

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

March 31, 2022

AdventHealth

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Consolidated Balance Sheets

March 31, 2022 and
December 31, 2021

(dollars in thousands)

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,190,194	\$ 506,777
Investments	6,377,445	7,716,423
Current portion of assets whose use is limited	309,033	438,224
Patient accounts receivable	1,257,882	1,123,267
Due from brokers	147,765	125,744
Estimated settlements from third parties	128,902	251,606
Other receivables	761,981	792,446
Inventories	330,925	327,697
Prepaid expenses and other current assets	201,058	148,682
	<u>10,705,185</u>	<u>11,430,866</u>

Property and Equipment

8,642,336 8,536,375

Operating Lease Assets

291,912 302,051

Assets Whose Use is Limited, net of current portion

436,996 452,973

Other Assets

1,651,743 1,705,906
\$ 21,728,172 \$ 22,428,171

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,883,914	\$ 1,953,148
Estimated settlements to third parties	171,458	162,081
Due to brokers	160,999	124,724
Other current liabilities	588,986	829,305
Short-term financings	520,310	520,310
Current maturities of long-term debt	58,098	58,102
	<u>3,383,765</u>	<u>3,647,670</u>

Long-Term Debt, net of current maturities

3,423,384 3,432,468

Operating Lease Liabilities, net of current portion

242,324 248,221

Other Noncurrent Liabilities

771,569 762,750
7,821,042 8,091,109

Net Assets

Net assets without donor restrictions	13,642,487	14,062,347
Net assets with donor restrictions	213,910	221,319
	<u>13,856,397</u>	<u>14,283,666</u>
Noncontrolling interests	50,733	53,396
	<u>13,907,130</u>	<u>14,337,062</u>

Commitments and Contingencies

\$ 21,728,172 \$ 22,428,171

Consolidated Statements of Operations and Changes in Net Assets

*For the three months ended
March 31, 2022 and 2021
(Unaudited)*

(dollars in thousands)

	Three Months Ended March 31,	
	2022	2021
Revenue		
Net patient service revenue	\$ 3,564,252	\$ 3,274,783
Other	106,746	130,711
Total operating revenue	3,670,998	3,405,494
Expenses		
Employee compensation	2,060,249	1,734,020
Supplies	626,206	587,113
Purchased services	275,275	268,548
Professional fees	258,287	193,667
Other	270,271	255,350
Interest	22,907	16,366
Depreciation and amortization	204,554	171,324
Total operating expenses	3,717,749	3,226,388
(Loss) Income from Operations	(46,751)	179,106
Nonoperating Losses		
Investment return	(372,164)	(83,207)
Loss on extinguishment of debt	—	(185)
Total nonoperating losses	(372,164)	(83,392)
(Deficiency) excess of revenue over expenses and losses	(418,915)	95,714
Noncontrolling interests	1,199	(936)
(Deficiency) Excess of Revenue over Expenses and Losses Attributable to Controlling Interest	(417,716)	94,778

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

For the three months ended
March 31, 2022 and 2021
(Unaudited)

(dollars in thousands)

CONTROLLING INTEREST

Net Assets Without Donor Restrictions

(Deficiency) excess of revenue over expenses and losses	\$ (417,716)	\$ 94,778
Net assets released from restrictions for purchase of property and equipment	1,984	7,583
Change in unrealized gains and losses on investments	(2,493)	(433)
Other	(1,635)	3,995
(Decrease) increase in net assets without donor restrictions	(419,860)	105,923

Net Assets With Donor Restrictions

Gifts and grants	7,874	6,014
Net assets released from restrictions for purchase of property and equipment or use in operations	(5,055)	(8,464)
Investment return	(805)	730
Other	(9,423)	6,606
(Decrease) increase in net assets with donor restrictions	(7,409)	4,886

NONCONTROLLING INTERESTS

Net Assets Without Donor Restrictions

(Deficiency) excess of revenue over expenses and losses	(1,199)	936
Distributions	(1,383)	(2,601)
Other	(81)	6,018
(Decrease) increase in noncontrolling interests	(2,663)	4,353

(Decrease) Increase in Net Assets

Net assets, beginning of period	14,337,062	12,762,469
Net assets, end of period	<u>\$ 13,907,130</u>	<u>\$ 12,877,631</u>

Consolidated Statements of Cash Flows

For the three months ended
March 31, 2022 and 2021
(Unaudited)

(dollars in thousands)

	Three Months Ended March 31,	
	2022	2021
Operating Activities		
(Decrease) increase in net assets	\$ (429,932)	\$ 115,162
Depreciation and amortization	204,554	171,324
Amortization of deferred financing costs and original issue discounts and premiums	(7,268)	(4,154)
Net realized and unrealized losses on investments	416,583	105,545
Restricted gifts and grants and investment return	(7,069)	(6,744)
Loss (income) from unconsolidated entities	12,777	(27,992)
Distributions from unconsolidated entities	12,557	4,583
Changes in operating assets and liabilities:		
Patient accounts receivable	(405,758)	(366,936)
Other receivables	(73,561)	(10,383)
Other current assets	(55,604)	(44,359)
Accounts payable and accrued liabilities	(92,736)	9,605
Estimated settlements to third parties, net	132,081	84,320
Other current liabilities	(240,319)	13,337
Other noncurrent assets and liabilities	15,978	6,496
Net cash (used in) provided by operating activities	(517,717)	49,804
Investing Activities		
Purchases of property and equipment, net	(270,209)	(282,931)
Sales and maturities of investments	1,881,431	1,698,218
Purchases of investments	(956,543)	(2,070,332)
Due from brokers	(22,021)	124,747
Due to brokers	36,275	(29,927)
Sales, maturities, and uses of assets whose use is limited	45,980	78,825
Purchases of and additions to assets whose use is limited	(75,803)	(34,722)
Cash receipts on sold patient accounts receivable	375,169	225,508
Decrease (increase) in other assets	8,677	(2,630)
Net cash provided by (used in) investing activities	1,022,956	(293,244)
Financing Activities		
Repayments of long-term borrowings	(3,365)	(224,629)
Additional long-term borrowings	1,546	227,100
Restricted gifts and grants and investment return	7,069	6,744
Net cash provided by financing activities	5,250	9,215
Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	510,489	(234,225)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	889,132	1,565,376
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents at End of Period	<u>\$ 1,339,621</u>	<u>\$ 1,331,151</u>
Noncash Investing Activity		
Beneficial interest obtained in exchange for patient accounts receivable	\$ (271,142)	\$ (297,923)

Notes to Consolidated Financial Statements

March 31, 2022
(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 48 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, 2022
(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, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2021.

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 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 September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the presentation and disclosure requirements for not-for-profit entities to increase transparency about contributed nonfinancial assets. The System adopted the standard effective January 1, 2022, on a prospective basis. This standard did not have a material impact on the System's accompanying consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires earlier recognition of credit losses on financing receivables and other financial assets in scope. For trade receivables, loans, and held-to-maturity debt securities, entities will be required to estimate lifetime expected credit losses, resulting in earlier recognition of credit losses. For available-for-sale debt securities, entities will be required to recognize an allowance for credit losses rather than a reduction to the carrying value of the asset. In addition, entities will have to make more disclosures, including disclosures by year of origination for certain financing receivables. Management is currently evaluating the potential impact of this guidance, which will be effective for the System beginning in 2023.

Notes to Consolidated Financial Statements

March 31, 2022
(Unaudited)
(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,	
	2022	2021
Cash and cash equivalents	\$ 1,190,194	\$ 1,072,995
Restricted cash and restricted cash equivalents included in assets whose use is limited	209,427	258,156
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statement of cash flows	<u>\$ 1,399,621</u>	<u>\$ 1,331,151</u>

2. Organizational Changes

Business Combinations

The System accounts for transactions that represent business combinations in accordance with the Not-for-Profit Entities, Business Combinations Topic of the Accounting Standards Codification (ASC) (ASC 958-805), where the assets acquired and liabilities assumed are recognized and measured at their fair values on the acquisition date. Fair values that are not finalized are estimated and reported as provisional amounts.

On October 1, 2021, the System purchased Redmond Regional Medical Center, which was renamed AdventHealth Redmond (AH Redmond) and includes a 230-bed hospital in Rome, Georgia, as well as its related businesses, physician clinics, outpatient services, and all issued and outstanding equity interests.

The assets acquired and liabilities assumed were recorded based on their acquisition date fair values. Cash consideration was \$646,063, which primarily represented the payment for the real and personal property and goodwill. The System issued fixed-rate, taxable bonds totaling \$400,000 to finance a portion of the acquisition price. The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

Notes to Consolidated Financial Statements

March 31, 2022
(Unaudited)
(dollars in thousands)

Assets	
Cash and cash equivalents	\$ 11
Patient accounts receivable	646
Inventories	10,029
Prepaid expenses and other current assets	889
Property and equipment	117,702
Operating lease assets	1,549
Other assets	<u>521,453</u>
	652,279
Liabilities	
Accounts payable and accrued liabilities	\$ 4,532
Other current liabilities	135
Operating lease liabilities, net of current portion	<u>1,549</u>
	<u>6,216</u>
Fair Value of Net Assets Acquired	<u><u>\$ 646,063</u></u>

The goodwill acquired represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the business acquired. Goodwill, totaling approximately \$520,000, is included in other assets (noncurrent) in the accompanying consolidated balance sheets. The results of operations and changes in net assets for AH Redmond were included in the System's consolidated financial statements beginning October 1, 2021.

The following pro forma combined results of operations present the acquisition as if it had occurred on January 1, 2021 and, as such, reflects the impact of amortizing the fair value adjustments to property and equipment, amortizing goodwill acquired, and recognizing interest expense on the issued debt as of January 1, 2021. The pro forma combined results of operations do not necessarily represent the System's consolidated results of operations had the acquisition occurred on the date assumed, nor are these results necessarily indicative of the System's future consolidated results of operations. AH Redmond serves as a regional referral center for all of northwest Georgia and parts of Alabama. It is the only hospital in northwest Georgia with an open-heart surgery program and Level 1 emergency Cardiac Care Center designation. The System expects to realize certain benefits from integrating AH Redmond into the System's other services provided in the Georgia market and to incur certain one-time integration costs. The pro forma combined results of operations do not reflect these benefits or costs.

	Three Months Ended March 31, 2021
Pro forma revenue	\$ 3,476,200
Pro forma excess of revenue and gains over expenses	87,621
Pro forma change in net assets without donor restrictions	44,632

Other Changes

Effective April 1, 2022, the System and Ascension finalized the unwinding of their AMITA Health partnership, the joint operating company serving the healthcare needs of residents of the greater Chicago area. Following the transition, the System will operate its individual hospitals and related healthcare facilities in the Chicagoland area and the System's four hospitals and related healthcare facilities will continue to be controlled and consolidated by the System. The change will not have a material impact on the System's accompanying consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2022
(Unaudited)
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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 \$2,459 and \$2,100 for the three months ended March 31, 2022 and 2021, 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.

Notes to Consolidated Financial Statements

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(Unaudited)
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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, 2022 and 2021 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.

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

	Three Months Ended March 31,			
	2022		2021	
	Amount	%	Amount	%
Managed Care	\$ 1,822,558	51%	\$ 1,701,417	52%
Medicare	643,727	18	605,069	18
Managed Medicare	636,839	17	542,391	17
Medicaid	126,478	4	127,505	4
Managed Medicaid	170,141	5	148,782	4
Self-pay	21,997	1	26,496	1
Other	142,512	4	123,123	4
	<u>\$ 3,564,252</u>	<u>100%</u>	<u>\$ 3,274,783</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

Notes to Consolidated Financial Statements

March 31, 2022
(Unaudited)
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investment in the fund. 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 \$156,000 and \$114,000 as of March 31, 2022 and December 31, 2021, 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.

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, 2022			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	\$ 135	\$ (1,140)	\$ 135	\$ (1,140)
Interest rate swaps	7,445	(12,667)	7,445	(12,667)
Futures	961,461	(167,045)	—	—
Foreign currency exchange contracts	269,282	(533,882)	7,208	(1,904)
Total derivative instruments, gross	<u>\$ 1,238,323</u>	<u>\$ (714,734)</u>	<u>\$ 14,788</u>	<u>\$ (15,711)</u>

	December 31, 2021			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	\$ —	\$ (207)	\$ —	\$ (207)
Interest rate swaps	5,020	(4,126)	5,020	(4,126)
Futures	1,409,255	(237,690)	—	—
Foreign currency exchange contracts	214,255	(497,757)	2,110	(3,457)
Total derivative instruments, gross	<u>\$ 1,628,530</u>	<u>\$ (739,780)</u>	<u>\$ 7,130</u>	<u>\$ (7,790)</u>

Notes to Consolidated Financial Statements

March 31, 2022
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(dollars in thousands)

The System posted collateral related to investment derivative instruments totaling \$35,245 and \$47,607 as of March 31, 2022 and December 31, 2021, 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 \$(26,798) and \$3,285 for the three months ended March 31, 2022 and 2021, respectively.

5. 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 6. 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 203 and 228 days cash on hand at March 31, 2022 and December 31, 2021, 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). During March 2022, the System made early repayments of \$226,500 on the Medicare Accelerated Payment program, see Note 9, and repaid the remaining balance of \$38,500 subsequent to March 31, 2022.

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

	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 1,190,194	\$ 506,777
Investments	6,377,445	7,716,423
Due (to) from brokers, net	(13,234)	1,020
	<u>\$ 7,554,405</u>	<u>\$ 8,224,220</u>
Unrestricted days cash and investments on hand	<u>203</u>	<u>228</u>

The System's financial assets also consist of patient accounts receivable totaling \$1,257,882 and \$1,123,267 as of March 31, 2022 and December 31, 2021, respectively. Other receivables, totaling \$761,981 and \$792,446 as of March 31, 2022 and December 31, 2021, 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.

Notes to Consolidated Financial Statements

March 31, 2022
(Unaudited)
(dollars in thousands)

6. 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 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, 2022
(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, 2022 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
<i>CASH AND CASH EQUIVALENTS</i>	\$ 1,190,194	\$ 632,643	\$ 557,551	\$ —
<i>INVESTMENTS AND ASSETS WHOSE USE IS LIMITED</i>				
Cash and cash equivalents	209,427	209,427	—	—
Debt securities				
U.S. government agencies and sponsored entities	3,235,606	—	3,235,606	—
Foreign government agencies and sponsored entities	278,512	—	278,512	—
Corporate bonds	82,505	—	82,505	—
Mortgage backed	45,112	—	45,112	—
Other asset backed	182,571	—	182,571	—
Short-term investments	4,511	—	4,511	—
Domestic equity securities	96,010	96,010	—	—
Exchange traded and mutual funds				
Domestic equity	713,000	713,000	—	—
Foreign equity	375,756	375,756	—	—
Fixed income	574,671	574,671	—	—
	5,797,681	1,968,864	3,828,817	—
Total	\$ 6,987,875	\$ 2,601,507	\$ 4,386,368	\$ —

Notes to Consolidated Financial Statements

March 31, 2022
(Unaudited)
(dollars in thousands)

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

	Total	Level 1	Level 2	Level 3
ASSETS				
<i>CASH AND CASH EQUIVALENTS</i>	\$ 506,777	\$ 504,726	\$ 2,051	\$ —
<i>INVESTMENTS AND ASSETS WHOSE USE IS LIMITED</i>				
Cash and cash equivalents	382,355	382,355	—	—
Debt securities				
U.S. government agencies and sponsored entities	3,311,876	—	3,311,876	—
Foreign government agencies and sponsored entities	299,462	—	299,462	—
Corporate bonds	83,288	—	83,288	—
Mortgage backed	38,280	—	38,280	—
Other asset backed	26,253	—	26,253	—
Short-term investments	5,377	—	5,377	—
Domestic equity securities	131,818	131,818	—	—
Exchange traded and mutual funds				
Domestic equity	1,314,482	1,314,482	—	—
Foreign equity	667,974	667,974	—	—
Fixed income	977,468	977,468	—	—
	<u>7,238,633</u>	<u>3,474,097</u>	<u>3,764,536</u>	<u>—</u>
Total	<u>\$ 7,745,410</u>	<u>\$ 3,978,823</u>	<u>\$ 3,766,587</u>	<u>\$ —</u>

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

	March 31, 2022	December 31, 2021
Investments and assets whose use is limited measured at fair value	\$ 5,797,681	\$ 7,238,633
Hedge funds and private equity funds	987,020	1,014,704
Commingled funds	328,569	340,700
Accrued interest	10,204	13,583
Total	<u>\$ 7,123,474</u>	<u>\$ 8,607,620</u>
Investments	\$ 6,377,445	\$ 7,716,423
Assets whose use is limited:		
Current	309,033	438,224
Noncurrent	436,996	452,973
Total	<u>\$ 7,123,474</u>	<u>\$ 8,607,620</u>

Notes to Consolidated Financial Statements

March 31, 2022
(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.

7. 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 9 for discussion of the COVID-19 pandemic and contingencies related to this significant event.

8. 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 March 31, 2022 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	\$ 1,945,284	\$ 114,965	\$ 2,060,249
Purchased services and professional fees	463,761	69,801	533,562
Supplies	624,474	1,732	626,206
Other	472,947	24,785	497,732
Total	<u>\$ 3,506,466</u>	<u>\$ 211,283</u>	<u>\$ 3,717,749</u>

Notes to Consolidated Financial Statements

March 31, 2022
(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	<u>\$ 3,065,509</u>	<u>\$ 160,879</u>	<u>\$ 3,226,388</u>

9. 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 has been experienced and as COVID-19 volumes surge, the System's hospitals monitor non-emergent procedures based on volumes, available staffing, and capacity. The System has experienced repeated surges of COVID-19, including during the three months ended March 31, 2022 and 2021, which have required the cancellation or delay 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. Labor costs have also increased including elevated premium and contract labor costs and wage inflation resulting from workforce shortages. The COVID-19 pandemic's impact to the System is driven by many factors, most of which are beyond the System's control. As such, the ultimate impact to the System and its financial condition is presently unknown.

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. During the three months ended March 31, 2021, the System recognized approximately \$2,000 of Provider Relief Funds as other revenue in the accompanying consolidated statement of operations and changes in net assets. The System did not recognize other revenue related to Provider Relief Fund for the three months ended March 31, 2022.

The CARES Act provides for an expansion of the Medicare Accelerated and Advance Payment Program (Medicare Accelerated Payments), 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 of Medicare Accelerated Payments. Consistent with the terms and conditions of the program, repayments began in April 2021. During 2022, the System began making early repayments and repaid a total of \$226,500 in the three months ended March 31, 2022. Medicare Accelerated Payments owed totaled \$38,500 and \$265,000 as of March 31, 2022 and December 31, 2021, respectively, and are included in other current liabilities in the accompanying consolidated balance sheets. The remaining balance was fully repaid subsequent to March 31, 2022.

Notes to Consolidated Financial Statements

March 31, 2022
(Unaudited)
(dollars in thousands)

The CARES Act also allowed for deferred payment of the employer portion of certain payroll taxes between March 27, 2020 and December 31, 2020. The System has deferred \$82,000, which is due December 31, 2022 and is included in accounts payable and accrued liabilities in the consolidated balance sheets as of March 31, 2022 and December 31, 2021.

10. Subsequent Events

The System has initiated plans to refinance certain tax-exempt, fixed-rate bonds with par and premium amounts totaling \$335,000 and stated interest rates ranging from 2.03% to 5.00%. The System has entered into bank commitments for \$335,000 of tax-exempt, fixed-rate bonds with stated interest rates from 2.52% to 2.79% and similar maturities. The refinancing plan is anticipated to be completed in June 2022.

The System evaluated events and transactions occurring subsequent to March 31, 2022 through May 10, 2022, 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 those discussed in Notes 2 and Note 9 and the debt refinancing disclosed above.

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

March 31, 2022
(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 2021 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, 2022.

Volume Trends

The pandemic continues to have a significant economic and operational impact on the healthcare industry. During the three months ended March 31, 2021, the System experienced a surge of COVID-19 volumes that resulted in the cancellation and delay of non-emergent procedures based on capacity and available staffing. Additionally, vaccines started to become available to the public during the period, which began to ease patient hesitancy to access healthcare services. During the three months ended March 31, 2022, the System experienced a

surge of patients with the Omicron variant of COVID-19, which was a less acute variant than previous surges and less impactful to the System's capacity. However, patients and caregivers testing positive resulted in the cancellation and delay of non-emergent procedures and consumer hesitancy to use the healthcare system impacted volumes during the period. As such, while volumes are exceeding 2021 levels, they are not meeting management's expectations. For the three months ended March 31, 2022, admissions and adjusted admissions were up by 3.3% and 4.1%, respectively.

Volume Trends Same Store		
	Three Months Ended March 31,	
	2022	2021
Admissions	101,742	98,440
Observation status patients	31,083	32,057
Adjusted admissions	200,424	192,565
Emergency room visits	384,272	328,349
Average length of stay (days)	5.45	5.24
Case mix	1.76	1.78
*Same store excludes AdventHealth South Overland Park, a newly constructed hospital, and the acquisition of AH Redmond, both of which occurred October 1, 2021.		

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

March 31, 2022
(Unaudited)
(dollars in thousands)

Income from Operations

For the three months ended March 31, 2022, adjusted income from operations totaled \$47,108 and was 1.3% as a percent of adjusted total operating revenue. Same store adjustments were made to exclude the opening of AdventHealth South Overland Park, a newly constructed hospital, and the acquisition of AH Redmond, both of which occurred October 1, 2021. Additionally, the System is implementing Epic, an electronic clinical and billing system, throughout 2022 and 2023. Certain of its locations went live with Epic in March 2022 and therefore, the System began expensing the project implementation costs. These one-time implementation costs totaling \$67,890 were adjusted from income from operations for the three months ended March 31, 2022.

(Loss) Income from Operations		
	Three Months Ended March 31,	
	2022	2021
(Loss) income from operations*	\$ (46,751)	\$ 179,106
Add: Operating loss of new operations**	27,251	—
Add: Epic implementation costs	67,890	—
Adjusted income from operations	\$ 47,108	\$ 179,106
Income from operations as a percent of total operating revenue	1.3%	5.3%
*Inclusive of CARES Act revenue of \$1,703 in 2021		
**Same store excludes AdventHealth South Overland Park, a newly constructed hospital, and the acquisition of AH Redmond, both of which occurred on October 1, 2021		

While certain volumes have not fully recovered to pre-pandemic levels, the System's adjusted total operating revenue for the three months ended March 31, 2022 increased 5.6% to \$3,595,034 compared to the same period in the prior year. Additionally, adjusted operating expenses totaled \$3,547,926 for the three months ended March 31, 2022, which is a 10.0% increase compared to the same period in the previous year. The increased expense is primarily a result of elevated premium and contract labor costs and wage inflation resulting from workforce shortages. The System continues to implement workforce stabilization plans to reduce turnover and temporary labor utilization. These plans include innovative clinical care models and programs to retain the best talent such as clinical ladders to encourage the development and career growth of our workforce, more frequent evaluation of and adjustment to market compensation, and benefit enhancements. Consolidated volumes could continue to be impacted by further surges in the COVID-19 pandemic and general economic conditions.

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

March 31, 2022
(Unaudited)
(dollars in thousands)

Balance Sheet Ratios

The System continues to adhere to its balance sheet planning model, which includes a strong operating focus and a self-regulating capital expenditure model that is based on operating performance. The System has 203 days cash and investments on hand as of March 31, 2022 compared to 219 days at December 31, 2021. In addition to elevated labor costs impacting days cash and investments on hand, the System's diversified investment portfolio experienced a 4.8% negative return for the three months ended March 31, 2022, which decreased days cash and investments on hand by approximately 10 days. These factors also affected cash to total debt, which was 189% as of March 31, 2022 compared to 196% at December 31, 2021. Total debt to capitalization remained strong as of March 31, 2022, at 22.7% compared to 22.2% at the beginning of the year.

Balance Sheet Ratios		
	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 1,190,194	\$ 506,777
Investments	6,377,445	7,716,423
Due (to) from brokers, net	(13,234)	1,020
	<u>\$ 7,554,405</u>	<u>\$ 8,224,220</u>
Days cash and investments on hand*	203	219
Total debt to capitalization	22.7%	22.2%
Cash to total debt*	189%	196 %
*Excludes cash on the balance sheet as of December 31, 2021 from Medicare Accelerated Payments and deferred payroll taxes.		

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). Medicare Advance Payments and deferred payroll taxes were excluded from the balances as of December 31, 2021. As of March 31, 2022, the System had substantially repaid these balances.

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, 2022 and 2021 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. These capital plans are determined utilizing a self-regulating capital model based on a percentage of earnings

Community Benefit (at cost)		
	Three Months Ended March 31,	
	2022	2021
Benefits to the underprivileged	\$ 335,751	\$ 279,988
Benefits to the elderly	357,040	231,610
Benefits to the community's overall health and wellness	42,460	33,440
Benefits to the faith-based and spiritual needs of the community	5,879	5,757
	<u>\$ 741,130</u>	<u>\$ 550,795</u>

before depreciation, interest, taxes and amortization (EBDITA). As such, the System plans to adjust capital expenditures in 2022 based on its current operating performance. The cost of capital improvements for the three months ended March 31, 2022 and 2021 was \$270,209 and \$282,931, respectively.

Supplementary Information

AdventHealth
Consolidating Balance Sheet
(Unaudited)

March 31, 2022
(dollars in thousands)

	AdventHealth Obligated Group ¹	All Other Entities	Eliminations	Consolidated Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 129,241	\$ 1,060,953	\$ —	\$ 1,190,194
Cash management deposits ²	7,148,668	—	(7,148,668)	—
Investments	15,731	6,361,714	—	6,377,445
Current portion of assets whose use is limited	667	308,366	—	309,033
Patient accounts receivable	1,196,320	61,562	—	1,257,882
Due from brokers	—	147,765	—	147,765
Estimated settlements from third parties	122,317	6,585	—	128,902
Other receivables	741,609	105,584	(85,212)	761,981
Inventories	323,232	7,693	—	330,925
Prepaid expenses and other current assets	173,170	84,798	(56,910)	201,058
	<u>9,850,955</u>	<u>8,145,020</u>	<u>(7,290,790)</u>	<u>10,705,185</u>
Property and Equipment	7,716,417	925,919	—	8,642,336
Operating Lease Assets	279,762	12,150	—	291,912
Assets Whose Use is Limited, net of current portion	20,227	416,769	—	436,996
Other Assets	1,564,254	467,733	(380,244)	1,651,743
	<u>\$ 19,431,615</u>	<u>\$ 9,967,591</u>	<u>\$ (7,671,034)</u>	<u>\$ 21,728,172</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 1,308,294	\$ 580,502	\$ (4,882)	\$ 1,883,914
Estimated settlements to third parties	162,650	8,808	—	171,458
Due to brokers	—	160,999	—	160,999
Due to affiliates – cash management deposits ²	—	7,148,668	(7,148,668)	—
Other current liabilities	544,422	126,878	(82,314)	588,986
Short-term financings	520,310	—	—	520,310
Current maturities of long-term debt	50,698	7,400	—	58,098
	<u>2,586,374</u>	<u>8,033,255</u>	<u>(7,235,864)</u>	<u>3,383,765</u>
Long-Term Debt, net of current maturities	3,411,082	12,302	—	3,423,384
Operating Lease Liabilities, net of current portion	234,121	8,203	—	242,324
Other Noncurrent Liabilities	141,052	1,061,454	(430,937)	771,569
	<u>6,372,629</u>	<u>9,115,214</u>	<u>(7,666,801)</u>	<u>7,821,042</u>
Net Assets				
Net assets without donor restrictions	12,831,318	815,402	(4,233)	13,642,487
Net assets with donor restrictions	211,706	2,204	—	213,910
	<u>13,043,024</u>	<u>817,606</u>	<u>(4,233)</u>	<u>13,856,397</u>
Noncontrolling interests	15,962	34,771	—	50,733
	<u>13,058,986</u>	<u>852,377</u>	<u>(4,233)</u>	<u>13,907,130</u>
Commitments and Contingencies	<u>\$ 19,431,615</u>	<u>\$ 9,967,591</u>	<u>\$ (7,671,034)</u>	<u>\$ 21,728,172</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 Three Months Ended March 31, 2022

(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	\$ 3,473,188	\$ 91,064	\$ –	\$ 3,564,252
Other	103,113	385,235	(381,602)	106,746
Total operating revenue	<u>3,576,301</u>	<u>476,299</u>	<u>(381,602)</u>	<u>3,670,998</u>
Expenses				
Employee compensation	1,856,570	260,909	(57,230)	2,060,249
Supplies	613,002	43,739	(30,535)	626,206
Purchased services	230,602	48,339	(3,666)	275,275
Professional fees	434,455	91,636	(267,804)	258,287
Other	284,151	8,420	(22,300)	270,271
Interest	24,287	256	(1,636)	22,907
Depreciation and amortization	180,665	23,956	(67)	204,554
Total operating expenses	<u>3,623,732</u>	<u>477,255</u>	<u>(383,238)</u>	<u>3,717,749</u>
Loss from Operations	(47,431)	(956)	1,636	(46,751)
Nonoperating Losses				
Investment return	<u>(354,425)</u>	<u>(16,103)</u>	<u>(1,636)</u>	<u>(372,164)</u>
Deficiency of revenue over expenses and losses	(401,856)	(17,059)	–	(418,915)
Noncontrolling interests	<u>(558)</u>	<u>1,757</u>	<u>–</u>	<u>1,199</u>
Deficiency of Revenue over Expenses and Losses Attributable to Controlling Interest	(402,414)	(15,302)	–	(417,716)

Continued on following page.

AdventHealth

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

For the Three Months Ended March 31, 2022

(dollars in thousands)

	AdventHealth Obligated Group	All Other Entities	Eliminations	Consolidated Total
CONTROLLING INTEREST				
Net Assets Without Donor Restrictions				
Deficiency of revenue over expenses and losses	\$ (402,414)	\$ (15,302)	\$ —	\$ (417,716)
Net assets released from restrictions for purchase of property and equipment	1,134	850	—	1,984
Transfers (to) from affiliates	(22,940)	22,940	—	—
Other	(2,775)	(1,353)	—	(4,128)
(Decrease) increase in net assets without donor restrictions	(426,995)	7,135	—	(419,860)
Net Assets With Donor Restrictions				
Gifts and grants	6,816	1,058	—	7,874
Net assets released from restrictions for purchase of property and equipment or use in operations	(4,205)	(850)	—	(5,055)
Investment return	(805)	—	—	(805)
Other	(8,021)	(1,402)	—	(9,423)
Decrease in net assets with donor restrictions	(6,215)	(1,194)	—	(7,409)
NONCONTROLLING INTERESTS				
Net Assets Without Donor Restrictions				
Excess (deficiency) of revenue over expenses and losses	557	(1,755)	—	(1,198)
Distributions	(1,383)	—	—	(1,383)
Other	(82)	—	—	(82)
Decrease in noncontrolling interests	(908)	(1,755)	—	(2,663)
(Decrease) Increase in Net Assets	(434,118)	4,186	—	(429,932)
Net assets, beginning of period	13,493,104	848,191	(4,233)	14,337,062
Net assets, end of period	<u>\$ 13,058,986</u>	<u>\$ 852,377</u>	<u>\$ (4,233)</u>	<u>\$ 13,907,130</u>

AdventHealth Obligated Group

Combined Statement of Cash Flows (Unaudited)

For the Three Months Ended March 31, 2022

(dollars in thousands)

Operating Activities

Decrease in net assets	\$ (434,118)
Depreciation and amortization	180,665
Amortization of deferred financing costs and original issue discounts and premiums	(7,268)
Transfers to affiliates, net	22,940
Restricted gifts and grants and investment return	(6,011)
Income from unconsolidated entities	(1,403)
Distributions from unconsolidated entities	6,175
Changes in operating assets and liabilities:	
Patient accounts receivable	(398,511)
Other receivables	75,719
Other current assets	(29,660)
Accounts payable and accrued liabilities	9,495
Estimated settlements to third parties, net	131,672
Other current liabilities	(133,207)
Other noncurrent assets and liabilities	(3,892)
Net cash used in operating activities	(587,404)

Investing Activities

Purchase of property and equipment, net	(218,854)
Decrease in investments	1,424
Decrease in assets whose use is limited	450
Cash receipts on sold patient accounts receivable	375,169
Decrease in other assets	23,098
Net cash provided by investing activities	181,287

Financing Activities

Additional long-term borrowings	21
Transfers to affiliates, net	(22,940)
Restricted gifts and grants and investment return	6,011
Net cash used in financing activities	(16,908)

Decrease in Cash, Cash Equivalents, and Cash Management Deposits (423,025)

Cash, cash equivalents, and cash management deposits at beginning of period 7,700,934

Cash, Cash Equivalents, and Cash Management Deposits at End of Period \$ 7,277,909

Noncash Investing Activity

Beneficial interest obtained in exchange for patient accounts receivable \$ (271,142)