

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND REPORTS
AND SCHEDULE REQUIRED BY THE UNIFORM
GUIDANCE

AdventHealth
Years Ended December 31, 2021 and 2020
With Reports of Independent Auditors

Ernst & Young LLP



AdventHealth

Consolidated Financial Statements, Supplementary Information, and Reports and Schedule Required by the Uniform Guidance

Years Ended December 31, 2021 and 2020

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Consolidated Balance Sheets

December 31, 2021
and 2020

(dollars in thousands)

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 506,777	\$ 1,210,037
Investments	7,716,423	6,951,313
Current portion of assets whose use is limited	438,224	433,910
Patient accounts receivable	1,123,267	905,103
Due from brokers	125,744	898,168
Estimated settlements from third parties	251,606	90,576
Other receivables	792,446	597,536
Inventories	327,697	357,367
Prepaid expenses and other current assets	148,682	107,580
	<u>11,430,866</u>	<u>11,551,590</u>
Property and Equipment	8,536,375	7,798,166
Operating Lease Assets	302,051	324,218
Assets Whose Use is Limited, net of current portion	452,973	444,529
Other Assets	<u>1,705,906</u>	<u>1,121,486</u>
	<u>\$ 22,428,171</u>	<u>\$ 21,239,989</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,953,148	\$ 1,572,650
Estimated settlements to third parties	162,081	174,106
Due to brokers	124,724	1,083,015
Other current liabilities	829,305	1,129,744
Short-term financings	520,310	324,285
Current maturities of long-term debt	58,102	65,011
	<u>3,647,670</u>	<u>4,348,811</u>
Long-Term Debt, net of current maturities	3,432,468	3,048,435
Operating Lease Liabilities, net of current portion	248,221	258,450
Other Noncurrent Liabilities	<u>762,750</u>	<u>821,824</u>
	8,091,109	8,477,520
Net Assets		
Net assets without donor restrictions	14,062,347	12,521,994
Net assets with donor restrictions	221,319	195,078
	<u>14,283,666</u>	<u>12,717,072</u>
Noncontrolling interests	53,396	45,397
	<u>14,337,062</u>	<u>12,762,469</u>
Commitments and Contingencies	<u>\$ 22,428,171</u>	<u>\$ 21,239,989</u>

Consolidated Statements of Operations and Changes in Net Assets

*For the years ended
December 31, 2021
and 2020*

(dollars in thousands)

	2021	2020
Revenue		
Net patient service revenue	\$ 14,177,120	\$ 11,572,183
Other	705,594	1,051,039
Total operating revenue	<u>14,882,714</u>	<u>12,623,222</u>
Expenses		
Employee compensation	7,430,730	6,164,642
Supplies	2,479,704	2,213,856
Purchased services	1,134,839	1,127,396
Professional fees	857,800	783,097
Other	1,181,712	870,872
Interest	73,279	78,663
Depreciation and amortization	730,033	690,654
Total operating expenses	<u>13,888,097</u>	<u>11,929,180</u>
Income from Operations	994,617	694,042
Nonoperating Gains (Losses)		
Investment return	524,945	225,030
Loss on extinguishment of debt	(6,043)	—
Other	(1,231)	—
Total nonoperating gains, net	<u>517,671</u>	<u>225,030</u>
Excess of revenue and gains over expenses	1,512,288	919,072
Noncontrolling interests	<u>(6,817)</u>	<u>(4,252)</u>
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	1,505,471	914,820

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

*For the years ended
December 31, 2021
and 2020*

(dollars in thousands)

CONTROLLING INTEREST

Net Assets Without Donor Restrictions

	2021	2020
Excess of revenue and gains over expenses	\$ 1,505,471	\$ 914,820
Net assets released from restrictions for purchase of property and equipment	17,041	11,147
Other	17,841	12,020
Increase in net assets without donor restrictions	1,540,353	937,987

Net Assets With Donor Restrictions

Gifts and grants	32,377	28,164
Net assets released from restrictions for purchase of property and equipment or use in operations	(28,076)	(26,892)
Investment return	2,774	2,285
Other	19,166	3,679
Increase in net assets with donor restrictions	26,241	7,236

NONCONTROLLING INTERESTS

Net Assets Without Donor Restrictions

Excess of revenue and gains over expenses	7,380	4,252
Distributions	(4,934)	(481)
Other	5,553	2,399
Increase in noncontrolling interests	7,999	6,170

Increase in Net Assets

Net assets, beginning of year	1,574,593	951,393
Net assets, end of year	12,762,469	11,811,076
	<u>\$ 14,337,062</u>	<u>\$ 12,762,469</u>

Consolidated Statements of Cash Flows

For the years ended
December 31, 2021
and 2020

(dollars in thousands)

	2021	2020
Operating Activities		
Increase in net assets	\$ 1,574,593	\$ 951,393
Depreciation and amortization	730,033	690,654
Amortization of deferred financing costs and original issue discounts and premiums	(22,927)	(16,570)
Loss on extinguishment of debt	6,043	—
Net realized and unrealized gains on investments	(344,255)	(133,793)
Restricted gifts and grants and investment return	35,151	(30,449)
Income from unconsolidated entities	(81,038)	(74,398)
Distributions from unconsolidated entities	10,675	18,038
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,443,205)	(1,129,201)
Other receivables	(65,859)	(30,671)
Other current assets	(514)	(68,905)
Accounts payable and accrued liabilities	400,170	146,955
Estimated settlements to third parties, net	(173,055)	(3,580)
Other current liabilities	(175,574)	540,979
Other noncurrent assets and liabilities	(46,034)	154,258
Net cash provided by operating activities	404,204	1,014,710
Investing Activities		
Purchases of property and equipment, net	(1,335,739)	(1,286,743)
Cash paid for acquisitions, net of cash received	(646,052)	—
Sales and maturities of investments	5,163,486	5,638,026
Purchases of investments	(5,582,291)	(5,331,954)
Due from brokers	772,424	(636,208)
Due to brokers	(958,291)	449,937
Sales, maturities, and uses of assets whose use is limited	129,081	519,464
Purchases of and additions to assets whose use is limited	(116,872)	(531,790)
Consideration paid to acquire noncontrolling interest	(125,000)	(125,000)
Cash receipts on sold patient accounts receivable	1,096,635	1,000,607
Increase in other assets	(32,711)	(44,462)
Net cash used in investing activities	(1,635,330)	(348,123)
Financing Activities		
Repayments of long-term borrowings	(1,100,387)	(62,791)
Additional long-term borrowings	1,494,395	429,871
Repayments of short-term borrowings	(3,975)	(305,305)
Additional short-term borrowings	200,000	303,500
Restricted gifts and grants and investment return	(35,151)	30,449
Net cash provided by financing activities	554,882	395,724
(Decrease) Increase in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	(676,244)	1,062,311
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year	1,565,376	503,065
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents at End of Year	<u>\$ 889,132</u>	<u>\$ 1,565,376</u>
Noncash Investing Activity		
Beneficial interest obtained in exchange for patient accounts receivable	\$ (1,225,686)	\$ (817,725)
Consideration payable to acquire noncontrolling interest	—	225,000

Notes to Consolidated Financial Statements

*For the years ended
December 31, 2021
and 20
(dollars in thousands)*

1. Significant Accounting Policies

Reporting Entity

Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth (Healthcare Corporation) is a not-for-profit healthcare corporation that owns and/or operates hospitals, nursing homes, physician offices, urgent care centers and other healthcare facilities, and a philanthropic foundation with various informal divisions (collectively referred to herein as the System). The System's affiliated healthcare facilities are operated or controlled through their by-laws, governing board appointments, or operating agreements. The System's 48 hospitals, 10 nursing homes, and philanthropic foundations operate in 9 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas, and Wisconsin.

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

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

Mission

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

Specifically, the System provides:

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

Benefit to the elderly, by subsidizing the unreimbursed costs associated with providing care to those receiving governmental Medicare funding.

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

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

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

Notes to Consolidated Financial Statements

*For the years ended
December 31, 2021
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Principles of Consolidation

The accompanying consolidated financial statements include the accounts of affiliated organizations that are controlled by Healthcare Corporation. Any subsidiary or other operations owned and controlled by divisions or controlled affiliates of Healthcare Corporation are included in these consolidated financial statements. Investments in entities that Healthcare Corporation does not control are recorded under the equity or cost method of accounting, depending on the ability to exert significant influence. Income from unconsolidated entities is included in other operating revenue or as a reduction to supplies expense (Note 6) in the accompanying consolidated statements of operations and changes in net assets. All significant intercompany accounts and transactions have been eliminated in consolidation. Partial ownership by another entity in the net assets and results of operations of a consolidated subsidiary is reflected as noncontrolling interests in the accompanying consolidated financial statements.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Adopted Accounting Guidance

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

Recent Accounting Guidance Not Yet Adopted

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

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the presentation and disclosure requirements for not-for-profit entities to increase transparency about contributed nonfinancial assets. Management is currently evaluating the potential impact of this guidance, which will be effective for the System beginning in 2022.

Notes to Consolidated Financial Statements

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(dollars in thousands)*

Net Patient Service Revenue

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

Revenue for inpatient acute care services is recognized based on actual charges incurred in relation to total expected, or actual, charges. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

As all the System's performance obligations relate to contracts with a duration of less than one year, the System is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period, which are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. The System is subject to retroactive revenue adjustments due to future audits, reviews, and investigations. Additionally, the System participates in certain state programs that provide supplemental Medicaid funding to partially offset unreimbursed Medicaid costs. These programs include a combination of intergovernmental transfers and federal matching dollars. They are typically approved by governmental agencies on an annual basis and as such, funding for future years is not certain and subject to change. Contracts the System has with commercial payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor, and the System's historical settlement activity, attempting to ensure that a significant revenue reversal will not occur when the final amounts are subsequently determined. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Net adjustments for prior-year cost reports and related valuation allowances, principally related to Medicare and Medicaid, resulted in increases to revenue of approximately \$34,000 and \$37,000 for the years ended December 31, 2021 and 2020, respectively.

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

Notes to Consolidated Financial Statements

*For the years ended
December 31, 2021
and 2020
(dollars in thousands)*

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

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

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

	Year Ended December 31,			
	2021		2020	
	Amount	%	Amount	%
Managed Care	\$ 7,518,396	53%	\$ 6,014,295	52%
Medicare	2,404,793	17	2,308,713	20
Managed Medicare	2,214,713	15	1,759,956	15
Medicaid	528,947	4	478,240	4
Managed Medicaid	802,751	6	501,338	4
Self-pay	113,715	1	79,028	1
Other	593,805	4	430,613	4
	<u>\$14,177,120</u>	<u>100%</u>	<u>\$11,572,183</u>	<u>100%</u>

Charity Care

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

The System estimates the direct and indirect costs of providing charity care by applying a cost to gross charges ratio to the gross uncompensated charges associated with providing charity care to patients. The System also receives certain funds to offset or subsidize charity care services provided. These funds are primarily received from uncompensated care programs sponsored by various states, whereby healthcare providers within the state pay into an uncompensated care fund and the pooled funds are then redistributed based on state-specific criteria.

Notes to Consolidated Financial Statements

For the years ended
December 31, 2021
and 2020
(dollars in thousands)

The cost of providing charity care services, amounts paid by the System into uncompensated care funds, and amounts received by the System to offset or subsidize charity care services are as follows:

	Year Ended December 31,	
	2021	2020
Charity Care Cost		
Cost of providing charity care services	<u>\$ 378,686</u>	<u>\$ 403,072</u>
Charity Care Funding		
Funds received to offset or subsidize charity care services (included in patient service revenue)	\$ 304,613	\$ 283,593
Funds paid into trusts (included in other expenses)	<u>(261,757)</u>	<u>(253,417)</u>
Net charity care funding received	<u>\$ 42,856</u>	<u>\$ 30,176</u>

Excess of Revenue and Gains over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses as the performance indicator, which is analogous to net income of a for-profit enterprise. Changes in net assets without donor restrictions that are excluded from the performance indicator may include transfers of net assets released from restrictions for the purpose of acquiring long-lived assets, and other changes in net assets.

Contributed Resources

Resources restricted by donors for specific operating purposes or a specified time period are held as net assets with donor restrictions until expended for the intended purpose or until the specified time restrictions are met, at which time they are reported as other revenue. Resources restricted by donors for additions to property and equipment are held as net assets with donor restrictions until the assets are placed in service, at which time they are reported as transfers to net assets without donor restrictions. Gifts, grants, and bequests not restricted by donors are reported as other revenue.

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

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

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statement of financial position that sum to the total of the same such amounts shown in the statements of cash flows. Restricted cash and cash equivalents consist of funds included in assets whose use is limited.

	December 31,	
	2021	2020
Cash and cash equivalents	\$ 506,777	\$ 1,210,037
Restricted cash and restricted cash equivalents included in assets whose use is limited	<u>382,355</u>	<u>355,339</u>
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statement of cash flows	<u>\$ 889,132</u>	<u>\$ 1,565,376</u>

Notes to Consolidated Financial Statements

*For the years ended
December 31, 2021
and 2020
(dollars in thousands)*

Investments

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

Other investments include alternative investments, which are primarily hedge funds, commingled funds, and private equity funds, which determine fair value using net asset values (NAV). The value of such investments is estimated, and those estimates may change in the near term. The financial statements and internal controls of the funds are audited annually by independent auditors. The System's risk is limited to its investment in the fund. In September 2020, the System submitted redemption notices for approximately \$529,000 of its hedge funds, of which approximately \$352,000 were redeemed as of December 31, 2020, and the remaining amount was redeemed in January 2021. Private equity funds generally require capital commitments over an initial period of time and capital is returned as monetization events occur. Unfunded commitments related to private equity funds were approximately \$114,000 and \$43,000 as of December 31, 2021 and 2020, respectively. Commingled funds are used to obtain the desired exposure targets within the investment portfolio and have daily redemption terms.

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

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

Assets Whose Use is Limited

Certain of the System's investments are limited as to use through the terms of trust agreements, internal designation, under the terms of bond indentures, or the provisions of other contractual arrangements. These investments are classified as assets whose use is limited in the accompanying consolidated balance sheets.

Sale of Patient Accounts Receivable

The System and certain of its member affiliates maintain a program for the continuous sale of certain patient accounts receivable to the Highlands County, Florida, Health Facilities Authority (Highlands) on a nonrecourse basis. Highlands has partially financed the purchase of the patient accounts receivable through the issuance of private placement, tax-exempt, variable-rate bonds (Bonds). Highlands had Bonds outstanding of \$240,000 and \$280,000 as of December 31, 2021 and 2020, respectively. The Bonds have a put date of December 2022 and a final maturity date of November 2027. On February 1, 2022, the put date of the Bonds was extended to the final maturity date of November 2027. The System is the servicer of the receivables under this arrangement and is responsible for performing all accounts receivable administrative functions.

Notes to Consolidated Financial Statements

*For the years ended
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As of December 31, 2021 and 2020, the estimated net realizable value, as defined in the underlying agreements, of patient accounts receivable sold by the System and removed from the accompanying consolidated balance sheets was \$849,526 and \$760,475, respectively. The patient accounts receivable sold consist primarily of amounts due from government programs and commercial insurers. The proceeds received from Highlands consist of cash from the Bonds, a note on a subordinated basis with the Bonds, and a note on a parity basis with the Bonds. The note on a subordinated basis with the Bonds is in an amount to provide the required over-collateralization of the Bonds and was \$60,000 and \$70,000 at December 31, 2021 and 2020, respectively. The note on a parity basis with the Bonds is the excess of eligible accounts receivable sold over the sum of cash received and the subordinated note and was \$549,526 and \$410,475 at December 31, 2021 and 2020, respectively. These notes are included in other receivables in the accompanying consolidated balance sheets. Due to the nature of the patient accounts receivable sold, collectability of the subordinated and parity notes is not significantly impacted by credit risk.

The notes on a parity and subordinated basis represent the System's beneficial interest in the receivables subsequent to the sale. Cash received at the time of sale is recognized within the consolidated statement of cash flows as part of operating activities. Any subsequent cash received on the beneficial interest is recognized within the consolidated statement of cash flows as part of investing activities.

Inventories

Inventories (primarily pharmaceuticals and medical supplies) are stated at the lower of cost or net realizable value using the first-in, first-out method of valuation.

Property and Equipment

Property and equipment are reported on the basis of cost, except for those assets donated, impaired, or acquired under a business combination, which are recorded at fair value. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed primarily utilizing the straight-line method over the expected useful lives of the assets. Amortization of capitalized leased assets is included in depreciation expense and allowances for depreciation.

Goodwill

Goodwill represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the business acquired. These amounts are included in other assets (noncurrent) in the accompanying balance sheets and are evaluated for impairment when there is an indicator of impairment. Goodwill consists of the following:

	December 31,	
	2021	2020
Goodwill	\$ 745,612	\$ 225,058
Less: accumulated amortization	(59,085)	(23,452)
Goodwill, net	<u>\$ 686,527</u>	<u>\$ 201,606</u>

Goodwill increased in 2021 as a result of a business combination (Note 2). Goodwill is amortized over a period of ten years. Amortization expense for goodwill was \$35,633 and \$23,542 for the years ended December 31, 2021 and 2020, respectively, and is included in depreciation and amortization in the accompanying consolidated statement of operations and changes in net assets.

Notes to Consolidated Financial Statements

*For the years ended
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Interest in the Net Assets of Unconsolidated Foundations

Interest in the net assets of unconsolidated foundations represents contributions received on behalf of the System or its member affiliates by independent fund-raising foundations. As the System cannot influence the foundations to the extent that it can determine the timing and amount of distributions, the System's interest in the net assets of the foundations is included in other assets and changes in that interest are included in net assets with donor restrictions.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

Deferred Financing Costs

Direct financing costs are included as a reduction to the carrying amount of the related debt liability and are deferred and amortized over the remaining lives of the financings using the effective interest method.

Bond Discounts and Premiums

Bonds payable, including related original issue discounts and/or premiums, are included in long-term debt. Discounts and premiums are being amortized over the life of the bonds using the effective interest method.

Income Taxes

Healthcare Corporation and its affiliated organizations, other than North American Health Services, Inc. and its subsidiary (NAHS), are exempt from state and federal income taxes. Accordingly, Healthcare Corporation and its tax-exempt affiliates are not subject to federal, state, or local income taxes except for any net unrelated business taxable income.

NAHS is a wholly owned, for-profit subsidiary of Healthcare Corporation. NAHS and its subsidiary are subject to federal and state income taxes. NAHS files a consolidated federal income tax return and, where appropriate, consolidated state income tax returns. All taxable income was fully offset by net operating loss carryforwards for federal income tax purposes; as such, there is no provision for current federal or state income tax for the years ended December 31, 2021 and 2020.

NAHS also has temporary deductible differences of approximately \$33,000 and \$41,800 at December 31, 2021 and 2020, respectively, primarily as a result of net operating loss carryforwards. At December 31, 2021, NAHS had net operating loss carryforwards of approximately \$34,000, expiring beginning in 2022 through 2026. Deferred taxes have been provided for these amounts, resulting in a net deferred tax asset of approximately \$8,100 and \$10,200 at December 31, 2021 and 2020, respectively. NAHS remeasured its deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. A full valuation allowance has been provided at December 31, 2021 and 2020 to offset the deferred tax asset since Healthcare Corporation has determined that it is more likely than not that the benefit of the net operating loss carryforwards will not be realized in future years.

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The Income Taxes Topic of the Accounting Standards Codification (ASC) (ASC 740) prescribes the accounting for uncertainty in income tax positions recognized in financial statements. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no material uncertain tax positions as of December 31, 2021 and 2020.

Reclassifications

Certain reclassifications were made to the 2020 consolidated financial statements to conform to the classifications used in 2021. These reclassifications had no impact on the consolidated excess of revenue and gains over expenses, changes in net assets, or cash flows previously reported.

2. Organizational Changes

Business Combinations

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

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

The assets acquired and liabilities assumed were recorded based on their acquisition date fair values. Cash consideration was \$646,063, which primarily represented the payment for the real and personal property and goodwill. The System issued fixed-rate, taxable bonds totaling \$400,000 to finance a portion of the acquisition price (Note 8). The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

Assets

Cash and cash equivalents	\$	11
Patient accounts receivable		646
Inventories		10,029
Prepaid expenses and other current assets		889
Property and equipment		117,702
Operating lease assets		1,549
Other assets		521,453
		652,279

Liabilities

Accounts payable and accrued liabilities	\$	4,532
Other current liabilities		135
Operating lease liabilities, net of current portion		1,549
		6,216

Fair Value of Net Assets Acquired

	\$	646,063
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Notes to Consolidated Financial Statements

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The goodwill acquired represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the business acquired. Goodwill, totaling approximately \$520,000, is included in other assets (noncurrent) in the accompanying consolidated balance sheets.

The results of operations and changes in net assets for AH Redmond was included in the System's consolidated financial statements beginning October 1, 2021. AH Redmond had total operating revenue of \$67,915 and a deficiency of revenue and gains over expenses of \$15,060 for the period from October 1, 2021 through December 31, 2021.

The following pro forma combined results of operations present the acquisition as if it had occurred on January 1, 2020 and, as such, reflects the impact of amortizing the fair value adjustments to property and equipment, amortizing goodwill acquired, and recognizing interest expense on the issued debt as of January 1, 2020. The pro forma combined results of operations do not necessarily represent the System's consolidated results of operations had the acquisition occurred on the date assumed, nor are these results necessarily indicative of the System's future consolidated results of operations. AH Redmond serves as a regional referral center for all of northwest Georgia and parts of Alabama. It is the only hospital in northwest Georgia with an open-heart surgery program and Level 1 emergency Cardiac Care Center designation. The System expects to realize certain benefits from integrating AH Redmond into the System's other services provided in the Georgia market and to incur certain one-time integration costs. The pro forma combined results of operations do not reflect these benefits or costs.

	Year Ended December 31,	
	2021	2020
Pro forma revenue	\$ 15,102,923	\$ 12,892,160
Pro forma excess of revenue and gains over expenses	1,486,179	892,631
Pro forma change in net assets without donor restrictions	1,510,821	908,877

Other Changes

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

In October 2021, the System and Ascension decided to unwind their AMITA Health partnership, the joint operating company serving the healthcare needs of residents of the greater Chicago area. Following the transition, the System will operate its individual hospitals and related healthcare facilities in the Chicagoland area and the System's four hospitals and related healthcare facilities will continue to be controlled and consolidated by the System. The change will not have a material impact on the System's accompanying consolidated financial statements.

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3. Investments and Assets Whose Use is Limited

Investments and assets whose use is limited are comprised of the following:

	December 31,	
	2021	2020
Debt securities		
U.S. government agencies and sponsored entities	\$ 3,311,876	\$ 3,475,149
Foreign government agencies and sponsored entities	299,462	2,154
Corporate bonds	83,288	294,329
Mortgage backed	38,280	27,991
Other asset backed	26,253	20,805
Short-term investments	5,377	179,571
Accrued interest	13,583	9,909
	<u>3,778,119</u>	<u>4,009,908</u>
Domestic equity securities	131,818	128,341
Exchange traded and mutual funds		
Domestic equity	1,314,482	928,408
Foreign equity	667,974	426,361
Fixed income	977,468	735,294
	<u>2,959,924</u>	<u>2,090,063</u>
Investments at NAV		
Hedge funds and private equity funds	1,014,704	872,397
Commingled funds	340,700	373,704
	<u>1,355,404</u>	<u>1,246,101</u>
Cash and cash equivalents – assets whose use is limited	382,355	355,339
	<u>8,607,620</u>	<u>7,829,752</u>
Less: assets whose use is limited	<u>(891,197)</u>	<u>(878,439)</u>
Investments	<u>\$ 7,716,423</u>	<u>\$ 6,951,313</u>

Notes to Consolidated Financial Statements

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Investment Derivatives

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

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

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

The System posted collateral related to investment derivative instruments totaling \$47,607 and \$19,114 as of December 31, 2021 and 2020, respectively. Collateral is included in either cash and cash equivalents or investments in the accompanying consolidated balance sheets, depending on the type of collateral posted. The System had investment return related to investment derivative instruments of \$93,286 and \$(63,021) for the years ended December 31, 2021 and 2020, respectively.

Assets Whose Use is Limited

Assets whose use is limited includes investments held under trust agreements for settling payments under the professional and general liability program, and internally designated investments for employee retirement plans. Amounts to be used for the payment of current liabilities are classified as current assets.

A summary of the major limitations as to the use of assets whose use is limited consists of the following:

	December 31,	
	2021	2020
Self-insurance trust funds	\$ 459,497	\$ 446,294
Employee benefits funds	272,136	254,441
Other	159,564	177,704
	891,197	878,439
Less: amounts to pay current liabilities	(438,224)	(433,910)
	<u>\$ 452,973</u>	<u>\$ 444,529</u>

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Investment Return and Unrealized Gains and Losses

Investment return from cash and cash equivalents, investments, and assets whose use is limited in the accompanying consolidated statements of operations and changes in net assets consisted of the following:

	Year Ended December 31,	
	2021	2020
Interest and dividend income	\$ 178,641	\$ 93,730
Net realized gains (losses)	202,092	(4,287)
Net change in unrealized gains and losses	144,212	135,587
	<u>\$ 524,945</u>	<u>\$ 225,030</u>

4. Liquidity and Available Resources

The System's primary cash requirements are paying operating expenses, servicing debt, incurring capital expenditures related to the expansion and renovation of existing facilities, and acquisitions. Cash in excess of near-term working capital needs is invested as described in Notes 1 and 3. Primary cash sources are cash flows from operating and investing activities. Additionally, the System has access to public and private debt markets and maintains a revolving credit agreement and commercial paper program, as described in Note 8.

The System had 228 and 260 days cash on hand at December 31, 2021 and 2020, respectively. As described in Note 14, the System repaid approximately \$181,000 of Medicare accelerated payments during 2021. Days cash on hand is calculated as unrestricted cash and cash equivalents, investments, and due to brokers, net, divided by daily operating expenses (excluding depreciation and amortization expense). Unrestricted cash and cash equivalents, investments, and due to brokers, net consist of the following:

	December 31,	
	2021	2020
Cash and cash equivalents	\$ 506,777	\$ 1,210,037
Investments	7,716,423	6,951,313
Due from (to) brokers, net	1,020	(184,847)
	<u>\$ 8,224,220</u>	<u>\$ 7,976,503</u>
Unrestricted days cash and investments on hand	<u>228</u>	<u>260</u>

The System's financial assets also consist of patient accounts receivable totaling \$1,123,267 and \$905,103 as of December 31, 2021 and 2020, respectively. Other receivables, totaling \$792,446 and \$597,536 as of December 31, 2021 and 2020, are primarily comprised of the notes associated with the System's sale of patient accounts receivable, which is more fully described in Note 1. The System's financial assets are available as its general expenditures, liabilities, and other obligations come due.

Certain assets whose use is limited are to be used for current liabilities for self-insured programs and employee benefit funds and are more fully described in Note 3.

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5. Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2021	2020
Land and improvements	\$ 1,097,939	\$ 971,759
Buildings and improvements	7,389,680	6,666,483
Equipment	6,406,298	5,860,423
	<u>14,893,917</u>	<u>13,498,665</u>
Less: allowances for depreciation	<u>(7,200,916)</u>	<u>(6,565,025)</u>
	7,693,001	6,933,640
Construction in progress	843,374	864,526
	<u>\$ 8,536,375</u>	<u>\$ 7,798,166</u>

Certain hospitals have entered into construction contracts or other commitments for which costs have been incurred and included in construction in progress. These and other committed projects will be financed through operations and proceeds of borrowings. The estimated costs to complete these projects approximated \$173,000 at December 31, 2021.

The System capitalizes the cost of acquired software for internal use. Any internal costs incurred in the process of developing and implementing software are expensed or capitalized, depending primarily on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Capitalized software costs and estimated amortization expense in the table below exclude software in progress of approximately \$369,000 and \$168,000 at December 31, 2021 and 2020, respectively. Capitalized software costs and accumulated amortization expense, which are included in property and equipment in the accompanying consolidated balance sheets, were as follows:

	December 31,	
	2021	2020
Capitalized software costs	\$ 380,291	\$ 360,975
Less: accumulated amortization	<u>(293,101)</u>	<u>(247,843)</u>
Capitalized software costs, net	<u>\$ 87,190</u>	<u>\$ 113,132</u>

Estimated amortization expense related to capitalized software costs for the next five years and thereafter is as follows:

2022	\$ 38,712
2023	13,092
2024	7,076
2025	5,601
2026	5,515
Thereafter	17,194

During periods of construction and periods of developing software, interest costs are capitalized to the respective property accounts. Interest capitalized approximated \$16,800 and \$13,100 for the years ended December 31, 2021 and 2020, respectively.

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6. Other Assets

Other assets consist of the following:

	December 31,	
	2021	2020
Investments in unconsolidated entities	\$ 827,559	\$ 733,265
Goodwill	686,527	201,606
Interests in net assets of unconsolidated foundations	87,769	72,832
Notes and other receivables	58,570	65,075
Other noncurrent assets	45,481	48,708
	<u>\$ 1,705,906</u>	<u>\$ 1,121,486</u>

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

	Ownership Interest	December 31,	
		2021	2020
Health First, Inc.	27%	\$ 407,901	\$ 374,461
Texas Health Huguley, Inc.	49%	209,669	188,668
Centura Health Corporation	35%	100,047	96,518
Other	5% – 50%	109,942	73,618
		<u>\$ 827,559</u>	<u>\$ 733,265</u>

Income from unconsolidated entities totaled \$81,038 and \$74,398 for 2021 and 2020, respectively, and is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

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

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7. Leases

The System's leases primarily consist of real estate and medical equipment. The System determines if an arrangement is a lease at contract inception. Lease assets and lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. Because most of the System's leases do not provide an implicit rate of return, the System uses a risk-free rate based on the daily treasury yield curve at lease commencement in determining the present value of lease payments. Lease assets exclude lease incentives received.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one month to thirty years. The exercise of such lease renewal options is at the System's sole discretion. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the System will exercise that option. Certain leases also include options to purchase the leased asset. The depreciable life of assets and leasehold improvements is limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The System does not separate lease and non-lease components except for certain medical equipment leases. Leases with a lease term of 12 months or less at commencement are not recorded on the consolidated balance sheets. Lease expense for these arrangements is recognized on a straight-line basis over the lease term.

Operating and finance leases consist of the following:

	December 31,	
	2021	2020
Operating Leases		
Operating lease assets	<u>\$ 302,051</u>	<u>\$ 324,218</u>
Other current liabilities	\$ 82,439	\$ 86,786
Operating lease liabilities, net of current portion	<u>248,221</u>	<u>258,450</u>
Total operating lease liabilities	<u>\$ 330,660</u>	<u>\$ 345,236</u>
Finance Leases		
Property and equipment	<u>\$ 30,401</u>	<u>\$ 42,090</u>
Current maturities of long-term debt	\$ 9,096	\$ 6,624
Long-term debt, net of current maturities	<u>19,889</u>	<u>34,639</u>
Total finance lease liabilities	<u>\$ 28,985</u>	<u>\$ 41,263</u>

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Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense were as follows:

	December 31,	
	2021	2020
Operating lease expense	\$ 106,306	\$ 108,635
Variable lease expense	48,155	34,117
Short-term lease expense	28,454	27,990
Finance lease expense		
Amortization of lease assets	7,840	7,220
Interest on lease liabilities	1,679	3,069
Total lease expense	<u>\$ 192,434</u>	<u>\$ 181,031</u>

Lease term and discount rate were as follows:

	December 31,	
	2021	2020
Weighted-average remaining lease term:		
Operating leases	8.2 years	8.1 years
Finance leases	11.6 years	11.5 years
Weighted-average discount rate:		
Operating leases	2.1%	2.0%
Finance leases	2.0%	5.7%

The following table summarizes the maturity of lease liabilities under finance and operating leases for the next five years and the years thereafter, as of December 31, 2021:

	Operating Leases	Finance Leases	Total
2022	\$ 87,627	\$ 9,532	\$ 97,159
2023	65,456	8,131	73,587
2024	44,636	7,224	51,860
2025	32,448	436	32,884
2026	23,332	436	23,768
Thereafter	115,754	6,676	122,430
Total lease payments	<u>369,253</u>	<u>32,435</u>	<u>\$ 401,688</u>
Less: imputed interest	<u>38,593</u>	<u>3,450</u>	
Total lease liabilities	<u>\$ 330,660</u>	<u>\$ 28,985</u>	

Supplemental cash flow information related to leases was as follows:

	December 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 128,294	\$ 110,771
Operating cash flows from finance leases	1,305	2,628
Financing cash flows from finance leases	8,529	7,006
Lease assets obtained in exchange for new operating lease liabilities	38,367	90,721
Lease assets obtained in exchange for new finance lease liabilities	2,502	2,073

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8. Debt Obligations

Long-term debt consisted of the following:

	December 31,	
	2021	2020
Fixed-rate hospital revenue bonds, interest rates from 1.90% to 5.00%, payable through 2051	\$ 3,188,495	\$ 2,303,612
Variable-rate hospital revenue bonds payable through 2039	—	207,000
Other notes payable	6,349	425,088
Finance leases payable	28,985	41,263
Unamortized original issue premium, net	288,770	153,426
Deferred financing costs	(22,029)	(16,943)
	3,490,570	3,113,446
Less: current maturities	(58,102)	(65,011)
	<u>\$ 3,432,468</u>	<u>\$ 3,048,435</u>

Master Trust Indenture

Long-term debt has been issued primarily on a tax-exempt basis. Substantially all bonds are secured under a Master Trust Indenture (MTI), which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property, and limitations on additional borrowings. Certain affiliates controlled by Healthcare Corporation comprise the AdventHealth Obligated Group (Obligated Group). Members of the Obligated Group are jointly and severally liable under the MTI to make all payments required with respect to obligations under the MTI. The MTI requires certain covenants and reporting requirements be met by the System and the Obligated Group. At December 31, 2021 and 2020, the Obligated Group had total net assets of approximately \$13,493,000 and \$11,568,000, respectively.

Variable-Rate Bonds and Sources of Liquidity

Certain variable-rate bonds, including \$520,310 and \$324,285 as of December 31, 2021 and 2020, respectively, classified as short-term financings in the accompanying consolidated balance sheets, may be put to the System at the option of the bondholder. The variable-rate bond indentures generally provide the System the option to remarket the obligations at the then prevailing market rates for periods ranging from one day to the maturity dates. The obligations have been primarily marketed for seven-day periods during 2021, with annual interest rates ranging from 0.01% to 0.13%. Additionally, the System paid fees, such as remarketing fees, on variable-rate bonds during 2021.

The System has various sources of liquidity, including a \$500,000 revolving credit agreement (Revolving Note) with a syndicate of banks and a \$500,000 commercial paper program (CP Program). The Revolving Note, which expires in December 2023, is available for letters of credit, liquidity facilities, and general corporate needs, including working capital, capital expenditures, and acquisitions and has certain prime rate and LIBOR-based pricing options. At December 31, 2021 and 2020, the System had approximately \$500 and \$1,100 committed to letters of credit under the Revolving Note. The System's CP Program allows for up to \$500,000 of taxable, commercial paper notes (CP Notes) to be issued for general corporate purposes at an interest rate to be determined at the time of issuance. No amounts were outstanding under the CP Program as of December 31, 2021 and 2020.

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2021 Debt Transactions

During the third quarter of 2021, the System issued fixed-rate, variable-rate and put bonds with total proceeds of \$1,079,996, including premiums of \$159,551. The fixed-rate bonds have par amounts totaling \$491,785, maturity dates ranging from 2037 to 2051, stated interest rates ranging from 3.00% to 5.00%, and effective interest rates ranging from 1.40% to 2.19% through the call date of 2031. The put bonds have par amounts totaling \$228,660, a stated interest rate of 5.00% with mandatory redemptions ranging from 2026 to 2031 and final maturities ranging from 2052 to 2054. The effective interest rates on these put bonds range from 0.56% to 1.17% through the mandatory redemption date. The variable-rate bonds have par amounts totaling \$200,000, mandatory redemption dates ranging from 2054 to 2056, and final maturity dates ranging from 2055 to 2056. These variable-rate bonds provide the System the option to remarket the obligations at the then prevailing market rates for periods ranging from one day to the maturity dates. The obligations have been primarily marketed for seven-day periods during 2021 with annual interest rates ranging from 0.01% to 0.13% and are included in short-term financings in the accompanying consolidated balance sheet. The System used bond proceeds of \$227,000 for repayment of CP Notes, approximately \$348,000 for the repayment of existing bonds, and \$250,000 for repayment of a fixed-rate loan. The System will use the remaining bond proceeds to finance or refinance certain costs of the acquisition, construction and equipping of certain facilities.

During the fourth quarter of 2021, the System issued fixed-rate, taxable bonds totaling \$400,000, with a maturity date of 2051, and interest rate of 2.80%. The System used the bond proceeds as long-term financing of the AH Redmond acquisition (Note 2). During 2020 and 2021, the System made short-term draws under the Revolver and the CP Program. These draws were repaid as described within and no amounts are outstanding as of December 31, 2021 under either program.

2020 Debt Transactions

In response to the COVID-19 pandemic, as more fully discussed in Note 14, actions were taken during 2020 to increase liquidity and mitigate the pandemic's disruption to the System's business. In March 2020 the System drew \$478,500 from its Revolving Note and as a result, certain variable-rate bonds totaling \$221,670 that had been classified as long-term debt, supported by the Revolving Note, were reclassified to short-term debt. As the volatility in operations and financial markets gradually improved, the System repaid \$303,500 of the Revolving Note in August 2020. As of December 31, 2020, \$175,000 was outstanding under the Revolving Note and in 2021 was refinanced as long-term debt.

Additionally, in May 2020, the System borrowed \$250,000 on a 1.73% fixed-rate loan, which was refinanced as long-term debt in 2021. Additional lines of credit were secured in 2020, totaling \$425,000, and were subsequently cancelled in December 2020.

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Debt Maturities

The following represents the maturities of long-term debt, excluding finance leases disclosed in Note 7, for the next five years and the years thereafter:

2022	\$	48,252
2023		53,137
2024		68,327
2025		60,252
2026		256,947
Thereafter		2,707,929

Cash paid for interest, net of amounts capitalized, approximated \$92,000 and \$96,000 during the years ended December 31, 2021 and 2020, respectively.

9. Retirement Plans

Defined Contribution Plans

The System participates with other Seventh-day Adventist healthcare entities in a defined contribution retirement plan (Plan) that covers substantially all full-time employees who are at least 18 years of age. The Plan is exempt from the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides, among other things, that the employer contribute 2.6% of wages, plus additional amounts for highly compensated employees. Additionally, the Plan provides that the employer match 50% of an employee's contributions up to 4% of the contributing employee's wages, resulting in a maximum available match of 2% of the contributing employee's wages each year.

Contributions to the Plan are included in employee compensation in the accompanying consolidated statements of operations and changes in net assets in the amount of \$202,815 and \$179,243 for the years ended December 31, 2021 and 2020, respectively.

Defined Benefit Plan – Multiemployer Plan

Prior to January 1, 1992, certain of the System's entities participated in a multiemployer, noncontributory, defined benefit retirement plan, the Seventh-day Adventist Hospital Retirement Plan Trust (Old Plan) administered by the General Conference of Seventh-day Adventists that is exempt from ERISA. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If an entity chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as withdrawal liability.

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During 1992, the Old Plan was suspended, and the Plan was established. The System, along with the other participants in the Old Plan, may be required to make future contributions to the Old Plan to fund any difference between the present value of the Old Plan benefits and the fair value of the Old Plan assets. Future funding amounts and the funding time periods have not been determined by the Old Plan administrators; however, management believes the impact of any such future decisions will not have a material adverse effect on the System's consolidated financial statements.

The most recent available plan asset and benefit obligation data for the Old Plan is as of December 31, 2020 and is as follows:

Total plan assets	\$ 538,689
Actuarial present value of accumulated plan benefits	537,158
Funded status	100.3%

The System did not make contributions to the Old Plan for the years ended December 31, 2021 or 2020.

Defined Benefit Plan – Frozen Pension Plans

Certain of the System's entities sponsored noncontributory, defined benefit pension plans (Pension Plans) that have been frozen such that no new benefits accrue. The following table sets forth the remaining combined projected and accumulated benefit obligations and the assets of the Pension Plans at December 31, 2021 and 2020, the components of net periodic pension cost for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements:

	Year Ended December 31,	
	2021	2020
Accumulated benefit obligation, end of year	<u>\$ 142,168</u>	<u>\$ 160,186</u>
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	\$ 160,186	\$ 154,354
Interest cost	4,170	4,959
Benefits paid	(15,445)	(9,027)
Actuarial (gains)/losses	<u>(6,743)</u>	<u>9,900</u>
Projected benefit obligation, end of year	142,168	160,186
Change in plan assets:		
Fair value of plan assets, beginning of year	141,342	131,953
Actual return on plan assets	4,070	18,416
Benefits paid	<u>(15,445)</u>	<u>(9,027)</u>
Fair value of plan assets, end of year	<u>129,967</u>	<u>141,342</u>
Deficiency of fair value of plan assets over projected benefit obligation, included in other noncurrent liabilities	<u>\$ (12,201)</u>	<u>\$ (18,844)</u>

Notes to Consolidated Financial Statements

*For the years ended
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and 2020
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No plan assets are expected to be returned to the System during the fiscal year ending December 31, 2022.

Included in net assets without donor restrictions at December 31, 2021 and 2020 are unrecognized actuarial losses of \$17,705 and \$23,093, respectively, which have not yet been recognized in net periodic pension cost.

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions include:

	Year Ended December 31, 2021	2020
Net actuarial gains	\$ 4,012	\$ 2,081
Amortization of net actuarial losses	235	261
Settlements	1,141	—
Total decrease recognized in net assets without donor restrictions	<u>\$ 5,388</u>	<u>\$ 2,342</u>

The components of net periodic pension cost were as follows:

	Year Ended December 31, 2021	2020
Interest cost	\$ 4,170	\$ 4,959
Expected return on plan assets	(6,801)	(6,435)
Recognized net actuarial losses	235	261
Net periodic pension cost	<u>\$ (2,396)</u>	<u>\$ (1,215)</u>

The assumptions used to determine the benefit obligation and net periodic pension cost for the Pension Plans are set forth below:

	Year Ended December 31, 2021	2020
Used to determine projected benefit obligation		
Weighted-average discount rate	2.95%	2.65%
Used to determine pension cost		
Weighted-average discount rate	2.65%	3.35%
Weighted-average expected long-term rate of return on plan assets	5.00%	5.00%

The Pension Plans' assets are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. The Pension Plans' assets are managed solely in the interest of the participants and their beneficiaries. Diversification is achieved by allocating funds to various asset classes and investment styles and by retaining multiple investment managers with complementary styles, philosophies, and approaches.

Notes to Consolidated Financial Statements

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The expected long-term rate of return on the Pension Plans' assets is based on historical and projected rates of return for current and planned asset categories and the target allocation in the investment portfolio. As of December 31, 2021 and 2020, the target investment allocation for the Pension Plans was 70% and 60% debt securities, 27% and 36% equity securities, and 3% and 4% alternative investments, respectively.

The following table presents the Pension Plans' financial instruments as of December 31, 2021, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 12:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 3,237	\$ 3,237	\$ —	\$ —
Debt securities				
U.S. government agencies and sponsored entities	34,952	—	34,952	—
Corporate bonds	57,185	—	57,185	—
Equity securities				
Domestic equities	3,536	3,536	—	—
Foreign equities	2,141	2,141	—	—
Exchange traded funds				
Domestic equity	18,209	18,209	—	—
Foreign equity	5,458	5,458	—	—
Alternative strategy mutual funds	5,249	5,249	—	—
Total plan assets	<u>\$ 129,967</u>	<u>\$ 37,830</u>	<u>\$ 92,137</u>	<u>\$ —</u>

The following table presents the Pension Plans' financial instruments as of December 31, 2020 measured at fair value on a recurring basis by the valuation hierarchy defined in Note 12:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 3,295	\$ 3,295	\$ —	\$ —
Debt securities				
U.S. government agencies and sponsored entities	30,857	—	30,857	—
Corporate bonds	52,366	—	52,366	—
Equity securities				
Domestic equities	4,766	4,766	—	—
Foreign equities	5,675	5,675	—	—
Exchange traded funds				
Domestic equity	29,245	29,245	—	—
Foreign equity	6,896	6,896	—	—
Alternative strategy mutual funds	8,242	8,242	—	—
Total plan assets	<u>\$ 141,342</u>	<u>\$ 58,119</u>	<u>\$ 83,223</u>	<u>\$ —</u>

Notes to Consolidated Financial Statements

*For the years ended
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The following represents the expected benefit plan payments for the next five years and the five years thereafter:

2022	\$ 6,891
2023	7,070
2024	7,259
2025	7,452
2026	7,599
2027-2031	39,150

10. General and Professional Liability Program

The System has a self-insured revocable trust that covers its subsidiaries and their respective employees for professional and general liability claims within a specified level. A self-insured retention of \$2,000 was established for the year ended December 31, 2001 was increased to \$7,500 and \$15,000 effective January 1, 2002 and 2003, respectively, and had remained at \$15,000 through March 31, 2020. Effective April 1, 2020, the self-insured retention increased to \$20,000. Claims above the self-insured retention are insured by claims-made coverage that is placed with Adhealth Limited (Adhealth), a Bermuda company. Adhealth has purchased reinsurance through commercial insurers for the excess limits of coverage.

The professional and general liability trust funds are recorded in the accompanying consolidated balance sheets as assets whose use is limited in the amount of \$459,497 and \$446,294 at December 31, 2021 and 2020, respectively. The related accrued claims are recorded in the accompanying consolidated balance sheets as other current liabilities in the amount of \$112,505 and \$101,484 and as other noncurrent liabilities in the amount of \$361,369 and \$362,964 at December 31, 2021 and 2020, respectively. These liabilities are based upon actuarially determined estimates using a discount rate of 3.75% at December 31, 2021 and 2020. The related estimated insurance recoveries are recorded as other assets in the amount of \$9,724 and \$10,719 in the accompanying consolidated balance sheets at December 31, 2021 and 2020, respectively.

11. Commitments and Contingencies

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

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

See Note 14 for discussion of the COVID-19 pandemic and contingencies related to this significant event.

Notes to Consolidated Financial Statements

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12. Fair Value Measurements

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

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

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

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

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

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

Notes to Consolidated Financial Statements

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Recurring Fair Value Measurements

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

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

Notes to Consolidated Financial Statements

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

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

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

	December 31,	
	2021	2020
Investments and assets whose use is limited measured at fair value	\$ 7,238,633	\$ 6,573,742
Hedge funds and private equity funds	1,014,704	872,397
Commingled funds	340,700	373,704
Accrued interest	13,583	9,909
Total	<u>\$ 8,607,620</u>	<u>\$ 7,829,752</u>
Investments	\$ 7,716,423	\$ 6,951,313
Assets whose use is limited:		
Current	438,224	433,910
Noncurrent	452,973	444,529
Total	<u>\$ 8,607,620</u>	<u>\$ 7,829,752</u>

Notes to Consolidated Financial Statements

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

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

13. Functional Expenses

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

Expenses by functional classification for the year ended December 31, 2021 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	\$ 7,015,218	\$ 415,512	\$ 7,430,730
Purchased services and professional fees	1,793,026	199,613	1,992,639
Supplies	2,474,517	5,187	2,479,704
Other	1,891,414	93,610	1,985,024
Total	<u>\$ 13,174,175</u>	<u>\$ 713,922</u>	<u>\$ 13,888,097</u>

Expenses by functional classification for the year ended December 31, 2020 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	\$ 5,782,767	\$ 381,875	\$ 6,164,642
Purchased services and professional fees	1,746,689	163,804	1,910,493
Supplies	2,207,708	6,148	2,213,856
Other	1,552,397	87,792	1,640,189
Total	<u>\$ 11,289,561</u>	<u>\$ 639,619</u>	<u>\$ 11,929,180</u>

Notes to Consolidated Financial Statements

*For the years ended
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14. Significant Events

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient volumes and the related revenue for most services were significantly impacted beginning in mid-March 2020 through early May 2020 as various policies were implemented by federal, state and local governments such as suspension of elective procedures. Since that time, gradual improvement in volumes and related revenue has been experienced and as COVID-19 volumes surge, the System's hospitals monitor non-emergent procedures based on COVID-19 volumes, available staffing, and capacity. Certain of the System's hospitals experienced COVID-19 surges early in 2021 and in the third quarter of 2021, requiring voluntary monitoring of elective and non-emergent procedures. The System's response to the COVID-19 pandemic continues to require supplies utilized at a higher rate and purchased at elevated prices. Labor rates have increased primarily due to certain contract, overtime and other premium rate labor costs being incurred to support our clinical staff and address the surge of COVID-19 patients. The COVID-19 pandemic's impact to the System is driven by many factors, most of which are beyond the System's control. As such, the ultimate impact to the System and its financial condition is presently unknown.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was enacted on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Grant payments from the Provider Relief Fund are intended to reimburse healthcare providers for healthcare related expenses and/or lost revenue attributable to the COVID-19 pandemic. The System began receiving Provider Relief Funds in April 2020. During the years ended December 31, 2021 and 2020, the System recognized approximately \$78,000 and \$539,000, respectively, of Provider Relief Funds as other revenue in the accompanying consolidated statements of operations and changes in net assets.

The CARES Act provides for an expansion of the Medicare Accelerated and Advance Payment Program (Accelerated Payment Program), which allows inpatient acute care hospitals to request accelerated payments of up to 100% of their Medicare payment amount for a six-month period. In 2020, the System received approximately \$446,000 from the Accelerated Payment Program. Consistent with the terms and conditions of the program, repayments began in April 2021. Amounts owed under the Accelerated Payment Program totaled \$265,000 and \$446,000 as of December 31, 2021 and 2020, respectively, and are included in other current liabilities in the accompanying consolidated balance sheets. Repayments will continue based upon the terms and conditions of the program.

The CARES Act also allowed for deferred payment of the employer portion of certain payroll taxes between March 27, 2020 and December 31, 2020. As of December 31, 2020, the System had deferred payroll tax payments of approximately \$164,000, of which approximately \$82,000 is included in accounts payable and accrued liabilities and approximately \$82,000 is included in other noncurrent liabilities in the accompanying consolidated balance sheet. In December 2021, the System repaid \$82,000 of the deferred payroll taxes in accordance with the terms of the program. The remaining \$82,000 is due December 31, 2022 and is included in accounts payable and accrued liabilities in the consolidated balance sheet as of December 31, 2021.

Notes to Consolidated Financial Statements

*For the years ended
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15. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2021 through March 1, 2022, the date the accompanying consolidated financial statements were issued. During this period, there were no subsequent events, other than those discussed in Note 1, that required recognition in the accompanying consolidated financial statements nor were there any additional nonrecognized subsequent events that required disclosure.

Notes to Consolidated Financial Statements

*For the years ended
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16. Fourth Quarter Results of Operations (Unaudited)

The System's operating results for the three months ended December 31, 2021 are presented below:

Revenue	
Net patient service revenue	\$ 3,831,542
Other	267,006
Total operating revenue	<u>4,098,548</u>
Expenses	
Employee compensation	2,048,272
Supplies	658,668
Purchased services	298,154
Professional fees	221,188
Other	380,086
Interest	21,676
Depreciation and amortization	203,402
Total operating expenses	<u>3,831,446</u>
Income from Operations	267,102
Nonoperating Gains (Losses)	
Investment Return	228,777
Other	(1,231)
Total nonoperating gains, net	<u>227,546</u>
Excess of revenue and gains over expenses	494,648
Noncontrolling interests	<u>(2,980)</u>
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	491,668
Other changes in net assets without donor restrictions, net	27,129
Increase in net assets with donor restrictions, net	4,091
Increase in Net Assets	<u><u>\$ 522,888</u></u>

Report of Independent Auditors

Chief Executive Officer
Chief Financial Officer
The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation
d/b/a AdventHealth

Opinion

We have audited the consolidated financial statements of Adventist Health System Sunbelt Healthcare Corporation (the System), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the System as of December 31, 2021 and 2020, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to March 1, 2022. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 1, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System's internal control over financial reporting and compliance.

Ernst + Young LLP

March 1, 2022, except for our report on
the Schedule of Expenditures of Federal
Awards, for which the date is September 30, 2022

Supplementary Information

AdventHealth

Schedule of Expenditures of Federal Awards

Fiscal Period 1/1/2021 - 12/31/2021

Federal Awarding Agency/Program Title	Federal Assistance Listing Number	Additional Award Identification	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE									
COMMUNITY FACILITIES LOANS AND GRANTS	10.766					\$260,206	\$260,206	N/A	\$0
TOTAL DEPARTMENT OF AGRICULTURE						<u>\$260,206</u>			
DEPARTMENT OF JUSTICE									
CRIME VICTIM ASSISTANCE	16.575		CATHOLIC HEALTH INITIATIVES COLORADO FOUNDATION COLORADO DIVISION OF CRIMINAL JUSTICE	220-VA-21-515-00		\$137,563	\$137,563	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						<u>\$137,563</u>			
DEPARTMENT OF TREASURY									
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19	KANSAS DEPARTMENT FOR AGING AND DISABILITY SERVICES	N/A		\$1,010,242	\$1,010,242	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						<u>\$1,010,242</u>			
FEDERAL COMMUNICATIONS COMMISSION									
COVID-19 TELEHEALTH PROGRAM	32.006	COVID-19				\$598,965	\$598,965	N/A	\$0
TOTAL FEDERAL COMMUNICATIONS COMMISSION						<u>\$598,965</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT	CT FHLA 2022*0851		\$17,514	\$172,917	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT	PO FHLA 202000001027		\$59,554	\$172,917	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		ORANGE COUNTY, FL	Y19-1160		\$73,901	\$172,917	N/A	\$0
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	93.243		UNIVERSITY OF CENTRAL FLORIDA	18456004-02		\$21,947	\$172,917	N/A	\$0
COVID-19 SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301	COVID-19	GEORGIA DEPARTMENT OF COMMUNITY HEALTH	N/A		\$190,519	\$533,326	N/A	\$0
COVID-19 SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301	COVID-19	KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT	N/A		\$84,608	\$533,326	N/A	\$0
COVID-19 SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	93.301	COVID-19	UNIVERSITY OF WISCONSIN, MADISON	N/A		\$258,199	\$533,326	N/A	\$0
TRANS-NIH RESEARCH SUPPORT	93.310		BALL STATE	21-0124-002		\$411,045	\$649,789	R&D	\$5,031,633
TRANS-NIH RESEARCH SUPPORT	93.310		BALL STATE	21-0124-002		\$238,744	\$649,789	R&D	\$5,031,633
NATIONAL CENTER FOR ADVANCING TRANSLATIONAL SCIENCES	93.350		UNIVERSITY OF FLORIDA	SUB00002476		\$44,470	\$44,470	R&D	\$5,031,633
CANCER TREATMENT RESEARCH	93.395		BRIGHAM AND WOMEN'S HEALTH - ALLIANCE OF CLINICAL TRIALS IN ONCOLOGY FOUNDATION	ALLIANCE AGREEMENT (FL086)		\$48,400	\$73,313	R&D	\$5,031,633
CANCER TREATMENT RESEARCH	93.395		CHILDREN'S HOSPITAL OF PHILADELPHIA	9400710617 9400840000 9500080216-13c 9500080216-S7XY 9500080217-XX 9500080215-12c 95000100715-XX 9500080220-XX 9500080220-S23 95002080220-XX FP00015221 SUB366		\$24,913	\$73,313	R&D	\$5,031,633
CANCER CONTROL	93.399		CATHOLIC HEALTH INITIATIVES INSTITUTE FOR RESEARCH AND INNOVATION	FD720886010500807		\$6,500	\$15,050	R&D	\$5,031,633

AdventHealth

Schedule of Expenditures of Federal Awards

Fiscal Period 1/1/2021 - 12/31/2021

Federal Awarding Agency/Program Title	Federal Assistance Listing Number	Additional Award Identification	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
CANCER CONTROL	93.399		CATHOLIC HEALTH INITIATIVES INSTITUTE FOR RESEARCH AND INNOVATION	FD720886010500808		\$8,550	\$15,050	R&D	\$5,031,633
COVID-19 TESTING, TREATMENT, AND VACCINE ADMINISTRATION FOR THE UNINSURED	93.461	COVID-19				\$66,551,091	\$66,551,091	N/A	\$0
COVID-19 PROVIDER RELIEF FUND AND AMERICAN RESCUE PLAN (ARP) RURAL DISTRIBUTION	93.498	COVID-19				\$601,481,458	\$601,481,458	N/A	\$0
COVID-19 CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575	COVID-19	KANSAS DEPARTMENT FOR CHILDREN AND FAMILIES/CHILD CARE AWARE OF KANSAS	N/A		\$49,750	\$49,750	N/A	\$0
COVID-19 TESTING FOR RURAL HEALTH CLINICS	93.697	COVID-19				\$332,944	\$332,944	N/A	\$0
OPIOID STR	93.788					\$174,685	\$221,056	N/A	\$0
OPIOID STR	93.788		SIGNAL BEHAVIORAL HEALTH NETWORK	N/A		\$46,371	\$221,056	N/A	\$0
CARDIOVASCULAR DISEASES RESEARCH	93.837				\$50,605	\$510,097	\$740,863	R&D	\$5,031,633
CARDIOVASCULAR DISEASES RESEARCH	93.837		BROWN UNIVERSITY	00001352		\$108,177	\$740,863	R&D	\$5,031,633
CARDIOVASCULAR DISEASES RESEARCH	93.837		JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC.	N/A		\$50,974	\$740,863	R&D	\$5,031,633
CARDIOVASCULAR DISEASES RESEARCH	93.837		THE OHIO STATE UNIVERSITY	600606981		\$13,515	\$740,863	R&D	\$5,031,633
CARDIOVASCULAR DISEASES RESEARCH	93.837		THE UNIVERSITY OF CHICAGO	AWD100270 (SUB000000167)		\$7,496	\$740,863	R&D	\$5,031,633
BLOOD DISEASES AND RESOURCES RESEARCH	93.839		NYU GROSSMAN SCHOOL OF MEDICINE	N/A		\$11,200	\$22,200	R&D	\$5,031,633
BLOOD DISEASES AND RESOURCES RESEARCH	93.839		RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY	1521		\$11,000	\$22,200	R&D	\$5,031,633
ARTHRITIS, MUSCULOSKELETAL AND SKIN DISEASES RESEARCH	93.846					\$61,461	\$61,461	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847				\$122,714		\$1,877,907	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847				\$96,375	\$315,872	\$1,877,907	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847					\$620,938	\$1,877,907	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		ARIZONA STATE UNIVERSITY	17-103		\$279,252	\$1,877,907	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		HENRY FORD HEALTH SYSTEM	B11155_ADVENT		\$93,177	\$1,877,907	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		JAEB CENTER FOR HEALTH RESEARCH FOUNDATION, INC.	N/A		\$85,308	\$1,877,907	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		THE PENNSYLVANIA STATE UNIVERSITY	AHSDK127384		\$25,912	\$1,877,907	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		THE UNIVERSITY OF TEXAS - MD ANDERSON CANCER CENTER	3001707440		\$131,554	\$1,877,907	R&D	\$5,031,633
DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH	93.847		UNIVERSITY OF FLORIDA	SUB00002480		\$106,806	\$1,877,907	R&D	\$5,031,633
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853					\$1,000	\$1,000	R&D	\$5,031,633
EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCES AND NEUROLOGICAL DISORDERS	93.853		UNIVERSITY OF WASHINGTON	762307		\$204,266	\$1,358,588	R&D	\$5,031,633
AGING RESEARCH	93.866		CALIFORNIA PACIFIC MEDICAL CENTER RESEARCH INSTITUTE	280201015-S217	\$312,281	\$219,746	\$1,358,588	R&D	\$5,031,633
AGING RESEARCH	93.866		PENNINGTON BIOMEDICAL RESEARCH CENTER	AG069476-AH01		\$72,853	\$1,358,588	R&D	\$5,031,633
AGING RESEARCH	93.866		THE OHIO STATE UNIVERSITY	60070766		\$200,053	\$1,358,588	R&D	\$5,031,633
AGING RESEARCH	93.866		UNIVERSITY OF ALABAMA AT BIRMINGHAM	AWD000000026 (132575-2)		\$250,424	\$1,358,588	R&D	\$5,031,633
AGING RESEARCH	93.866		UNIVERSITY OF PITTSBURGH	AWD000000219 (132902-1)		\$98,965	\$1,358,588	R&D	\$5,031,633
COVID-19 NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.889	COVID-19	FLORIDA HOSPITAL ASSOCIATION, INC.	N/A		\$77,592	\$77,592	N/A	\$0
RURAL HEALTH CARE SERVICES OUTREACH, RURAL HEALTH NETWORK DEVELOPMENT AND SMALL HEALTH CARE PROVIDER QUALITY IMPROVEMENT	93.912					\$120,428	\$120,428	N/A	\$0
TUBERCULOSIS DEMONSTRATION, RESEARCH, PUBLIC AND PROFESSIONAL EDUCATION	93.947		BIOTHERAPEUTICS, INC.	AB4001		\$186,992	\$186,992	R&D	\$5,031,633
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		HEALTHY START COALITION OF HILLSBOROUGH COUNTY, INC.	ADH (RHS 100)		\$4,559	\$4,559	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						\$581,976	\$673,994,779		
DEPARTMENT OF HOMELAND SECURITY									
COVID-19 DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	COVID-19				\$2,688,051	\$2,688,051	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY						\$2,688,051			
TOTAL EXPENDITURES OF FEDERAL AWARDS							\$679,271,781		

Please Note:

Italicized award lines indicate pass-through funding

See accompanying notes

AdventHealth

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth (the System) under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Schedule are reported on the accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the combined financial position, results of operations or cash flows of the System.

2. 10% De Minimis Cost Rate

The System has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

3. Reporting Entity

The System's reporting entity is defined in Note 1 to the System's consolidated financial statements. For the year ended December 31, 2021, federal expenditures related to the following entity was not included in the System's total federal expenditures reported in the Schedule. This entity has a separate financial statement audit, and, as such, their expenditures are subject to the requirements of the Uniform Guidance at that reporting level. The entity not included in the Schedule is as follows:

- Adventist University of Health Sciences, Inc. d/b/a AdventHealth University

4. Contingencies

Grant monies received and disbursed by the System are for specific purposes and are subject to audit by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. The System does not believe that such disallowances, if any, would have a material effect on its combined financial position.

AdventHealth

Notes to Schedule of Expenditures of Federal Awards (continued)

5. COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (Assistance Listing No. 93.498)

The Schedule includes \$601,481,458 received from the Department of Health and Human Services (HHS) between April 10, 2020 and December 31, 2020, under the Provider Relief Fund (PRF) program of Assistance Listing No. 93.498. In accordance with guidance from HHS, \$14,841 in interest income earned on funds received from HHS has been included as a reportable PRF payment. These amounts are reported as Period 1 and Period 2 in the HHS PRF Reporting Portal. These amounts were recognized as other revenue in the System's consolidated financial statements in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2021 and 2020.

The amount presented on the Schedule for PRF is for the year ended December 31, 2021. The amount presented reconciles to the PRF information reported to HHS as follows:

Name of Reporting Entity for HHS Reporting Periods 1 and 2 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total Lost Revenues and Expenditures Reported
AdventHealth Family Medicine Rural Health Clinics, Inc.	271858033	General	\$ 28,390
AdventHealth Family Medicine Rural Health Clinics, Inc.	271858033	Targeted	424,357
AdventHealth Polk North, Inc.	841793121	General	2,709,717
AdventHealth Polk North, Inc.	841793121	Targeted	7,850,000
AdventHealth Polk South, Inc.	834672945	General	1,112,492
AdventHealth Polk South, Inc.	834672945	Targeted	5,000,000
AdventHealth Ransom Memorial, Inc.	830976641	General	958,629
AdventHealth Ransom Memorial, Inc.	830976641	Targeted	9,026,191
Adventist Bolingbrook Hospital	651219504	General	2,961,415
Adventist Bolingbrook Hospital	651219504	Targeted	13,516,401
Adventist Care Centers – Courtland, Inc.	205774723	General	218,366
Adventist Care Centers – Courtland, Inc.	205774723	Targeted	642,350
Adventist GlenOaks Hospital	363208390	General	1,916,531
Adventist GlenOaks Hospital	363208390	Targeted	10,150,000
Adventist Health Partners, Inc.	364138353	General	3,498,297
Adventist Health Partners, Inc. DBA Illinois Heart & Vascular	800607953	General	390,188

AdventHealth

Notes to Schedule of Expenditures of Federal Awards (continued)

Name of Reporting Entity for HHS Reporting Periods 1 and 2 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total Lost Revenues and Expenditures Reported
Adventist Health System Georgia, Inc.	581425000	General	\$ 3,519,613
Adventist Health System Georgia, Inc.	581425000	Targeted	11,299,614
Adventist Health System Georgia, Inc. dba AdventHealth Medical Group	582629795	General	528,065
Adventist Health System/Sunbelt, Inc. DBA AdventHealth Centra Care	593209688	General	203,353
Adventist Health System/Sunbelt, Inc. DBA AdventHealth Orlando	590724459	General	130,847,733
Adventist Health System/Sunbelt, Inc. DBA AdventHealth Orlando	590724459	Targeted	42,379,692
Adventist Health System/Sunbelt, Inc. DBA AdventHealth Sebring	590725553	General	5,440,728
Adventist Health System/Sunbelt, Inc. DBA AdventHealth Sebring	590725553	Targeted	13,221,716
Adventist Health System/Sunbelt, Inc. DBA AdventHealth Total Health Management	262059029	General	3,041
Adventist Health System/Sunbelt, Inc. DBA Central Texas Medical Center	742575462	General	5,583,358
Adventist Health System/Sunbelt, Inc. DBA Central Texas Medical Center	742575462	Targeted	8,067,083
Adventist Midwest Health	362276984	General	7,565,065
Adventist Midwest Health	362276984	Targeted	7,750,000
Adventist Midwest Health DBA Adventist La Grange Memorial Hospital	371762682	General	4,063,433
Adventist Midwest Health DBA Adventist La Grange Memorial Hospital	371762682	Targeted	7,650,000
AHP Specialty Care, NFP	811105774	General	78,568
Burleson Nursing & Rehab Center, Inc.	205782243	General	217,197
Burleson Nursing & Rehab Center, Inc.	205782243	Targeted	858,382
Chippewa Valley Hospital & Oakview Care Center, Inc.	391365168	General	408,196
Chippewa Valley Hospital & Oakview Care Center, Inc.	391365168	Targeted	3,392,994
East Orlando Health & Rehab Center, Inc.	205774748	General	536,060

AdventHealth

Notes to Schedule of Expenditures of Federal Awards (continued)

Name of Reporting Entity for HHS Reporting Periods 1 and 2 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total Lost Revenues and Expenditures Reported
East Orlando Health & Rehab Center, Inc.	205774748	Targeted	\$ 600,463
Fletcher Hospital, Inc.	560543246	General	9,475,838
FLNC, Inc.	205774761	General	386,597
FLNC, Inc.	205774761	Targeted	972,204
Florida Hospital Dade City, Inc.	822567308	General	810,023
Florida Hospital Dade City, Inc.	822567308	Targeted	5,259,330
Florida Hospital DME/RT, LLC	202392253	General	134,613
Florida Hospital Healthcare Partners, Inc.	462354804	General	2,516,591
Florida Hospital Home Infusion, LLP	593142824	General	144,711
Florida Hospital Medical Group, Inc.	593214635	General	17,228,912
Florida Hospital Medical Group, Inc. dba AdventHealth Medical Group RAD	262157500	General	1,363,637
Florida Hospital Ocala, Inc.	824372339	General	5,983,569
Florida Hospital Physician Group, Inc.	462021581	General	3,560,325
Florida Hospital Waterman, Inc.	593140669	General	11,772,278
Florida Hospital Zephyrhills, Inc.	592108057	General	7,926,981
Florida Radiology Imaging at Lake Mary, LLC.	550789387	General	482,495
Fountain Inn Nursing & Rehab Center, Inc.	472180518	General	483,016
Fountain Inn Nursing & Rehab Center, Inc.	472180518	Targeted	575,732
Heart of Florida Surgery Center, LLC.	812235296	General	51,858
Hospice of the Comforter, Inc.	592935928	General	1,863,328
Memorial Health Systems, Inc.	590973502	General	18,118,696
Memorial Hospital – West Volusia, Inc.	593256803	General	7,505,001
Memorial Hospital Flagler, Inc.	592951990	General	8,103,381
Memorial Hospital Flagler, Inc.	592951990	Targeted	1,835,570
Memorial Hospital, Inc.	610594620	General	1,171,840
Memorial Hospital, Inc.	610594620	Targeted	4,343,724
Metroplex Adventist Hospital, Inc.	742225672	General	2,564,003
Metroplex Adventist Hospital, Inc.	742225672	Targeted	17,451,922
Metroplex Clinic Physicians, Inc.	113762050	General	62,262
Operating division of Adventist Health System Georgia, Inc. dba AdventHealth Gordon EMS	753106281	General	72,220

AdventHealth

Notes to Schedule of Expenditures of Federal Awards (continued)

Name of Reporting Entity for HHS Reporting Periods 1 and 2 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total Lost Revenues and Expenditures Reported
Overland Park Nursing & Rehab Center, Inc.	205774821	General	\$ 143,089
Overland Park Nursing & Rehab Center, Inc.	205774821	Targeted	539,704
Pasco-Pinellas Hillsborough Community Health System, Inc.	208488713	General	11,560,890
Portercare Adventist Health System	840438224	General	24,472,593
Portercare Adventist Health System	840438224	Targeted	37,240,626
Princeton Homecare Services, LLC	814196648	General	1,099,315
San Marcos Nursing & Rehab Center, Inc.	205782224	General	118,290
San Marcos Nursing & Rehab Center, Inc.	205782224	Targeted	553,232
Shawnee Mission Medical Center, Inc.	480637331	General	23,633,517
Shawnee Mission Medical Center, Inc. DBA AdventHealth Medical Group	753164164	General	696,682
Shawnee Mission Prairie Star Surgery Center, LLC.	364634843	General	269,916
Shawnee Mission Surgery Center, LLC.	481243914	General	414,528
Southeast Volusia Healthcare Corporation	473793197	General	5,405,916
Southwest Volusia Healthcare Corporation	593149293	General	8,302,443
Sunbelt Health & Rehab Center – Apopka, Inc.	205774856	General	330,259
Sunbelt Health & Rehab Center – Apopka, Inc.	205774856	Targeted	586,158
Tarpon Springs Hospital Foundation, Inc.	590898901	General	2,340,985
Tarpon Springs Hospital Foundation, Inc.	590898901	Targeted	206,310
Tri-County Nursing and Rehab Center, Inc.	472219363	General	48,465
Tri-County Nursing and Rehab Center, Inc.	472219363	Targeted	594,714
University Community Hospital, Inc.	591113901	General	34,065,549
West Florida Health Home Care, Inc.	593686109	General	373,970
Zephyr Haven Health & Rehab Center, Inc.	205774930	General	228,885
Zephyr Haven Health & Rehab Center, Inc.	205774930	Targeted	594,186
Zephyrhills Health & Rehab Center, Inc.	205774967	General	321,385
Zephyrhills Health & Rehab Center, Inc.	205774967	Targeted	501,516
			<u>\$ 601,481,458</u>

Internal Control and Compliance Reports and Schedule

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Chief Executive Officer
Chief Financial Officer
The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation
d/b/a AdventHealth

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Adventist Health System Sunbelt Healthcare Corporation (the System), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of System's internal control. Accordingly, we do not express an opinion on the effectiveness of System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

March 1, 2022

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Chief Executive Officer
Chief Financial Officer
The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation d/b/a
AdventHealth

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Adventist Health System Sunbelt Healthcare Corporation's (the System) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of System's major federal programs for the year ended December 31, 2021. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The System's consolidated financial statements include the operations of AdventHealth University, which expended \$26,321,629 in federal awards that is not included in the System's schedule of expenditures of federal awards during the year ended December 31, 2021. Our compliance audit, described in the "Opinion on Each Major Federal Program" section, does not include the operations of AdventHealth University, because AdventHealth University engaged other auditors to perform an audit of compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the System's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as follows:

Finding No.	Assistance Listing No.	Program (or Cluster) Name	Compliance Requirement
2021-002	93.461	COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	A. Activities Allowed or Unallowed E. Eligibility

Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit of the major federal program identified as Assistance Listing Number 93.461 included certain audit procedures for the compliance requirement associated with activities allowed or unallowed that were limited to tests of compliance that reimbursements received, or expected to be received, related to health services allowed under this federal program. Our audit of compliance was not designed to test or provide assurance on the determination of whether a service was medically necessary, obtained through a legally appropriate referral, properly performed, rendered in a quality manner from a clinical perspective, adequately supervised, accurately documented and classified (i.e., that the correct medical bill code assigned represents the health service performed), or rendered and billed by non-sanctioned individuals. Performing procedures related to these matters is not within our professional expertise. Additional information on the nature of our procedures is available in the AICPA Audit and Accounting Guide, *Health Care Entities*. Our audit procedures for the compliance requirement associated with eligibility were limited to tests of compliance that services reimbursed, or expected to be reimbursed, were for individuals who received a temporary member identification number from the third-party service provider used by HRSA to identify a lack of active health care coverage.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness and a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

Finding No.	Assistance Listing No.	Program (or Cluster) Name	Compliance Requirement
2021-002	93.461	COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	A. Activities Allowed or Unallowed E. Eligibility N. Special Tests and Provisions

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Finding No.	Assistance Listing No.	Program (or Cluster) Name	Compliance Requirement
2021-001	93.498	COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	L. Reporting

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ernst & Young LLP

September 30, 2022

AdventHealth

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2021

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes **X** **No**

Significant deficiency(ies) identified?

 Yes **X** **None reported**

Noncompliance material to financial statements noted?

 Yes **X** **No**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

X **Yes** **No**

Significant deficiency(ies) identified?

X **Yes** **None reported**

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X **Yes** **No**

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section I—Summary of Auditor's Results (continued)

Identification of major federal programs:

Assistance Listing numbers	Name of federal program or cluster
93.461	COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund
93.498	COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 3,000,000
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> no

Section II—Financial Statement Findings

None identified

Section III—Federal Award Findings and Questioned Costs

Finding 2021-001

Identification of the federal program:

Federal Agency: U.S. Department of Health and Human Services (HHS) Health Resources and Services Administration (HRSA)

Assistance Listing: 93.498 COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution

Award Year: 2020-2021

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs (continued)

Criteria or specific requirement (including statutory, regulatory or other citation):

2 CFR Section 200.303 of the Uniform Guidance states the following regarding internal control:

”The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Condition:

For its controlled affiliates, who filed two of the 103 PRF reports during Period 1 and Period 2, management did not retain sufficient documentation over its review of the HHS HRSA reports filed in the HHS HRSA portal. While management had a process to identify and calculate the lost revenue under the PRF program, documentation to support the review of the data entered in the HHS HRSA portal by appropriate personnel was not retained.

Cause:

Management does not have internal controls in place at its controlled affiliates to require supporting documentation be retained to evidence the review and approval of the data in the HHS HRSA portal submission.

Effect or potential effect:

A lack of internal controls over the review of data submitted in the HHS HRSA portal could result in a misstatement of the amounts reported in the HHS HRSA portal.

Questioned costs:

\$0

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs (continued)

Context:

AdventHealth and its controlled affiliate organization submitted a total of 103 reports within the HRSA portal during period 1 and period 2. The total PRF payments received by AdventHealth and its controlled affiliate was \$601,481,458 of which the amount for the controlled affiliate was \$61,713,218. We tested 18 HHS HRSA submissions that had total payments from HHS HRSA amounting to \$379,544,996 of which the controlled affiliate payments were \$61,713,218. For the submissions related to the controlled affiliate, management did not retain documentation to support the review and approval of the data entered in the HHS HRSA portal.

Identification as a repeat finding, if applicable:

Not applicable

Recommendation:

Management should enhance its internal controls to ensure that sufficient documentation over the review and approval of the data entered in the HHS HRSA portal prior to submission is maintained.

Views of responsible officials:

Management agrees with the finding. The lack of documentation to evidence the review and approval of the data submitted within the HHS HRSA portal was isolated to a controlled affiliate who was responsible for submitting two of the 103 reports under the period of this review. A review and approval process did occur but was not documented in a manner sufficient for internal control testing. Management has enhanced the internal control to require documentation to be maintained to evidence the review and approval of data submitted within the HHS HRSA portal.

Finding 2021-002

Identification of the federal program:

Federal Agency: U.S. Department of Health and Human Services (HHS) Health Resources and Services Administration (HRSA)

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs (continued)

Assistance Listing: COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund (Uninsured Program)

Award Year: 2021

Criteria or specific requirement (including statutory, regulatory or other citation):

2 CFR Section 200.303 of the Uniform Guidance states the following regarding internal control:

“The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Health and Human Services (HHS) – Health Resources and Services and Administrative (HRSA) issued Terms and Conditions for Participation in the HRSA COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured Program (T&Cs) outlining requirements that recipients of funding from the HRSA COVID-19 Uninsured Program must comply with, including the following sections: Testing Services, Treatment Services and Vaccine Administration, and General Provisions in FY2020 Consolidated Appropriations.

Per the HRSA T&Cs and further clarified in the HRSA FAQs for COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment and Vaccine Administration, the FAQ states the following:

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs (continued)

“If a provider tests for COVID-19 as part of pre-operative or other medical treatment unrelated to COVID-19, is the test eligible for reimbursement? For the HRSA COVID-19 Uninsured Program, COVID-19 testing is eligible for reimbursement if one of the following diagnoses codes is included in any position on the claim:

- Z03.818 – Encounter for observation for suspected exposure to other biological agents ruled out (possible exposure to COVID-19)
- Z11.59 – Encounter for screening for other viral diseases (asymptomatic)Section III—Federal Award Findings and Questioned Costs (continued)
- Z20.828 – Contact with and (suspected) exposure to other viral communicable (confirmed exposure to COVID-19)
- Z11.52 – Encounter for screening for COVID-19 (asymptomatic)
- Z20.822 – Contact with and (suspected) exposure to COVID-19
- Z86.16 – Personal history of COVID-19

Related treatment visits and services are not eligible for reimbursement given the primary reason for treatment is not COVID-19.”

Per the HRSA T&Cs (for COVID-19 testing and testing-related items):

“FFCRA Uninsured Individuals means individuals who, as of the date of service for which Recipient seeks Payment, are not enrolled in—

- A Federal health care program (as defined under section 1128B(f) of the Social Security Act (42 U.S.C. 1320a-7b(f)), including an individual who is eligible for medical assistance only because of subsection (a)(10)(A)(ii)(XXIII) of Section 1902 of the Social Security Act; or
- A group health plan or health insurance coverage offered by a health insurance issuer in the group or individual market (as such terms are defined in section 2791 of the Public Health Service Act (42 U.S.C. 300gg-91)), or a health plan offered under chapter 89 of title 5, United States Code.”

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs (continued)

Per the HRSA T&Cs (for COVID-19 treatment):

Uninsured individuals are “individuals who do not have any health care coverage at the time the services were provided.”

Condition:

Based on our testing we noted Management did not perform sufficient procedures, at certain facilities, to ensure that patients did not have health care coverage at the time the services were rendered. Management represented that it inquired of the patients for insurance coverage, if any, prior to providing the services. However, documentation was not retained to support these inquiries. In addition, there were no procedures performed to support that a reasonable effort beyond inquiry was performed by management to verify the uninsured status of the patients.

In addition, based on our testing, we noted the following:

- 1 For certain samples tested, adequate patient records were not available to support covered services were provided.
- 2 For certain samples where the Uninsured Program was billed and paid for the service, we noted the patient had either retroactive Medicaid coverage or other insurance available at the time services were provided.
- 3 We noted that AdventHealth did not maintain sufficient documentation to support the effectiveness of internal controls in place to ensure balance billing was not performed.

Cause:

Management did not have sufficient internal controls in place to retain documentation of inquiries and other procedures performed to verify that patients were uninsured at the time services were provided.

Management did not have sufficient internal controls for certain patients over documenting and retaining support for the services provided to the patients in the patient files.

Internal controls over balance billing were not suitably designed to maintain supporting documentation to test the operating effectiveness of the internal controls.

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs (continued)

Effect or potential effect:

Lack of adequate internal controls could potentially result in claims submitted to HRSA for ineligible patients and balance billing being performed.

Questioned costs:

Total questioned costs related to the Uninsured Program total \$1,111 and are comprised of the following:

\$91 – Refund to HRSA not made when costs were reimbursed by other insurance.

\$735 – Billing to HRSA when Medicaid or other insurance was available.

\$285 – Patient timelines and documentation supporting the COVID related services were unavailable during testing.

Context:

We tested a total of 120 patient claims from three different billing systems used by AdventHealth. We noted the following exceptions and/or internal control matters:

- a. For 40 out of 40 patients processed at AdventHealth's urgent care and testing locations, documentation supporting the procedures performed to ensure the uninsured status of the patient was not available. However, AdventHealth received a HRSA temporary I.D. for the patients. The total claim amount for these 40 samples totaled \$2,389.
- b. For 7 out of the 40 samples tested from AdventHealth's hospital locations, documentation supporting the procedures performed to ensure the uninsured status of the patient was not available. However, AdventHealth received a HRSA temporary I.D. for the patients. The total claim amount for these 7 samples totaled \$633. Total claims tested totaled \$5,978.
- c. For 3 out of the 40 samples tested from AdventHealth's Physician practice locations, documentation supporting the procedures performed to ensure the uninsured status of the patient was not available. However, AdventHealth received a HRSA temporary I.D. for the patients. The total claim amount for these 3 samples totaled \$72. Total claims tested totaled \$4,226.

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs (continued)

- d. For 2 out of the 40 samples tested from AdventHealth's urgent care and testing locations, documentation supporting the account status to verify no other payments were received from other payors was not provided and as such we could not verify if balance billing occurred. The total claim amount for these 2 samples totaled \$101. Total claims tested were \$2,389.
- e. For 1 out of the 40 samples tested from AdventHealth's urgent care and testing locations, evidence showing the refund to HRSA, when payments from other insurance was received, was not provided. The total claim amount for this 1 sample was \$91. Total claims tested were \$2,389.
- f. For 4 out of the 40 samples tested from the AdventHealth's Physician practice locations, AdventHealth received reimbursement from HRSA when coverage from other insurance/Medicaid was available. The total claim amount for these 4 samples totaled \$735. Total claims tested were \$4,226.
- g. For 4 out of the 40 samples tested from AdventHealth's Physician practice locations, documentation supporting that the services provided to the patients related to COVID/COVID related services were not provided. The total claim amount for these 4 samples totaled \$285. Total claims tested were \$4,226.

The total HRSA payments on patient claims for FY 2021 was \$66,551,091.

Identification as a repeat finding, if applicable:

Not applicable

Recommendation:

The Uninsured Program ended in the second quarter of 2022. If the program were to continue, Management should address the following recommendations.

Management should enhance its internal controls to ensure that reasonable procedures are performed to verify the uninsured status of the patients and that it documents the inquiries and retains support for other procedures performed. In addition, Management should enhance its

AdventHealth

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs (continued)

internal controls to ensure that any refunds to HRSA, are timely remitted. Finally, Management should also ensure supporting documentation is retained to support the operating effectiveness of internal controls over balance billing.

Views of responsible officials:

Management agrees with the finding. As it relates to this program, no further action will be taken regarding prospective documentation of patient uninsured status as the program has since ended. AdventHealth will continue to follow our standard practice for verifying patient insurance. Management will confirm that any refunds due to HRSA are remitted. Management will also retain supporting documentation to evidence the operating effectiveness of internal controls over balance billing.

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Summary Schedule of Prior Audit Findings – For the Year Ended December 31, 2020

Finding 2020-001 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Information on the federal program:

Federal Grantor: United States Department of the Treasury

Assistance Listing No.: 21.019, COVID-19 Coronavirus Relief Fund (CRF)

Pass-Through Award Numbers: Various

Pass-Through Award Period of Performance: 03/01/2020–12/30/2020

Report Number: A-04-22-62861

Summary of Prior Audit Finding:

Condition: As part of our testing of the operating effectiveness of internal controls over the activities allowed and allowable costs compliance requirement, we noted there was no evidence of review and approval of an employee's time sheet if the manager did not certify the hours as the payroll still ran.

Recommendation: AdventHealth should reinforce the importance of adherence to policies and procedures and internal controls over payroll. Evidence of review and approval, including elements of the review process validated by the reviewer, and related underlying support for the calculation should be maintained.

Corrective action status: AdventHealth requires a supervisor review and approval of employee time sheets for all time charged to a federal program. We believe that supervisor review and approval is occurring manually for all current federal programs across the organization, however, we are identifying if functionality can be modified to require systematic approval within our timekeeping system. We anticipate closure of this corrective action by December 31, 2022.

Responsible official: James Mazzulla, Grants Manager

Finding 2020-002 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Information on the federal program:

Federal Grantor: United States Department of the Treasury

Assistance Listing No.: 21.019, COVID-19 Coronavirus Relief Fund (CRF)

Pass-Through Award Numbers: Various

Pass-Through Award Period of Performance: 03/01/2020–12/30/2020

Report Number: A-04-22-62861

Summary of Prior Audit Findings (continued)

Summary of Prior Audit Finding:

Condition: We noted there was a lack of evidence of approvals over purchases less than \$2,500

Recommendation: AdventHealth should formalize the review and approval process over purchases less than \$2,500 that relate to federal expenditures. Evidence of review and approval, including elements of the review process validated by the reviewer, and adequate supporting documents should be maintained.

Corrective action status: Most direct purchases are made through a defined purchasing process in PeopleSoft, which is supported by broader expense reviews by grants and finance leadership. This process does not require documented approvals for purchases less than \$2,500. For purchases less than \$2,500 that are charged to a federal program, AdventHealth requires a manual, documented approval of the purchase.

Responsible official: James Mazzulla, Grants Manager

Finding 2020-003 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Information on the federal program:

Federal Grantor: United States Department of the Treasury

Assistance Listing No.: 21.019, COVID-19 Coronavirus Relief Fund (CRF)

Pass-Through Award Numbers: Various

Pass-Through Award Period of Performance: 03/01/2020–12/30/2020

Report Number: A-04-22-62861

Summary of Prior Audit Finding:

Condition: AdventHealth did not reduce expenditures claimed for reimbursement by income received from other sources.

Recommendation: AdventHealth should reduce expenditures claimed for reimbursement by income received from other sources.

Corrective action status: AdventHealth investigated the finding and determined that this was an incident limited to two entities, Lake Wales and Heart of Florida. This program has since ended, however, AdventHealth has implemented internal controls at these entities to prevent the submission of expenditures without the inclusion of program income in the future.

Responsible official: James Mazzulla, Grants Manager

Summary of Prior Audit Findings (continued)

Finding 2020-004 – Activities Allowed or Unallowed and Eligibility

Information on the federal program:

Federal Grantor: United States Department of Health and Human Services, Health Resources and Services Administration (HRSA)

Assistance Listing No.: 93.461, COVID-19 Testing for the Uninsured

Pass-Through Award Numbers: Not applicable

Pass-Through Award Period of Performance: 02/04/2020–12/31/2020

Report Number: A-04-22-62861

Summary of Prior Audit Finding:

Condition: AdventHealth was unable to determine the complete program expenditures to include on the schedule of expenditures of Federal awards.

Recommendation: AdventHealth should ensure billing department personnel are appropriately coding the payments related to the program to the proper payor class, including sufficient review.

Corrective action status: After the completion of the audit, we determined that certain patient accounts were classified as being paid by United Healthcare Insurance Company, on behalf of the HRSA COVID-19 Testing for the Uninsured fund. This was identified through detailed review of explanation of benefit statements, which identified the payment as associated with the fund. Due to this, it appears that logic was applied consistently, and the issue identified during the audit was due to data interpretation issues.

Responsible official: James Mazzulla, Grants Manager

Finding 2020-005 – Procurement and Suspension and Debarment

Information on the federal program:

Federal Grantor: United States Department of Health and Human Services

Assistance Listing No.: 93.889, COVID-19 National Bioterrorism Hospital Preparedness Program

Pass-Through Award Numbers: Not Applicable

Pass-Through Award Period of Performance: 04/10/2020–04/09/2025

Report Number: A-04-22-62861

Summary of Prior Audit Finding:

Condition: As part of our testing of the operating effectiveness of internal controls over the Procurement and Suspension and Debarment, we noted AdventHealth did not have entity-

Summary of Prior Audit Findings (continued)

wide procurement policies that conform to the Uniform Guidance for purchases made with Federal funds.

Recommendation: AdventHealth should update its procurement policies to include those provisions required by the Uniform Guidance when making purchases with federal funds.

Corrective action status: AdventHealth has appropriate procurement policies in place at AdventHealth Orlando, who prior to 2020 was our only hospital subject to Single Audit requirements. An organization wide procurement policy has been implemented, effective May 2022.

Responsible official: James Mazzulla, Grants Manager

Corrective Action Plan

December 31, 2021

Federal Award Findings and Questioned Costs – For the Year Ended December 31, 2021

Finding 2021-001 – Reporting

Information on the federal program:

Federal Grantor: United States Department of Health and Human Services, Health Resources and Services Administration (HRSA)

Assistance Listing No.: 93.498, COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Pass-Through Award Numbers: Not applicable

Pass-Through Award Period of Performance: 01/01/2021–12/31/2021

Views of responsible officials and planned corrective actions: Management agrees with the finding. The lack of documentation to evidence the review and approval of the data submitted within the HHS HRSA portal was isolated to a controlled affiliate who was responsible for submitting two of the 103 reports under the period of this review. A review and approval process did occur but was not documented in a manner sufficient for internal control testing. Management has enhanced the internal control to require documentation to be maintained to evidence the review and approval of data submitted within the HHS HRSA portal.

Responsible official: James Mazzulla, Grants Manager

Anticipated completion date: September 30, 2022

Finding 2021-002 – Activities Allowed or Unallowed, Eligibility, and Special Tests and Provisions

Information on the federal program:

Federal Grantor: United States Department of Health and Human Services, Health Resources and Services Administration (HRSA)

Assistance Listing No.: 93.461, COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund

Pass-Through Award Numbers: Not applicable

Pass-Through Award Period of Performance: 01/01/2021–12/31/2021

Corrective Action Plan (continued)

Views of responsible officials and planned corrective actions: Management agrees with the finding.

Our standard procedure is to verify insurance coverage for all patients. For the samples noted in the finding, documentation was not maintained to evidence that additional insurance verification procedures were performed in addition to the standard patient inquiry. We believe this was a documentation error and not a process issue. Since the federal program has ended, no further action will be taken.

AdventHealth uses several billing and electronic medical record systems to document services received by patients and payments received from payers, some of which are managed by third parties. Due to the complexity of the COVID-19 pandemic, patients were often seen in multiple settings (e.g., testing location, physician practice, hospital), with data elements maintained in various systems. This initially created challenges in providing the necessary documentation within the timeframe of the audit. However, management has since confirmed the documentation requested for the audit is available and appropriate.

Management has noted that in certain instances, patients identify themselves as uninsured but following their date of service, AdventHealth identifies that the patient either had insurance coverage or was eligible for Medicaid. For the samples noted in the finding, AdventHealth was not aware that the patient had insurance coverage and requested reimbursement from HRSA, prior to AdventHealth identifying insurance coverage. AdventHealth did not bill or receive reimbursement from the other payers, however, AdventHealth is actively working to process a refund to HRSA since another payer was available to provide reimbursement.

Management believes that appropriate balance billing controls are in place, however, documentation to evidence the design of the control was not maintained, which did not allow for testing of the effectiveness of the control. A component of the control environment for balance billing is an active workqueue within the billing system and documentation was not retained to evidence that the workqueue was designed effectively. The workqueue has been in place throughout the entirety of the COVID-19 pandemic and associated public health emergency and per internal review has been effective in identifying the proper patient accounts. Documentation has been established and will be retained effective September 30, 2022.

Responsible official: James Mazzulla, Grants Manager

Anticipated completion date: December 31, 2022