Adventist HealthCare, Inc. and Controlled Entities

Consolidated Financial Statements
and Supplementary Information

December 31, 2019 and 2018

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Adventist HealthCare, Inc. and Controlled Entities (collectively, the Corporation), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Adventist HealthCare, Inc. and Controlled Entities as of December 31, 2019 and 2018, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the consolidated financial statements, in 2019, the Corporation adopted new accounting guidance related to the accounting for leases and the presentation of amounts generally described as restricted cash and restricted cash equivalents in the consolidated statement of cash flows. Our opinion is not modified with respect to these matters.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplemental pro forma information for the acquisition of Fort Washington Medical Center for the years ended December 31, 2019 and 2018 on page 21 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basis consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining information presented on pages 42 to 46 is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
April 30, 2020

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 25,807,370	$ 41,673,365
Short-term investments	226,700,054	196,069,788
Assets whose use is limited	3,716,230	3,573,229
Patient accounts receivable	117,498,048	94,756,571
Other receivables	13,764,346	12,096,855
Inventories	12,418,380	8,611,875
Prepaid expenses and other current assets	8,074,200	8,337,954
Total current assets	407,978,628	365,119,637
Property and Equipment, Net	724,843,830	652,882,719
Financing Lease Right-of-Use Asset	2,965,826	-
Operating Lease Right-of-Use Asset	73,138,407	-
Assets Whose Use is Limited		
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	40,290,848	139,004,400
Professional liability trust fund	13,948,336	11,128,261
Deferred compensation fund	1,537,921	1,300,086
Cash and Cash Equivalents Restricted for Capital Acquisitions	922,325	1,512,793
Investments and Investments in Unconsolidated Subsidiaries	22,555,200	17,057,997
Land Held for Healthcare Development	48,091,039	45,404,765
Intangible Assets, Net	7,918,711	8,127,689
Deposits and Other Noncurrent Assets	3,677,673	4,592,743
Assets Held for Sale	15,939,824	-
Total assets	$ 1,363,808,568	$ 1,246,131,090

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 110,337,646	$ 86,631,393
Accrued compensation and related items	45,674,609	37,155,567
Interest payable	9,916,230	9,775,665
Due to third party payors	19,589,154	19,981,019
Estimated self-insured professional liability	1,929,261	1,795,731
Current maturities of:		
Long-term obligations	14,070,657	9,151,220
Financing lease obligations	1,053,932	-
Operating lease obligations	13,242,576	-
Total current liabilities	215,814,065	164,490,595
Construction Payable	10,894,297	33,038,715
Long-Term Obligations, Net		
Bonds payable	536,331,645	546,699,908
Notes payable	30,888,657	21,295,957
Capital lease obligations	-	10,096,187
Financing Lease Obligations	1,747,777	-
Operating Lease Obligations	60,968,875	-
Derivative Financial Instrument	236,291	503,251
Other Liabilities	13,552,593	10,257,050
Estimated Self-Insured Professional Liability	16,138,921	14,929,354
Total liabilities	886,573,121	801,311,017
Net Assets		
Net assets without donor restrictions	471,275,984	439,571,362
Net assets with donor restrictions	5,959,463	5,248,711
Total net assets	477,235,447	444,820,073
Total liabilities and net assets	$ 1,363,808,568	$ 1,246,131,090

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2019 and 2018

	2019	2018
Revenues		
Net patient service revenue	$ 821,575,609	$ 779,303,420
Other revenues	40,928,213	41,246,589
Total revenues	862,503,822	820,550,009
Expenses		
Salaries and wages	384,439,065	366,176,376
Employee benefits	73,675,888	72,221,612
Contract labor	38,699,033	35,754,655
Medical supplies	107,737,246	104,580,658
General and administrative	127,423,342	122,362,912
Building and maintenance	44,000,964	41,344,766
Insurance	6,950,972	9,113,009
Interest	16,586,180	11,951,282
Depreciation and amortization	41,582,280	38,120,194
Loss on disposal of property and equipment	3,265,295	-
Total expenses	844,360,265	801,625,464
Income from operations	18,143,557	18,924,545
Other Income (Expense)		
Investment income	14,156,295	2,284,965
Other (loss) income	(1,510,714)	143,382
Inherent contribution on business combination	7,045,520	-
Total other income	19,691,101	2,428,347
Revenues in excess of expenses from continuing operations	37,834,658	21,352,892
Change in net unrealized gains and losses on investments in debt securities	8,144,221	(3,582,832)
Change in net unrealized gain on derivative financial instrument	700,697	700,697
Net assets released from restriction for purchase of property and equipment	1,777,624	2,656,339
Deferred compensation plan liability adjustment	(789,431)	1,609,635
Other net asset activity	(24,248)	(494,344)
Increase in net assets without donor restrictions from continuing operations	47,643,521	22,242,387
Loss from discontinued operations	(14,841,272)	-
Increase in net assets without donor restrictions	$ 32,802,249	$ 22,242,387

See notes to consolidated financial statements

	2019	2018
Net Assets Without Donor Restrictions		
Revenues in excess of expenses from continuing operations	$ 37,834,658	$ 21,352,892
Change in net unrealized gains and losses on investments in debt securities	8,144,221	(3,582,832)
Change in net unrealized gain on derivative financial instrument	700,697	700,697
Net assets released from restriction for purchase of property and equipment	1,777,624	2,656,339
Deferred compensation plan liability adjustment	(789,431)	1,609,635
Other net asset activity	(24,248)	(494,344)
Increase in net assets without donor restrictions from continuing operations	47,643,521	22,242,387
Loss from discontinued operations	(14,841,272)	-
Increase in net assets without donor restrictions	32,802,249	22,242,387
Net Assets With Donor Restrictions		
Restricted gifts and donations	6,174,849	4,077,505
Net assets released from restriction for purchase of property and equipment	(1,777,624)	(2,656,339)
Net assets released from restriction used for operations	(3,516,369)	(3,519,841)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(204,626)	(69,836)
Change in discount of pledges receivable and provision for doubtful pledges	25,622	(508,987)
Donor restricted investment income	8,900	37,584
Increase (decrease) in net assets with donor restrictions	710,752	(2,639,914)
Increase in net assets	33,513,001	19,602,473
Net Assets, Beginning	444,820,073	425,217,600
Cumulative Effect of Change in Accounting Principle	(1,097,627)	-
Net Assets, Ending	$ 477,235,447	$ 444,820,073

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018 (As Adjusted)
Cash Flows From Operating Activities		
Increase in net assets	$ 33,513,001	$ 19,602,473
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,582,280	38,120,194
Operating lease right-of-use asset amortization	12,458,746	-
Amortization of deferred financing costs	228,770	212,496
Deferred compensation plan liability adjustment	789,431	(1,609,635)
Restricted contributions and grants	(4,767,614)	(1,151,766)
Earnings recognized from unconsolidated subsidiaries and affiliates	(2,197,709)	(1,943,590)
Amortization of physician income guarantees	98,362	26,348
Inherent contribution on business combination, net of cash received	(8,338,485)	-
Cumulative effect of change in accounting principle	1,097,627	-
Loss on disposal of property and equipment	14,670,635	-
Net realized and unrealized gains and losses on investments	(7,381,743)	3,128,140
Change in net unrealized gains and losses on investments in debt securities	(8,144,221)	3,582,832
Change in net unrealized gain on derivative financial instrument	(700,697)	(700,697)
Change in value of beneficial interest in trusts and charitable gift obligation	204,626	69,836
Change in discount on pledges receivable and provision for doubtful pledges	(25,622)	508,987
Changes in assets and liabilities:		
Patient accounts receivable	(20,225,577)	(1,546,625)
Other receivables	(405,066)	3,947,778
Inventories, prepaid expenses and other current assets	(1,915,020)	113,996
Accounts payable and accrued expenses	17,732,171	(186,791)
Accrued compensation and related items	7,242,684	(104,879)
Interest payable	140,565	28,371
Estimated self-insured professional liability	1,343,097	2,462,540
Due to third party payors	(971,611)	2,162,617
Operating lease obligations	(15,961,759)	-
Other noncurrent assets and liabilities	474,929	397,341
Net cash provided by operating activities	60,541,800	67,119,966

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018 (As Adjusted)
Cash Flows From Investing Activities		
Purchase of property and equipment	$ (157,328,472)	$ (159,276,923)
Increase in investments and investments in unconsolidated subsidiaries	(15,129,013)	(4,779,492)
Additions to land held for healthcare development	(2,686,274)	(2,309,960)
Proceeds from sale of land for healthcare development	-	4,565,265
Distributions from investments in unconsolidated subsidiaries	9,608,328	2,524,000
Purchase of investment in unconsolidated subsidiary	(3,781,111)	(1,182,000)
Cash received in the acquisition of Fort Washington	1,292,965	-
Decrease in trustee held funds and restricted cash	57,057,942	105,751,759
Net cash used in investing activities	(110,965,635)	(54,707,351)
Cash Flows From Financing Activities		
Payment of financing costs	(589,794)	-
Repayments on long-term obligations, net	(9,235,873)	(13,360,724)
Repayment of financing lease obligations	(1,088,539)	-
Proceeds from restricted contributions and grants	4,767,614	1,151,766
Net cash used in financing activities	(6,146,592)	(12,208,958)
Net (decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(56,570,427)	203,657
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	100,073,953	99,870,296
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 43,503,526	$ 100,073,953
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 18,918,874	$ 12,464,520
Supplemental Disclosure of Noncash Investing and Financing Activities		
Financing/capital lease obligation incurred for equipment	$ -	$ 3,203,212
Land contributed to investment in unconsolidated subsidiary	$ 8,627,000	$ 1,153,672
Construction payable for property and equipment	$ 10,894,297	$ 33,038,715
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 25,807,370	$ 41,673,365
Cash and cash equivalents restricted for capital acquisitions	922,325	1,512,793
Cash and cash equivalents included in the current portion of assets whose use is limited	3,716,230	3,573,229
Cash and cash equivalents included in the noncurrent portion of assets whose use is limited	13,057,601	53,314,566
Total cash, cash equivalents and restricted cash and cash equivalents	$ 43,503,526	$ 100,073,953

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Adventist HealthCare, Inc. (AHC) is a nonstock membership corporation organized to effectuate coordinated administration of hospitals and other health care organizations through the provision of key management and administrative services. The mission of AHC is to extend God's care through the ministry of physical, mental and spiritual healing. AHC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). AHC is not exempt from income taxes for unrelated business income. AHC's sole corporate member is Mid-Atlantic Adventist HealthCare, Inc. AHC is comprised of several operating divisions and controlled entities, as follows:

Shady Grove Medical Center (SGMC) is a 248-bed acute care hospital located in Rockville, Maryland. Effective August 1, 2018, Behavioral Health & Wellness Services (BH&WS) became a department of SGMC and as a result is reimbursed under SGMC's global budget revenue agreement. BH&WS is comprised of BH&WS - Rockville, a 117-bed psychiatric hospital.

White Oak Medical Center (WOMC) is a 191-bed acute care hospital located in Silver Spring, Maryland. On August 25, 2019, the newly constructed WOMC opened.

Rehabilitation (Rehab) operates one inpatient hospital with two sites in Maryland, as well as two outpatient locations. Rehab - Rockville is a 55-bed rehabilitation facility and Rehab - Takoma Park is a 42-bed rehabilitation facility. The Rehab – Takoma Park facility is scheduled to relocate to WOMC in late 2020.

Adventist HealthCare Imaging (Imaging) operates seven clinical sites and provides inpatient and outpatient imaging services at SGMC and WOMC.

Clinical Integration Services (CIS) is comprised of Adventist Medical Group (AMG). AMG is a not-for-profit entity that provides primary care and specialty care physician professional health services to the communities it serves. AHC contracted with Medical Faculty Associates, Inc. (MFA) to employ the AMG employees, through a wholly owned affiliate of MFA, in exchange for certain economic support to facilitate the growth by MFA of the AMG physician practices. In December 2017, however, AHC terminated its contract with MFA as it relates to the primary care, physiatry and endocrinology practices. The termination was effective July 2018, at which time AHC began operating the primary care, physiatry and endocrinology practices. The remaining specialty care practices will continue to be operated by MFA, with the respective operating results recorded in SGMC and WOMC. CIS also includes the administration needed to facilitate the coordination of patient care across conditions, providers and settings.

The Other Health Services operating division is comprised of two entities. Lifework Strategies (LWS) provides employee assistance and employee wellness programs to client employees. LWS's mission is to help individuals live healthier, happier and more productive lives. Capital Choice Pathology Lab (CCPL) provides full pathology production services to client hospitals.

The Support Center is comprised of the Corporate Office (CO) and the AHC benefit business unit. The CO provides corporate and centralized shared service functions that benefit the entire AHC system. The AHC benefit business unit administers the self- insurance health benefit program including health insurance, dental and vision coverage for AHC and controlled entities.

In October 2019, Adventist HealthCare Fort Washington Medical Center, Inc., a subsidiary of AHC, acquired Fort Washington Medical Center (FWMC) (Note 3). FWMC is a 27-bed acute care hospital located in Fort Washington, Maryland.

The Lourie Center for Infants and Young Children (Lourie Center) is a not-for-profit organization that specializes in the diagnosis, treatment and prevention of developmental and emotional disorders in children from birth through ten years of age.

Adventist Home Care Services, Inc. (AHCS) is a nonstock membership corporation organized to provide home health services in Maryland and includes Adventist Home Assistance (AHA). AHA provides non-clinical assistance to homebound patients who cannot perform certain daily activities on their own.

Adventist HealthCare Urgent Care Center, Inc. (Urgent Care) is comprised of three urgent care centers located in Germantown, Laurel and Rockville, Maryland. These centers provide ambulatory services to patients without life threatening conditions, as well as occupational health screenings to the community.

One Health Quality Alliance (OHQA) is a physician-led clinically integrated network designed to deliver value to payors, employers and consumers through the highest quality care at a lower cost. Through this alliance, participating physicians gain access to resources to support the transition to value-based care, while maintaining their independence. Through this collaboration, OHQA aims to improve the health of patient populations and communities, while enhancing the patient experience and reducing the costs of health care. The OHQA currently has over 450 physician members, most of whom are on the medical staff of AHC, including primary care, orthopedics and other community and hospital based specialists.

The Foundations operating division is comprised of Washington Adventist Hospital Foundation, Inc., d/b/a White Oak Medical Center Foundation Inc. and Shady Grove Medical Center Foundation, Inc. (collectively, the Foundations). Each are separate nonstock corporations that operate for the furtherance of each named hospital's health care objectives primarily through the solicitation of contributions, gifts and bequests. The Foundations also exist to help fund new equipment purchases and capital improvement projects for their respective hospitals.

All of the operating divisions and controlled entities mentioned above are tax-exempt under Section 501(c)(3) of the IRC.

Principles of Consolidation

The consolidated financial statements for 2019 and 2018 include the accounts of AHC, the controlling parent, SGMC, WOMC, Rehab, Imaging, CIS, LWS, CCPL, the Support Center, FWMC, the Lourie Center, AHCS, Urgent Care, OHQA, and the Foundations, which include their majority-owned subsidiaries and controlled affiliates (collectively, the Corporation). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements of the Corporation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through April 30, 2020, the date the consolidated financial statements were issued.

During the first several months of 2020, the Coronavirus disease (COVID 19), an infectious disease caused by the SARS-CoV-2 virus, spread globally, resulting in a pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The Corporation's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were issued. COVID-19 may impact various parts of the Corporation's 2020 operations and financial performance including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, closure of certain facilities or service lines, or declines in revenue related to decreases in volumes of certain revenue streams. The extent of the impact is unknown and will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

Numerous government programs at the federal, state and local levels are currently being developed to provide relief funds to healthcare providers on the front lines of the COVID-19 pandemic. In April 2020, the Centers for Medicare & Medicaid Services (CMS) delivered relief funds to healthcare providers through the Accelerated and Advance Payment Program. The advance and accelerated payments range from three to six months-worth of a providers Medicare reimbursement and represent a loan that providers must pay back via offsets to future claims. The offsets begin 120 days after disbursement of the accelerated/advance payments and require full repayment within 365 days (210 days for certain providers). The payments are available to all Medicare Part A providers, including hospitals, and all Medicare Part B suppliers, including doctors, non-physician practitioners and durable medical equipment suppliers. In April 2020, the Corporation received advanced payments of approximately $141,100,000 under the Accelerated and Advance Payment Program.

In April 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which also provides relief funds to healthcare providers on the front lines of the COVID-19 pandemic. This funding is to be used to support healthcare-related expenses or lost revenue attributable to COVID-19 and to ensure uninsured Americans can get testing and treatment for COVID-19. In April 2020, approximately 30 percent of the relief funds were distributed based on the healthcare providers share of total Medicare FFS reimbursements in 2019. All healthcare providers that received Medicare fee-for-service (FFS) reimbursements in 2019 are eligible for the relief funds. The Corporation is required to make certain certifications and has certain reporting requirements as a condition of receiving the funds. In addition, healthcare providers must agree not to seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. In April 2020, the Corporation received approximately $20,191,000 of relief funds under the CARES Act.

The Corporation intends to take the necessary steps to maximize relief under all possible federal, state and local government programs.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Maryland Health Services Cost Review Commission

Certain hospital charges are subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC). The HSCRC has jurisdiction over hospital reimbursement in Maryland by agreement with the Centers for Medicare and Medicaid Services (CMS). This agreement is based on a waiver from the Medicare Prospective Payment System reimbursement principles granted under Section 1814(b) of the Social Security Act. Management has filed the required forms with the Commission and believes all entities that fall under the HSCRC's jurisdiction are in compliance with applicable requirements.

In January 2014, the Centers for Medicare and Medicaid Services approved a modernized waiver that grants Maryland (via the HSCRC) the authority to regulate hospital revenue within a rigorous per capita expenditure limit. Maryland's All Payer Model Agreement builds on decades of innovation and equity in healthcare payment and delivery - with an aim to enhance patient care, improve health outcomes and lower costs.

As a result of the waiver, the HSCRC introduced revenue arrangements, including the Global Budget Revenue (GBR) model. The GBR methodology encourages hospitals to focus on population health strategies by establishing a fixed annual revenue cap for each GBR hospital. The agreement establishes a fixed amount of charging authority (i.e. revenue) at the beginning of the rate year. It is evergreen in nature and covers both regulated inpatient and outpatient revenues. Annual revenue is calculated from a base year and is adjusted annually for inflation, infrastructure requirements, population changes, performance in quality-based programs and changes in levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services from one health system to another and from a regulated setting to an unregulated setting (or vice versa).

In 2014, AHC entered into GBR Agreements with the HSCRC for SGMC, WOMC and Shady Grove Germantown Emergency Center. FWMC entered into a GBR agreement with the HSCRC in 2014. The agreements set an initial fixed amount of revenue for each entity for the period July 1, 2013 through June 30, 2014 and is subsequently updated on an annual basis every July 1.

The HSCRC requires rate-regulated hospitals under its jurisdiction to calculate the amount of revenue lost or gained due to variances from approved rates. Revenue lost due to undercharges in rates is recouped through increases in prospective rates. Similarly, revenue gained due to overcharges in rates is paid back, wholly or in part, through reductions in prospective rates. The Corporation reported net overcharges of $1,022,206 as of December 31, 2019 and net undercharges of $1,289,841 as of December 31, 2018. These price variances reflect the variance between actual patient charges and the pro-rata share of approved rate orders. The net amounts are reported as a component of net patient service revenue and patient accounts receivable in the accompanying consolidated financial statements. Since the HSCRC's rate year extends from July 1 through June 30, these amounts will continue to fluctuate until the end of the rate year as actual patient charges deviate from the total approved charging authority. At the conclusion of the rate year, any over/under charges are amortized on the straight-line basis over the following rate year when the price variance adjustments are actually built into each entity's rate order.

Under Maryland law, charges of specialty hospitals such as Rehab are subject to review and approval by the HSCRC. HSCRC regulations also include a provision whereby a hospital may apply for an exemption from the requirements to charge for services in accordance with HSCRC regulations. Certain conditions regarding the percentage of revenue related to Medicare and Medicaid patients and total revenues must be met to receive the initial exemption and must be met each year thereafter. Reporting requirements as established by the HSCRC continue even if an exemption regarding charging for services is received. The Corporation's management believes Rehab met the conditions for exemption during 2019 and 2018.

BH&WS-Rockville is subject to HSCRC rate setting. For the period January 1, 2018 through July 31, 2018, BH&WS-Rockville did not enter into a Global Budget Revenue Agreement. Instead, BH&WS-Rockville continues to generate charging authority based on the volume of services it provides to patients. Unit rates are set for all payors, however Medicare and Medicaid are not required to reimburse at HSCRC rates. Services provided to Medicare beneficiaries are reimbursed under the Inpatient Psychiatric Facility Prospective Payment System. Services provided to Medicaid patients are cost-settled for outpatient services and reimbursed for inpatient services at a rate of 94 percent of charges (as set forth in the Code of Maryland Regulations 10.09.06.09). Effective August 1, 2018, BH&WS became a department of SGMC and is reimbursed under their Global Budget Revenue Agreement.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and certificates of deposit purchased with original maturities of less than 90 days, excluding assets whose use is limited. For purposes of the statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Patient Accounts Receivable

The Corporation assesses collectability on patient contracts prior to the recognition of net patient service revenues. Patient accounts receivable are reported at their net realizable value. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and determines accounts are impaired based on changes in patient credit worthiness. Patient accounts receivable also includes management's estimate of the impact of certain undercharges to be recouped or overcharges to be paid back for inpatient and outpatient services in subsequent years rates as discussed earlier.

Other Receivables

Other receivables represent amounts due to the Corporation for charges other than providing health care services to patients and pledges from donors and are reported at their net realizable value. These services include, but are not limited to, fees from educational programs, rental of health care facility space, interest earned and management services provided to unconsolidated subsidiaries. Other receivables are written off when they are determined to be uncollectible based on management's assessment of individual accounts.

Assets Whose Use Is Limited

Assets whose use is limited includes assets held by bond trustees under trust indentures, assets set aside as required by the Corporation's self-funded professional liability trust, assets set aside for deferred compensation agreements and those set aside in accordance with the United States Department of Housing and Urban Development (HUD) mortgage loan payable. Amounts available to meet current liabilities of the Corporation have been reclassified as current assets in the accompanying consolidated balance sheets.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Cash and cash equivalents and certificates of deposit are carried at cost which approximates fair value. Investments in joint ventures are accounted for using the equity or cost method of accounting depending on the Corporation's ownership interest. Investment income or loss (including realized and unrealized gains and losses on investments, write-downs of the cost basis of investments in debt securities due to an other-than-temporary decline in fair value, interest and dividends) is included in the determination of revenues in excess of expenses from continuing operations unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments in debt securities are excluded from the determination of revenues in excess of expenses from continuing operations unless the investments are trading securities. Donor-restricted investment income is reported as an increase in net assets with donor restrictions. Investments available for current operations have been classified as short-term investments in the accompanying consolidated balance sheets.

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Inventories

Inventories of drugs, medical supplies and surgical supplies are valued at the lower of cost or net realizable value. Cost is determined primarily by the weighted average cost method.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations. As discussed in Note 2 to the consolidated financial statements, the Corporation adopted new accounting standards guidance related to the accounting for leases in 2019.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment losses are recognized in the consolidated statements of operations as a component of revenues in excess of expenses from continuing operations as they are determined. The Corporation reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, the Corporation calculates the estimated future net cash flows to be generated by the asset. If those future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. There were no impairment losses reported in 2019 or 2018.

Leases and Right-of-Use Assets

Under Topic 842, the Corporation evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either financing or operating. All lease liabilities are measured as the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

Amortization of financing lease ROU assets, which is recognized on a straight-line basis over the lesser of the lease term and the estimated useful life of the asset, is included within depreciation and amortization expense in the consolidated statements of operations. Interest expense associated with financing lease obligations is included within interest expense in the consolidated statements of operations. Operating lease expense is recognized on a straight-line basis over the lease term and is included within building and maintenance in the consolidated statements of operations. The lease term is determined based on the date the Corporation acquires control of the leased premises through the end of the lease term. Optional renewal periods are initially not included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

Intangible Assets

The Corporation's intangible assets primarily include costs in excess of net assets acquired related to certain business acquisitions. The Corporation is amortizing certain intangible assets over a period not to exceed 40 years. Amortization of these intangible assets was $230,622 in 2019 and $218,792 in 2018. Accumulated amortization of intangible assets was $4,057,430 and $3,826,808 as of December 31, 2019 and 2018, respectively.

Goodwill, which is included in intangible assets in the accompanying consolidated balance sheets, is reviewed annually for impairment or more frequently if events or circumstances indicate the carrying amount of the goodwill will not be recoverable.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term obligations have been deferred and are being amortized over the term of the related obligation using the straight-line method. Deferred financing costs remaining as of December 31, 2019 and 2018 totaled $5,212,539 and $4,850,301, respectively, and are included in the consolidated balance sheets as a reduction of bonds payable.

Amortization expense was $228,770 and $212,496 in 2019 and 2018, respectively, and is included as a component of interest expense in the consolidated statements of operations. Accumulated amortization of deferred financing costs was $3,303,088 and $3,074,318 at December 31, 2019 and 2018, respectively, and is included as a component of bonds payable in the consolidated balance sheets.

Due to Third Party Payors

The Corporation receives advances from third party payors to provide working capital for services rendered to the beneficiaries of such services. These advances are principally determined based on the timing differences between the provision of care and the anticipated payment date of the claim for service in accordance with HSCRC's rate regulations. These advances are subject to periodic adjustment.

Settlements with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on reimbursable costs, the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information become available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price, were not significant in 2019 or 2018.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result, health care entities, may from time to time and in the ordinary course of business, receive requests for information and notices from government agencies regarding alleged noncompliance with those laws and regulations, some of which may result in settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. Management is not aware of any material incidents of noncompliance; however, there can be no assurance that regulatory authorities will not challenge the Corporation's compliance in the future.

Derivative Financial Instruments

The Corporation has an interest rate swap agreement, which is considered a derivative financial instrument, to manage its interest rate exposure on certain long-term obligations (Note 13). The interest rate swap agreement is reported at fair value in the accompanying consolidated balance sheets. The interest rate swap agreement is not designated as a cash flow hedge. Changes in fair value are reported as a component of other nonoperating income (expense).

Estimated Self-Insured Professional Liability

The provision for estimated self-insured professional liability includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Corporation's consolidated balance sheets at net realizable value.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions includes amounts available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions includes amounts subjected to donor imposed restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets were released from donor restriction by satisfying their restricted purposes in the amount of $5,293,993 in 2019 and $6,176,180 in 2018.

Net assets with donor restrictions includes those whose use by the Corporation has been limited by donors to specific purposes in the amount of $5,618,042 and $4,907,290 as of December 31, 2019 and 2018, respectively. Net assets with donor restrictions that have been restricted by donors to investments to be held in perpetuity was $341,421 as of December 31, 2019 and 2018.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the underlying conditions have been substantially met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Restricted funds to be used for capital acquisitions have been reported as noncurrent assets in the accompanying consolidated balance sheets, while other restricted cash and investments are included with the cash and cash equivalents of net assets without donor restrictions.

Measure of Operations

The consolidated statements of operations reflects all changes in net assets without donor restrictions, including changes from both operating and nonoperating activities. Operating revenues and expenses consist of those items that are an integral part of the Corporation's provision of healthcare and related supporting activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenues in Excess of Expenses from Continuing Operations

The consolidated statements of operations include the determination of revenues in excess of expenses from continuing operations. Revenues in excess of expenses from continuing operations is the Corporation's performance indicator. Changes in net assets without donor restriction which are excluded from the determination of revenues in excess of expenses from continuing operations, consistent with industry practice, include the change in net unrealized gains and losses on investments in debt securities, the effective portion of the net unrealized gain on derivative financial instruments, the deferred compensation plan liability adjustment, contributions of long-lived assets (including contributions which by donor restriction were to be used for the purpose of acquiring such long-lived assets), other net asset without donor restriction activity, and the loss from discontinued operations.

Net Patient Service Revenue

Net patient service revenues are recognized at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third party payors (including commercial and governmental programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Corporation bills the patients and third party payors after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenues for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges, ultimately adjusted in accordance with the charging authority awarding at the beginning of every year by the HSCRC. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving services over multiple days. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time are generally recognized when goods or services are provided and the Corporation does not believe it is required to provide additional services to the patient. Generally, performance obligations satisfied at a point in time relate to patients receiving outpatient services in a single day. The Corporation measures the performance obligation from the commencement of the outpatient service, to the point when it is no longer required to provide services to that patient, which is generally the completion of the outpatient service.

All of the Corporation's performance obligations generally relate to contracts with a duration of less than one year, therefore the Corporation has elected to apply the optional exemptions provided in FASB ASC 606-10-50-14(a) and as a result is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third party payors, financial assistance provided to uninsured or underinsured patients in accordance with the Corporation's policies, and/or implicit price concessions provided to uninsured or underinsured patients. The Corporation determines its estimates of contractual adjustments based on contractual agreements, its financial assistance policies and historical experience. The Corporation determines its estimates of implicit price concessions based on its historical collection experience with a respective class of patient. Certain amounts categorized as implicit price concessions under ASC 606 were previously categorized as provision for doubtful accounts. The Corporation pursues collection of amounts defined as implicit price concessions.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third party payor pays for that service will be one year or less.

Income Taxes

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2019 or 2018.

The Corporation's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based on financial information obtained from the patient (or their guarantor) and subsequent analysis which includes the patient's ability to pay for services rendered. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as a component of net patient service revenue or patient accounts receivable.

The Corporation maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The level of charity care provided by the Corporation amounted to approximately $13,819,000 in 2019 and $8,958,000 in 2018.

Advertising Costs

The Corporation expenses advertising costs as they are incurred.

2. Adoption of Accounting Standards

Financial Instruments

During 2019, the Corporation prospectively adopted the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The provisions of ASU No. 2016-01 require marketable equity securities to be reported at fair value with changes in fair value recognized within the performance indicator, establishes a qualitative factor in evaluating impairment on equity investments without readily determinable fair values, and eliminates the requirement to disclose the fair value on financial instruments measured at amortized cost. The Corporation has adjusted the presentation of the consolidated financial statements accordingly.

Restricted Cash

In 2019, the Corporation retrospectively adopted the FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a consolidated statement of cash flows explain the change during the period in total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The decrease in trustee held funds and restricted cash was decreased $754,824 and cash and cash equivalents, beginning was increased $58,400,588 on the consolidated statements of cash flows for the year ended December 31, 2018 as a result of this change in accounting principle.

Lease Accounting

Effective January 1, 2019, the Corporation adopted the FASB’s ASU No. 2016-02, *Leases (as amended) (Topic 842)*. ASC 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASC 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the consolidated balance sheets. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Corporation's leasing activities.

The Corporation elected the option to apply the transition requirements at the effective date of January 1, 2019, which allows the effects of initially applying ASU No. 2016-02 (as amended) to be recognized as a cumulative effect adjustment to net assets without donor restrictions in the period of adoption. Consequently, the consolidated financial statements and disclosures required under ASC 842 have not been updated as of and for year ending December 31, 2018. The Corporation also elected the package of practical expedients, which permits the Corporation to not reassess prior conclusions about lease identification, classification and initial direct costs. In addition, the Corporation elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

The adoption of ASU No. 2016-02 (as amended) had a material effect on the Corporation's consolidated financial statements. The most significant effects relate to the recognition of new right-of-use assets and lease liabilities on its consolidated balance sheets for operating leases and providing significant new disclosures about leasing activities. Upon adoption, the Corporation recognized operating lease obligations of $86,694,778 based on the present value of the remaining minimum rental payments as determined in accordance with Topic 842 for leases that had historically been accounted for as operating leases under Topic 840. The Corporation recognized the corresponding right-of-use assets of approximately $85,597,151 based on the operating lease liabilities. The resulting net impact of $1,097,627 associated with this change in accounting was recognized as a reduction to net assets without donor restrictions as of January 1, 2019.

Goodwill

During January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*. ASU No. 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. ASU No. 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Corporation does not believe that the adoption of ASU No. 2017-04 will have a material effect on its consolidated financial statements.

3. Business Combination

On October 27, 2019, AHC and Adventist Healthcare Fort Washington Medical Center, Inc. entered into an asset purchase agreement (the Purchase Agreement) with Fort Washington Medical Center, Inc., Fort Washington Ambulatory Services, LLC, Nexus Health, Inc. (owner of Fort Washington Medical Center, Inc. and Fort Washington Ambulatory Services, LLC) and Carolyn Boone Lewis Health Care Center (former subsidiary of Nexus Health, Inc.) (collectively, Fort Washington). In accordance with the terms of the Purchase Agreement, substantially all assets and liabilities of Fort Washington were acquired in exchange for no consideration. The contractual amounts of accounts receivable approximate fair value due to their short-term nature.

In accordance with the authoritative guidance, the assets and liabilities of Fort Washington were recorded at fair market value as of the date of acquisition as follows:

Assets Acquired	
Cash and cash equivalents	$ 1,292,965
Accounts receivable	2,515,900
Trustee held funds	1,659,265
Property and equipment	17,273,239
Other assets	2,201,189
Inventories	1,299,245
Total assets acquired	26,241,803
Liabilities Assumed	
Accounts payable and accrued expenses	7,160,047
Other liabilities	5,072,362
Long-term obligations	6,856,874
Total liabilities assumed	19,089,283
Net Assets Assumed	$ 7,152,520
Inherent Contribution Without Donor Restrictions	$ 7,045,520
Inherent Contribution With Donor Restrictions	$ 107,000

The following table summarizes the operating results of Fort Washington for the years ended December 31 (unaudited):

	2019	**2018**
Revenues	$ 46,075,099	$ 45,830,699
Expenses	46,038,904	44,440,761
Income from operations	36,195	1,389,938
Inherent contribution on business combination	7,045,520	-
Revenues in excess of expenses from continuing operations	$ 7,081,715	$ 1,389,938

The following table summarizes the operating results of Fort Washington for the period October 27, 2019 through December 31, 2019:

Revenues	$ 8,420,176
Expenses	8,124,077
Income from operations	296,099
Inherent contribution on business combination	7,045,520
Revenues in excess of expenses from continuing operations	$ 7,341,619

4. Discontinued Operations and Assets Held for Sale

In July 2019, AHC entered into an agreement to sell the Takoma Park campus to an unrelated third party for $12,000,000. The opportunities for growth and expansion at the Takoma Park campus were limited, and the Corporation wanted to expand access to care throughout the Washington DC region, leading to the decision to sell the campus. The closing will take place on the later of July 31, 2020 or the date that the rehabilitation hospital located on the Takoma Park campus relocates to WOMC.

The current operations on the Takoma Park Campus consist of a walk -in clinic, which began in August 2019, are included in the loss from discontinued operations in the accompanying consolidated statements of operations.

As a result of entering into the sale agreement, a significant amount of property and equipment (other than real estate) was disposed of and a loss of approximately $11,576,000 was recognized in 2019 and included in the loss from discontinued operations in the accompanying consolidated statements of operations.

Assets held for sale in the accompanying consolidated balance sheets is comprised of land and improvements of $330,152 and building and improvements of $15,609,672 at December 31, 2019 that will be sold as part of the agreement. No gain or loss on sale has been recognized in 2019.

The following amounts related to discontinued operations are included in the loss from discontinued operations in the accompanying consolidated statements of operations in 2019:

Total revenues	$ 308,312
Total expenses, including loss on disposal of approximately $11,576,000	(15,149,584)
Loss on discontinued operations	$ (14,841,272)

5. Net Patient Service Revenues

The Corporation routinely obtains assignments of (or is otherwise entitled to receive) patient benefits receivable under their health insurance programs, plans or policies (i.e. third party payors). Third party payors include both government payors, which include Medicare, Medicaid and Management Care Organizations and commercial insurance carriers. Agreements with third party payors typically provide for payments at amounts less than established charges. A summary of payment arrangements with third party payors, by service type, is as follows:

- Global budget revenue - SGMC, WOMC and FWMC have entered into agreements by which the third party payors pay a percentage of approved HSCRC charges. A reduced percentage can be obtained if the payor advances a certain amount of working capital.

- Rehabilitation services - Rehab has entered into agreements by which the third party payors pay at a contract rate per day or visit.

- Physician practice services - AMG has entered into agreements by which the third party payors pay negotiated rates per procedures as defined in the term sheet of the agreements.

- Imaging services - Imaging has entered into agreements by which the third party payors pay negotiated rates per procedures as defined in the term sheet of the agreements.

- Home health services - AHCS has entered into agreements by which the third party payors pay negotiated rates on a per visit basis.

Generally, patients who are covered by third party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured or underinsured patients financial assistance, by either policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustment, financial assistance and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenues in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

Net patient service revenues disaggregated by service type for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Global budget revenue	$ 673,535,497	$ 636,611,309
Rehabilitation services	51,093,067	46,385,493
Physician practice services	29,281,063	30,529,693
Imaging services	29,653,620	29,948,092
Home health services	29,741,785	28,779,161
Other health services	8,270,577	7,049,672
Total	$ 821,575,609	$ 779,303,420

Net patient service revenues disaggregated by payor for the years ended December 31, 2019 and 2018 are as follows:

	Medicare	Medicaid	Other Third Party Payors	Self-Pay and Other	Total
December 31, 2019	$ 312,084,164	$ 85,808,181	$ 391,026,645	$ 32,656,619	$ 821,575,609
December 31, 2018	$ 292,876,720	$ 85,066,955	$ 368,341,417	$ 33,018,328	$ 779,303,420

6. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2019 and 2018 are comprised of the following:

	2019	2018
Cash and cash equivalents	$ 17,760,607	$ 4,671,466
Corporate bonds	66,538,726	70,694,426
Asset backed securities	49,013,159	58,864,628
U.S. government securities,		
U.S. treasury notes	61,879,184	36,563,482
Mutual funds:		
Equity, balanced	19,696,954	16,628,693
Equity, growth	11,811,424	8,647,093
Total	$ 226,700,054	$ 196,069,788

Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2019 and 2018 is set forth in the following tables:

	2019	2018
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks:		
Cash and cash equivalents	$ 14,586,051	$ 55,754,102
U.S. government securities:		
U.S. treasury notes	26,293,806	82,672,276
U.S. government agency notes	1,197,960	2,355,520
Total	42,077,817	140,781,898
Less funds held for current liabilities	1,786,969	1,777,498
Noncurrent portion of assets held under trust indentures and capital lease purchase financing facilities	$ 40,290,848	$ 139,004,400

	2019	2018
Professional liability trust fund:		
Cash and cash equivalents	$ 2,187,780	$ 1,133,693
Mutual funds:		
Equity, large value	4,189,348	3,618,514
Equity, growth	1,745,440	1,179,972
Fixed income, intermediate	3,820,847	3,907,005
Fixed income, multi-sector	1,957,923	921,591
Fixed income, short-term	1,976,259	2,163,217
Total	15,877,597	12,923,992
Less funds held for current liabilities	1,929,261	1,795,731
Noncurrent portion of professional liability trust fund	$ 13,948,336	$ 11,128,261
Deferred compensation fund:		
Mutual funds:		
Equity, growth	$ 299,960	$ 203,128
Equity, large value	276,730	226,707
Equity, midcap value	111,786	111,635
Equity, other	423,336	313,022
Fixed income, intermediate	426,109	445,594
	$ 1,537,921	$ 1,300,086

The indenture requirements of certain tax-exempt financings provide for the establishment and maintenance of various accounts with a trustee (Note 12). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders.

The composition of trustee held and escrow funds at December 31, 2019 and 2018 is as follows:

	2019	2018
Debt service reserve funds	$ 28,803,898	$ 28,401,140
Principal and interest funds	9,179,467	17,902,335
Project fund	2,435,187	94,478,423
Mortgage reserve funds	1,659,265	-
Total	$ 42,077,817	$ 140,781,898

Investment income and gains and losses for investments, assets whose use is limited and cash and cash equivalents without donor restrictions are comprised of the following in 2019 and 2018:

	2019	2018
Investment income:		
Interest and dividends, net	$ 5,821,027	$ 5,292,594
Interest on trustee held funds	953,525	120,511
Net realized and unrealized gains and losses on investments	7,381,743	(3,128,140)
Total	$ 14,156,295	$ 2,284,965
Other changes in net assets without donor restriction,		
Change in net unrealized gains and losses on investments in debt securities	$ 8,144,221	$ (3,582,832)

7. Fair Value Measurements and Financial Instruments

The Corporation measures its short-term investments, assets whose use is limited, investments, beneficial interest in trusts and derivative financial instrument at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The fair value of the Corporation's financial instruments was measured using the following inputs at December 31:

	2019			
	Fair Value	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Reported at Fair Value				
Assets:				
Mutual funds:				
Fixed income, intermediate	$ 4,246,956	$ 4,246,956	$ -	$ -
Fixed income, multi-sector	1,957,923	1,957,923	-	-
Fixed income, short-term	1,976,259	1,976,259	-	-
Equity, growth	13,856,824	13,856,824	-	-
Equity, large value	4,466,078	4,466,078	-	-
Equity, balanced	19,696,954	19,696,954	-	-
Equity, midcap value	111,786	111,786		
Equity, other	423,336	423,336		
U.S. government securities:				
U.S. treasury notes	88,172,990	-	88,172,990	-
U.S. government agency notes	1,197,960	-	1,197,960	-
Asset backed securities	49,013,159	-	49,013,159	-
Corporate bonds	66,538,726	-	66,538,726	-
Beneficial interest in trusts	566,205	-	-	566,205
Total assets measured at fair value	252,225,156	$ 46,736,116	$ 204,922,835	$ 566,205
Cash and cash equivalents	35,449,101			
Total	$ 287,674,257			
Liabilities,				
Derivative financial instrument	$ 236,291	$ -	$ 236,291	$ -

	2018			
	Fair Value	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Reported at Fair Value				
Assets:				
Mutual funds:				
Fixed income, intermediate	$ 4,352,599	$ 4,352,599	$ -	$ -
Fixed income, multi-sector	921,591	921,591	-	-
Fixed income, short-term	2,163,217	2,163,217	-	-
Equity, growth	10,030,193	10,030,193	-	-
Equity, large value	3,845,221	3,845,221	-	-
Equity, balanced	16,628,693	16,628,693	-	-
Equity, midcap value	111,635	111,635	-	
Equity, other	313,022	313,022	-	
U.S. government securities:				
U.S. treasury notes	119,235,758	-	119,235,758	-
U.S. government agency notes	2,355,520	-	2,355,520	-
Asset backed securities	58,864,628	-	58,864,628	-
Corporate bonds	70,694,426	-	70,694,426	-
Beneficial interest in trusts	977,231	-	-	977,231
Total assets measured at fair value	290,493,734	$ 38,366,171	$ 251,150,332	$ 977,231
Cash and cash equivalents	62,449,848			
Total	$ 352,943,582			
Liabilities,				
Derivative financial instrument	$ 503,251	$ -	$ 503,251	$ -

The following table presents the fair value measurements for beneficial interest in trusts that have unobservable inputs at December 31, 2019 and 2018:

Balance, December 31, 2017	$ 1,052,891
Distributions	(5,824)
Decrease in value, included in changes in net assets with donor restrictions	(69,836)
Balance, December 31, 2018	977,231
Distributions	(206,400)
Decrease in value, included in changes in net assets with donor restrictions	(204,626)
Balance, December 31, 2019	$ 566,205

The following represents a reconciliation of the assets reported at fair value included in the fair value table within the accompanying consolidated balance sheets at December 31:

	2019	2018
Short-term investments (Note 6)	$ 226,700,054	$ 196,069,788
Assets whose use is limited (Note 6):		
Current portion	3,716,230	3,573,229
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	40,290,848	139,004,400
Professional liability trust fund	13,948,336	11,128,261
Deferred compensation fund	1,537,921	1,300,086
Investments held by foundations (Note 9)	914,663	890,587
Beneficial interest in trusts, included in deposits and other noncurrent assets	566,205	977,231
	$ 287,674,257	$ 352,943,582

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at December 31, 2019 and 2018.

Mutual funds: Valued based on quoted market prices.

U.S. government securities, asset backed securities, and corporate bonds: Valued based on estimated quoted market prices of similar securities.

Beneficial interest in trusts: Beneficial interest in trusts are valued based on the fair value of the trusts underlying assets which represents a proxy for discounted present value of future cash flows. Beneficial interest in trusts are included in deposits and other noncurrent assets in the accompanying consolidated balance sheets.

The Corporation measures its derivative financial instrument at fair value based on proprietary models of an independent third party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument and considers the credit risk of the Corporation and counterparty. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would pay to terminate the agreement.

8. Property and Equipment, Accumulated Depreciation and Amortization

Property and equipment and accumulated depreciation and amortization at December 31, 2019 and 2018 consist of the following:

	2019	2018
Land and improvements	$ 35,832,732	$ 31,408,104
Buildings and improvements	704,920,261	469,717,964
Office furniture and equipment	205,545,207	201,151,320
Computer software and hardware	131,686,833	137,906,569
Equipment under capital leases	-	27,952,929
Total	1,077,985,033	868,136,886
Less accumulated depreciation and amortization	(367,926,785)	(512,122,004)
Total	710,058,248	356,014,882
Construction in progress	14,785,582	296,867,837
	$ 724,843,830	$ 652,882,719

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2019 and 2018, the Corporation incurred interest expense, including amortization expense related to deferred financing costs, of approximately $17,533,000 and $12,679,000, respectively, of which approximately $763,000 was capitalized in 2019 and $727,400 was capitalized in 2018.

Depreciation expense, including amortization of equipment under capital leases, was approximately $38,264,000 in 2018. Accumulated amortization of equipment under capital lease as of December 31, 2018 was approximately $21,515,000. As discussed in Note 2 to the consolidated financial statements, the Corporation adopted new accounting standards guidance related to the accounting for leases in 2019. See Note 14 for further information on the Corporation’s financing and operating right-of-use assets and lease obligations.

Construction in progress as of December 31, 2019 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were approximately $15,418,000 at December 31, 2019. The cost of these projects is expected to be funded through operations, as well as transfers from the Corporation's related foundations.

9. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments and investments in unconsolidated subsidiaries include the following at December 31, 2019 and 2018:

	2019	2018
Investment in healthcare entities	$ 19,673,109	$ 6,417,119
Investment in Premier	2,047,709	9,831,206
Investments held by foundations	834,382	809,672
Total	$ 22,555,200	$ 17,057,997

Investment in Healthcare Entities

The Corporation recognized earnings of $431,407 and $521,675 during 2019 and 2018, respectively, related to its ownership interest in the healthcare entities accounted for under the equity method. A brief description of these investments is presented below:

Chesapeake Potomac Regional Cancer Center (CPRCC) - CPRCC provides outpatient radiation oncology services to patients in Maryland. The Corporation has a 20 percent ownership interest in CPRCC.

Doctors Regional Cancer Center (DRCC) - DRCC provides outpatient radiation oncology services to patients in Bowie and Lanham, Maryland. The Corporation has a 20 percent ownership interest in DRCC.

Shady Grove Medical Building, LLC (SGMB) - SGMB was organized for the purpose of developing and constructing a cancer care center on the campus of SGMC. The Corporation has a 50 percent ownership interest in SGMB.

White-Oak AHF-1 Manager, LLC (White-Oak) - White-Oak was organized for the purpose of developing and constructing a medical office building on the White Oak campus of WOMC. The Corporation has a 50 percent ownership in White-Oak.

The Corporation has invested $259,100 in Advanced Health Collaborative, LLC for a 25 percent ownership interest. This organization was formed to share ideas and explore opportunities to enhance quality of healthcare in the state of Maryland.

The Corporation has invested $3,884,672 in Advanced Health Collaborative II, LLC (AHC II) for a 25 percent interest. AHC II was formed to hold a 24 percent interest in Maryland Health Advantage, LLC which is a Medicare preferred provider network providing health services to its members.

The Corporation has invested $450,000 in CoreLife Adventist, LLC (CoreLife) for a 50 percent interest. CoreLife was formed to provide weight loss services.

FWMC has invested $475,000 in Fort Washington Urgent Care, Now, LLC. The purpose of Fort Washington Urgent Care, Now, LLC is to provide urgent and primary care and other health services to the community served by FWMC.

Summarized financial information related to these entities is presented below:

	2019	2018
Net revenue	$ 20,939,803	$ 18,786,903
Revenues in excess of expenses	1,844,746	1,919,276
Total assets	84,299,897	49,884,592
Total liabilities	44,571,905	24,630,109

Investment in Premier

The Corporation is a partner in Premier, Inc. (Premier), a health care system group purchasing organization. In 2013, the Corporation recorded its Premier investment under the cost method of accounting. In October 2013, Premier converted from a privately held company to a public company through the issuance of an Initial Public Offering. At the time of conversion, the Corporation was issued 493,810 Class B common units of which 78,946 units were sold.

The remaining 414,864 Class B common units held by the Corporation are exchangeable for Class A common stock over a 7-year quarterly vesting period. The Corporation recognized a gain of $1,824,832 and $1,421,915 during 2019 and 2018, respectively, based on the market value of the units available for exchange. In addition, the Corporation recognized earnings of $871,757 and $669,776 during 2019 and 2018, respectively, related to distributions. The Corporation sold 296,330 shares in 2019, resulting in a gain on sale of $1,855,686. Both the gains and the distributions are included in other revenues in the accompanying consolidated statements of operations.

Investments Held by Foundations

The Foundations also hold marketable debt and equity securities for funds not required to be expended in less than 90 days. These marketable securities are subject to credit and market risks.

10. Land Held for Healthcare Development

From 2002 through 2011, the Corporation acquired various parcels of land in Clarksburg, Maryland totaling approximately 200 acres. Several parcels of the land are fully owned by the Corporation, and the remainder is owned by Cabin Branch Commons, LLC (Cabin Branch), of which the Corporation owns 45 percent.

In May 2013, the Corporation and Cabin Branch entered into a purchase and sale agreement with an unrelated third party to sell 48.8 acres of the land located in Clarksburg. In June 2015, the Corporation and Cabin Branch closed on the sale of the land at a purchase price of $28,250,000. The Corporation's portion of the proceeds was $25,101,980. As of December 31, 2015, the Corporation received $13,225,064 of their portion of the purchase price, with the additional proceeds being held in escrow to be received upon the completion of certain infrastructure improvements to the property, for which the Corporation and Cabin Branch are collectively responsible. Those infrastructure improvements were completed during 2017, and the Corporation received the remaining proceeds from the escrow as reimbursement for the infrastructure improvements made to the property.

In April 2017, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 1.6 acres of the land located in Clarksburg. The Corporation closed on the sale of the land in April 2017 at a purchase price of $1,330,000 and the proceeds were received in April 2017.

In April 2017, the Corporation entered into a purchase and sale agreement with an unrelated third party to sell 9.95 acres of the land located in Clarksburg at a purchase price of $7,250,792. The Corporation's share of $4,565,265 was received in November and December of 2018.

The total proceeds received related to the parcels of land sold by the Corporation through December 31, 2019 was $30,997,245. No gain or loss was recognized on the sale of the parcels of land as of December 31, 2019 and 2018. Total remaining land held for healthcare development in Clarksburg as of December 31, 2019 and 2018, was $48,091,039 and $45,404,765, respectively.

11. Short-Term Financing

The Corporation has a $3,000,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 1.50 percent (3.2 percent at December 31, 2019). There were no borrowings outstanding under this line of credit as of December 31, 2019 or 2018. In January 2020, the line of credit was increased to $10,000,000.

12. Long-Term Obligations

Long-term obligations as of December 31, 2019 and 2018 are comprised of the following:

	2019	2018
Fixed rate revenue bonds	$ 520,240,447	$ 523,782,204
Variable rate revenue bonds	21,165,000	21,985,000
Note payable	21,295,957	22,089,282
Mortgage loan payable	6,838,270	-
Other long-term liabilities	7,181,371	14,092,321
Total obligations	576,721,045	581,948,807
Plus bond premium	9,782,453	10,144,766
Less:		
Current maturities	(14,070,657)	(9,151,220)
Deferred financing costs	(5,212,539)	(4,850,301)
Noncurrent portion of long-term obligations, net	$ 567,220,302	$ 578,092,052

Fixed Rate Revenue Bonds

Fixed rate revenue bonds consist of the Maryland Health and Higher Educational Facilities Authority Refunding Revenue Bonds. Fixed rate revenue bonds consist of the following at December 31:

	Par Amounts	Interest Rates	2019	2018
Adventist Healthcare, Inc.:				
Series 2011A	$ 57,205,000	5-6.25%	$ 57,205,000	$ 57,205,000
Series 2013	15,623,500	3.21%	6,750,447	8,342,204
Series 2014A	24,280,000	3.56%	21,315,000	22,090,000
Series 2016A	269,750,000	5.00%	269,750,000	269,750,000
Series 2016B	126,395,000	3.72%	126,395,000	126,395,000
Series 2017	40,000,000	2.77%	38,825,000	40,000,000
Total			$ 520,240,447	$ 523,782,204

The above bond issues are subject to trust indentures which impose various covenants on SGMC, WOMC, Rehab, Imaging, CIS, Other Health Services and the Support Center (collectively, the Obligated Group) which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities and the achievement of certain pre-established financial indicators. Management believes it has complied with these required financial covenants for the years ended December 31, 2019 and 2018. Debt service reserve funds are required on the Series 2011A, Series 2016A and Series 2017 bonds.

Variable Rate Revenue Bonds

The variable rate revenue bonds consist of the Maryland Health and Higher Educational Facilities Authority Revenue Refunding Bonds, Series 2014B, Adventist HealthCare, Inc. which had an outstanding balance of $21,165,000 and $21,985,000 as of December 31, 2019 and 2018, respectively. The Series 2014B Bonds bear interest at a variable rate of one month LIBOR plus 2.3 percent (4.0 percent at December 31, 2019). The Series 2014B bonds are subject to an Amended and Restated Master Trust Indenture that imposes various covenants on the Obligated Group which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities, and the achievement of certain pre-established financial indicators. Management believes it has complied with these required financial covenants for the years ended December 31, 2019 and 2018.

The bonds subject to the Amended and Restated Master Trust Indenture are secured by the unrestricted revenues of the Obligated Group as well as a mortgage interest in the facilities of SGMC, WOMC, and Rehab.

Note Payable

In December 2014, the corporation entered into a taxable term note for $25,000,000 with a commercial bank, which is secured by a Master Note issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003. The note bears interest at one month LIBOR plus 2.45 percent (4.1 percent as of December 31, 2019). The amortization on the note extends to December 18, 2034, however, the note matures on December 18, 2024. As of December 31, 2019 and 2018, the outstanding balance was $21,295,957 and $22,089,282, respectively.

Mortgage Loan Payable

On December 23, 2004, FWMC entered into an $11,055,000 taxable mortgage loan insured by HUD through its Federal Housing Administration (FHA). The loan provided for the satisfaction of FWMC's previous bond obligation and for construction, new equipment and financing costs.

During the year ended December 31, 2013, the loan was refinanced through the same lender to lower the interest from 6.125 percent to 3.95 percent per annum payable in monthly installments. The term of the loan was not changed and the last payment is due in 2030.

As of December 31, 2019, the outstanding balance on the loan was $6,838,270 and payable in $63,098 monthly installments including interest at 3.95 percent. The loan is subject to restrictive covenants, including restrictions on additional long-term borrowings and prepayment of the outstanding obligation. In accordance with the terms of the Regulatory Agreement with HUD, FWMC is required to meet certain financial covenants in order to distribute assets to affiliates or incur additional indebtedness. Under the terms of the HUD-insured mortgage loan, FWMC is required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited. The loan is secured by the FWMC premises and all the assets and cash flows contained therein.

Other Long-Term Liabilities

This category consists of several capital lease obligations on various types of medical and IT equipment and other long-term obligations. The financed equipment serves as security on these leases. Interest rates on these other long-term liabilities range from 2.70 percent - 3.40 percent.

Scheduled principal repayments of long-term obligations, excluding financing and operating lease obligations at December 31, 2019 are as follows:

Years ending December 31:	
2020	$ 14,070,657
2021	13,760,601
2022	14,257,932
2023	13,664,023
2024	13,476,022
Thereafter	507,491,810
Total	$ 576,721,045

13. Derivative Financial Instrument

The Corporation has an interest rate swap agreement, which is considered a derivative financial instrument. The agreement is for a notional amount of $18,780,000 and requires the Corporation to pay a fixed interest rate of 3.457 percent while receiving variable interest rates based upon 67 percent of LIBOR, maturing January 2021. The agreement was entered into in order to manage interest rate exposure. The principal objective of the swap agreement is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on its debt portfolio. The notional amount of the swap agreement is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreement. The interest rate swap agreement is reported at fair value in the consolidated balance sheets. At December 31, 2019 and 2018, the fair value of the Corporation's derivative financial instrument was $236,291 and $503,251, respectively.

During 2016, the Corporation terminated one of its interest rate swap agreements with a notional amount of $78,000,000 that was designated as a cash flow hedge with the counterparty for $16,875,000. The Corporation borrowed the termination fee, which was included as a component of the proceeds for the 2016B bonds. No gain or loss was recognized on the termination of the swap. As of December 31, 2019 and 2018, $10,923,435 and $11,606,149, respectively, remained in net assets without donor restriction and is being amortized over the remaining term of the hedge, or through January 2035.

The net cash paid or received under the swap agreement is recognized as either an adjustment to interest expense or other income. The net cash paid under the interest rate swap agreement was $368,462 in 2019 and $582,142 in 2018. The remaining amounts for 2019 and 2018 are reported as a component of other income (expense) in the accompanying consolidated statements of operations, which is related to the swap agreement that does not qualify for hedge accounting.

The fair value of the interest rate swap agreement is estimated to be the amount the Corporation would receive or pay to terminate the swap agreements at the reporting date and was based on information supplied by an independent third party valuation agent (Note 7). Additionally, the fair value reflects a credit risk adjustment required under accounting principles generally accepted in the United States of America. Gains or losses resulting from the interest rate swap agreement are entirely recognized as a component of revenues in excess of expenses from continuing operations. The impact on the consolidated statements of operations were gains of $266,960 in 2019 and $642,052 in 2018.

On October 3, 2008, the counterparty for the Corporation's fixed pay swap maturing in January 2035, Lehman Brothers, Inc., commenced proceedings under Chapter 11 of the Bankruptcy Code. This action triggered an Event of Default under the ISDA Master Agreement in effect with said party and gave the Corporation the right to terminate the transaction.

On October 16, 2008, the Corporation terminated this agreement and concurrently entered into an agreement with a new counterparty that assumed all existing terms and conditions of the original agreement. The termination of the original swap agreement resulted in a loss of $472,023 which is included in net assets without donor restriction in the consolidated balance sheets. This loss is being amortized over the remaining term of the designated period of the hedge, or through January 2035. As of December 31, 2019 and 2018, accumulated amortization of $219,615 and $201,632, respectively, is included in other changes in net assets without donor restriction and interest expense in the consolidated statements of operations and changes in net assets.

14. Leases

The Corporation leases office space and equipment used in operations. For many of these leases, the Corporation is responsible for paying property taxes, insurance, as well as maintenance and repair costs. The Corporation’s real estate leases generally have initial lease terms of 3 to 20 years or more and typically include one or more options to renew, with renewal terms that generally extend the lease term for an additional five to ten years or more. The Corporation assesses renewal options using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore the majority of its leases’ terms do not include renewal periods for accounting purposes. For leases where the Corporation is reasonably certain to exercise its renewal option, the option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability. The payment structure of the Corporation’s leases generally include annual escalation clauses that are either fixed or variable in nature, some of which are dependent upon published indices. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and expenses for these leases are recognized on a straight-line basis over the lease term as an operating expense.

Certain leases include an option to purchase the leased assets. The Corporation assesses the likelihood of exercising the purchase option using a "reasonably certain" threshold, which is understood to be a high threshold and, therefore, purchase options are generally accounted for when a compelling economic reason to exercise the option exists. Certain leases include an option to terminate the lease, the terms and condition of which vary by contract. These options allow the parties to the contract to terminate their obligations typically in return for an agreed upon financial consideration amount. The Corporation’s lease agreements do not contain material residual value guarantees.

The Corporation makes certain assumption and judgements in determining the discount rate, as most leases do not provide an implicit rate. The Corporation uses a risk-free discount rate based on information available at the commencement date in determining the present value of lease payments. In order to apply discount rate, a portfolio approach was utilized to group assets based on similar lease terms in a manner whereby the Corporation reasonably expects that the application does not differ materially from application to individual leases.

Subsequent to the lease commencement date, the Corporation reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term, or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

Future minimum payments under operating lease obligations as of December 31, 2019 were as follows:

Years ending December 31:	
2020	$ 16,161,098
2021	15,133,534
2022	14,183,765
2023	13,091,393
2024	8,033,413
Thereafter	17,229,976
Total	83,833,179
Lease amount representing interest	9,621,728
Total operating lease obligations	74,211,451
Less current portion	13,242,576
Long-term obligation	$ 60,968,875

Future minimum payments under financing lease obligations as of December 31, 2019 were as follows:

Years ending December 31:	
2020	$ 1,124,746
2021	850,712
2022	745,208
2023	230,745
2024	31,357
Total	2,982,768
Less amount representing interest	181,059
Total financing lease obligations	2,801,709
Less current portion	1,053,932
Total	$ 1,747,777

Total lease costs are comprised of the following in 2019:

Financing lease cost:	
Amortization of right-of-use asset	$ 1,126,052
Interest on lease obligations	103,857
Operating lease cost	17,034,804
Total lease cost	$ 18,264,713

Other supplemental information as of and for the year ended December 31, 2019 is as follows:

Weighted-average remaining lease term:	
Financing lease obligations	3.03 years
Operating lease obligations	6.12 years
Weighted-average discount rate:	
Financing lease obligations	3.19%
Operating lease obligations	4.44%

Certain lease agreements contain a number of restrictive covenants that, among other things, and subject to certain exemptions, impose operating and financial restrictions on the Corporation. These leases also require the Corporation to meet financial covenants, including a liquidity ratio and maximum net leverage ratio.

15. Retirement, Health Plan and Life Insurance

Defined Contribution Retirement Plan

The Corporation sponsors a 401(a) defined contribution retirement plan, which covers substantially all full-time employees. After twelve months of full-time or regular part-time employment of at least 1,000 base hours, the Corporation will contribute a total of 2 percent of eligible employees' compensation, plus a matching employer contribution equal to 50 percent of employee contributions (to the 403(b) plan) up to 6 percent of base salary. The Corporation also has a 403(b) retirement savings plan for employees. Employee contributions are made to the 403(b) retirement savings plan. Retirement plan expense was $11,087,036 in 2019 and $10,101,533 in 2018.

Supplemental Executive Retirement Plan

The Corporation also has a Supplemental Executive Retirement Plan (SERP) that became effective in 2015 and covers a group of key executives. SERP expense was $201,322 in 2019 and $236,635 in 2018. In addition, a SERP liability adjustment was recorded for $789,431 in 2019 and $(1,609,635) in 2018, which was recognized in net assets without donor restriction in the consolidated statements of changes in net assets. At December 31, 2019 and 2018, the Corporation's liability for the SERP was $2,619,727 and $2,418,405, respectively, which is included in other liabilities in the consolidated balance sheets.

Executive Retention 457(F) Plan

Effective January 1, 2015, the Corporation established the Executive Retention 457(F) Plan (the 457(F) Plan). The 457(F) Plan is a tax-deferred plan offered to key executives, whereby annual employer contributions are made to the Plan. Plan participants become vested in the contributions and receive plan payments in the second calendar year after the contribution is made, if the participant is still employed. The final contribution will be made to the Plan for the year in which the plan participant becomes 62. The 457(F) plan expense was $2,198,352 in 2019 and $1,305,693 in 2018. The Corporation's liability for the 457(F) plan at December 31, 2019 and 2018 was $2,468,554 and $2,549,173, respectively, which is included in other liabilities in the consolidated balance sheets.

Salary Deferral (457(b)) Plan

Employees who contribute the maximum allowable amount to the 403(b) retirement plan have an opportunity to contribute additional funds on a tax-deferred basis to a 457(b) retirement plan up to the maximum tax-sheltered opportunity. There are no employer contributions to this plan.

Health Plan

The Corporation maintains a self-insurance employee program for its health insurance coverage. The Corporation accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its stop-loss insurance coverage, based upon data provided by the third party administrator of the program and historical claims experience.

Life Insurance

Full-time and part-time employees are insured, through a third party carrier, for an amount equal to one times their base salary at time of enrollment up to $450,000 for full-time employees and $10,000 for part-time employees. In addition, if death is caused by accident, the employee is insured for an additional benefit equal to the amount of their life insurance.

16. Commitments and Contingencies

Litigation and Claims

The Corporation is subject to asserted and unasserted claims (in addition to litigation) encountered in the ordinary course of business. In the opinion of management and after consultation with legal counsel, the Corporation has established adequate reserves related to all known matters. The outcome of any potential investigative, regulatory or prosecutorial activity that may occur in the future cannot be predicted with certainty. However, any associated potential future losses resulting from such activity could have a material adverse effect on the Corporation's future financial position, results of operations and liquidity.

Insurance

The Corporation's primary coverage for professional liability is provided through a self-funded insurance retention trust (the Trust) established on January 1, 1993. The Trust is funded based on actuarial estimates and provides coverage of $4,000,000 per occurrence with no annual aggregate limitation. The Trust also provides general liability coverage up to $1,000,000 per occurrence and $3,000,000 in the aggregate. The Corporation also carries umbrella excess liability insurance on a claims made basis with a commercial carrier, with limits of $20,000,000 per occurrence and in aggregate.

It is the Corporation's policy to accrue for the ultimate cost of uninsured asserted and unasserted malpractice claims, if any, when incidents occur. Based on a review of the Corporation's prior experience and incidents occurring through December 31, 2019, management determined that the fully-funded professional liability reserve reported at December 31, 2019 and 2018 is adequate in light of the program's excess umbrella policy currently in force and historical claims experience. The estimated professional liability for both asserted and unasserted claims was $18,068,182 and $16,725,085 at December 31, 2019 and 2018, respectively. The discount rate used in determining these liabilities was 2.5 percent at both December 31, 2019 and 2018.

The Corporation is self-insured for unemployment and workers' compensation benefits. The liability for unemployment and worker's compensation claims payable is an estimate based on the Corporation's past experience and is included in the accompanying consolidated balance sheets. It is reasonably possible that the estimates used could change materially in the near term.

Remediation

Certain buildings, which were constructed prior to the passage of the Clean Air Act, contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe fashion prior to demolition and renovation of these buildings. At this time, the Corporation has no plans to demolish or renovate these buildings and, as such, cannot reasonably estimate the fair value of the liability for such asbestos removal.

17. Business and Credit Concentrations

The Corporation grants credit to patients, substantially all of whom are local residents. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans or policies.

At December 31, 2019 and 2018, concentrations of gross receivables from third party payors and others are as follows:

	2019	2018
Medicare	21 %	22 %
Medicaid	13	12
Other third party payors	46	41
Self-pay and others	20	25
	100 %	100 %

The Corporation maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000.

18. Liquidity and Availability

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

	2019	2018
Cash and cash equivalents	$ 25,807,370	$ 41,673,365
Short-term investments	226,700,054	196,069,788
Patient accounts receivable, net	117,498,048	94,756,571
Other receivables, net	13,764,346	12,096,855
Assets whose use is limited,		
Professional liability trust fund	13,948,336	11,128,261
Total	$ 397,718,154	$ 355,724,840

The Corporation has designated certain assets as available for settling professional liability claims however these assets could be used for general expenditure if necessary and therefore have been included in the information above.

As part of the Corporation's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests excess cash in short-term investments.

19. Functional Expenses

A summary of the Corporation's operating expenses by function for the year ended December 31, 2019 is as follows:

	Hospital Acute and Ambulatory Services	Home Care Services	Other Health Care Services	Other, Including General and Administrative	Fundraising	Total
Salaries and wages	$ 237,701,341	$ 19,811,693	$ 88,846,505	$ 38,079,526	$ -	$ 384,439,065
Employee benefits and payroll taxes	46,478,154	3,414,470	15,608,146	8,175,118	-	73,675,888
Contract labor	35,780,089	479,361	2,167,499	272,084	-	38,699,033
Medical supplies	101,992,687	406,656	5,369,499	(31,596)	-	107,737,246
General and administrative	56,215,257	1,136,904	21,347,473	46,741,649	1,982,059	127,423,342
Building and maintenance	29,982,952	688,095	11,153,982	2,175,935	-	44,000,964
Insurance	4,777,573	117,608	2,007,774	48,017	-	6,950,972
Interest	13,355,155	-	535,784	2,695,241	-	16,586,180
Depreciation and amortization	26,247,404	321,948	4,108,322	10,904,606	-	41,582,280
Loss on disposal of property and equipment	-	-	-	3,265,295	-	3,265,295
Total	$ 552,530,612	$ 26,376,735	$ 151,144,984	$ 112,325,875	$ 1,982,059	$ 844,360,265

In 2019, the Corporation also incurred other health care services expenses of $15,149,584 related to the Takoma Park campus that were included in the loss from discontinued operations in the consolidated statements of operations. These expenses were comprised of the loss on disposal of $11,575,977, building and maintenance of $1,173,959, interest of $1,860,402 and miscellaneous other operating expenses related to the operations of the walk-in clinic.

A summary of the Corporation's operating expenses by function for the year ended December 31, 2018 is as follows:

	Hospital Acute and Ambulatory Services	Home Care Services	Other Health Care Services	Other, Including General and Administrative	Fundraising	Total
Salaries and wages	$ 220,718,693	$ 18,731,190	$ 88,625,657	$ 38,100,836	$ -	$ 366,176,376
Employee benefits and payroll taxes	47,966,466	3,553,383	13,110,485	7,591,278	-	72,221,612
Contract labor	32,343,445	245,199	2,963,787	202,224	-	35,754,655
Medical supplies	98,202,724	458,492	5,875,860	43,582	-	104,580,658
General and administrative	55,707,950	1,215,423	17,182,465	48,146,794	110,280	122,362,912
Building and maintenance	30,686,995	704,542	7,821,497	2,131,732	-	41,344,766
Insurance	4,741,326	105,956	1,861,698	2,404,029	-	9,113,009
Interest	8,724,197	-	530,114	2,696,971	-	11,951,282
Depreciation and amortization	22,503,068	314,415	4,087,192	11,215,519	-	38,120,194
Total	$ 521,594,864	$ 25,328,600	$ 142,058,755	$ 112,532,965	$ 110,280	$ 801,625,464

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2019

	Shady Grove Medical Center	White Oak Medical Center	Rehabilitation	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care Centers	One Health Quality Alliance	Adventist HealthCare, Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Assets																	
Current Assets																	
Cash and cash equivalents	$ 213,113,631	$ (113,924,577)	$ 23,994,274	$ (23,719,381)	$ (36,213,052)	$ (1,023,315)	$ (33,841,725)	$ -	$ 28,385,855	$ 1,478,359	$ 373,750	$ 9,311,478	$ (14,085,019)	$ (3,278,261)	$ 3,621,208	$ -	$ 25,807,370
Short-term investments	-	-	-	-	-	-	226,700,054	-	226,700,054	-	-	-	-	-	-	-	226,700,054
Assets whose use is limited	-	-	-	-	-	-	3,716,230	-	3,716,230	-	-	-	-	-	-	-	3,716,230
Patient accounts receivable	56,963,630	40,524,481	5,839,124	2,554,761	838,474	(15,305)	150	-	106,705,315	5,246,936	-	4,965,569	580,228	-	-	-	117,498,048
Other receivables	2,887,460	3,382,019	68,345	1,071,529	173,389	546,234	4,335,747	(782,297)	11,682,426	(959,034)	2,329,485	19,406	-	-	692,063	-	13,764,346
Inventories	5,024,652	5,708,507	95,929	-	-	138,909	-	-	10,967,997	1,450,231	-	152	-	-	-	-	12,418,380
Prepaid expenses and other current assets	867,991	569,290	111,820	122,538	137,032	61,056	5,287,534	-	7,157,261	774,424	42,915	49,710	49,890	-	-	-	8,074,200
Total current assets	278,857,364	(63,740,280)	30,109,492	(19,970,553)	(35,064,157)	(292,421)	206,197,990	(782,297)	395,315,138	7,990,916	2,746,150	14,346,315	(13,454,901)	(3,278,261)	4,313,271	-	407,978,628
Property and Equipment, Net	180,743,158	426,431,717	9,290,726	6,722,931	2,011,625	153,335	74,058,769	-	699,412,261	16,942,558	1,324,794	1,064,185	6,100,032	-	-	-	724,843,830
Financing Lease Right-of-Use Asset	-	-	-	2,711,291	-	-	-	-	2,711,291	254,535	-	-	-	-	-	-	2,965,826
Operating Lease Right-of-Use Asset	38,502,293	3,962,433	785,412	5,081,361	2,563,571	705,809	9,029,531	-	60,630,410	198,798	2,268,005	2,199,183	7,842,011	-	-	-	73,138,407
Assets Whose Use is Limited																	
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	1,362,948	33,432,715	456,266	-	-	-	3,379,654	-	38,631,583	1,659,265	-	-	-	-	-	-	40,290,848
Professional liability trust fund	-	-	-	-	-	-	13,948,336	-	13,948,336	-	-	-	-	-	-	-	13,948,336
Deferred compensation fund	-	-	-	-	-	-	1,537,921	-	1,537,921	-	-	-	-	-	-	-	1,537,921
Cash and Cash Equivalents Restricted for Capital Acquisitions	333,897	-	112,854	-	-	-	-	-	446,751	598	365,923	-	-	-	109,053	-	922,325
Investments and Investments in Unconsolidated Subsidiaries	(1,942,436)	12,769,669	-	-	-	-	17,867,204	-	28,694,437	475,000	-	-	-	-	834,382	(7,448,619)	22,555,200
Land Held for Healthcare Development	-	-	-	-	-	-	48,091,039	-	48,091,039	-	-	-	-	-	-	-	48,091,039
Intangible Assets, Net	1,547,663	-	781,077	5,435,091	-	11,204	-	-	7,775,035	-	-	143,676	-	-	-	-	7,918,711
Deposits and Other Noncurrent Assets	1,291,161	31,351	43,000	51,351	21,371	32,754	416,891	-	1,887,879	44,097	5,054	30,828	200,582	-	1,509,233	-	3,677,673
Assets Held for Sale	-	-	-	-	-	15,939,824	-	-	15,939,824	-	-	-	-	-	-	-	15,939,824
Total assets	$ 500,696,048	$ 412,887,605	$ 41,578,827	$ 31,472	$ (30,467,590)	$ 16,550,505	$ 374,527,335	$ (782,297)	$ 1,315,021,905	$ 27,565,767	$ 6,709,926	$ 17,784,187	$ 687,724	$ (3,278,261)	$ 6,765,939	$ (7,448,619)	$ 1,363,808,568

Adventist HealthCare, Inc. and Controlled Entities
Consolidating Schedule, Balance Sheet
December 31, 2019

Liabilities and Net Assets	Shady Grove Medical Center	White Oak Medical Center	Rehabilitation	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care Centers	One Health Quality Alliance	Adventist HealthCare, Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Current Liabilities																	
Accounts payable and accrued expenses	$ 37,047,302	$ 27,374,311	$ 2,202,028	$ 1,353,322	$ 1,463,814	$ 1,105,357	$ 30,029,204	$ -	$ 100,575,338	$ 7,093,724	$ 572,604	$ 1,377,738	$ 470,821	$ 212,713	$ 34,708	$ -	110,337,646
Accrued compensation and related items	16,032,365	9,618,707	3,089,449	226,519	723,109	257,413	11,254,762	(782,297)	40,420,027	2,100,781	767,217	2,003,217	383,367	-	-	-	45,674,609
Interest payable	-	-	-	-	-	-	9,648,902	-	9,648,902	267,328	-	-	-	-	-	-	9,916,230
Due to third party payors	11,383,135	8,024,033	(465,307)	-	-	-	67,547	-	19,009,408	579,746	-	-	-	-	-	-	19,589,154
Estimated self-insured professional liability	-	-	-	-	-	-	1,929,261	-	1,929,261	-	-	-	-	-	-	-	1,929,261
Current maturities of:																	
Long-term obligations	4,835,201	6,299,663	-	-	-	-	2,252,990	-	13,387,854	499,670	-	-	183,133	-	-	-	14,070,657
Financing lease obligations	-	-	-	996,874	-	-	-	-	996,874	57,058	-	-	-	-	-	-	1,053,932
Operating lease obligations	6,899,728	799,049	298,105	1,475,879	486,033	200,009	1,386,194	-	11,544,997	105,478	620,101	417,594	554,406	-	-	-	13,242,576
Total current liabilities	76,197,731	52,115,763	5,124,275	4,052,594	2,672,956	1,562,779	56,568,860	(782,297)	197,512,661	10,703,785	1,959,922	3,798,549	1,591,727	212,713	34,708	-	215,814,065
Construction Payable	2,421,408	8,104,689	3,620	13,750	-	-	350,830	-	10,894,297	-	-	-	-	-	-	-	10,894,297
Long-Term Obligations, Net																	
Bonds payable	125,177,952	369,180,227	4,299,099	-	-	-	37,687,813	-	536,345,091	-	-	-	(13,446)	-	-	-	536,331,645
Notes payable	1,497,700	703,997	-	-	-	-	18,651,916	-	20,853,613	5,883,532	-	-	4,151,512	-	-	-	30,888,657
Financing lease obligations	-	-	-	1,537,415	-	-	-	-	1,537,415	210,362	-	-	-	-	-	-	1,747,777
Operating lease obligations	32,192,898	3,216,970	491,983	3,676,838	2,116,351	516,461	7,808,544	-	50,020,045	93,320	1,670,477	1,817,611	7,367,422	-	-	-	60,968,875
Derivative Financial Instrument	-	-	-	-	-	-	236,291	-	236,291	-	-	-	-	-	-	-	236,291
Other Liabilities	1,605,154	-	-	-	464,689	-	8,218,894	-	10,288,737	3,216,258	-	-	-	-	47,598	-	13,552,593
Estimated Self-Insured Professional Liability	-	-	-	-	-	-	16,138,921	-	16,138,921	-	-	-	-	-	-	-	16,138,921
Total liabilities	239,092,843	433,321,646	9,918,977	9,280,597	5,253,996	2,079,240	145,662,069	(782,297)	843,827,071	20,107,257	3,630,399	5,616,160	13,097,215	212,713	82,306	-	886,573,121
Net Assets (Deficit)																	
Net assets (deficit) without donor restrictions	261,786,691	(21,243,431)	31,386,196	(9,274,125)	(35,721,586)	14,471,265	228,222,993	-	469,628,003	7,351,510	2,666,176	12,168,027	(12,409,491)	(3,490,974)	2,704,352	(7,341,619)	471,275,984
Net assets (deficit) with donor restrictions	(183,486)	809,390	273,654	25,000	-	-	642,273	-	1,566,831	107,000	413,351	-	-	-	3,979,281	(107,000)	5,959,463
Total net assets (deficit)	261,603,205	(20,434,041)	31,659,850	(9,249,125)	(35,721,586)	14,471,265	228,865,266	-	471,194,834	7,458,510	3,079,527	12,168,027	(12,409,491)	(3,490,974)	6,683,633	(7,448,619)	477,235,447
Total liabilities and net assets (deficit)	$ 500,696,048	$ 412,887,605	$ 41,578,827	$ 31,472	$ (30,467,590)	$ 16,550,505	$ 374,527,335	$ (782,297)	$ 1,315,021,905	$ 27,565,767	$ 6,709,926	$ 17,784,187	$ 687,724	$ (3,278,261)	$ 6,765,939	$ (7,448,619)	$ 1,363,808,568

Adventist Healthcare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations

Year Ended December 31, 2019

	Shady Grove Medical Center	White Oak Medical Center	Rehabilitation	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care Centers	One Health Quality Alliance	Adventist HealthCare, Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Revenues																	
Net patient service revenue	$ 418,126,760	$ 266,594,362	$ 53,718,379	$ 29,653,620	$ 8,645,083	$ -	$ -	$ (62,038)	$ 776,676,166	$ 8,514,690	$ 801,425	$ 29,741,785	$ 6,535,352	$ -	$ -	$ (693,809)	$ 821,575,609
Other revenues	11,740,940	4,670,930	610,188	1,811,592	867,448	6,773,596	7,736,877	(9,439,612)	24,771,959	87,846	16,216,023	258,521	80	157,548	2,055,876	(2,619,640)	40,928,213
Total revenues	429,867,700	271,265,292	54,328,567	31,465,212	9,512,531	6,773,596	7,736,877	(9,501,650)	801,448,125	8,602,536	17,017,448	30,000,306	6,535,432	157,548	2,055,876	(3,313,449)	862,503,822
Expenses																	
Salaries and wages	152,430,057	100,783,017	29,956,596	16,172,790	8,011,835	2,829,676	38,079,526	(310,681)	347,952,816	4,070,934	8,726,097	19,811,693	3,871,526	5,999	-	-	384,439,065
Employee benefits	30,113,310	18,601,084	5,564,034	2,921,792	1,209,595	515,328	8,175,118	(48,025)	67,052,236	831,168	1,740,098	3,414,470	634,614	3,302	-	-	73,675,888
Contract labor	22,859,819	14,425,581	903,894	(1,712,712)	100,000	626,834	272,084	(71,100)	37,404,400	635,598	249,333	479,361	135,433	100,307	-	(305,399)	38,699,033
Medical supplies	55,997,110	45,770,940	1,846,157	1,495,224	426,710	743,573	(31,596)	(42,796)	106,205,322	697,972	117,289	406,656	310,007	-	-	-	107,737,246
General and administrative	37,326,733	27,910,464	3,503,927	4,255,890	1,914,893	1,374,937	49,494,413	(6,164,536)	119,616,721	1,356,322	4,145,495	1,136,904	1,218,247	656,518	1,982,059	(2,688,924)	127,423,342
Building and maintenance	25,407,813	7,955,502	1,873,442	4,027,383	1,955,535	1,701,847	2,175,935	(4,269,405)	40,828,052	315,099	999,554	688,095	1,192,891	300	-	(23,027)	44,000,964
Insurance	3,251,156	2,171,984	311,358	428,688	398,762	5,366	48,017	-	6,615,331	133,133	10,633	117,608	74,267	-	-	-	6,950,972
Interest	6,241,238	7,056,513	189,569	125,479	-	1,860,402	2,695,241	(1,860,402)	16,308,040	57,404	-	-	220,736	-	-	-	16,586,180
Depreciation and amortization	16,411,917	9,749,295	1,047,674	2,280,351	64,532	59,624	10,904,606	-	40,517,999	208,807	171,341	321,948	362,185	-	-	-	41,582,280
Loss (gain) on disposal of property and equipment	-	-	-	-	-	11,575,977	3,265,295	(11,575,977)	3,265,295	-	-	-	-	-	-	-	3,265,295
IT depreciation	6,346,694	2,985,655	464,189	85,777	-	27,534	(9,985,325)	-	(75,476)	-	-	75,476	-	-	-	-	-
IT services	21,497,051	11,673,974	2,111,537	1,179,465	119,613	135,074	(37,412,027)	-	(695,313)	-	-	695,313	-	-	-	-	-
Shared services	19,213,206	10,681,284	1,634,724	492,538	756,952	73,496	(33,626,500)	-	(774,300)	-	310,355	410,472	53,473	-	-	-	-
Management fees	9,940,544	5,716,347	1,417,193	494,121	492,538	145,592	(19,571,019)	-	(1,364,684)	-	338,708	875,479	150,497	-	-	-	-
Total expenses	407,036,648	265,481,640	50,824,294	32,246,786	15,450,965	21,675,260	14,483,768	(24,342,922)	782,856,439	8,306,437	16,808,903	28,433,475	8,223,876	766,426	1,982,059	(3,017,350)	844,360,265
Income (loss) from operations	22,831,052	5,783,652	3,504,273	(781,574)	(5,938,434)	(14,901,664)	(6,746,891)	14,841,272	18,591,686	296,099	208,545	1,566,831	(1,688,444)	(608,878)	73,817	(296,099)	18,143,557
Other Income (Expense)																	
Investment income	6,527,427	844,601	615,581	-	-	44,644	5,889,110	-	13,921,363	-	11,847	223,085	-	-	-	-	14,156,295
Other income (expense)	(237,480)	(180,058)	(8,665)	19,615	560	-	(1,102,030)	-	(1,508,058)	-	(272)	(2,384)	-	-	-	-	(1,510,714)
Inherent contribution on business combination	-	-	-	-	-	-	7,045,520	-	7,045,520	7,045,520	-	-	-	-	-	(7,045,520)	7,045,520
Total other income (expense)	6,289,947	664,543	606,916	19,615	560	44,644	11,832,600	-	19,458,825	7,045,520	11,575	220,701	-	-	-	(7,045,520)	19,691,101
Revenues in excess of (less than) expenses from continuing operations	29,120,999	6,448,195	4,111,189	(761,959)	(5,937,874)	(14,857,020)	5,085,709	14,841,272	38,050,511	7,341,619	220,120	1,787,532	(1,688,444)	(608,878)	73,817	(7,341,619)	37,834,658
Change in net unrealized gains and losses on investments in debt securities	3,375,542	621,438	314,694	-	-	21,361	3,689,557	-	8,022,592	-	1,485	109,906	-	-	10,238	-	8,144,221
Change in net unrealized gain on derivative financial instrument	-	-	-	-	-	-	700,697	-	700,697	-	-	-	-	-	-	-	700,697
Transfers from (to) subsidiaries	(40,578)	(16,396,175)	-	(1,041,352)	2	29,541,589	(12,063,487)	-	(1)	-	2	(1)	-	-	-	-	-
Net assets released from restriction for purchase of property and equipment	106,859	1,670,807	-	-	-	-	(42)	-	1,777,624	-	-	-	-	-	-	-	1,777,624
Deferred compensation plan liability adjustment	-	-	-	-	-	-	(789,431)	-	(789,431)	-	-	-	-	-	-	-	(789,431)
Other net asset activity	-	-	-	-	-	(2,174,643)	2,150,395	-	(24,248)	-	-	-	-	-	-	-	(24,248)
Increase (decrease) in net assets (deficit) without donor restrictions from continuing operations	32,562,822	(7,655,735)	4,425,883	(1,803,311)	(5,937,872)	12,531,287	(1,226,602)	14,841,272	47,737,744	7,341,619	221,607	1,897,437	(1,688,444)	(608,878)	84,055	(7,341,619)	47,643,521
Loss from discontinued operations	-	-	-	-	-	-	-	(14,841,272)	(14,841,272)	-	-	-	-	-	-	-	(14,841,272)
Increase (decrease) in net assets (deficit) without donor restrictions	$ 32,562,822	$ (7,655,735)	$ 4,425,883	$ (1,803,311)	$ (5,937,872)	$ 12,531,287	$ (1,226,602)	$ -	$ 32,896,472	$ 7,341,619	$ 221,607	$ 1,897,437	$ (1,688,444)	$ (608,878)	$ 84,055	$ (7,341,619)	$ 32,802,249

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Balance Sheet
December 31, 2019

	Shady Grove Medical Center Foundation, Inc.	White Oak Medical Center Foundation, Inc.	Eliminating Entries	Combined Adventist HealthCare, Inc. Foundations
Assets				
Current Assets				
Cash and cash equivalents	$ 3,093,500	$ 527,708	$ -	$ 3,621,208
Current portion of pledges receivable, less allowance for doubtful pledges	241,315	450,748	-	692,063
Total current assets	3,334,815	978,456	-	4,313,271
Cash and Cash Equivalents Restricted for Capital Acquisitions	-	109,053	-	109,053
Investments	834,382	-	-	834,382
Beneficial Interest in Trusts	180,282	428,036	-	608,318
Noncurrent Portion of Pledges Receivable	147,054	753,861	-	900,915
Total assets	$ 4,496,533	$ 2,269,406	$ -	$ 6,765,939
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$ 34,708	$ -	$ -	$ 34,708
Liability to Charitable Gift Annuitants	47,598	-	-	47,598
Total liabilities	82,306	-	-	82,306
Net Assets				
Net assets without donor restrictions	2,555,227	149,125	-	2,704,352
Net assets with donor restrictions	1,859,000	2,120,281	-	3,979,281
Total net assets	4,414,227	2,269,406	-	6,683,633
Total liabilities and net assets	$ 4,496,533	$ 2,269,406	$ -	$ 6,765,939

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Statement of Operations and Changes in Net Assets
Year Ended December 31, 2019

	Shady Grove Medical Center Foundation, Inc.	White Oak Medical Center Foundation, Inc.	Eliminating Entries	Combined Adventist HealthCare, Inc. Foundations
Changes in Net Assets Without Donor Restrictions				
Revenues, Gains, and Other Support				
Contributions, net	$ 326,611	$ 177,708	$ -	$ 504,319
Net assets released from restrictions	63,861	1,487,696	-	1,551,557
Total revenues, gains, and other support	390,472	1,665,404	-	2,055,876
Expenses				
General and administrative expenses	42,955	45,013	-	87,968
In-kind gifts expended	17,678	6,625	-	24,303
Total expenses before transfers to the hospitals	60,633	51,638	-	112,271
Transfers to the hospitals	188,189	1,681,599	-	1,869,788
Total expenses	248,822	1,733,237	-	1,982,059
Revenues in excess of (less than) expenses	141,650	(67,833)	-	73,817
Change in net unrealized gains and losses on investments in debt securities	10,238	-	-	10,238
Increase (decrease) in net assets without donor restrictions	151,888	(67,833)	-	84,055
Net assets without donor restrictions, beginning	2,403,339	216,958	-	2,620,297
Net assets without donor restrictions, ending	$ 2,555,227	$ 149,125	$ -	$ 2,704,352
Changes in Net Assets With Donor Restrictions				
Contributions, net	$ 962,695	$ 847,849	$ -	1,810,544
Net assets released from restrictions	(63,861)	(1,487,696)	-	(1,551,557)
Change in value of beneficial interest in trusts	-	11,949	-	11,949
Change in discount of pledges receivable and provision for doubtful pledges	3,698	21,924	-	25,622
Investment income (loss) and change in unrealized gains and losses on investments	14,572	(5,672)	-	8,900
Increase (decrease) in net assets with donor restrictions	917,104	(611,646)	-	305,458
Net assets with donor restrictions, beginning	941,896	2,731,927	-	3,673,823
Net assets with donor restrictions, ending	$ 1,859,000	$ 2,120,281	$ -	$ 3,979,281