AdventHealth

Consolidated Interim Financial Statements and Supplementary Information

(Unaudited)

March 31, 2020

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Consolidated Balance Sheets

March 31, 2020 and December 31, 2019

(dollars in thousands)	*(Unaudited)* March 31, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,688,846	$ 184,811
Investments	5,199,049	7,000,804
Current portion of assets whose use is limited	298,094	381,119
Patient accounts receivable	832,604	593,627
Due from brokers	595,762	261,960
Estimated settlements from third parties	81,059	63,066
Other receivables	463,107	749,747
Inventories	265,671	254,760
Prepaid expenses and other current assets	180,174	141,282
	9,604,366	9,631,176
Property and Equipment	7,425,542	7,205,731
Operating Lease Assets	290,494	274,916
Assets Whose Use is Limited, net of current portion	402,329	445,416
Other Assets	1,169,567	828,650
	$ 18,892,298	$ 18,385,889
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,327,719	$ 1,453,059
Estimated settlements to third parties	162,431	150,176
Due to brokers	934,968	633,078
Other current liabilities	502,402	463,765
Short-term financings	754,590	104,420
Current maturities of long-term debt	54,005	55,711
	3,736,115	2,860,209
Long-Term Debt, net of current maturities	2,878,547	2,928,895
Operating Lease Liabilities, net of current portion	237,710	220,449
Other Noncurrent Liabilities	803,725	565,260
	7,656,097	6,574,813
Net Assets		
Net assets without donor restrictions	11,014,271	11,584,007
Net assets with donor restrictions	183,532	187,842
	11,197,803	11,771,849
Noncontrolling interests	38,398	39,227
	11,236,201	11,811,076
Commitments and Contingencies		
	$ 18,892,298	$ 18,385,889

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

Consolidated Statements of Operations and Changes in Net Assets

For the three months ended March 31, 2020 and 2019 (Unaudited)

(dollars in thousands)	Three Months Ended March 31, 2020	2019
Revenue		
Net patient service revenue	$ 2,902,925	$ 2,783,660
Other	79,423	132,502
Total operating revenue	2,982,348	2,916,162
Expenses		
Employee compensation	1,544,833	1,424,018
Supplies	535,359	486,672
Purchased services	281,742	234,866
Professional fees	170,552	173,451
Other	223,671	241,247
Interest	20,735	22,390
Depreciation and amortization	169,780	144,178
Total operating expenses	2,946,672	2,726,822
Income from Operations	35,676	189,340
Nonoperating (Losses) Gains		
Investment return	(615,974)	304,361
(Deficiency) excess of revenue and gains over expenses and losses	(580,298)	493,701
Noncontrolling interests	1,785	(1,532)
(Deficiency) Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest	(578,513)	492,169

Continued on following page.

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

For the three months ended March 31, 2020 and 2019 (Unaudited)

(dollars in thousands)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
(Deficiency) excess of revenue and gains over expenses and losses	$ (578,513)	$ 492,169
Net assets released from restrictions for purchase of property and equipment	4,109	3,773
Change in unrealized gains and losses on investments	281	1,276
Other	4,387	(5,259)
(Decrease) increase in net assets without donor restrictions	(569,736)	491,959
Net Assets With Donor Restrictions		
Gifts and grants	8,641	5,428
Net assets released from restrictions for purchase of property and equipment or use in operations	(5,629)	(5,412)
Investment return	(1,445)	1,333
Other	(5,877)	1,788
(Decrease) increase in net assets with donor restrictions	(4,310)	3,137
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
(Deficiency) excess of revenue and gains over expenses and losses	(1,785)	1,532
Distributions	(549)	(1,216)
Other	1,505	176
(Decrease) increase in noncontrolling interests	(829)	492
(Decrease) Increase in Net Assets	(574,875)	495,588
Net assets, beginning of period	11,811,076	10,203,781
Net assets, end of period	$ 11,236,201	$ 10,699,369

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

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019 (Unaudited)

(dollars in thousands)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating Activities		
(Decrease) increase in net assets	$ (574,875)	$ 495,588
Depreciation and amortization	169,780	144,178
Amortization of deferred financing costs and original issue discounts and premiums	(4,139)	(2,640)
Net realized and unrealized losses (gains) on investments	640,867	(281,040)
Restricted gifts and grants and investment return	(7,196)	(6,761)
Income from unconsolidated entities	(8,149)	(16,516)
Distributions from unconsolidated entities	8,890	10,333
Changes in operating assets and liabilities:		
Patient accounts receivable	18,795	(92,570)
Other receivables	14,975	2,185
Other current assets	(49,803)	(22,780)
Accounts payable and accrued liabilities	(125,340)	5,823
Estimated settlements to third parties, net	(5,738)	(35,198)
Other current liabilities	38,637	31,046
Other noncurrent assets and liabilities	15,148	22,985
Net cash provided by operating activities	131,852	254,633
Investing Activities		
Purchases of property and equipment, net	(382,763)	(279,638)
Sales and maturities of investments	2,691,419	739,682
Purchases of investments	(1,530,812)	(1,141,253)
Due from brokers	(333,802)	(268,752)
Due to brokers	301,890	398,661
Sales, maturities and uses of assets whose use is limited	354,664	143,496
Purchases of and additions to assets whose use is limited	(256,820)	(46,381)
Consideration paid to acquire noncontrolling interest	(125,000)	–
Cash receipts on sold patient accounts receivable	13,893	28,090
Decrease in other assets	1,514	2,426
Net cash provided by (used in) investing activities	734,183	(423,669)
Financing Activities		
Repayments of long-term borrowings	(1,720)	(14,614)
Additional long-term borrowings	175,475	–
Additional short-term borrowings	428,500	–
Restricted gifts and grants and investment return	7,196	6,761
Net cash provided by (used in) financing activities	609,451	(7,853)
Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	1,475,486	(176,889)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	503,065	685,128
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents at End of Period	$ 1,978,551	$ 508,239
Noncash Investing Activity		
Decrease in beneficial interest in exchange for patient accounts receivable	$ 257,772	$ 28,090
Consideration payable to acquire noncontrolling interest	225,000	–

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

Notes to Consolidated Financial Statements

March 31, 2020
(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, 11 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.

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, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2019.

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 May 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*, which allows not-for-profits to apply accounting alternatives that simplify the subsequent accounting for goodwill and accounting for certain intangible assets that are acquired. Not-for-profits that elect the goodwill accounting alternative must amortize goodwill over a period not greater than 10 years. Additionally, goodwill is only required to be tested for impairment when a triggering event occurs. Not-for-profits that elect the intangible asset accounting alternative may recognize fewer identifiable intangible assets in an acquisition. The System adopted the standard effective January 1, 2020 prospectively for all previously existing goodwill and for all new goodwill generated in future acquisitions. Goodwill is amortized on a straight-line basis over a ten-year period. The goodwill amortization expense is included in depreciation and amortization in the accompanying consolidated statement of operations and changes in net assets.

Recent Accounting Guidance Not Yet Adopted

In August 2018, the FASB issued 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. Management is currently evaluating the potential impact of this guidance, which will be effective for the System beginning in 2021.

Notes to Consolidated Financial Statements

March 31, 2020
(Unaudited)
(dollars in thousands)

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

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.

	March 31, 2020	March 31, 2019
Cash and cash equivalents	$ 1,688,846	$ 345,920
Restricted cash and restricted cash equivalents included in current portion of assets whose use is limited	289,705	162,319
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statement of cash flows	$ 1,978,551	$ 508,239

Goodwill

Goodwill 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. These amounts are included in other assets (noncurrent) in the accompanying balances sheets and are evaluated for impairment when there is an indicator of impairment. Goodwill consists of the following:

	March 31, 2020	December 31, 2019
Goodwill	$ 221,705	$ 221,705
Less: accumulated amortization	(5,480)	–
Goodwill, net	$ 216,225	$ 221,705

Goodwill is amortized over a period of ten years. Amortization expense for goodwill for the three months ended March 31, 2020 was $5,480, and is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

Reclassifications

Certain reclassifications were made to the 2019 consolidated financial statements to conform to the classifications used in 2020. These reclassifications had no impact on the consolidated (deficiency) excess of revenue and gains over expenses and losses, changes in net assets or cash flows previously reported.

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 FASB 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.

(dollars in thousands)

AdventHealth Ottawa

On May 1, 2019, the System entered into an agreement to lease Ransom Memorial Health (RMH), a 44-bed hospital and its related outpatient locations in Ottawa, Kansas, for an initial term of 25 years. As a part of this transaction, RMH was renamed AdventHealth Ottawa (AH Ottawa). The non-cash business combination was recorded under the acquisition method of accounting. The System recorded the fair value of the assets acquired of $23,598 and the liabilities assumed of $9,923 as of May 1, 2019.

The results of operations and changes in net assets for AH Ottawa were included in the System's consolidated financial statements beginning May 1, 2019.

AdventHealth Heart of Florida and AdventHealth Lake Wales

On September 1, 2019, the System entered into an asset purchase agreement under which, the System acquired certain assets related to Heart of Florida Regional Medical Center, a 193-bed hospital in Davenport, Florida, which was renamed AdventHealth Heart of Florida (AH HOF) and a 160-bed hospital in Lake Wales, Florida, which was renamed AdventHealth Lake Wales (AH Lake Wales). The acquisition included the purchase of substantially all the property and equipment of the hospitals, the related outpatient services, and certain working capital.

The assets acquired and liabilities assumed were recorded based on their acquisition date fair values. Cash consideration was $177,371, which primarily represented the payment for the real and personal property. The provisional amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

Assets	
Cash and cash equivalents	$ 151
Patient accounts receivable	801
Inventories	7,487
Prepaid expenses and other current assets	1,824
Property and equipment	155,649
Operating lease assets	17,318
Other assets	24,934
	208,164
Liabilities	
Accounts payable and accrued liabilities	$ 6,507
Other current liabilities	205
Current maturities of long-term debt	548
Long-term debt, net of current maturities	2,992
Operating lease liabilities, net of current portion	20,541
	30,793
Fair Value of Net Assets Acquired	$ 177,371

The assessment of fair value is preliminary and is based on information that was available at the time the consolidated financial statements were prepared. The System has not finalized its review of certain assets and liabilities recorded in the acquisition, however management does not anticipate that adjustments to provisional amounts will be significant.

(dollars in thousands)

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 is included in other assets (noncurrent) in the acquisition-date balances disclosed in the previous table and in the accompanying consolidated balance sheets.

The results of operations and changes in net assets for AH HOF and AH Lake Wales were included in the System's consolidated financial statements beginning September 1, 2019.

The following pro forma combined results of operations present the acquisition as if it had occurred on January 1, 2018. 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. The System expects to realize certain benefits from integrating AH HOF and AH Lake Wales into the System and to incur certain one-time costs. The pro forma combined results of operations do not reflect these benefits or costs.

These combined results reflect the impact of amortizing the fair value adjustments to property and equipment as of January 1, 2018.

	Three Months Ended March 31, 2019
Pro forma revenue	$ 2,971,268
Pro forma excess of revenue and gains over expenses and losses	492,622
Pro forma change in net assets without donor restrictions	489,648

Other Changes

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 sheet. The System paid $125,000 at closing and two remaining installments totaling $225,000 are included in other noncurrent liabilities in the accompanying consolidated balance sheet. The remaining installments will be paid in 2021 and 2023.

On February 2, 2020, the System and CHRISTUS Santa Rosa Healthcare (CHRISTUS), a faith-based health system headquartered in Irving, Texas, signed an agreement whereby CHRISTUS would purchase substantially all of the assets of Central Texas Medical Center together with certain other affiliated assets (CTMC). The sale closed on April 1, 2020. CTMC provides healthcare services to the San Marcos, Texas community and surrounding areas. Assets held for sale at March 31, 2020 were approximately $32,500 and are included in other current assets in the accompanying consolidated balance sheet.

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 $1,200 and $4,200 for the three months ended March 31, 2020 and 2019, 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.

(dollars in thousands)

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 or payor's ability to pay are recognized as bad debt expense. Bad debt expense for the three months ended March 31, 2020 and 2019 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 for the three months ended March 31 is as follows:

	Three Months Ended March 31,			
	2020		2019	
	Amount	%	Amount	%
Managed Care	$ 1,489,523	51%	$ 1,425,719	51%
Medicare	610,471	21	595,260	21
Managed Medicare	453,262	16	389,708	14
Medicaid	105,545	4	101,998	4
Managed Medicaid	126,014	4	128,403	5
Self-pay	19,688	1	40,589	1
Other	98,422	3	101,983	4
	$ 2,902,925	100%	$ 2,783,660	100%

Charity Care

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

4. Investments

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

Other investments include alternative investments, which are primarily hedge funds, commingled funds, and various exchange-traded and over-the-counter derivative instruments. Hedge funds are accounted for under the equity method, which approximates fair value as determined by the net asset value (NAV). The System's hedge funds are primarily invested in funds of hedge funds, and those hedge funds may have underlying investments that may not have quoted market values. The value of such investments is estimated, and those estimates may change in the near term. The System's risk is limited to its investment in the hedge fund. The financial statements and internal controls of the funds of hedge funds are audited annually by independent auditors.

(dollars in thousands)

Commingled funds are used to obtain the desired exposure targets within the investment portfolio. The fair value of the System's investments in commingled funds is estimated using NAV as a practical expedient, as determined by the fund's administrator. These commingled funds have daily redemption terms. There were no unfunded commitments relating to commingled funds as of March 31, 2020 or December 31, 2019.

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 derivative instruments and the associated notional amounts, presented gross, were as follows:

	March 31, 2020			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	$ –	$ (134)	$ –	$ (134)
Interest rate swaps	1	(562)	1	(562)
Futures	313,467	(158,676)	–	–
Total derivative instruments, gross	$ 313,468	$ (159,372)	$ 1	$ (696)

	December 31, 2019			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	$ –	$ (4)	$ –	$ (4)
Interest rate swaps	217	(103)	217	(103)
Futures	1,209,215	(225,557)	–	–
Total derivative instruments, gross	$1,209,432	$(225,664)	$ 217	$ (107)

The System posted collateral related to investment derivative instruments totaling $19,187 and $38,239 as of March 31, 2020 and December 31, 2019, 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 $(122,999) and $8,753 for the three months ended March 31, 2020 and 2019, respectively.

(dollars in thousands)

5. Liquidity and Available Resources

The System's primary cash requirements are paying operating expenses, servicing debt, 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 and commercial paper program. As described in Note 9, the System has secured and accessed additional sources of liquidity subsequent to March 31, 2020.

The System had 225 and 238 days cash on hand at March 31, 2020 and December 31, 2019, 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:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	$ 1,688,846	$ 184,811
Investments	5,199,049	7,000,804
Due to brokers, net	(339,206)	(371,118)
	$ 6,548,689	$ 6,814,497
Unrestricted days cash and investments on hand	225	238

The System's financial assets also consist of patient accounts receivable totaling $832,604 and $593,627 as of March 31, 2020 and December 31, 2019, respectively. Other receivables, totaling $463,107 and $749,747 as of March 31, 2020 and December 31, 2019, 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, employee benefit funds, and required bond funds.

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).

(dollars in thousands)

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.

Recurring Fair Value Measurements

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

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 1,688,846	$ 1,688,846	$ –	$ –
INVESTMENTS AND ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	289,705	289,705	–	–
Debt securities				
U.S. government agencies and sponsored entities	2,814,384	–	2,814,384	–
Foreign government agencies and sponsored entities	6,747	–	6,747	–
Corporate bonds	550,234	–	550,234	–
Mortgage backed	19,340	–	19,340	–
Other asset backed	28,909	–	28,909	–
Short-term investments	2,913	–	2,913	–
Exchange traded and mutual funds				
Domestic equity	291,460	291,460	–	–
Foreign equity	177,964	177,964	–	–
Fixed income	298,221	298,221	–	–
Real estate	17,554	17,554	–	–
	4,497,431	1,074,904	3,422,527	–
Total	$ 6,186,277	$ 2,763,750	$ 3,422,527	$ –

(dollars in thousands)

The fair value of financial assets measured at fair value on a recurring basis at December 31, 2019 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 184,811	$ 184,811	$ –	$ –
INVESTMENTS AND ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	318,254	318,254	–	–
Debt securities				
U.S. government agencies and sponsored entities	2,995,833	–	2,995,833	–
Foreign government agencies and sponsored entities	6,600	–	6,600	–
Corporate bonds	774,629	–	774,629	–
Mortgage backed	19,937	–	19,937	–
Other asset backed	35,719	–	35,719	–
Short-term investments	139,871	–	139,871	–
Exchange traded and mutual funds				
Domestic equity	784,563	784,563	–	–
Foreign equity	587,907	587,907	–	–
Fixed income	790,303	790,303	–	–
Real estate	18,560	18,560	–	–
	6,472,176	2,499,587	3,972,589	–
Total	$ 6,656,987	$ 2,684,398	$ 3,972,589	$ –

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

	March 31, 2020	December 31, 2019
Investments and assets whose use is limited measured at fair value	$ 4,497,431	$ 6,472,176
Alternative investments	992,477	1,020,101
Commingled funds	400,729	321,693
Accrued interest	8,835	13,369
Total	$ 5,899,472	$ 7,827,339
Investments	$ 5,199,049	$ 7,000,804
Assets whose use is limited:		
Current	298,094	381,119
Noncurrent	402,329	445,416
Total	$ 5,899,472	$ 7,827,339

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:

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

Other Fair Value Disclosures

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

The fair values of the System's fixed-rate bonds are estimated using Level 2 inputs based on quoted market prices for those or similar instruments. The estimated fair value of the fixed-rate bonds was approximately $2,553,000 and $2,631,000 as of March 31, 2020 and December 31, 2019, respectively. The carrying value of the fixed-rate bonds was approximately $2,341,000 and $2,345,000 as of March 31, 2020 and December 31, 2019, respectively. The carrying amount approximates fair value for all other long-term debt.

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.

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.

(dollars in thousands)

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

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 1,447,023	$ 97,810	$ 1,544,833
Purchased services and professional fees	418,448	33,846	452,294
Supplies	533,928	1,431	535,359
Other	392,990	21,296	414,286
Total	$ 2,792,389	$ 154,383	$ 2,946,772

Expenses by functional classification for the three months ended March 31, 2019 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 1,340,553	$ 83,465	$ 1,424,018
Purchased services and professional fees	376,479	31,838	408,317
Supplies	485,219	1,453	486,672
Other	391,671	16,144	407,815
Total	$ 2,593,922	$ 132,900	$ 2,726,822

9. Significant and Subsequent Events

The System evaluated events and transactions occurring subsequent to March 31, 2020 through May 26, 2020, 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. Additionally, there were no other non-recognized subsequent events that required disclosure other than the following.

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 in the last two weeks of March 2020 as various policies were implemented by federal, state and local governments in response to the COVID-19 pandemic, including stay-at-home orders, business closures, social distancing and suspension of elective and nonemergent procedures. As a result, the System's consolidated volumes and revenue are being negatively impacted. The System has also experienced supply chain disruptions, including delays and significant price increases in medical supplies, particularly personal protective equipment. In addition, the pandemic has created significant volatility in the U.S. and global financial markets that has impacted the System's investment portfolio.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted on March 27, 2020, authorized $100,000,000 in funding to hospitals and other healthcare providers from the CARES Act Provider Relief Fund. Payments from the CARES Act Provider Relief Fund are intended to reimburse healthcare providers for lost revenue and increased expenses due to the pandemic. In April and May 2020, the System had received approximately $290,000, which did not qualify for recognition during the three months ended March 31, 2020. These government grant payments will be recognized in operations as the System's facilities are able to attest to and comply with the terms and conditions of the funding. For those facilities that are unable to meet the terms and conditions, amounts will be repaid to the government.

In response to the pandemic, in March 2020, the System drew $478,500 from its existing revolving credit facility (Revolving Note). Certain variable-rate bonds totaling $221,670 that had been classified as long-term debt, supported by the Revolving Note, were reclassified to short-term debt as of March 31, 2020. In May 2020, the System secured additional lines of credit totaling $425,000 that expire in May 2021, and borrowed $250,000 on a fixed-rate loan, which is due May 2022.

The CARES Act expanded the Medicare Accelerated and Advance Payment Program (Accelerated Payment Program), which allows inpatient acute care hospitals to request accelerated payments. In April and May 2020, the System received approximately $241,000 from the Accelerated Payment Program before the Centers for Medicare and Medicaid Services (CMS) paused to reevaluate pending and new applications in light of direct payments made available through the CARES Act Provider Relief Fund. Such accelerated payments are interest free for inpatient acute care hospitals for 12 months, and the Accelerated Payment Program requires CMS to recoup the payments beginning 120 days after receipt by the provider, by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. 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. The System began deferring these payroll tax payments in mid-April 2020. The System is also applying for reimbursement for qualifying expenses under the Federal Emergency Management Agency Disaster Relief Fund. Due to the evolving nature of the COVID-19 pandemic, the ultimate impact to the System and its financial condition is presently unknown.

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

March 31, 2020
(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 2019 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, 2020. In addition, historic results, including for the quarter ended March 31, 2020, especially given the unprecedented challenges brought on by the pandemic are not likely indicative of the results which may be expected.

Volume Trends and Income from Operations

In an attempt to contain the spread and impact of COVID-19, beginning in mid-March, authorities throughout the United States implemented various restrictions such as stay-home orders, the promotion of social distancing and the suspension of elective and nonemergent healthcare procedures, which is significantly impacting our volumes. Additionally, volumes have declined as a result of general concerns related to the risk of contracting COVID-19 from interacting with the healthcare system. We believe certain of these patient declines reflect the deferral of healthcare services utilization to a later period. However, we are not certain when or at what level volumes will return. Suspension of elective procedures began being lifted in May 2020 and the System has prepared for a safe reopening of its facilities**.**

Volume Trends
Same Store

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Admissions	97,529	100,376
Observation status patients	33,275	34,834
Adjusted admissions	195,461	199,262
Emergency room visits	388,165	388,989
Medicare average length of stay (days)	5.19	5.03
Medicare case mix	1.78	1.77

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

Certain key operating expenses were strategically maintained despite the reductions in volume indicated above. In addition to focusing on the acquisition of appropriate levels of personal protective equipment, we have also instituted pay continuance polices for our associates through early June 2020 in an effort to keep our team intact to address the potential surge and to quickly respond as the suspension of elective procedures is lifted. As such, our resulting operating income has declined from the previous year.

Income from Operations

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Income from operations	$ 35,676	$ 189,340
Add: Operating loss of acquisitions	13,615	9,999
Adjusted income from operations	$ 49,291	$ 199,339
Adjusted income from operations as a percent of adjusted total operating revenue	1.7%	7.0%

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

March 31, 2020
(Unaudited)
(dollars in thousands)

Balance Sheet Ratios

The System has 225 days of cash and investments on hand at March 31, 2020 compared to 238 days at December 31, 2019. Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments and due to brokers, net, divided by a trailing twelve months of daily operating expenses (excluding depreciation and amortization expense).

Balance Sheet Ratios

	March 31, 2020	December 31, 2019
Cash and cash equivalents	$ 1,688,846	$ 184,811
Investments	5,199,049	7,000,804
Due to brokers, net	(339,206)	(371,118)
	$ 6,548,689	$ 6,814,497
Days cash and investments on hand	**225**	**238**
Total debt to capitalization	**25.1%**	**21.1%**
Cash to total debt	**177.6%**	**220.6%**

The length and extent of the pandemic's disruption to the System's business is currently unknown. While demand for healthcare services is expected to rebound in the future, various actions have been taken to increase our liquidity and mitigate the impact of disruption to our business. As such, certain liquidity sources were accessed prior and subsequent to March 31, 2020 to address the potential impact of COVID-19 to the System's operations and investment portfolio. We are also reducing planned capital expenditures for the remainder of 2020.

At March 31, 2020, total debt to capitalization has increased to 25.1% from 21.1% at the beginning of the year. Cash to total debt decreased to 177.6% as of March 31, 2020 compared to 220.6% as of the beginning of the year. We are not able to fully quantify the impact that COVID-19 will have on our financial results during 2020 or financial position.

Continuing Operating Impact of COVID-19

During the month of April 2020, the suspension of elective procedures and the general public concern of accessing healthcare continued to have a negative impact to volumes, resulting in operating revenue less than prior year and 2020 expectations. For the month of April 30, 2020, surgical volumes were lower than previous year by approximately 66%, admissions by 29% and emergency room patients by 49%. The four months ended April 30, 2020 resulted in a loss from operations of $65,750, which was $317,801 below the same period in the prior year. During the three months ended March 31, 2020 the System's realized and unrealized losses on its investments totaled $615,974, which improved to realized and unrealized losses of $496,633 for the four months ended April 30, 2020.

We expect consolidated volumes and operating revenue to continue to be negatively impacted until the effects of the pandemic begin to subside and the economy begins to stabilize. Additionally, we anticipate continued volatility in the U.S. and global financial markets that will impact realized and unrealized investment returns. The ultimate impact on our financial results will depend on, among other factors, the duration and severity of the pandemic, the ultimate level of volumes that return, negative economic conditions arising from the pandemic, and the impact of government stimulus efforts.

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

March 31, 2020
(Unaudited)
(dollars in thousands)

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, 2020 and 2019 are included in the accompanying table.

Community Benefit (at cost)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Benefits to the underprivileged	$ 299,582	$ 280,620
Benefits to the elderly	232,502	144,717
Benefits to the community's overall health and wellness	39,238	30,536
Benefits to the faith-based and spiritual needs of the community	5,545	5,090
	$ 576,867	$ 460,963

*Amounts include the acquisitions of AdventHealth Ottawa as of May 1, 2019 and AdventHealth Lakes Wales and AdventHealth Heart of Florida as of September 1, 2019.

The System also provides benefits to the community's infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community. The cost of capital improvements for the three months ended March 31, 2020 and 2019 was $382,763 and $279,638, respectively.

Supplementary Information

AdventHealth

Consolidating Balance Sheet
(Unaudited)

March 31, 2020
(dollars in thousands)

	AdventHealth Obligated Group [1]	All Other Entities	Eliminations	Consolidated
ASSETS				
Current Assets				
Cash and cash equivalents	$ 66,388	$ 1,622,458	$ –	$ 1,688,846
Cash management deposits [2]	5,862,084	–	(5,862,084)	–
Investments	12,440	5,186,609	–	5,199,049
Current portion of assets whose use is limited	810	297,284	–	298,094
Patient accounts receivable	781,891	50,713	–	832,604
Due from brokers	–	595,762	–	595,762
Estimated settlements from third parties	79,614	1,445	–	81,059
Other receivables	597,830	448,467	(583,190)	463,107
Inventories	257,247	8,424	–	265,671
Prepaid expenses and other current assets	147,327	95,617	(62,770)	180,174
	7,805,631	8,306,779	(6,508,044)	9,604,366
Property and Equipment	6,741,130	684,412	–	7,425,542
Operating Lease Assets	275,375	15,119	–	290,494
Assets Whose Use is Limited, net of current portion	21,764	380,565	–	402,329
Other Assets	813,507	548,757	(192,697)	1,169,567
	$ 15,657,407	$ 9,935,632	$ (6,700,741)	$ 18,892,298
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	$ 986,444	$ 343,335	$ (2,060)	$ 1,327,719
Estimated settlements to third parties	153,840	8,591	–	162,431
Due to brokers	–	934,968	–	934,968
Due to affiliates – cash management deposits [2]	–	5,862,084	(5,862,084)	–
Other current liabilities	773,709	334,884	(606,191)	502,402
Short-term financings	451,090	303,500	–	754,590
Current maturities of long-term debt	48,979	5,026	–	54,005
	2,414,062	7,792,388	(6,470,335)	3,736,115
Long-Term Debt, net of current maturities	2,671,210	213,345	(6,008)	2,878,547
Operating Lease Liabilities, net of current portion	224,578	13,132	–	237,710
Other Noncurrent Liabilities	127,723	896,167	(220,165)	803,725
	5,437,573	8,915,032	(6,696,508)	7,656,097
Net Assets				
Net assets without donor restrictions	10,028,862	989,642	(4,233)	11,014,271
Net assets with donor restrictions	180,780	2,752	–	183,532
	10,209,642	992,394	(4,233)	11,197,803
Noncontrolling interests	10,192	28,206	–	38,398
	10,219,834	1,020,600	(4,233)	11,236,201
Commitments and Contingencies				
	$ 15,657,407	$ 9,935,632	$ (6,700,741)	$ 18,892,298

[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, 2020
(dollars in thousands)

	AdventHealth Obligated Group	All Other Entities	Eliminations	Consolidated
Revenue				
Net patient service revenue	$ 2,816,892	$ 86,033	$ –	$ 2,902,925
Other	100,344	268,439	(289,360)	79,423
Total operating revenue	2,917,236	354,472	(289,360)	2,982,348
Expenses				
Employee compensation	1,383,554	212,483	(51,204)	1,544,833
Supplies	522,850	35,289	(22,780)	535,359
Purchased services	234,384	49,124	(1,766)	281,742
Professional fees	321,352	41,432	(192,232)	170,552
Other	244,490	(179)	(20,640)	223,671
Interest	19,954	799	(18)	20,735
Depreciation and amortization	151,210	19,308	(738)	169,780
Total operating expenses	2,877,794	358,256	(289,378)	2,946,672
Income (Loss) from Operations	39,442	(3,784)	18	35,676
Nonoperating Losses				
Investment return	(559,020)	(56,936)	(18)	(615,974)
Deficiency of revenue over expenses and losses	(519,578)	(60,720)	–	(580,298)
Noncontrolling interests	(216)	2,001	–	1,785
Deficiency of Revenue over Expenses and Losses Attributable to Controlling Interest	(519,794)	(58,719)	–	(578,513)

Continued on following page.

AdventHealth

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

For the Three Months Ended March 31, 2020
(dollars in thousands)

	AdventHealth Obligated Group	All Other Entities	Eliminations	Consolidated
CONTROLLING INTEREST				
Net Assets Without Donor Restrictions				
Deficiency of revenue over expenses and losses	$ (519,794)	$ (58,719)	$ –	$ (578,513)
Net assets released from restrictions for purchase of property and equipment	4,096	13	–	4,109
Change in unrealized gains and losses on investments	(155)	436	–	281
Transfers (to) from affiliates	(16,184)	16,184	–	–
Addition of net assets to the Obligated Group [3]	214,744	(214,744)	–	–
Other	4,526	(139)	–	4,387
Decrease in net assets without donor restrictions	(312,767)	(256,969)	–	(569,736)
Net Assets With Donor Restrictions				
Gifts and grants	8,618	23	–	8,641
Net assets released from restrictions for purchase of property and equipment or use in operations	(5,514)	(115)	–	(5,629)
Investment return	(1,445)	–	–	(1,445)
Other	(5,876)	(1)	–	(5,877)
Decrease in net assets with donor restrictions	(4,217)	(93)	–	(4,310)
NONCONTROLLING INTERESTS				
Net Assets Without Donor Restrictions				
Excess (deficiency) of revenue over expenses and losses	216	(2,001)	–	(1,785)
Distributions	(549)	–	–	(549)
Other	1,470	35	–	1,505
Increase (decrease) in noncontrolling interests	1,137	(1,966)	–	(829)
Decrease in Net Assets	(315,847)	(259,028)	–	(574,875)
Net assets, beginning of period	10,535,681	1,279,628	(4,233)	11,811,076
Net assets, end of period	$ 10,219,834	$ 1,020,600	$ (4,233)	$ 11,236,201

[3] On January 1, 2020, AdventHealth Heart of Florida and AdventHealth Lake Wales became members of the Obligated Group.

AdventHealth Obligated Group

Combined Statement of Cash Flows
(Unaudited)

For the Three Months Ended March 31, 2020
(dollars in thousands)

Operating Activities	
Decrease in net assets	$ (315,847)
Increase in net assets from additions of entities to the Obligated Group	(214,744)
Depreciation and amortization	151,210
Amortization of deferred financing costs and original issue discounts and premiums	(4,139)
Transfers to affiliates, net	16,184
Net realized and unrealized losses on investments	155
Restricted gifts and grants and investment return	(7,173)
Income from unconsolidated entities	(5,885)
Distributions from unconsolidated entities	7,886
Changes in operating assets and liabilities:	
Patient accounts receivable	16,167
Other receivables	(21,029)
Other current assets	(29,930)
Accounts payable and accrued liabilities	58,141
Estimated settlements to third parties, net	(6,583)
Other current liabilities	407,229
Other noncurrent assets and liabilities	(4,736)
Net cash provided by operating activities	46,906
Investing Activities	
Cash from addition of entities to the Obligated Group	19,431
Purchase of property and equipment, net	(300,488)
Increase in investments	793
Decrease in assets whose use is limited	(881)
Return of capital from unconsolidated entities	738
Cash receipts on sold patient accounts receivable	13,893
Decrease in other assets	5,622
Net cash used in investing activities	(260,892)
Financing Activities	
Repayments of long-term borrowings	(258)
Additional long-term borrowings	475
Additional short-term borrowings	125,000
Transfers to affiliates, net	(16,184)
Restricted gifts and grants and investment return	7,173
Net cash provided by financing activities	116,206
Decrease in Cash, Cash Equivalents, and Cash Management Deposits	(97,780)
Cash, cash equivalents and cash management deposits at beginning of period	6,026,252
Cash, Cash Equivalents, and Cash Management Deposits at End of Period	$ 5,928,472
Noncash Investing Activity	
Decrease in beneficial interest in exchange for patient accounts receivable	$ 257,772