 30, 2021 increased 13.2% compared to the same period in the previous year and declined 11.1% compared to the same period in 2019. Case mix and average length of stay continue to be higher than prior periods driven by an increased acuity

	Volume Trends		
	Same Store		
	Six Months Ended June 30,		
	2021	2020	2019
Admissions	192,075	177,910	193,289
Observation status patients	64,622	55,275	69,616
Adjusted admissions	384,750	348,415	391,268
Emergency room visits	668,122	590,087	751,737
Medicare average length of stay (days)	5.54	5.31	5.05
Medicare case mix	1.91	1.82	1.78
Case mix	1.77	1.67	1.63

*Same store excludes the acquisitions of AdventHealth Ottawa, AdventHealth Lake Wales, and AdventHealth Heart of Florida, and the sale of CTMC

level of patients. In the latter part of July 2021, COVID-19 volume began increasing, particularly in the System's Florida markets, as the Delta variant became predominate. This has continued through August and has required voluntary monitoring of non-emergent procedures to ensure available staffing and capacity.

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, net revenue per adjusted admission has increased 15.3% for the six months ended June 30, 2021 compared to the same period in the previous year.

Additionally, operating expenses have increased by 13.5% for the six months ended June 30, 2021 compared to the same period in the previous year. This is a result of the

	Total Operating Revenue and Income from Operations		
	Six Months Ended June 30,		
	2021	2020	2019
Total operating revenue*	\$ 7,061,227	\$ 5,814,935	\$ 5,862,004
Total operating expenses	6,558,152	5,780,058	5,481,739
Income from operations*	\$ 503,075	\$ 34,877	\$ 380,265
Income from operations as a percent of total operating revenue	7.1%	0.6%	6.5%

*Inclusive of CARES Act revenue of \$5,045 in 2021 and \$290,130 in 2020

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 continue to be at elevated levels. 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.

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

June 30, 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 231 adjusted days cash and investments on hand at June 30, 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		
	June 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 951,781	\$ 1,210,037
Investments	7,488,279	6,951,313
Due to brokers, net	(263,257)	(184,847)
	<u>\$ 8,176,803</u>	<u>\$ 7,976,503</u>
Days cash and investments on hand	248	260
Days cash and investments on hand, adjusted*	231	240
Total debt to capitalization	20.5%	21.5%
Cash to total debt	239%	232%
Cash to total debt, adjusted*	223%	214%
*Excludes cash on the balance sheet from Medicare Accelerated Payments and deferred payroll taxes		

At June 30, 2021, total debt to capitalization decreased to 20.5% from 21.5% at the beginning of the year. Adjusted cash to total debt increased to 223% as of June 30, 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 six months ended June 30, 2021 and 2020 are included in the accompanying table.

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 six months ended June 30, 2021 and 2020 was \$606,755 and \$699,441, respectively.

Community Benefit (at cost)		
	Six Months Ended June 30,	
	2021	2020
Benefits to the underprivileged	\$ 569,391	\$ 531,214
Benefits to the elderly	428,113	518,978
Benefits to the community's overall health and wellness	69,239	73,362
Benefits to the faith-based and spiritual needs of the community	11,551	10,923
	<u>\$ 1,078,294</u>	<u>\$ 1,134,477</u>

Supplementary Information

AdventHealth
Consolidating Balance Sheet
(Unaudited)

June 30, 2021
(dollars in thousands)

	<u>AdventHealth Obligated Group ¹</u>	<u>All Other Entities</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 187,978	\$ 763,803	\$ –	\$ 951,781
Cash management deposits ²	6,827,167	–	(6,827,167)	–
Investments	16,420	7,471,859	–	7,488,279
Current portion of assets whose use is limited	689	353,047	–	353,736
Patient accounts receivable	984,214	65,903	–	1,050,117
Due from brokers	–	103,085	–	103,085
Estimated settlements from third parties	45,135	9,097	–	54,232
Other receivables	746,584	28,735	(58,275)	717,044
Inventories	334,934	8,211	–	343,145
Prepaid expenses and other current assets	108,686	71,498	(42,356)	137,828
	<u>9,251,807</u>	<u>8,875,238</u>	<u>(6,927,798)</u>	<u>11,199,247</u>
Property and Equipment	7,248,072	830,143	–	8,078,215
Operating Lease Assets	292,156	15,277	–	307,433
Assets Whose Use is Limited, net of current portion	18,881	419,350	–	438,231
Other Assets	1,043,600	487,283	(358,705)	1,172,178
	<u>\$ 17,854,516</u>	<u>\$ 10,627,291</u>	<u>\$ (7,286,503)</u>	<u>\$ 21,195,304</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 1,114,958	\$ 480,211	\$ (995)	\$ 1,594,174
Estimated settlements to third parties	153,587	15,714	–	169,301
Due to brokers	–	366,342	–	366,342
Due to affiliates – cash management deposits ²	–	6,827,167	(6,827,167)	–
Other current liabilities	808,047	286,481	(55,960)	1,038,568
Short-term financings	324,285	–	–	324,285
Current maturities of long-term debt	58,996	6,547	–	65,543
	<u>2,459,873</u>	<u>7,982,462</u>	<u>(6,884,122)</u>	<u>3,558,213</u>
Long-Term Debt, net of current maturities	2,758,525	266,279	(367)	3,024,437
Operating Lease Liabilities, net of current portion	234,366	10,889	–	245,255
Other Noncurrent Liabilities	211,058	1,022,209	(397,781)	835,486
	<u>5,663,822</u>	<u>9,281,839</u>	<u>(7,282,270)</u>	<u>7,663,391</u>
Net Assets				
Net assets without donor restrictions	11,970,514	1,308,669	(4,233)	13,274,950
Net assets with donor restrictions	201,391	3,137	–	204,528
	<u>12,171,905</u>	<u>1,311,806</u>	<u>(4,233)</u>	<u>13,479,478</u>
Noncontrolling interests	18,789	33,646	–	52,435
	<u>12,190,694</u>	<u>1,345,452</u>	<u>(4,233)</u>	<u>13,531,913</u>
Commitments and Contingencies	<u>\$ 17,854,516</u>	<u>\$ 10,627,291</u>	<u>\$ (7,286,503)</u>	<u>\$ 21,195,304</u>

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 Six Months Ended June 30, 2021

(dollars in thousands)

	<u>AdventHealth Obligated Group</u>	<u>All Other Entities</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Revenue				
Net patient service revenue	\$ 6,569,641	\$ 184,762	\$ –	\$ 6,754,403
Other	210,446	750,840	(654,462)	306,824
Total operating revenue	<u>6,780,087</u>	<u>935,602</u>	<u>(654,462)</u>	<u>7,061,227</u>
Expenses				
Employee compensation	3,105,642	464,966	(91,643)	3,478,965
Supplies	1,155,863	80,822	(52,645)	1,184,040
Purchased services	461,370	98,047	(6,820)	552,597
Professional fees	746,476	111,428	(442,628)	415,276
Other	542,708	63,793	(59,266)	547,235
Interest	32,416	165	(335)	32,246
Depreciation and amortization	307,107	42,146	(1,460)	347,793
Total operating expenses	<u>6,351,582</u>	<u>861,367</u>	<u>(654,797)</u>	<u>6,558,152</u>
Income from Operations	428,505	74,235	335	503,075
Nonoperating Gains (Losses)				
Investment return	205,255	36,049	(335)	240,969
Loss on extinguishment of debt	(185)	–	–	(185)
Total nonoperating gains, net	<u>205,070</u>	<u>36,049</u>	<u>(335)</u>	<u>240,784</u>
Excess of revenue and gains over expense:	633,575	110,284	–	743,859
Noncontrolling interests	<u>(906)</u>	<u>(2,494)</u>	<u>–</u>	<u>(3,400)</u>
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	632,669	107,790	–	740,459

Continued on following page.

AdventHealth

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

For the Six Months Ended June 30, 2021

(dollars in thousands)

	<u>AdventHealth Obligated Group</u>	<u>All Other Entities</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
CONTROLLING INTEREST				
Net Assets Without Donor Restrictions				
Excess of revenue and gains over expenses	\$ 632,669	\$ 107,790	\$ –	\$ 740,459
Net assets released from restrictions for purchase of property and equipment	7,752	341	–	8,093
Transfers (to) from affiliates	(38,519)	38,519	–	–
Other	4,521	(117)	–	4,404
Increase in net assets without donor restrictions	<u>606,423</u>	<u>146,533</u>	<u>–</u>	<u>752,956</u>
Net Assets With Donor Restrictions				
Gifts and grants	7,959	306	–	8,265
Net assets released from restrictions for purchase of property and equipment or use in operations	(11,349)	(365)	–	(11,714)
Investment return	1,811	–	–	1,811
Other	10,990	98	–	11,088
Increase in net assets with donor restrictions	<u>9,411</u>	<u>39</u>	<u>–</u>	<u>9,450</u>
NONCONTROLLING INTERESTS				
Net Assets Without Donor Restrictions				
Excess of revenue and gains over expenses	906	2,494	–	3,400
Distributions	(88)	(2,600)	–	(2,688)
Other	6,338	(12)	–	6,326
Increase (decrease) in noncontrolling interests	<u>7,156</u>	<u>(118)</u>	<u>–</u>	<u>7,038</u>
Increase in Net Assets	622,990	146,454	–	769,444
Net assets, beginning of period	11,567,704	1,198,998	(4,233)	12,762,469
Net assets, end of period	<u>\$ 12,190,694</u>	<u>\$ 1,345,452</u>	<u>\$ (4,233)</u>	<u>\$ 13,531,913</u>

AdventHealth Obligated Group

Combined Statement of Cash Flows
(Unaudited)

For the Six Months Ended June 30, 2021

(dollars in thousands)

Operating Activities	
Increase in net assets	\$ 622,990
Depreciation and amortization	307,107
Amortization of deferred financing costs and original issue discounts and premiums	(8,313)
Transfers to affiliates, net	38,519
Restricted gifts and grants and investment return	(9,770)
Income from unconsolidated entities	(18,314)
Distributions from unconsolidated entities	6,754
Changes in operating assets and liabilities:	
Patient accounts receivable	(715,688)
Other receivables	89,418
Other current assets	9,078
Accounts payable and accrued liabilities	79,815
Estimated settlements to third parties, net	30,908
Other current liabilities	(6,716)
Other noncurrent assets and liabilities	19,734
Net cash provided by operating activities	<u>445,522</u>
Investing Activities	
Purchase of property and equipment, net	(484,480)
Increase in investments	(740)
Decrease in assets whose use is limited	6,181
Cash receipts on sold patient accounts receivable	485,205
Increase in other assets	(133,071)
Net cash used in investing activities	<u>(126,905)</u>
Financing Activities	
Repayments of long-term borrowings	(58,399)
Additional long-term borrowings	227,100
Transfers to affiliates, net	(38,519)
Restricted gifts and grants and investment return	9,770
Net cash provided by financing activities	<u>139,952</u>
Increase in Cash, Cash Equivalents, and Cash Management Deposits	458,569
Cash, cash equivalents, and cash management deposits at beginning of period	<u>6,556,576</u>
Cash, Cash Equivalents, and Cash Management Deposits at End of Period	<u><u>\$ 7,015,145</u></u>
Noncash Investing Activity	
Increase in beneficial interest in exchange for patient accounts receivable	\$ (579,364)

AdventHealth Obligated Group

Combined Interim Statement of Operations and Changes in Net Assets
(Unaudited)

For the Three Months Ended June 30, 2021

(dollars in thousands)

Revenue	
Net patient service revenue	\$ 3,387,384
Other	117,511
Total operating revenue	<u>3,504,895</u>
Expenses	
Employee compensation	1,552,689
Supplies	584,018
Purchased services	237,050
Professional fees	387,395
Other	281,410
Interest	16,416
Depreciation and amortization	156,012
Total operating expenses	<u>3,214,990</u>
Income from Operations	289,905
Nonoperating Gains - Investment Return	<u>279,344</u>
Excess of revenue and gains over expenses	569,249
Noncontrolling interests	<u>(669)</u>
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	568,580
Other changes in net assets without donor restrictions, net	(19,922)
Increase in net assets with donor restrictions, net	4,679
Increase in Net Assets	<u><u>\$ 553,337</u></u>