Adventist HealthCare, Inc. and Controlled Entities

Consolidated Financial Statements
and Supplementary Information

December 31, 2018 and 2017

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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Adventist HealthCare, Inc. and controlled entities (collectively, the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adventist HealthCare, Inc. and controlled entities as of December 31, 2018 and 2017, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and combining information presented on pages 38 to 42 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Wilkes-Barre, Pennsylvania
April 30, 2019

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 41,673,365	$ 40,714,884
Short-term investments	196,069,788	197,803,029
Assets whose use is limited	3,573,229	2,923,796
Patient accounts receivable	94,756,571	93,209,946
Other receivables	12,096,855	16,070,981
Inventories	8,611,875	9,410,777
Prepaid expenses and other current assets	8,337,954	7,653,048
Total current assets	365,119,637	367,786,461
Property and Equipment, Net	652,882,719	511,609,795
Assets Whose Use is Limited		
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	139,004,400	244,332,570
Professional liability trust fund	11,128,261	11,878,591
Deferred compensation fund	1,300,086	1,403,371
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisitions	1,512,793	2,322,753
Investments and Investments in Unconsolidated Subsidiaries	17,057,997	15,665,245
Land Held for Healthcare Development	45,404,765	47,660,070
Intangible Assets, Net	8,127,689	8,343,130
Deposits and Other Noncurrent Assets	4,592,743	5,610,693
Total assets	$ 1,246,131,090	$ 1,216,612,679

See notes to consolidated financial statements

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 86,631,393	$ 86,818,184
Accrued compensation and related items	37,155,567	37,260,446
Interest payable	9,775,665	9,747,294
Due to third party payors	19,981,019	17,818,402
Estimated self-insured professional liability	1,795,731	1,179,664
Current maturities of long-term obligations	9,151,220	13,019,860
Total current liabilities	164,490,595	165,843,850
Construction Payable	33,038,715	14,828,539
Long-Term Obligations, Net		
Bonds payable	546,699,908	551,211,489
Notes payable	21,295,957	22,089,282
Capital lease obligations	10,096,187	11,229,970
Derivative Financial Instrument	503,251	1,145,303
Other Liabilities	10,257,050	11,963,765
Estimated Self-Insured Professional Liability	14,929,354	13,082,881
Total liabilities	801,311,017	791,395,079
Net Assets		
Net assets without donor restrictions	439,571,362	417,328,975
Net assets with donor restrictions	5,248,711	7,888,625
Total net assets	444,820,073	425,217,600
Total liabilities and net assets	$ 1,246,131,090	$ 1,216,612,679

Consolidated Statements of Operations
Years Ended December 31, 2018 and 2017

	2018	2017
Revenues		
Patient service revenue	$ 779,303,420	$ 801,836,667
Provision for doubtful collections	-	(31,782,541)
Net patient service revenue	779,303,420	770,054,126
Other revenues	41,246,589	38,064,322
Total revenues	820,550,009	808,118,448
Expenses		
Salaries and wages	366,176,376	360,720,746
Employee benefits	72,221,612	68,630,252
Contract labor	35,754,655	39,039,683
Medical supplies	104,580,658	103,013,363
General and administrative	122,362,912	122,036,220
Building and maintenance	41,344,766	41,922,317
Insurance	9,113,009	5,674,763
Interest	11,951,282	10,353,452
Depreciation and amortization	38,120,194	36,463,353
Total expenses	801,625,464	787,854,149
Income from operations	18,924,545	20,264,299
Other Income (Expense)		
Investment income	2,284,965	8,232,502
Other income (expense)	143,382	(1,994,397)
Total other income	2,428,347	6,238,105
Revenues in excess of expenses from continuing operations	21,352,892	26,502,404
Change in net unrealized (losses) gains on investments other than trading securities	(3,582,832)	2,582,625
Change in net unrealized gain on derivative financial instrument	700,697	700,697
Net assets released from restriction for purchase of property and equipment	2,656,339	1,152,590
Deferred compensation plan liability adjustment	1,609,635	(512,305)
Other unrestricted net asset activity	(494,344)	(1,762,971)
Increase in net assets without donor restrictions from continuing operations	22,242,387	28,663,040
Loss from discontinued operations	-	(2,661,722)
Increase in net assets without donor restrictions	$ 22,242,387	$ 26,001,318

See notes to consolidated financial statements

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2018 and 2017

	2018	2017
Net Assets Without Donor Restrictions		
Revenues in excess of expenses from continuing operations	$ 21,352,892	$ 26,502,404
Change in net unrealized (losses) gains on investments other than trading securities	(3,582,832)	2,582,625
Change in net unrealized gain on derivative financial instrument	700,697	700,697
Net assets released from restriction for purchase of property and equipment	2,656,339	1,152,590
Deferred compensation plan liability adjustment	1,609,635	(512,305)
Other unrestricted net asset activity	(494,344)	(1,762,971)
Increase in net assets without donor restrictions from continuing operations	22,242,387	28,663,040
Loss from discontinued operations	-	(2,661,722)
Increase in net assets without donor restrictions	22,242,387	26,001,318
Net Assets With Donor Restrictions		
Restricted gifts and donations	4,077,505	4,933,934
Net assets released from restriction for purchase of property and equipment	(2,656,339)	(1,152,590)
Net assets released from restriction used for operations	(3,519,841)	(2,480,828)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(69,836)	18,397
Change in discount of pledges receivable and provision for doubtful pledges	(508,987)	11,309
Donor restricted investment income	37,584	10,234
(Decrease) increase in net assets with donor restrictions	(2,639,914)	1,340,456
Increase in net assets	19,602,473	27,341,774
Net Assets, Beginning	425,217,600	397,875,826
Net Assets, Ending	$ 444,820,073	$ 425,217,600

See notes to consolidated financial statements

	2018	2017
Cash Flows from Operating Activities		
Increase in net assets	$ 19,602,473	$ 27,341,774
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for doubtful collections	-	31,782,541
Depreciation and amortization	38,120,194	36,453,533
Amortization of deferred financing costs	212,496	200,349
Deferred compensation plan liability adjustment	(1,609,635)	512,305
Restricted contributions and grants	(1,151,766)	(3,782,795)
Earnings recognized from unconsolidated subsidiaries and affiliates	(1,943,590)	(2,040,340)
Amortization of physician income guarantees	26,348	9,105
Net realized loss (gain) on investments	3,128,140	(3,628,355)
Change in net unrealized losses (gains) on investments other than trading securities	3,582,832	(2,582,625)
Change in net unrealized gain on derivative financial instrument	(700,697)	(700,697)
Change in value of beneficial interest in trusts and charitable gift annuity	69,836	(18,397)
Change in discount on pledges receivable and provision for doubtful pledges	508,987	(11,309)
Loss on disposal of BH&WS Eastern Shore	-	2,911,706
Changes in assets and liabilities:		
Patient accounts receivable	(1,546,625)	(33,960,881)
Other receivables	3,947,778	(836,069)
Inventories, prepaid expenses and other current assets	113,996	514,096
Accounts payable and accrued expenses	(186,791)	2,880,926
Accrued compensation and related items	(104,879)	2,408,992
Interest payable	28,371	7,725,904
Estimated self-insured professional liability	2,462,540	1,397,042
Due to third party payors	2,162,617	(846,625)
Other noncurrent assets and liabilities	397,341	(3,415,492)
Net cash provided by operating activities	67,119,966	62,314,688

	2018	2017
Cash Flows from Investing Activities		
Purchase of property and equipment	$ (159,276,923)	$ (105,592,446)
Increase in investments and investments in unconsolidated subsidiaries	(4,779,492)	(3,959,138)
Additions to land held for healthcare development	(2,309,960)	(6,675,741)
Proceeds from sale of land for healthcare development	4,565,265	7,721,976
Distributions from investments in unconsolidated subsidiaries	2,524,000	321,113
Purchase of investment in unconsolidated subsidiary	(1,182,000)	(674,626)
Decrease in trustee held funds and restricted cash	106,506,583	26,520,312
Net cash used in investing activities	(53,952,527)	(82,338,550)
Cash Flows from Financing Activities		
Payment of financing costs	-	(423,227)
Proceeds from issuance of bonds	-	40,000,000
Repayments on long-term obligations, net	(13,360,724)	(12,818,901)
Proceeds from restricted contributions and grants	1,151,766	3,782,795
Net cash (used in) provided by financing activities	(12,208,958)	30,540,667
Net increase in cash and cash equivalents	958,481	10,516,805
Cash and Cash Equivalents, Beginning	40,714,884	30,198,079
Cash and Cash Equivalents, Ending	$ 41,673,365	$ 40,714,884
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 12,464,520	$ 4,138,018
Supplemental Disclosure of Noncash Investing and Financing Activities		
Capital lease obligation incurred for equipment	$ 3,203,212	$ 469,249
Land contributed to investment in unconsolidated subsidiary	$ 1,153,672	$ -
Construction payable for property and equipment	$ 33,038,715	$ 14,828,539

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

Shady Grove Medical Center ("SGMC") is a 266-bed acute care hospital located in Rockville, Maryland. Effective August 1, 2018, Behavioral Health & Wellness Services ("BH&WS") became a department of SGMC and as a result is reimbursed under SGMC's global budget revenue agreement. BH&WS is comprised of BH&WS - Rockville, a 117-bed psychiatric hospital. BH&WS - Eastern Shore was an acute care and residential mental health resource for children and adolescents, which had 15 acute care psychiatric beds and 59 residential treatment rooms. In November 2016, AHC made the decision to discontinue the operations of the BH&WS - Eastern Shore location. See Note 3 for further details.

Washington Adventist Hospital ("WAH") is a 236-bed acute care hospital located in Takoma Park, Maryland.

Rehabilitation ("Rehab") operates one inpatient hospital with two sites in Maryland, as well as two outpatient locations. Rehab - Rockville is a 55-bed rehabilitation facility and Rehab - Takoma Park is a 32-bed rehabilitation facility.

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

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

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

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

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

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

The Urgent Care operating division is comprised of three urgent care centers located in Germantown, Laurel, and Rockville, Maryland. These centers provide ambulatory services to patients without life threatening conditions, as well as occupational health screenings to the community. The operating division started in October 2013 when Adventist HealthCare Urgent Care Centers, Inc. ("Urgent Care"), a Maryland non-profit corporation and Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital Centra Care, a Florida non-profit corporation, entered into a management services and license agreement to establish free standing urgent care centers in Montgomery and Prince Georges County, Maryland. This agreement was terminated effective October 10, 2017 and going forward an unrelated third party will assist in management of these centers.

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

The Foundations operating division is comprised of Washington Adventist Hospital Foundation, Inc., Shady Grove Medical Center Foundation, Inc., and Adventist Behavioral Health & Wellness Services Foundation, Inc. (collectively, the "Foundations"). Each are separate nonstock corporations that operate for the furtherance of each named hospital’s health care objectives primarily through the solicitation of contributions, gifts and bequests. The Foundations also exist to help fund new equipment purchases and capital improvement projects for their respective hospitals. The Adventist Behavioral Health & Wellness Services Foundation, Inc. (BH&WS Foundation) was dissolved in 2018 and its assets were transferred to Shady Grove Medical Center Foundation, Inc. The transfer had no impact on net assets with donor restriction as the amounts will be used in accordance with the donors intended restriction.

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

Principles of Consolidation

The consolidated financial statements for 2018 and 2017 include the accounts of AHC, the controlling parent, SGMC, WAH, Rehab, Imaging, CIS, LWS, CCPL, the Support Center, the Lourie Center, AHCS, Urgent Care, OHQA, ACO and the Foundations, which include their majority-owned subsidiaries and controlled affiliates (collectively, the "Corporation"). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements of the Corporation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through April 30, 2019, the date the consolidated financial statements were issued.

Use of Estimates

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

Maryland Health Services Cost Review Commission

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

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

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

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

The HSCRC requires rate-regulated hospitals under its jurisdiction to calculate the amount of revenue lost or gained due to variances from approved rates. Revenue lost due to undercharges in rates is recouped through increases in prospective rates. Similarly, revenue gained due to overcharges in rates is paid back, wholly or in part, through reductions in prospective rates. The Corporation reported net undercharges of $1,289,841 and $3,043,105 as of December 31, 2018 and 2017, respectively. These price variances reflect the variance between actual patient charges and the pro-rata share of approved rate orders. The net amounts are reported as a component of net patient service revenue and patient accounts receivable in the accompanying consolidated financial statements. Since the HSCRC's rate year extends from July 1 through June 30, these amounts will continue to fluctuate until the end of the rate year as actual patient charges deviate from the total approved charging authority. At the conclusion of the rate year, any over/under charges are amortized on the straight-line basis over the following rate year when the price variance adjustments are actually built into each entity's rate order.

Under Maryland law, charges of specialty hospitals such as Rehab are subject to review and approval by the HSCRC. HSCRC regulations also include a provision whereby a hospital may apply for an exemption from the requirements to charge for services in accordance with HSCRC regulations. Certain conditions regarding the percentage of revenue related to Medicare and Medicaid patients and total revenues must be met to receive the initial exemption and must be met each year thereafter. Reporting requirements as established by the HSCRC continue even if an exemption regarding charging for services is received. The Corporation's management believes Rehab met the conditions for exemption during 2018 and 2017.

BH&WS-Rockville is subject to HSCRC rate setting. For 2017 and the period January 1, 2018 through July 31, 2018, BH&WS-Rockville did not enter into a Global Budget Revenue Agreement. Instead, BH&WS-Rockville continues to generate charging authority based on the volume of services it provides to patients. Unit rates are set for all payors, however Medicare and Medicaid are not required to reimburse at HSCRC rates. Services provided to Medicare beneficiaries are reimbursed under the Inpatient Psychiatric Facility Prospective Payment System. Services provided to Medicaid patients are cost-settled for outpatient services and reimbursed for inpatient services at a rate of 94 percent of charges (as set forth in the Code of Maryland Regulations 10.09.06.09). Effective August 1, 2018, BH&WS became a department of SGMC and is reimbursed under their Global Budget Revenue Agreement.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and certificates of deposit purchased with original maturities of less than 90 days, excluding assets whose use is limited.

Patient Accounts Receivable

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

Other Receivables

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

Assets Whose Use Is Limited

Assets whose use is limited includes assets held by bond trustees under trust indentures, assets set aside as required by the Corporation's self-funded professional liability trust, and assets set aside for deferred compensation agreements. Amounts available to meet current liabilities of the Corporation have been reclassified as current assets in the accompanying consolidated balance sheets.

Investments and Investment Risk

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

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

Inventories

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

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

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

Impairment losses are recognized in the consolidated statements of operations as a component of revenues in excess of expenses from continuing operations as they are determined. The Corporation reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, the Corporation calculates the estimated future net cash flows to be generated by the asset. If those future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. There were no impairment losses reported in 2018 or 2017.

Intangible Assets

The Corporation's intangible assets primarily include costs in excess of net assets acquired related to certain business acquisitions. The Corporation is amortizing certain intangible assets over a period not to exceed 40 years. Amortization of these intangible assets was $218,792 in 2018 and $221,457 in 2017. Accumulated amortization of intangible assets was $3,826,808 and $3,608,016 as of December 31, 2018 and 2017, respectively.

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

Goodwill related to BH&WS Eastern Shore of $411,579 was written off in 2017 related to the closure of this location (Note 3) and is included in loss from discontinued operations in the accompanying consolidated statements of operations.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term obligations have been deferred and are being amortized over the term of the related obligation using the straight-line method. Deferred financing costs remaining as of December 31, 2018 and 2017 totaled $4,850,301 and $5,062,797, respectively, and are included in the consolidated balance sheets as a reduction of bonds payable.

Amortization expense was $212,496 and $200,349 in 2018 and 2017, respectively, and is included as a component of interest expense in the consolidated statements of operations. Accumulated amortization of deferred financing costs was $3,074,318 and $2,861,822 at December 31, 2018 and 2017, respectively, and is included as a component of bonds payable in the consolidated balance sheets.

Due to Third Party Payors

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

Settlements with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information become available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in in the transaction price, were not significant in 2018 or 2017.

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

Derivative Financial Instruments

The Corporation has an interest rate swap agreement, which is considered a derivative financial instrument, to manage its interest rate exposure on certain long-term obligations (Note 12). The interest rate swap agreement is reported at fair value in the accompanying consolidated balance sheets. The interest rate swap agreement is not designated as a cash flow hedge. Changes in fair value are reported as a component of other non-operating income (expense).

Estimated Self-Insured Professional Liability

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

Net Assets

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

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

Net assets with donor restrictions includes amounts subjected to donor imposed restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets were released from donor restriction by satisfying their restricted purposes in the amount of $6,176,180 in 2018 and $3,633,418 in 2017.

Net assets with donor restrictions includes those whose use by the Corporation has been limited by donors to specific purposes in the amount of $4,907,290 and $7,547,204 as of December 31, 2018 and 2017, respectively. Net assets with donor restrictions that have been restricted by donors to investments to be held in perpetuity was $341,421 as of December 31, 2018 and 2017.

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

Measure of Operations

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

Revenues in Excess of Expenses from Continuing Operations

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

Net Patient Service Revenue

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

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

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

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

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

Income Taxes

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2018 or 2017.

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

Charity Care

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

The Corporation maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care. The level of charity care provided by the Corporation amounted to approximately $8,958,000 in 2018 and $7,748,000 in 2017.

Advertising Costs

The Corporation expenses advertising costs as they are incurred.

Reclassifications

Certain amounts relating to 2017 have been reclassified to conform to the 2018 reporting format.

2. Adoption of Accounting Standards

Revenue Recognition

In 2018, the Corporation adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements.

The Corporation applied the modified retrospective approach to all contracts when adopting ASU No. 2014-09. As a result of the adoption, what was previously classified as the provision for doubtful collections in the consolidated statements of operations is now reflected as implicit price concessions, as defined in Topic 606, and therefore included as a reduction of net patient service revenues. For changes in transaction price related to changes in patient circumstances, the Corporation will prospectively recognize those amounts as a provision for bad debts within operating expenses on the consolidated statements of operations. For periods prior to January 1, 2018, the provision for doubtful collections has been presented consistent with the previous revenue recognition standards that required separate presentation of these amounts as a component of net patient service revenue. Additionally, as a result of the adoption of ASU No. 2014-09, the allowance for doubtful collections of approximately $22,487,000 as of January 1, 2018 became a component of patient accounts receivable.

Not-for-Profit Financial Statement Presentation

In August 2016, FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* In 2018, the Corporation adopted ASU No. 2016-14, and has applied the changes retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources and analysis of expenses by nature and function. These disclosures have been presented for 2018 only, as allowed by ASU No. 2016-14. The new standard changes the following aspects of the consolidated financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets With Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources at December 31, 2018 (Note 17); and
- The functional expense disclosure for 2018 includes expenses reported both by nature and function (Note 18).

Financial Instruments

During January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01 was issued to enhance the reporting model for financial instruments in financial statements. The provisions of ASU No. 2016-01 require marketable equity securities to be reported at fair value with changes in fair value recognized within the performance indicator, establishes a qualitative factor in evaluating impairment on equity investments without readily determinable fair values, and eliminates the requirement to disclose the fair value on financial instruments measured at amortized cost. The Corporation will be required to adopt the guidance in ASU No. 2016-01 for the year ending December 31, 2019. The Corporation is currently assessing the impact that ASU No. 2016-01 will have on its consolidated financial statements.

Statement of Cash Flows

During August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 addresses eight cash flow issues with specific guidance on how certain cash receipts and cash payments should be presented on the statement of cash flows. The Corporation will be required to adopt the guidance in ASU No. 2016-15 for the year ending December 31, 2019. The Corporation is currently assessing the impact that ASU No. 2016-15 will have on its consolidated statements of cash flows.

Restricted Cash

During November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 30), Restricted Cash*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts showing on the statement of cash flows. The Corporation will be required to retroactively adopt the guidance in ASU No. 2016-18, with transition provisions, for the year ending December 31, 2019. The Corporation is currently assessing the impact that ASU No. 2016-18 will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Corporation’s leasing activities. The Corporation will be required to retrospectively adopt the guidance in ASU No. 2016-02 for the year ending December 31, 2019. The Corporation is currently assessing the impact that ASU No. 2016-02 will have on its consolidated financial statements.

Goodwill

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

3. Discontinued Operations

On March 31, 2016, the Corporation sold the operating assets of Hackettstown Regional Medical Center ("HRMC") and HRMC Foundation to an unrelated third party, and discontinued the operations of the facility. The Corporation received net proceeds from the sale of approximately $44,500,000, which was net of a contribution paid by the Corporation of $2,500,000 to the HRMC Foundation. During 2017, the Corporation recorded a gain from discontinued operations of $249,984 related to the final settlement of receivables and payables that existed at the time of sale. The amount is included in the net loss from discontinued operations in the accompanying consolidated statements of operations.

During 2016, AHC discontinued operations at the BH&WS - Eastern Shore facility and made the decision to no longer provide services on Maryland's eastern shore. During 2017, the Corporation recorded a loss from discontinued operations of $2,911,706, which is included in the net loss from discontinued operations in the accompanying consolidated statements of operations. The majority of the property and equipment was disposed of as a result of the closure and a loss of approximately $1,611,000 was recognized in 2017 and included in the loss from discontinued operations in the accompanying consolidated statements of operations. In addition, goodwill of approximately $412,000 related to BH&WS Eastern Shore was written off and included in the loss from discontinued operations in the accompanying consolidated statements of operations in 2017.

4. Net Patient Service Revenues

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

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

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

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

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

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

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

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

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

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

Global budget revenue	$ 636,611,309
Rehabilitation services	46,385,493
Physician practice services	30,529,693
Imaging services	29,948,092
Home health services	28,779,161
Other health services	7,049,672
Total	$ 779,303,420

Net patient service revenues disaggregated by payor for the years ended December 31, 2018 and 2017 are as follows:

	Medicare	Medicaid	Other Third Party Payors	Self-Pay and Other	Total
December 31, 2018	$ 292,876,720	$ 85,066,955	$ 368,341,417	$ 33,018,328	$ 779,303,420
December 31, 2017	$ 287,729,217	$ 80,722,260	$ 371,203,570	$ 30,399,079	$ 770,054,126

5. Investments

Short-Term Investments

The Corporation’s short-term investments at December 31, 2018 and 2017 are comprised of the following:

	2018	2017
Cash and cash equivalents	$ 4,671,466	$ 827,792
Fixed income:		
Corporate bonds	70,694,426	72,558,705
Asset backed securities	58,864,628	34,501,068
U.S. government securities, U.S. treasury notes	36,563,482	61,937,170
Mutual funds:		
Equity, balanced	16,628,693	17,575,243
Equity, growth	8,647,093	10,403,051
Total	$ 196,069,788	$ 197,803,029

Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2018 and 2017 is set forth in the following tables:

	2018	2017
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks:		
Cash and cash equivalents	$ 55,754,102	$ 56,604,016
U.S. government securities:		
U.S. treasury notes	82,672,276	166,238,057
U.S. government agency notes	2,355,520	23,234,629
Total	140,781,898	246,076,702
Less funds held for current liabilities	1,777,498	1,744,132
Noncurrent portion of assets held under trust indentures and capital lease purchase financing facilities	$ 139,004,400	$ 244,332,570
Professional liability trust fund:		
Cash and cash equivalents	$ 1,133,693	$ 228,643
Mutual funds:		
Equity, balanced	-	801,545
Equity, large value	3,618,514	3,869,027
Equity, growth	1,179,972	1,137,927
Fixed income, intermediate	3,907,005	3,912,844
Fixed income, multi-sector	921,591	960,543
Fixed income, short-term	2,163,217	2,147,726
Total	12,923,992	13,058,255
Less funds held for current liabilities	1,795,731	1,179,664
Noncurrent portion of professional liability trust fund	$ 11,128,261	$ 11,878,591
Deferred compensation fund:		
Mutual funds:		
Equity, growth	$ 203,128	$ 1,403,371
Equity, large value	226,707	-
Equity, midcap value	111,635	-
Equity, other	313,022	-
Fixed income, intermediate	445,594	-
	$ 1,300,086	$ 1,403,371

The indenture requirements of certain tax exempt financings provide for the establishment and maintenance of various accounts with a trustee (Note 10). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders.

The composition of trustee held and escrow funds at December 31, 2018 and 2017 is as follows:

	2018	2017
Debt service reserve funds	$ 28,401,140	$ 28,224,212
Principal and interest funds	17,902,335	29,448,690
Project fund	94,478,423	188,403,800
Total	$ 140,781,898	$ 246,076,702

Unrestricted investment income and gains and losses for investments, assets whose use is limited, and cash and cash equivalents are comprised of the following in 2018 and 2017:

	2018	2017
Investment income:		
Interest and dividends, net	$ 5,292,594	$ 4,555,234
Interest on trustee held funds	120,511	48,913
Net realized (losses) gains on sale of investments	(3,128,140)	3,628,355
Total	$ 2,284,965	$ 8,232,502
Other changes in net assets without donor restriction,		
Change in net unrealized gains and losses on investments other than trading securities	$ (3,582,832)	$ 2,582,625

6. Fair Value Measurements and Financial Instruments

Fair Value Measurements

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

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

The levels of the fair value hierarchy are as follows:

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

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

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

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

	2018				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at Fair Value					
Assets:					
Cash and cash equivalents	$ 62,449,848	$ 62,449,848	$ 62,449,848	$ -	$ -
Mutual funds:					
Fixed income, intermediate	4,352,599	4,352,599	4,352,599	-	-
Fixed income, multi -sector	921,591	921,591	921,591	-	-
Fixed income, short-term	2,163,217	2,163,217	2,163,217	-	-
Equity, growth	10,030,193	10,030,193	10,030,193	-	-
Equity, large value	3,845,221	3,845,221	3,845,221	-	-
Equity, balanced	16,628,693	16,628,693	16,628,693	-	-
Equity, mid value	111,635	111,635	111,635	-	-
Equity, other	313,022	313,022	313,022	-	-
U.S. government securities:					
U.S. treasury notes	119,235,758	119,235,758	-	119,235,758	-
U.S. government agency notes	2,355,520	2,355,520	-	2,355,520	-
Asset backed securities	58,864,628	58,864,628	-	58,864,628	-
Corporate bonds and other debt securities	70,694,426	70,694,426	-	70,694,426	-
Beneficial interest in trusts	977,231	977,231	-	-	977,231
	$ 352,943,582	$ 352,943,582	$ 100,816,019	$ 251,150,332	$ 977,231
Liabilities,					
Derivative financial instrument	$ 503,251	$ 503,251	$ -	$ 503,251	$ -
Disclosed at Fair Value					
Cash and cash equivalents	$ 41,673,363	$ 41,673,363	$ 41,673,363	$	$
Pledges receivable	3,219,172	3,219,172	-	-	-
Long-term debt, excluding capital leases (Note 11):					
Fixed rate revenue bonds	523,782,204	576,452,087	-	576,452,087	-
Variable rate revenue bonds	21,985,000	21,985,000	-	21,985,000	-
Note payable	22,089,282	22,089,282	-	-	22,089,282

	2017				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at Fair Value					
Assets:					
Cash and cash equivalents	$ 58,471,764	$ 58,471,764	$ 58,471,764	$ -	$ -
Mutual funds:					
Fixed income, intermediate	3,970,702	3,970,702	3,970,702	-	-
Fixed income, multi -sector	960,543	960,543	960,543	-	-
Fixed income, short-term	2,147,726	2,147,726	2,147,726	-	-
Equity, growth	12,960,164	12,960,164	12,960,164	-	-
Equity, large value	3,887,685	3,887,685	3,887,685	-	-
Equity, balanced	18,376,788	18,376,788	18,376,788	-	-
U.S. government securities:					
U.S. treasury notes	228,175,227	228,175,227	-	228,175,227	-
U.S. government agency notes	23,234,629	23,234,629	-	23,234,629	-
Asset backed securities	34,501,068	34,501,068	-	34,501,068	-
Corporate bonds and other debt securities	72,558,705	72,558,705	-	72,558,705	-
Beneficial interest in trusts	1,052,891	1,052,891	-	-	1,052,891
	$ 460,297,892	$ 460,297,892	$ 100,775,372	$ 358,469,629	$ 1,052,891
Liabilities,					
Derivative financial instrument	$ 1,145,303	$ 1,145,303	$ -	$ 1,145,303	$ -
Disclosed at Fair Value					
Cash and cash equivalents	$ 40,714,884	$ 40,714,884	$ 40,714,884	$ -	$ -
Pledges receivable	4,333,990	4,181,880	-	-	-
Long-term debt, excluding capital leases (Note 11):					
Fixed rate revenue bonds	526,076,559	578,746,439	-	578,746,439	-
Variable rate revenue bonds	22,985,000	22,985,000	-	22,985,000	-
Note payable	22,861,750	22,861,750	-	-	22,861,750
Secured line of credit	3,500,000	3,500,000	-	-	3,500,000

The following table presents the fair value measurements for beneficial interest in trusts that have unobservable inputs at December 31, 2018 and 2017:

Balance, December 31, 2016	$ 1,310,686
Distributions	(276,192)
Increase in value, included in changes in net assets with donor restrictions	18,397
Balance, December 31, 2017	1,052,891
Distributions	(5,824)
Decrease in value, included in changes in net assets with donor restrictions	(69,836)
Balance, December 31, 2018	$ 977,231

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

	2018	2017
Short-term investments (Note 4)	$ 196,069,788	$ 197,803,029
Assets whose use is limited (Note 4):		
Current portion	3,573,229	2,923,796
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	139,004,400	244,332,570
Professional liability trust fund	11,128,261	11,878,591
Deferred compensation fund	1,300,086	1,403,371
Investments held by foundations	890,587	903,644
Beneficial interest in trusts	977,231	1,052,891
	$ 352,943,582	$ 460,297,892

The Corporation did not have any financial assets or financial liabilities measured at fair value.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2018 and 2017.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of these financial instruments.

Mutual funds: Valued based on quoted market prices.

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

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

Pledges receivable: Valued based on the original pledge amount, adjusted by a discount rate that a market participant would demand and an evaluation of uncollectible pledges. Pledges receivables are included in prepaid expenses and other current assets and deposits and other noncurrent assets in the accompanying consolidated balance sheets.

Long-term debt: The fair value of the fixed rate debt is estimated based on market data provided by the Corporation's financial consultants. Fair values of the remaining long-term debt are considered to approximate their carrying amounts in the accompanying consolidated balance sheets.

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

7. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment and accumulated depreciation and amortization at December 31, 2018 and 2017 consist of the following:

	2018	2017
Land and improvements	$ 31,408,104	$ 32,566,971
Buildings and improvements	469,717,964	457,474,313
Office furniture and equipment	201,151,320	194,126,065
Computer software and hardware	137,906,569	133,864,945
Equipment under capital leases	27,952,929	24,749,717
Total	868,136,886	842,782,011
Less accumulated depreciation and amortization	(512,122,004)	(474,343,085)
Total	356,014,882	368,438,926
Construction in progress	296,867,837	143,170,869
	$ 652,882,719	$ 511,609,795

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2018 and 2017, the Corporation incurred interest expense, including amortization expense related to deferred financing costs, of approximately $12,679,000 and $12,064,000, respectively, of which approximately $727,400 was capitalized in 2018 and $1,711,000 was capitalized in 2017. Investment earnings of approximately $13,000 and $12,000 were offset against capitalized interest in 2018 and 2017, respectively.

Depreciation expense, including amortization of equipment under capital leases, was approximately $38,264,000 in 2018 and $36,604,000 in 2017. Accumulated amortization of equipment under capital lease as of December 31, 2018 and 2017 was approximately $21,515,000 and $20,314,000, respectively.

Construction in progress as of December 31, 2018 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were approximately $90,487,000 at December 31, 2018. The cost of these projects is expected to be funded through the project fund established through bond proceeds as well as transfers from the Corporation's related foundations and operations.

8. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments and investments in unconsolidated subsidiaries include the following at December 31, 2018 and 2017:

	2018	2017
Investment in healthcare entities	$ 6,417,119	$ 6,447,367
Investment in Premier	9,831,206	8,409,290
Investments held by foundations	809,672	808,588
Total	$ 17,057,997	$ 15,665,245

Investment in Healthcare Entities

The Corporation recognized earnings of $521,675 and $258,193 during 2018 and 2017, respectively, related to its ownership interest in the healthcare entities accounted for under the equity method. A brief description of these investments is presented below:

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

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

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

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

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

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

Summarized financial information related to these entities is presented below:

	2018	2017
Net revenue	$ 18,786,903	$ 17,682,566
Revenues in excess of expenses	1,919,276	958,934
Total assets	49,884,592	30,265,624
Total liabilities	24,630,109	15,478,915

Investment in Premier

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

The remaining 414,864 Class B common units held by the Corporation are exchangeable for Class A common stock over a 7-year quarterly vesting period. The Corporation recognized a gain of $1,421,915 and $1,782,147 during 2018 and 2017, respectively, based on the market value of the units available for exchange. In addition, the Corporation recognized earnings of $669,776 and $707,426 during 2018 and 2017, respectively, related to distributions. Both the gain and the distributions are included in other revenue in the accompanying consolidated statements of operations.

Investments Held by Foundations

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

9. Land Held for Healthcare Development

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

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

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

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

The total proceeds received related to the parcels of land sold by the Corporation through December 31, 2018 was $30,997,245. No gain or loss was recognized on the sale of the parcels of land as of December 31, 2018 and 2017. Total remaining land held for healthcare development in Clarksburg as of December 31, 2018 and 2017, was $45,404,765 and $47,660,070, respectively.

10. Short-Term Financing

The Corporation has a $3,000,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 1.50 percent (4 percent at December 31, 2018). There were no borrowings outstanding under this line of credit as of December 31, 2018 or 2017.

11. Long-Term Obligations

Long-term obligations as of December 31, 2018 and 2017 are comprised of the following:

	2018	2017
Fixed rate revenue bonds	$ 523,782,204	$ 526,076,559
Variable rate revenue bonds	21,985,000	22,985,000
Secured lines of credit	-	3,500,000
Note payable	22,089,282	22,861,750
Other long-term liabilities	14,092,321	16,683,010
Total obligations	581,948,807	592,106,319
Plus bond premium	10,144,766	10,507,079
Less:		
Current maturities	(9,151,220)	(13,019,860)
Deferred financing costs	(4,850,301)	(5,062,797)
Noncurrent portion of long-term obligations, net	$ 578,092,052	$ 584,530,741

Fixed Rate Revenue Bonds

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

	Par Amounts	Interest Rates	2018	2017
Adventist Healthcare, Inc.:				
Series 2011A	$ 57,205,000	5-6.25%	$ 57,205,000	$ 57,205,000
Series 2013	15,623,500	3.21%	8,342,204	9,886,559
Series 2014A	24,280,000	3.56%	22,090,000	22,840,000
Series 2016A	269,750,000	5.00%	269,750,000	269,750,000
Series 2016B	126,395,000	3.23%	126,395,000	126,395,000
Series 2017	40,000,000	2.77%	40,000,000	40,000,000
Total			$ 523,782,204	$ 526,076,559

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

Variable Rate Revenue Bonds

The variable rate revenue bonds consist of the Maryland Health and Higher Educational Facilities Authority Revenue Refunding Bonds, Series 2014B, Adventist HealthCare, Inc. which had an outstanding balance of $21,985,000 and $22,985,000 as of December 31, 2018 and 2017, respectively. The Series 2014B Bonds bear interest at a variable rate of one month LIBOR plus 2.3 percent (4.8 percent at December 31, 2018). The Series 2014B bonds are subject to an Amended and Restated Master Trust Indenture that imposes various covenants on the Obligated Group which include restrictions on the transfer or disposition of property, the incurrence of additional liabilities, and the achievement of certain pre-established financial indicators. Management believes it has complied with these required financial covenants for the years ended December 31, 2018 and 2017.

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

Secured Lines of Credit

The Corporation had a secured line of credit for $16,000,000 that bore interest at LIBOR plus 2.00 percent and expired on June 30, 2018. The balance on the line of credit was $3,500,000 at December 31, 2017.

Note Payable

In December 2014, the corporation entered into a taxable term note for $25,000,000 with a commercial bank, which is secured by a Master Note issued under the Amended and Restated Master Trust Indenture dated as of February 1, 2003. The note bears interest at one month LIBOR plus 2.45 percent (4.95 percent as of December 31, 2018). The amortization on the note extends to December 18, 2034, however, the note matures on December 18, 2024. As of December 31, 2018 and 2017, the outstanding balance was $22,089,282 and $22,861,750, respectively.

Other Long-Term Liabilities

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

Scheduled principal repayments of long-term obligations at December 31, 2018 are as follows:

Years ending December 31:	
2019	$ 9,151,220
2020	14,996,059
2021	13,934,044
2022	14,354,419
2023	13,271,324
Thereafter	516,241,741
Total	$ 581,948,807

12. Derivative Financial Instrument

The Corporation has an interest rate swap agreement, which is considered a derivative financial instrument. The agreement is for a notional amount of $50,880,000 and requires the Corporation to pay a fixed interest rate of 3.457 percent while receiving variable interest rates based upon 67 percent of LIBOR, maturing January 2021. The agreement was entered into in order to manage interest rate exposure. The principal objective of the swap agreement is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on its debt portfolio. The notional amount of the swap agreement is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreement. The interest rate swap agreement is reported at fair value in the consolidated balance sheets. At December 31, 2018 and 2017, the fair value of the Corporation's derivative financial instrument was $503,251 and $1,145,303, respectively.

During 2016, the Corporation terminated one of its interest rate swap agreements with a notional amount of $78,000,000 that was designated as a cash flow hedge with the counterparty for $16,875,000. The Corporation borrowed the termination fee, which was included as a component of the proceeds for the 2016B bonds. No gain or loss was recognized on the termination of the swap. As of December 31, 2018 and 2017, $11,606,149 and $12,288,864, respectively, remained in net assets without donor restriction and is being amortized over the remaining term of the hedge, or through January 2035.

The net cash paid or received under the swap agreement is recognized as either an adjustment to interest expense or other income. The net cash paid under the interest rate swap agreement was $582,142 in 2018 and $928,616 in 2017. The remaining amounts for 2018 and 2017 are reported as a component of other income (expense) in the accompanying consolidated statements of operations, which is related to the swap agreement that does not qualify for hedge accounting.

The fair value of the interest rate swap agreement is estimated to be the amount the Corporation would receive or pay to terminate the swap agreements at the reporting date and was based on information supplied by an independent third party valuation agent (Note 5). Additionally, the fair value reflects a credit risk adjustment required under accounting principles generally accepted in the United States of America. Gains or losses resulting from the interest rate swap agreement are entirely recognized as a component of revenues in excess of expenses from continuing operations. The impact on the consolidated statements of operations were gains of $642,052 in 2018 and $964,909 in 2017.

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

On October 16, 2008, the Corporation terminated this agreement and concurrently entered into an agreement with a new counterparty that assumed all existing terms and conditions of the original agreement. The termination of the original swap agreement resulted in a loss of $472,023 which is included in net assets without donor restriction in the consolidated balance sheets. This loss is being amortized over the remaining term of the designated period of the hedge, or through January 2035. As of December 31, 2018 and 2017, accumulated amortization of $201,632 and $161,837, respectively, is included in other changes in net assets without donor restriction and interest expense in the consolidated statements of operations and changes in net assets.

13. Leases

The Corporation has entered into various operating leases primarily for office space as well as certain equipment items. Rental expense for operating leases was $21,065,136 in 2018 and $20,924,709 in 2017. Future minimum payments under non-cancelable operating leases with initial terms of one year or more consist of the following during the years ending December 31:

Years ending December 31:	
2019	$ 16,591,264
2020	16,374,128
2021	16,279,959
2022	14,556,651
2023	13,288,887
Thereafter	27,120,705
Total	$ 104,211,594

The Corporation has also entered into various sub-lease agreements with tenants that occupy space in the Corporation's buildings. The terms of these sub-leases vary and extend through 2030. Rental income was $4,119,236 in 2018 and $3,303,484 in 2017, which has been reported as a component of other operating revenue in the consolidated statements of operations. Future rent payments expected to be received by the Corporation during the years ending December 31, are as follows:

Years ending December 31:	
2019	$ 4,069,884
2020	3,803,687
2021	3,497,826
2022	2,853,887
2023	2,543,956
Thereafter	1,221,807
Total	$ 17,991,047

14. Retirement, Health Plan and Life Insurance

Defined Contribution Retirement Plan

The Corporation sponsors a 401(a) defined contribution retirement plan, which covers substantially all full-time employees. After twelve months of full-time or regular part-time employment of at least 1,000 base hours, the Corporation will contribute a total of 2 percent of eligible employees' compensation, plus a matching employer contribution equal to 50 percent of employee contributions (to the 403(b) plan) up to 6 percent of base salary. The Corporation also has a 403(b) retirement savings plan for employees. Employee contributions are made to the 403(b) retirement savings plan. Retirement plan expense was $10,101,533 in 2018 and $7,983,472 in 2017.

Supplemental Executive Retirement Plan

The Corporation also has a Supplemental Executive Retirement Plan ("SERP") that became effective in 2015 and covers a group of key executives. SERP expense was $236,635 in 2018 and $404,894 in 2017. In addition, a SERP liability adjustment was recorded for $(1,609,635) in 2018 and $512,305 in 2017, which was recognized in net assets without donor restriction in the consolidated statements of changes in net assets. At December 31, 2018 and 2017, the Corporation’s liability for the SERP was $2,418,405 and $3,811,232, respectively, which is included in other liabilities in the consolidated balance sheets.

Executive Retention 457(F) Plan

Effective January 1, 2015, the Corporation established the Executive Retention 457(F) Plan (the "457(F) Plan"). The 457(F) Plan is a tax-deferred plan offered to key executives, whereby annual employer contributions are made to the Plan. Plan participants become vested in the contributions and receive plan payments in the second calendar year after the contribution is made, if the participant is still employed. The final contribution will be made to the Plan for the year in which the plan participant becomes 62. The 457(F) plan expense was $1,305,693 in 2018 and $1,451,249 in 2017. The Corporation’s liability for the 457(F) plan at December 31, 2018 and 2017 was $2,549,173 and $2,792,809, respectively, which is included in other liabilities in the consolidated balance sheets.

Salary Deferral (457(b)) Plan

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

Health Plan

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

Life Insurance

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

15. Commitments and Contingencies

Litigation and Claims

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

Insurance

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

It is the Corporation's policy to accrue for the ultimate cost of uninsured asserted and unasserted malpractice claims, if any, when incidents occur. Based on a review of the Corporation's prior experience and incidents occurring through December 31, 2018, management determined that the fully-funded professional liability reserve reported at December 31, 2018 and 2017 is adequate in light of the program's excess umbrella policy currently in force and historical claims experience. The estimated professional liability for both asserted and unasserted claims was $16,725,085 and $14,262,545 at December 31, 2018 and 2017, respectively. The discount rate used in determining these liabilities was 2.5 percent at both December 31, 2018 and 2017.

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

Remediation

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

16. Business and Credit Concentrations

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

At December 31, 2018 and 2017, concentrations of gross receivables from third party payors and others are as follows:

	2018	2017
Medicare	22 %	22 %
Medicaid	12	11
Other third party payors	41	39
Self-pay and others	25	28
	100 %	100 %

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

17. Liquidity and Availability

The Corporation's financial assets available for general expenditure within one year of the consolidated balance sheet date, consist of the following at December 31, 2018:

Cash and cash equivalents	$ 41,673,363
Short-term investments	196,069,788
Patient accounts receivable, net	94,756,571
Other receivables, net	12,096,855
Assets whose use is limited,	
Professional liability trust fund	11,128,261
Total	$ 355,724,838

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

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

18. Functional Expenses

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

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

A summary of the Corporation's operating expenses by function for the year ended December 31, 2017 is as follows:

Hospital acute and ambulatory services	$ 477,985,379
Home care services	24,328,504
Other health care services	181,539,007
Other, including general and administrative	103,568,758
Fundraising	432,501
Total	$ 787,854,149

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2018

	Shady Grove Medical Center	Washington Adventist Hospital	Rehabilitation	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Care Services	Urgent Care Centers	One Health Quality Alliance	Adventist HealthCare, Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Assets																
Current Assets																
Cash and cash equivalents	$ 182,612,390	$ (82,157,324)	$ 20,072,440	$ (24,230,924)	$ (29,940,781)	$ 1,685,186	$ (21,382,805)	$ -	$ 46,658,182	$ (451,313)	$ 7,191,925	$ (11,901,913)	$ (2,487,527)	$ 2,664,011	$ -	$ 41,673,365
Short-term investments	-	-	-	-	-	-	196,069,788	-	196,069,788	-	-	-	-	-	-	196,069,788
Assets whose use is limited	-	-	-	-	-	-	3,573,229	-	3,573,229	-	-	-	-	-	-	3,573,229
Patient accounts receivable	48,097,132	35,284,511	4,262,325	2,696,448	546,306	(14,875)	150	-	90,871,997	-	4,193,208	(308,634)	-	-	-	94,756,571
Other receivables	2,083,734	2,510,501	166,744	1,003,076	34,022	798,858	3,492,336	(683,262)	9,406,009	1,918,131	18,652	(312)	-	754,375	-	12,096,855
Inventories	4,432,488	3,967,065	93,906	619	112	117,172	-	-	8,611,362	-	-	513	-	-	-	8,611,875
Prepaid expenses and other current assets	687,700	854,188	118,300	44,066	171,330	230,077	6,147,365	-	8,253,026	1,764	67,425	59,288	(43,549)	-	-	8,337,954
Total current assets	237,913,444	(39,541,059)	24,713,715	(20,486,715)	(29,189,011)	2,816,418	187,900,063	(683,262)	363,443,593	1,468,582	11,471,210	(12,151,058)	(2,531,076)	3,418,386	-	365,119,637
Property and Equipment, Net	181,704,217	338,552,541	10,085,146	13,206,429	1,233,186	173,563	98,603,604	-	643,558,686	1,495,807	1,366,009	6,462,217	-	-	-	652,882,719
Assets Whose Use is Limited																
Under trust indentures and capital lease purchase financing facilities, held by trustees and banks	1,344,871	133,753,946	448,290	100,731	-	-	3,350,382	-	138,998,220	6,180	-	-	-	-	-	139,004,400
Professional liability trust fund	-	-	-	-	-	-	11,128,261	-	11,128,261	-	-	-	-	-	-	11,128,261
Deferred compensation fund	-	-	-	-	-	-	1,300,086	-	1,300,086	-	-	-	-	-	-	1,300,086
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisitions	332,232	-	57,408	-	-	-	-	-	389,640	777,092	-	-	-	346,061	-	1,512,793
Investments and Investments in Unconsolidated Subsidiaries	(1,943,527)	1,175,657	-	-	-	-	17,016,195	-	16,248,325	-	-	-	-	809,672	-	17,057,997
Land Held for Healthcare Development	-	-	-	-	-	-	45,404,765	-	45,404,765	-	-	-	-	-	-	45,404,765
Intangible Assets, Net	1,704,030	-	813,286	5,435,091	-	22,732	-	-	7,975,139	-	152,550	-	-	-	-	8,127,689
Deposits and Other Noncurrent Assets	1,615,718	31,351	43,000	15,687	46,717	32,756	789,965	-	2,575,194	5,052	30,828	200,582	-	1,781,087	-	4,592,743
Total assets	$ 422,670,985	$ 433,972,436	$ 36,160,845	$ (1,728,777)	$ (27,909,108)	$ 3,045,469	$ 365,493,321	$ (683,262)	$ 1,231,021,909	$ 3,752,713	$ 13,020,597	$ (5,488,259)	$ (2,531,076)	$ 6,355,206	$ -	$ 1,246,131,090

Adventist HealthCare, Inc. and Controlled Entities
Consolidating Schedule, Balance Sheet
December 31, 2018

Liabilities and Net Assets	Shady Grove Medical Center	Washington Adventist Hospital	Rehabilitation	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Care Services	Urgent Care Centers	One Health Quality Alliance	Adventist HealthCare, Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Current Liabilities																
Accounts payable and accrued expenses	$ 32,130,575	$ 17,384,711	$ 1,893,421	$ 1,282,761	$ 869,924	$ 886,261	$ 29,922,155	$ -	$ 84,369,808	$ 499,577	$ 1,066,116	$ 341,694	$ 340,710	$ 13,488	$ -	86,631,393
Accrued compensation and related items	14,117,306	8,383,654	2,614,517	199,308	437,812	208,569	9,415,433	(683,262)	34,693,337	490,232	1,647,869	313,819	10,310	-	-	37,155,567
Interest payable	-	-	-	-	-	-	9,775,665	-	9,775,665	-	-	-	-	-	-	9,775,665
Due to third party payors	11,780,733	8,258,811	(126,072)	-	-	-	67,547	-	19,981,019	-	-	-	-	-	-	19,981,019
Estimated self-insured professional liability	-	-	-	-	-	-	1,795,731	-	1,795,731	-	-	-	-	-	-	1,795,731
Current maturities of long-term obligations	1,612,067	3,960,463	-	1,206,459	-	-	2,195,074	-	8,974,063	-	-	177,157	-	-	-	9,151,220
Total current liabilities	59,640,681	37,987,639	4,381,866	2,688,528	1,307,736	1,094,830	53,171,605	(683,262)	159,589,623	989,809	2,713,985	832,670	351,020	13,488	-	164,490,595
Construction Payable	353,406	32,424,036	209,217	813	-	-	51,243	-	33,038,715	-	-	-	-	-	-	33,038,715
Long-Term Obligations, Net																
Bonds payable	129,026,027	375,417,868	4,296,188	-	-	-	37,974,168	-	546,714,251	-	-	(14,343)	-	-	-	546,699,908
Notes payable	-	-	-	-	-	-	17,053,821	-	17,053,821	-	-	4,242,136	-	-	-	21,295,957
Capital lease obligations	2,457,686	943,513	-	2,946,866	-	-	3,655,614	-	10,003,679	-	-	92,508	-	-	-	10,096,187
Derivative Financial Instrument	-	-	-	-	-	-	503,251	-	503,251	-	-	-	-	-	-	503,251
Other Liabilities	1,595,969	-	277,920	-	528,057	-	7,807,506	-	10,209,452	-	-	-	-	47,598	-	10,257,050
Estimated Self-Insured Professional Liability	-	-	-	-	-	-	14,929,354	-	14,929,354	-	-	-	-	-	-	14,929,354
Total liabilities	193,073,769	446,773,056	9,165,191	5,636,207	1,835,793	1,094,830	135,146,562	(683,262)	792,042,146	989,809	2,713,985	5,152,971	351,020	61,086	-	801,311,017
Net Assets (Deficit)																
Net assets (deficit) without donor restrictions	229,814,202	(13,534,110)	26,964,989	(7,364,984)	(29,744,901)	1,950,639	229,614,802	-	437,700,637	2,467,142	10,306,612	(10,641,230)	(2,882,096)	2,620,297	-	439,571,362
Net assets (deficit) with donor restrictions	(216,986)	733,490	30,665	-	-	-	731,957	-	1,279,126	295,762	-	-	-	3,673,823	-	5,248,711
Total net assets (deficit)	229,597,216	(12,800,620)	26,995,654	(7,364,984)	(29,744,901)	1,950,639	230,346,759	-	438,979,763	2,762,904	10,306,612	(10,641,230)	(2,882,096)	6,294,120	-	444,820,073
Total liabilities and net assets (deficit)	$ 422,670,985	$ 433,972,436	$ 36,160,845	$ (1,728,777)	$ (27,909,108)	$ 3,045,469	$ 365,493,321	$ (683,262)	$ 1,231,021,909	$ 3,752,713	$ 13,020,597	$ (5,488,259)	$ (2,531,076)	$ 6,355,206	$ -	$ 1,246,131,090

Adventist Healthcare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2018

	Shady Grove Medical Center	Washington Adventist Hospital	Rehabilitation	Imaging Services	Clinical Integration Services	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group	Lourie Center	Adventist Home Care Services	Urgent Care Centers	One Health Quality Alliance	Adventist HealthCare, Inc. Foundations	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Revenues																
Net patient service revenue	$ 404,818,916	$ 253,697,595	$ 48,666,804	$ 29,948,092	$ 7,886,017	$ (41,535)	$ -	$ (65,406)	$ 744,910,483	$ 717,277	$ 28,779,161	$ 5,182,835	$ -	$ -	$ (286,336)	$ 779,303,420
Other revenues	15,008,872	4,695,223	3,119,495	1,854,609	233,699	7,168,688	7,819,392	(11,135,186)	28,764,792	12,710,970	215,965	-	85,500	2,777,792	(3,308,430)	41,246,589
Total revenues	419,827,788	258,392,818	51,786,299	31,802,701	8,119,716	7,127,153	7,819,392	(11,200,592)	773,675,275	13,428,247	28,995,126	5,182,835	85,500	2,777,792	(3,594,766)	820,550,009
Expenses																
Salaries and wages	148,110,347	97,872,374	29,028,695	16,287,966	7,776,511	2,295,400	38,100,836	(2,048,427)	337,423,702	6,548,261	18,731,190	3,262,553	210,670	-	-	366,176,376
Employee benefits	31,921,792	17,437,143	5,804,010	3,009,470	685,153	450,746	7,591,278	(382,511)	66,517,081	1,527,731	3,553,383	585,438	37,979	-	-	72,221,612
Contract labor	20,980,936	15,115,343	322,674	(2,248,878)	81,394	694,156	202,224	(2,843)	35,145,006	285,461	245,199	10,452	114,583	-	(46,046)	35,754,655
Medical supplies	54,490,762	44,537,216	1,639,077	1,416,802	605,702	809,118	43,582	(79,042)	103,463,217	280,328	458,492	379,621	(1,000)	-	-	104,580,658
General and administrative	35,842,391	26,915,696	3,331,841	4,429,747	2,889,252	1,358,564	48,223,224	(6,048,123)	116,942,592	3,245,725	1,254,129	1,213,774	183,718	3,044,385	(3,521,411)	122,362,912
Building and maintenance	25,234,406	7,849,674	1,542,810	3,549,330	1,021,547	512,106	2,131,732	(2,639,646)	39,201,959	357,401	704,542	1,103,591	300	-	(23,027)	41,344,766
Insurance	3,147,493	2,432,553	160,885	605,410	134,214	5,292	2,404,029	-	8,889,876	10,043	105,956	107,134	-	-	-	9,113,009
Interest	6,351,767	2,372,430	189,289	137,882	-	-	2,696,971	-	11,748,339	-	-	202,943	-	-	-	11,951,282
Depreciation and amortization	17,110,236	5,575,038	1,029,626	2,160,536	133,962	68,495	11,215,519	-	37,293,412	166,142	314,415	346,225	-	-	-	38,120,194
IT depreciation	6,346,694	3,800,194	504,704	93,264	-	29,937	(10,856,857)	-	(82,064)	-	82,064	-	-	-	-	-
IT services	21,497,046	12,668,073	2,174,818	1,214,810	123,200	139,121	(38,533,220)	-	(716,152)	-	716,152	-	-	-	-	-
Shared services	18,691,906	10,391,475	1,590,376	483,451	736,414	71,502	(32,714,132)	-	(749,008)	301,934	399,334	52,022	-	-	(4,282)	-
Management fees	9,940,544	5,716,347	1,417,193	494,120	492,538	145,592	(19,571,018)	-	(1,364,684)	338,708	875,479	150,497	-	-	-	-
Total expenses	399,666,320	252,683,556	48,735,998	31,633,910	14,679,887	6,580,029	10,934,168	(11,200,592)	753,713,276	13,061,734	27,440,335	7,414,250	546,250	3,044,385	(3,594,766)	801,625,464
Income (loss) from operations	20,161,468	5,709,262	3,050,301	168,791	(6,560,171)	547,124	(3,114,776)	-	19,961,999	366,513	1,554,791	(2,231,415)	(460,750)	(266,593)	-	18,924,545
Other Income (Expense)																
Investment income	1,006,301	8,338	94,453	-	-	6,048	1,114,259	-	2,229,399	11,086	35,454	-	-	9,026	-	2,284,965
Other income (expense)	(242,074)	(154,218)	(9,628)	-	-	-	549,302	-	143,382	-	-	-	-	-	-	143,382
Total other income (expense)	764,227	(145,880)	84,825	-	-	6,048	1,663,561	-	2,372,781	11,086	35,454	-	-	9,026	-	2,428,347
Revenues in excess of (less than) expenses from continuing operations	20,925,695	5,563,382	3,135,126	168,791	(6,560,171)	553,172	(1,451,215)	-	22,334,780	377,599	1,590,245	(2,231,415)	(460,750)	(257,567)	-	21,352,892
Change in net unrealized (losses) gains on investments other than trading securities	(1,980,445)	345,649	(174,375)	-	-	(10,573)	(1,980,322)	-	(3,800,066)	(7,250)	(67,497)	-	-	291,981	-	(3,582,832)
Change in net unrealized gain on derivative financial instrument	-	-	-	-	-	-	700,697	-	700,697	-	-	-	-	-	-	700,697
Transfers from (to) subsidiaries	(1,170,945)	-	4,243	-	-	-	(59,028)	-	(1,225,730)	-	-	-	-	-	1,225,730	-
Net assets released from restriction for purchase of property and equipment	1,025,625	1,600,817	28,535	-	-	-	-	-	2,654,977	1,362	-	-	-	-	-	2,656,339
Deferred compensation plan liability adjustment	-	-	-	-	-	-	1,609,635	-	1,609,635	-	-	-	-	-	-	1,609,635
Other unrestricted net asset activity	-	(55)	(619,155)	-	-	-	2,381,444	-	1,762,234	-	(1,030,848)	-	-	-	(1,225,730)	(494,344)
Increase (decrease) in net assets (deficit) without donor restrictions	$ 18,799,930	$ 7,509,793	$ 2,374,374	$ 168,791	$ (6,560,171)	$ 542,599	$ 1,201,211	$ -	$ 24,036,527	$ 371,711	$ 491,900	$ (2,231,415)	$ (460,750)	$ 34,414	$ -	$ 22,242,387

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Balance Sheet
December 31, 2018

	Shady Grove Medical Center Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Behavioral Health & Wellness Services Foundation, Inc.	Eliminating Entries	Combined Adventist HealthCare, Inc. Foundations
Assets					
Current Assets					
Cash and cash equivalents	$ 2,006,674	$ 657,337	$ -	$ -	$ 2,664,011
Current portion of pledges receivable, less allowance for doubtful pledges	234,283	520,092	-	-	754,375
Total current assets	2,240,957	1,177,429	-	-	3,418,386
Cash and Cash Equivalents Temporarily Restricted for Capital Acquisitions	-	346,061	-	-	346,061
Investments	809,672	-	-	-	809,672
Beneficial Interest in Trusts	130,915	424,287	-	-	555,202
Noncurrent Portion of Pledges Receivable	224,777	1,001,108	-	-	1,225,885
Total assets	$ 3,406,321	$ 2,948,885	$ -	$ -	$ 6,355,206
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 13,488	$ -	$ -	$ -	$ 13,488
Liability to Charitable Gift Annuitants	47,598	-	-	-	47,598
Total liabilities	61,086	-	-	-	61,086
Net Assets					
Net assets without donor restrictions	2,403,339	216,958	-	-	2,620,297
Net assets with donor restrictions	941,896	2,731,927	-	-	3,673,823
Total net assets	3,345,235	2,948,885	-	-	6,294,120
Total liabilities and net assets	$ 3,406,321	$ 2,948,885	$ -	$ -	$ 6,355,206

Adventist HealthCare, Inc. - Foundations

Combining Schedule, Statement of Operations and Changes in Net Assets
Year Ended December 31, 2018

	Shady Grove Medical Center Foundation, Inc.	Washington Adventist Hospital Foundation, Inc.	Behavioral Health & Wellness Services Foundation, Inc.	Eliminating Entries	Combined Adventist HealthCare, Inc. Foundations
Changes in Net Assets Without Donor Restrictions					
Revenues, Gains, And Other Support					
Contributions, net	$ 251,989	$ 82,531	$ -	$ -	$ 334,520
Investment income	9,026	-	-	-	9,026
Net assets released from restrictions	870,665	1,572,607	-	-	2,443,272
Total revenues, gains, and other support	1,131,680	1,655,138	-	-	2,786,818
Expenses					
General and administrative expenses	35,471	55,848	-	-	91,319
In-kind gifts expended	-	18,961	-	-	18,961
Total expenses before transfers to the hospitals	35,471	74,809	-	-	110,280
Transfers to the hospitals	1,329,873	1,604,232	-	-	2,934,105
Total expenses	1,365,344	1,679,041	-	-	3,044,385
Revenues less than expenses	(233,664)	(23,903)	-	-	(257,567)
Transfer from (to) Foundations	147,510	-	(147,510)	-	-
Change in net unrealized gains (losses) on investments other than trading securities	327,405	(35,424)	-	-	291,981
Increase (decrease) in net assets without donor restrictions	241,251	(59,327)	(147,510)	-	34,414
Net assets without donor restrictions, beginning	2,162,088	276,285	147,510	-	2,585,883
Net assets without donor restrictions, ending	$ 2,403,339	$ 216,958	$ -	$ -	$ 2,620,297
Changes in Net Assets With Donor Restrictions					
Contributions, net	$ 253,325	$ 514,370	$ -	$ -	767,695
Net assets released from restrictions	(870,665)	(1,572,607)	-	-	(2,443,272)
Change in value of beneficial interest in tusts	5,824	(6,875)	-	-	(1,051)
Change in discount of pledges receivable and provision for doubtful pledges	(522,186)	13,199	-	-	(508,987)
Transfer from (to) Foundations	181,781	-	(181,781)	-	-
Investment income (loss) and unrealized gains (losses) on investments	(2,069)	39,653	-	-	37,584
Decrease in net assets with donor restrictions	(953,990)	(1,012,260)	(181,781)	-	(2,148,031)
Net assets with donor restrictions, beginning	1,895,886	3,744,187	181,781	-	5,821,854
Net assets with donor restrictions, ending	$ 941,896	$ 2,731,927	$ -	$ -	$ 3,673,823