Adventist HealthCare, Inc. and Controlled Entities

Consolidated Financial Statements and Supplementary Information

December 31, 2023 and 2022

Table of Contents
December 31, 2023 and 2022

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Adventist HealthCare, Inc. and Controlled Entities (the Corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2023 and 2022, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 39 to 44 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Pittston, Pennsylvania
April 29, 2024

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2023 and 2022
(In Thousands)

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 30,207	$ 23,110
Short-term investments	292,515	289,021
Assets whose use is limited	22,549	22,337
Patient accounts receivable	137,907	127,995
Other receivables	16,793	48,772
Inventories	11,394	10,670
Prepaid expenses and other current assets	13,938	12,192
Total current assets	525,303	534,097
Property and Equipment, Net	805,826	781,596
Finance Lease Right-of-Use Assets	17,940	22,354
Operating Lease Right-of-Use Assets	92,840	87,719
Assets Whose Use is Limited		
Under trust indentures and mortgage loan agreement, held by trustees and banks	123,962	161,232
Professional liability fund	12,741	13,394
Deferred compensation fund	2,579	2,023
Cash and Cash Equivalents Restricted for Capital Acquisitions	597	1,334
Investments and Investments in Unconsolidated Subsidiaries	25,013	20,693
Land Held for Healthcare Development	8,387	8,908
Intangible Assets, Net	6,684	7,325
Deposits and Other Noncurrent Assets	13,614	8,199
Assets Held for Sale	12,054	12,054
Total assets	$ 1,647,540	$ 1,660,928

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2023 and 2022
(In Thousands)

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 130,124	$ 171,409
Accrued compensation and related items	54,796	54,125
Interest payable	9,784	9,927
Deferred revenues	8,282	3,678
Due to third-party payors	35,038	35,066
Estimated self-insured professional liability	2,669	2,466
Current maturities of:		
Long-term obligations	21,948	16,395
Finance lease obligations	3,814	4,058
Operating lease obligations	12,914	15,280
Total current liabilities	279,369	312,404
Construction Payable	8,972	6,424
Long-Term Obligations, Net		
Bonds payable	682,499	699,343
Notes payable	-	4,430
Finance Lease Obligations	14,569	18,683
Operating Lease Obligations	84,885	75,421
Other Liabilities	15,372	8,636
Estimated Self-Insured Professional Liability	11,825	17,696
Total liabilities	1,097,491	1,143,037
Net Assets		
Net assets without donor restrictions	538,843	505,651
Net assets with donor restrictions	11,206	12,240
Total net assets	550,049	517,891
Total liabilities and net assets	$ 1,647,540	$ 1,660,928

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Revenues		
Net patient service revenue	$ 982,797	$ 951,923
Other revenues	84,064	175,918
COVID-19 grant income	8,714	23,741
Total revenues	1,075,575	1,151,582
Expenses		
Salaries and wages	488,403	471,005
Employee benefits	91,474	76,112
Contract labor	86,737	199,690
Medical supplies	122,337	129,899
General and administrative	133,151	122,155
Building and maintenance	59,328	58,123
Insurance	8,150	5,420
Interest	24,237	25,753
Depreciation and amortization	53,000	62,159
Total expenses	1,066,817	1,150,316
Income from operations	8,758	1,266
Other Income (Expense)		
Investment income (loss)	13,530	(6,641)
Other loss	(7,999)	(8,182)
Total other income (expense)	5,531	(14,823)
Revenues in excess of (less than) expenses from continuing operations	14,289	(13,557)
Change in Net Unrealized Gains and Losses on Investments in Debt Securities	13,763	(21,815)
Net Assets Released From Restrictions for Purchases of Property and Equipment	6,827	3,145
Deferred Compensation Plan Liability Adjustment	557	(72)
Other Net Asset Activity	(66)	1,135
Increase (decrease) in net assets without donor restrictions from continuing operations	35,370	(31,164)
Loss From Discontinued Operations	(2,178)	(981)
Increase (decrease) in net assets without donor restrictions	$ 33,192	$ (32,145)

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Net Assets Without Donor Restrictions		
Revenues in excess of (less than) expenses from continuing operations	$ 14,289	$ (13,557)
Change in net unrealized gains and losses on investments in debt securities	13,763	(21,815)
Net assets released from restrictions for purchases of property and equipment	6,827	3,145
Deferred compensation plan liability adjustment	557	(72)
Other net asset activity	(66)	1,135
Increase (decrease) in net assets without donor restrictions from continuing operations	35,370	(31,164)
Loss from discontinued operations	(2,178)	(981)
Increase (decrease) in net assets without donor restrictions	33,192	(32,145)
Net Assets With Donor Restrictions		
Restricted gifts and donations	14,179	7,898
Net assets released from restrictions for purchase of property and equipment	(6,827)	(3,145)
Net assets released from restrictions used for operations	(8,248)	(5,149)
Change in value of beneficial interest in trusts and charitable gift annuity obligation	(64)	(332)
Change in discount of pledges receivable and provision for doubtful pledges	(74)	17
Decrease in net assets with donor restrictions	(1,034)	(711)
Increase (decrease) in net assets	32,158	(32,856)
Net Assets, Beginning	517,891	550,747
Net Assets, Ending	$ 550,049	$ 517,891

See notes to consolidated financial statements

Adventist HealthCare, Inc. and Controlled Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ 32,158	$ (32,856)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,000	62,159
Change in operating lease right-of-use assets and obligations	20,262	18,275
Termination of operating lease right-of-use assets and obligations	278	-
Termination of finance lease right-of-use assets and obligations	469	-
Payments on operating lease obligations	(18,563)	(17,846)
Amortization of deferred financing costs and bond premium	(1,221)	(1,018)
Deferred compensation plan liability adjustment	(557)	72
Loss on recognition of debt guarantee on investment in unconsolidated subsidiary	6,288	-
Loss on extinguishment of debt	107	-
Restricted contributions and grants	(14,179)	(7,898)
Losses recognized on investments in unconsolidated subsidiaries	2,651	6,508
Net realized and unrealized gains and losses on investments	(3,866)	13,452
Change in net unrealized gains and losses on investments in debt securities	(13,763)	21,815
Change in value of beneficial interest in trusts and charitable gift obligation	64	332
Change in discount on pledges receivable and provision for doubtful pledges	74	(17)
Changes in assets and liabilities:		
Patient accounts receivable	(9,912)	(2,824)
Other receivables	31,979	40,313
Inventories, prepaid expenses and other current assets	(2,470)	(617)
Accounts payable and accrued expenses	(41,285)	12,140
Accrued compensation and related items	671	(8,199)
Interest payable	(143)	1,616
Deferred revenues	4,604	(5,341)
Estimated self-insured professional liability	(5,668)	(175)
Due to third-party payors	(28)	14,339
Medicare advance and accelerated payments	-	(85,080)
Other noncurrent assets and liabilities	1,740	(2,078)
Net cash provided by operating activities	42,690	27,072

See notes to consolidated financial statements

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Cash Flows From Investing Activities		
Purchases of property and equipment	$ (69,798)	$ (62,631)
Change in short-term investments, investments and investments in unconsolidated subsidiaries	9,299	15,530
Purchases of land held for healthcare development	(1,654)	(4,031)
Proceeds from the sale of land for healthcare development	2,175	300
Distributions from investments in unconsolidated subsidiaries	629	2,334
Purchase of investment in unconsolidated subsidiary	(2,764)	(97)
Change in assets whose use is limited and restricted cash	69,960	22,834
Net cash provided by (used in) investing activities	7,847	(25,761)
Cash Flows From Financing Activities		
Repayments on long-term obligations	(20,895)	(15,159)
Repayments of finance lease obligations	(4,656)	(4,260)
Proceeds from restricted contributions and grants	14,179	7,898
Net cash used in financing activities	(11,372)	(11,521)
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	39,165	(10,210)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	68,945	79,155
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 108,110	$ 68,945
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 31,207	$ 28,575
Supplemental Disclosure of Noncash Investing and Financing Activities		
Finance lease obligation incurred for equipment	$ -	$ 8,454
Operating lease obligations incurred for right-of-use asset	$ 24,127	$ 21,680
Construction payable for property and equipment	$ 8,972	$ 6,424
Recognition of debt guarantee on investment in unconsolidated subsidiaries	$ 6,288	$ -
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 30,207	$ 23,110
Cash and cash equivalents restricted for capital acquisitions	597	1,334
Cash and cash equivalents included in the current portion of assets whose use is limited	22,549	22,337
Cash and cash equivalents included in the noncurrent portion of assets whose use is limited	54,757	22,164
Total cash, cash equivalents and restricted cash and cash equivalents	$ 108,110	$ 68,945

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 361-bed acute care hospital located in Rockville, Maryland. Behavioral Health & Wellness Services (BH&WS) is 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 133-bed psychiatric hospital.

White Oak Medical Center (WOMC) is a 226-bed acute care hospital located in Silver Spring, Maryland, which opened in August 2019.

Rehabilitation (Rehab) operates two inpatient hospitals and five outpatient locations in Maryland. The two inpatient hospitals consist of Rehab-Rockville, a 55-bed rehabilitation facility and Rehab-WOMC (relocated from Takoma Park in December 2021), a 42-bed rehabilitation facility.

Adventist HealthCare Imaging (Imaging) operates seven clinical sites and provides inpatient and outpatient imaging services at SGMC, WOMC and Adventist HealthCare Fort Washington Medical Center, Inc. (FWMC).

Adventist HealthCare Physician Enterprise (APE), formerly known as 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. The respective operating results of the specialist practices are recorded in SGMC, WOMC and FWMC. APE also includes the administration needed to facilitate the coordination of patient care across conditions, providers and settings.

The Other Health Services (OHS) 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.

In May 2020, an alternate care site (ACS) opened to increase the number of beds available in the State of Maryland to care for COVID-19 patients as a result of the following sequence of events. In March 2020, the Secretary of Health within the State of Maryland identified the Takoma Park campus as a potential location for the treatment, isolation and quarantining of COVID-19 patients. On April 4, 2020, the Maryland Health Care Commission approved an Emergency Certificate of Need to establish a 200 bed ACS. In accordance with the terms of the agreement with the State of Maryland, all costs to open, operate and close and decommission the campus will be reimbursed.

AHC has amounts due from the State of Maryland of $110 and $20,401 as of December 31, 2023 and 2022, respectively, which is included in other receivables in the accompanying consolidated balance sheets. Any reimbursement received by the Corporation for services provided to patients is required to be remitted to the State of Maryland. The Corporation has amounts due to the State of Maryland of $1,100 and $19,476 as of December 31, 2023 and 2022, respectively, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. The agreement ended in April 2023. The termination of the State of Emergency and a Catastrophic Health Emergency proclamation by the Governor of Maryland occurred in May 2023. The financial results of the ACS are included in OHS.

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.

FWMC is a 36-bed acute care hospital located in Fort Washington, Maryland.

The Lourie Center for Infants and Young Children (Lourie Center) is a not-for-profit organization that specializes in the diagnosis, treatment and prevention of developmental and emotional disorders in children from birth through 10 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 nonclinical assistance to homebound patients who cannot perform certain daily activities on their own.

Adventist HealthCare Urgent Care Center, Inc. (Urgent Care) was comprised of three urgent care centers located in Germantown, Laurel and Rockville, Maryland. These centers provided ambulatory services to patients without life threatening conditions, as well as occupational health screenings to the community. On December 3, 2021, Urgent Care entered into an asset purchase agreement with an unrelated party for the purchase of the Germantown, Laurel and Rockville urgent care centers which closed on February 1, 2022. AHC entered into an affiliation agreement with the unrelated party as of February 1, 2022 to become the exclusive health system affiliate for the urgent care centers through One Health Quality Alliance (OHQA).

The Adventist HealthCare Physician Alliance (AHPA) (formerly known as 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, AHPA aims to improve the health of patient populations and communities, while enhancing the patient experience and reducing the costs of health care. AHPA currently has over 2,200 physician members, most of whom are on the medical staff of AHC, including primary care, orthopedics and other community and hospital-based specialists.

The Foundation is an operating division of the Corporation that operates for the furtherance of the Corporation's health care objectives primarily through the solicitation of contributions, gifts and bequests. The Foundation also exists to help fund new equipment purchases and capital improvement projects.

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 include the accounts of AHC, the controlling parent, SGMC, WOMC, Rehab, Imaging, APE, LWS, CCPL, ACS, the Support Center, FWMC, the Lourie Center, AHCS, Urgent Care, AHPA and the Foundation, 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 29, 2024, the date the consolidated financial statements were issued.

Use of Estimates

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

Maryland Health Services Cost Review Commission

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

In January 2014, CMS approved a modernized waiver that grants Maryland (via the HSCRC) the authority to regulate hospital revenue within a rigorous annual expenditure limit. Maryland's Total Cost of Care 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. 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 the levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services from one health system to another and from a regulated setting to an unregulated setting (or vice versa).

In 2014, AHC entered into GBR Agreements with the HSCRC for SGMC, WOMC and Shady Grove Germantown Emergency Center. FWMC also entered into a GBR agreement with the HSCRC in 2014 - prior to its affiliation with AHC. The agreements set an initial fixed amount of revenue for each entity for the period July 1, 2013 through June 30, 2014, and they have been subsequently updated on an annual basis every July 1 since that time.

The HSCRC requires rate-regulated hospitals under its jurisdiction to calculate the amount of patient charges that are less than or in excess of their approved global revenue base. To the extent that the patient charges differ from the approved global revenue base, these price variances are removed from (in an overcharge situation) or added to (in an undercharge situation) the hospital’s rate order in the subsequent year. Because these price variances from approved revenue cannot be retained, it is the Corporation’s policy to adjust net patient revenue equal to the amount of the price variances. The Corporation reported net overcharges of $13,192 and $24,279 as of December 31, 2023 and 2022, respectively. These price variances reflect the variance between actual patient charges and the pro-rata share of approved rate orders (adjusted for certain revenue adjustments expected to be made in a future period). 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 each rate year (June 30), the value of any overcharge liability (or undercharge asset) is 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. The HSCRC regulations also include a provision whereby a hospital may apply for an exemption from the requirements to charge for services in accordance with the HSCRC regulations. Certain conditions regarding the percentage of revenue related to Medicare and Medicaid patients 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 2023 and 2022.

Cash and Cash Equivalents

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

Patient Accounts Receivable

The Corporation assesses collectability on patient contracts prior to the recognition of net patient service revenue. Patient accounts receivable are reported at their net realizable value. Accounts are written off through the credit loss 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, pledges from donors reported at their net realizable value, and amounts obligated by the Federal Emergency Management Agency (FEMA) for eligible costs as a result of the Corporation's COVID-19 response. These services include, but are not limited to, fees from educational programs, rental of health care facility space, interest earned and management services. Other receivables from FEMA as of December 31, 2022 were $8,859. There were no receivables from FEMA as of December 31, 2023. 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 fund, and assets set aside for deferred compensation agreements. In addition, as of December 31, 2022, assets whose use is limited included amounts set aside in accordance with the United States Department of Housing and Urban Development (HUD) mortgage loan payable which was fully repaid in December 2023 (Note 11). 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. The Corporation has alternative investments that represent ownership interests in managed funds. The alternative investments are stated at fair value based on the Corporation's percentage of the net asset value (NAV) of the funds and represents a practical expedient of fair value.

Investment income or loss (including realized and unrealized gains and losses on investments, write-downs of the cost basis of investments in debt securities due to an other-than-temporary decline in fair value, interest and dividends) is included in the determination of revenues in excess of (less than) expenses from continuing operations unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments in debt securities are excluded from the determination of revenues in excess of (less than) expenses from continuing operations. 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.

Investments and investments in unconsolidated subsidiaries includes the Corporation's investments in healthcare entities in which the Corporation has a financial interest. The Corporation follows authoritative guidance in determining whether to record such investments using the equity method.

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, Net

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

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 (less than) 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 on property and equipment recognized in 2023 or 2022.

Leases and Right-of-Use Assets

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

Amortization of finance lease ROU assets, which is recognized on a straight-line basis over the lesser of the lease term or the estimated useful life of the asset, is included within depreciation and amortization expense in the consolidated statements of operations. Interest expense associated with finance lease obligations is included within interest expense in the consolidated statements of operations.

Operating lease expense is recognized on a straight-line basis over the lease term and is included within building and maintenance expense in the consolidated statements of operations. The lease term is determined based on the date the Corporation acquires control of the leased premises or equipment through the end of the lease term. Optional renewal periods are initially not included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

Intangible Assets

The Corporation's intangible assets primarily include costs in excess of net assets acquired related to certain business acquisitions. The Corporation is amortizing certain intangible assets over a period not to exceed 40 years. Amortization of these intangible assets was $641 in 2023 and $188 in 2022. Accumulated amortization of intangible assets was $5,292 and $4,651 as of December 31, 2023 and 2022, 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. There were no impairment losses recognized on goodwill in 2023 or 2022.

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, 2023 and 2022 totaled $5,363 and $5,763, respectively, and are included in the consolidated balance sheets as a reduction of bonds payable. Amortization expense was $293 and $276 in 2023 and 2022, respectively, and is included as a component of interest expense in the consolidated statements of operations.

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 the HSCRC's rate regulations. These advances are subject to periodic adjustment.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on reimbursable costs, the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information become available), or as years are settled or no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

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.

Medicare Advance and Accelerated Payments

The Coronavirus Aid, Relief and Economic Security (CARES) Act included provisions to expand the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In April 2020, the Corporation received $140,112 in advance payments under this program.

The repayments automatically occurred through a partial offset in Medicare payments due to the Corporation for services rendered to Medicare program beneficiaries. Repayment of the advances began one year after receipt of the advances and ended approximately 17 months later (29 months from initial payment), at which time the advances were required to be repaid in full. The Corporation began repaying the Medicare advance during April 2021 and the remainder of the liability was repaid in 2022.

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, if any, are recognized 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 - Net assets without donor restrictions include amounts available for use in general operations and not subject to donor restrictions. All revenues not restricted by donors as well as 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 - Net assets with donor restrictions include 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 $15,075 in 2023 and $8,294 in 2022.

Net assets with donor restrictions includes those whose use by the Corporation has been limited by donors to specific purposes in the amount of $11,206 and $12,240 as of December 31, 2023 and 2022, respectively.

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

Revenues in Excess of (Less than) Expenses From Continuing Operations

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

Net Patient Service Revenue

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

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenues for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges, ultimately adjusted in accordance with the charging authority awarded at the beginning of every year by the HSCRC. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving services over multiple days. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenues 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 the Financial Accounting Standards Board (FASB) Accounting Standards Codification (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. 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.

COVID-19 Grant Income and Deferred Revenues

COVID-19 grant income includes amounts received from federal, state and local funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the FASB ASC 958-605 guidance for conditional contributions, and accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Corporation complies with the terms and conditions related to the purpose of the grant, rather than those that are administrative in nature.

In March 2020, the CARES Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Corporation received $70 in the year ended December 31, 2022 related to this funding. No funding was received in the year ended December 31, 2023.

FEMA obligated $4,711 and $14,078 for eligible costs in the years ended December 31, 2023 and 2022, respectively. All amounts obligated by FEMA in the years ended December 31, 2023 and 2022 have been received and no amounts remain outstanding as of December 31, 2023.

The Corporation also received funding from various state and other funding sources of $4,003 in 2023 and $4,996 in 2022 to offset eligible expenses in accordance with the terms and conditions of the respective funding sources.

The Corporation incurred lost revenues and eligible expenses of $8,714 in 2023 and $23,741 in 2022 in accordance with the terms of the respective funding sources. These amounts were recognized and included in COVID-19 grant income in the accompanying consolidated statements of operations.

Deferred revenues of $4,597 as of December 31, 2021 were recognized in the year ended December 31, 2022 when the recognition criteria was met. No funding was deferred as of December 31, 2022 and 2023.

The Corporation's methodology for calculating lost revenues was based on the difference between 2020 budgeted patient care revenues compared to actual patient care revenues in 2020 through 2023.

The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these consolidated financial statements were issued.

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 2023 or 2022.

The Corporation's policy is to recognize interest related to unrecognized tax benefits and penalties in interest expense 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 $21,298 and $23,153 in 2023 and 2022, respectively.

Advertising Costs

The Corporation expenses advertising costs as they are incurred.

2. Accounting Standards

Standard Adopted

Financial Instruments - Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Corporation adopted the ASU using the modified retrospective transition approach of the period of adoption. There was no adjustment to net assets upon adoption.

Upcoming Accounting Standard

Business Combinations - Joint Venture Formations

During August 2023, the FASB issued ASU No. 2023-05, *Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*. These amendments address the accounting for contributions made to a joint venture, upon formation, in a joint venture’s separate financial statements. ASU No. 2023-05 requires a joint venture, upon formation, to recognize and initially measure its assets and liabilities at fair value. ASU No. 2023-05 is effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Additionally, a joint venture formed before January 1, 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued (or made available for issuance), either prospectively or retrospectively. The Corporation is currently assessing the effect that ASU No. 2023-05 will have on its results of operations, financial position and cash flows.

3. Discontinued Operations and Assets Held for Sale

In July 2019, AHC entered into an agreement to sell the Takoma Park campus to an unrelated third-party for $12,000. The opportunities for growth and expansion at the Takoma Park campus were limited, and the Corporation wanted to expand access to care throughout the Washington, D.C. region, leading to the decision to sell the campus. The closing of the sale was delayed due to the use of the Takoma Park campus for the ACS (see Note 1). The ACS closed in April 2023 and discussions are underway to determine the timing of the closing for the sale of the Takoma Park campus.

The operations on the Takoma Park Campus consisted of a walk-in clinic, which began in August 2019 and ceased operations in August 2022. The operations of the walk-in clinic are included in the loss from discontinued operations in the accompanying consolidated statements of operations in 2022. The Corporation also incurred other miscellaneous operating expenses related to the maintenance of the Takoma Park Campus. The expenses are included in the loss from discontinued operations in the accompanying consolidated statements of operations in 2023 and 2022.

Assets held for sale in the accompanying consolidated balance sheets is comprised of land and improvements of $264 and building and improvements of $11,790 at both December 31, 2023 and 2022, that will be sold as part of the agreement. No gain or loss on sale has been recognized in 2023 or 2022.

The loss on discontinued operations was $2,178 and $981 for the years ended December 31, 2023 and 2022, respectively.

4. Net Patient Service Revenue

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 Managed Care Organizations and commercial insurance carriers. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of payment arrangements with third-party payors, by service type, is as follows:

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

(In Thousands)

- 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 procedure 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 procedure 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 adjustments, financial assistance and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue 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 credit loss 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 revenues and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

Net patient service revenue disaggregated by service type for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Global budget revenue	$ 815,722	$ 790,404
Rehabilitation services	67,348	60,275
Physician practice services	39,871	41,172
Imaging services	32,966	32,686
Home health services	23,445	23,013
Other health services	3,445	4,373
Total	$ 982,797	$ 951,923

(In Thousands)

Net patient service revenue disaggregated by payor for the years ended December 31, 2023 and 2022 are as follows:

	Medicare	Medicaid	Other Third Party Payors	Self-Pay and Other	Total
December 31, 2023	$ 338,172	$ 87,382	$ 526,675	$ 30,568	$ 982,797
December 31, 2022	$ 344,849	$ 77,123	$ 471,376	$ 58,575	$ 951,923

5. Investments

Short-Term Investments

The Corporation's short-term investments at December 31, 2023 and 2022 are comprised of the following:

	2023	2022
Cash and cash equivalents	$ 8,435	$ 3,230
Corporate bonds	75,247	90,813
Asset backed securities	92,522	89,801
Marketable equity securities	25,111	22,247
U.S. government securities,		
U.S. treasury notes	53,075	56,779
Mutual funds:		
Equity, balanced	5,936	5,120
Equity, growth	5,871	5,103
Alternative investments	26,318	15,928
Total short-term investments	$ 292,515	$ 289,021

Assets Whose Use is Limited

The composition of assets whose use is limited at December 31, 2023 and 2022 is set forth in the following tables:

	2023	2022
Under trust indentures and mortgage loan agreement, held by trustees and banks:		
Cash and cash equivalents	$ 76,403	$ 39,641
U.S. government securities:		
U.S. treasury notes	56,234	126,044
U.S. government agency notes	11,205	15,419
Total	143,842	181,104
Less funds held for current liabilities	19,880	19,872
Noncurrent portion of assets held under trust indentures and mortgage loan agreement, held by trustees and banks	$ 123,962	$ 161,232

(In Thousands)

	2023	2022
Professional liability fund:		
Cash and cash equivalents	$ 903	$ 4,860
Mutual funds:		
Equity, large value	2,932	2,791
Equity, growth	2,878	1,245
Fixed income, intermediate	3,461	2,287
Fixed income, multi-sector	2,651	2,130
Fixed income, short-term	2,585	2,546
Total	15,410	15,859
Less funds held for current liabilities	2,669	2,465
Noncurrent portion of professional liability fund	$ 12,741	$ 13,394

	2023	2022
Deferred compensation fund:		
Mutual funds:		
Equity, growth	$ 45	$ 178
Equity, large value	653	257
Equity, midcap value	188	67
Equity, other	517	490
Equity, international	366	221
Fixed income, multi-sector	227	215
Fixed income, intermediate	583	595
Noncurrent portion of deferred compensation fund	$ 2,579	$ 2,023

The indenture requirements of certain tax-exempt financings provide for the establishment and maintenance of various accounts with a trustee (Note 11). These arrangements require the trustee to control the payment of interest and the ultimate repayment of respective debt to bondholders.

The composition of assets whose use is limited under trust indentures and mortgage loan agreement, held by trustees and banks at December 31, 2023 and 2022 is as follows:

	2023	2022
Debt service reserve funds	$ 25,624	$ 24,619
Principal and interest funds	25,330	30,675
Project fund	92,888	124,436
Mortgage reserve funds	-	1,374
Total	$ 143,842	$ 181,104

(In Thousands)

Investment income (loss) and gains and losses for investments, assets whose use is limited and cash and cash equivalents without donor restrictions are comprised of the following in 2023 and 2022:

	2023	2022
Investment income (loss):		
Interest and dividends, net	$ 8,872	$ 6,489
Interest on trustee held funds	792	322
Net realized and unrealized gains and losses on investments	3,866	(13,452)
Total	$ 13,530	$ (6,641)

	2023	2022
Other changes in net assets without donor restrictions:		
Change in net unrealized gains and losses on investments in debt securities	$ 13,763	$ (21,815)

6. Fair Value Measurements and Financial Instruments

The Corporation measures its short-term investments, assets whose use is limited, investments and beneficial interest in trusts 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.

(In Thousands)

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

	2023			
	Fair Value	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Reported at Fair Value				
Assets:				
Mutual funds:				
Fixed income, intermediate	$ 4,044	$ 4,044	$ -	$ -
Fixed income, multi-sector	2,878	2,878	-	-
Fixed income, short-term	2,585	2,585	-	-
Equity, international	366	366	-	-
Equity, growth	8,794	8,794	-	-
Equity, large value	3,585	3,585	-	-
Equity, balanced	5,936	5,936	-	-
Equity, midcap value	188	188	-	-
Equity, other	517	517	-	-
Marketable equity securities	25,111	25,111	-	-
U.S. government securities:				
U.S. treasury notes	109,309	-	109,309	-
U.S. government notes	11,205	-	11,205	-
Asset backed securities	92,522	-	92,522	-
Corporate bonds	75,247	-	75,247	-
Beneficial interest in trusts	165	-	-	165
Total assets measured at fair value	342,452	$ 54,004	$ 288,283	$ 165
Cash and cash equivalents	86,665			
Alternative investments measured at net asset value	26,318			
Total	$ 455,435			

(In Thousands)

	2022			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Reported at Fair Value				
Assets:				
Mutual funds:				
Fixed income, intermediate	$ 2,882	$ 2,882	$ -	$ -
Fixed income, multi-sector	2,345	2,345	-	-
Fixed income, short-term	2,546	2,546	-	-
Equity, international	221	221	-	-
Equity, growth	6,526	6,526	-	-
Equity, large value	3,048	3,048	-	-
Equity, balanced	5,120	5,120	-	-
Equity, midcap value	67	67	-	-
Equity, other	490	490	-	-
Marketable equity securities	22,247	22,247	-	-
U.S. government securities:				-
U.S. treasury notes	182,823	-	182,823	-
U.S. government notes	15,419	-	15,419	-
Asset backed securities	89,801	-	89,801	-
Corporate bonds	90,813	-	90,813	-
Beneficial interest in trusts	229	-	-	229
Total assets measured at fair value	424,577	$ 45,492	$ 378,856	$ 229
Cash and cash equivalents	48,598			
Alternative investments measured at net asset value	15,928			
Total	$ 489,103			

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:

	2023	2022
Short-term investments (Note 5)	$ 292,515	$ 289,021
Assets whose use is limited (Note 5):		
Current portion	22,549	22,337
Under trust indentures and mortgage loan agreement, held by trustees and banks	123,962	161,232
Professional liability fund	12,741	13,394
Deferred compensation fund	2,579	2,023
Investments held by foundation, included in deposits and other noncurrent assets and investments and investments in unconsolidated subsidiaries	924	867
Beneficial interest in trusts, included in deposits and other noncurrent assets	165	229
	$ 455,435	$ 489,103

(In Thousands)

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at December 31, 2023 and 2022.

Mutual funds and marketable equity securities are valued based on quoted market prices.

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

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.

The Corporation has alternative investments in Blackstone Real Estate Income Trust (Blackstone), Blackstone Private Credit Fund (Blackstone PC) Ares Real Estate income Trust, Inc. (Ares) (collectively, the Funds). The Funds are valued based on the NAV per share of the fund which is based on the fair value of their underlying assets derived principally from or corroborated by observable market data by correlation or other means. There are no unfunded purchase commitments for the Funds as of December 31, 2023. The value of the Funds is as follows as of December 31:

	2023	2022
Blackstone	$ 7,918	$ 7,856
Blackstone PC	10,645	-
Ares	7,755	8,072
Total	$ 26,318	$ 15,928

The following represents the investment strategies and share redemption policies for each fund:

Blackstone: The investment strategy for this fund is to acquire primarily stabilized, income-generating commercial real estate across asset classes in the United States and outside the United States, as well as in real estate debt investments. The investment strategy seeks to capitalize on Blackstone's scale and the real-time information provided by its real estate holding to identify and acquire their target investments at attractive pricing.

Shares can be redeemed through a request for repurchase, however, Blackstone limits these redemptions to no more than 2% of Blackstone's NAV per month and no more than 5% of their aggregate value per calendar quarter on the last business day of each calendar month, provided that written notice of redemption is provided five business days prior.

Blackstone PC: This funds strategy is to invest primarily in originated loans and other securities, including broadly syndicated loans, of United States private companies. The investment strategy seeks to capitalize on Blackstone Credit & Insurance’s scale and reputation in the market as an attractive financing partner to acquire target investments at attractive pricing.

Shares can be redeemed through a request for repurchase, however, Blackstone PC limits these redemptions to no more than 5% of Blackstone PC's NAV as of the previous calendar quarter. Blackstone PC reserves the right to amend or suspend the share repurchase program at any time.

Ares: The fund is focused on investing in and operating a diverse portfolio of real property and investment in other real estate-related assets. The objective is to bring Ares leading institutional-quality real estate assets investment platform to income-focused investors, with significant diversification across real estate and real estate-related asset classes, geographies and sectors.

(In Thousands)

The Corporation can make a request to redeem through a request for repurchase, however, Ares is not obligated to redeem any shares and may choose to redeem only some, or even none, of the shares in any particular month. If Ares approves the redemption, they will only do so on the last day of the calendar month and the redemption is limited to no more than 2% of Ares' NAV per month and no more than 5% of their aggregate value per calendar quarter.

7. Property and Equipment, Net

Property and equipment, net consists of the following at December 31:

	2023	2022
Land and improvements	$ 46,015	$ 44,111
Buildings and improvements	839,844	800,481
Office furniture and equipment	207,033	205,559
Computer software and hardware	139,680	135,354
Total	1,232,572	1,185,505
Less accumulated depreciation	(524,060)	(475,458)
Total	708,512	710,047
Construction in progress	97,314	71,549
Property and equipment, net	$ 805,826	$ 781,596

Depreciation expense on property and equipment was $48,116 and $55,881 in 2023 and 2022, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of operations. 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 2023 and 2022, the Corporation capitalized $4,101 and $3,420, respectively, which is net of investment income on assets whose use is limited.

Construction in progress as of December 31, 2023 consists primarily of major renovation and expansion projects of clinical facilities. Purchase commitments related to these and other miscellaneous projects were $78,849 at December 31, 2023. The cost of these projects is expected to be funded through operations, borrowed funds, as well as transfers from the Corporation's related foundation.

8. Investments and Investments in Unconsolidated Subsidiaries

The Corporation's investments and investments in unconsolidated subsidiaries include the following at December 31, 2023 and 2022:

	2023	2022
Investment in healthcare entities	$ 24,123	$ 19,845
Investments held by foundation	890	848
Total	$ 25,013	$ 20,693

(In Thousands)

Investment in Healthcare Entities

The Corporation has ownership interests in several healthcare entities which are accounted for under the equity method. The Corporation recognized income of $2,651 in 2023 and a loss of $6,508 in 2022 related to these investments which is included in other revenues in the accompanying consolidated statements of operations. The investment in healthcare entities is primarily comprised of the following:

The Corporation has a 48.8% ownership interest in White-Oak AHF-1 Manager, LLC (White-Oak) which was organized for the purpose of developing and constructing a medical office building on the White Oak campus of WOMC.

The Corporation holds a 50% ownership interest in Rockville Mid-Atlantic Radiation Oncology, LLC (RMARO) which provides professionally managed radiation management services at SGMC and its surrounding community. The Corporation also has a 50% ownership interest in Mid-Atlantic Radiation Oncology, LLC which provides professionally managed radiation management services at WOMC and the surrounding community.

Adventist HealthCare Surgery Center at National Harbor, LLC (Surgery Center) is an ambulatory surgical facility providing services to patients in the Oxon Hill, MD area. The Corporation has a 35% ownership interest in the Surgery Center.

The Corporation had invested in CoreLife Adventist, LLC (CoreLife) for a 50% interest. The Corporation also had invested in CoreLife Management Services, Inc. (CoreLife Management) for a 15% interest. The Corporation determined that the value of the investments was impaired during 2022, and therefore, $5,117 of the investment was written off and was included in other revenues in the accompanying consolidated statements of operations. In May 2023, the Corporation sold its entire membership interest in CoreLife and CoreLife Management to CoreLife Holdings, Inc. The total purchase price of $4,250 is comprised of two promissory notes of $2,125, due monthly starting in January 2024 through December 2028. In addition, the Corporation provided a $900 working capital loan to CoreLife Holdings, Inc., which is due monthly starting January 2024 through December 2025. In conjunction with the sale, the Corporation recorded the notes and derecognized its investment in CoreLife and CoreLife Management. As of the date of this report, CoreLife Holdings, Inc., has not made any payments towards the promissory notes or the working capital loan.

Summarized financial information related to these entities is presented below:

	2023	2022
Net revenue	$ 14,998	$ 7,519
Revenues (less than) in excess of expenses	(1,621)	205
Total assets	114,064	76,497
Total liabilities	86,197	59,361

Investments Held by Foundation

The Foundation also holds 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.

(In Thousands)

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 a 45% interest. The Corporation sold approximately 129 acres of the land between 2013 and 2022 and total proceeds received through December 31, 2023 is $51,242. No gain or loss was recognized on the sale as of December 31, 2023 and 2022. The total remaining land held for healthcare development in Clarksburg as of December 31, 2023 and 2022, was $4,061 and $5,189, respectively.

In January 2022, the Corporation entered into a purchase and sale agreement with an unrelated third party to purchase 44.06 acres of land located in Fort Washington, Maryland. The Corporation closed on the purchase of the land in July 2022 at a purchase price of $3,200. The total value of this land held for healthcare development as of December 31, 2023 and 2022 was $4,326 and $3,719, respectively.

10. Short-Term Financing

The Corporation has a $20,000 unsecured line of credit with a commercial bank, with interest at LIBOR plus 1.50% through October 2022. In October 2022, the interest rate was modified to SOFR plus 1.25% (6.625% at December 31, 2023). There were no borrowings outstanding under this line of credit as of December 31, 2023 or 2022.

11. Long-Term Obligations

Long-term obligations as of December 31, 2023 and 2022 are comprised of the following:

	2023	2022
Fixed Rate Revenue Bonds	$ 671,118	$ 686,268
Mortgage loan payable	-	4,992
Other long-term liabilities	6,288	753
Total obligations	677,406	692,013
Plus bond premium	32,404	33,918
Less:		
Current maturities	(21,948)	(16,395)
Deferred financing costs	(5,363)	(5,763)
Noncurrent portion of long-term obligations, net	$ 682,499	$ 703,773

(In Thousands)

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	Maturity Date	Interest Rates	2023	2022
Adventist HealthCare, Inc.					
Series 2013	$ 15,623	January 2025	3.21%	$ 3,118	$ 4,598
Series 2016A	269,750	January 2046	5.00%	261,135	261,545
Series 2016B	126,395	January 2046	3.72%	116,140	118,210
Series 2017	40,000	December 2042	2.77%	33,735	35,060
Series 2020	18,725	January 2038	4.00%	16,130	16,910
Series 2021A	48,120	January 2036	5.00%	39,695	43,685
Series 2021B	138,660	January 2051	4.00%-5.00%	138,660	138,660
Series 2021C	69,835	January 2043	0.70%-3.76%	62,505	67,600
Total				$ 671,118	$ 686,268

The above bond issues are subject to trust indentures which impose various covenants on SGMC, WOMC, Rehab, Imaging, APE, 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, 2023 and 2022. Debt service reserve funds are required on the Series 2016A Bonds.

Mortgage Loan Payable

FWMC had a taxable mortgage loan insured by HUD through the Federal Housing Administration. The loan provided for the satisfaction of FWMC's previous bond obligation and for construction, new equipment and financing costs. Under the terms of the HUD-insured mortgage loan, FWMC was required to maintain certain deposits with a trustee. Such deposits were included in assets whose use is limited in the accompanying consolidated balance sheet as of December 31, 2022. The loan was secured by FWMC's premises and all the assets and cash flows contained therein.

As of December 31, 2022, the outstanding balance on the loan was $4,992, and payable in monthly installments, including interest at 3.95%. In December 2023, the Corporation repaid the loan in full to HUD on behalf of FWMC. In February 2024, the Corporation received notice of legal release of the HUD regulatory agreement.

(In Thousands)

Other Long-Term Liabilities

The Corporation guaranteed a line of credit, issued by PNC Bank, for one of its investments in unconsolidated subsidiaries, CoreLife Management. The line of credit has a maximum amount of $6,500 and bears interest at 9.0%. During 2023, the Corporation received notice that CoreLife Management was in default under the terms of the loan agreement. As a result, the Corporation recorded a liability for the outstanding amount of $6,288, which reflects the outstanding principal, interest and fees due as of December 31, 2023. This is included in current maturities of long-term obligations on the consolidated balance sheets and the corresponding credit loss is included in other loss on the consolidated statements of operations for the year ended December 31, 2023. In March 2024, the Corporation fully repaid the note in the amount of $6,233, which reflected the outstanding principal and interest as of the payoff date.

Other long-term obligations as of December 31, 2022 consist of various obligations with interest rates on these other long-term liabilities range from 2.70% to 3.40%.

Scheduled principal repayments of long-term obligations, excluding finance and operating lease obligations at December 31, 2023 are as follows:

Years ending December 31:	
2024	$ 21,948
2025	16,064
2026	16,645
2027	17,305
2028	18,025
Thereafter	587,419
Total	$ 677,406

12. Leases

The Corporation leases office space and equipment used in operations. For many of these leases, the Corporation is responsible for paying property taxes, insurance, as well as maintenance and repair costs. The Corporation's real estate leases generally have initial lease terms of 3 to 20 years or more and typically include one or more options to renew, with renewal terms that generally extend the lease term for an additional 5 to 10 years or more. The Corporation assesses renewal options using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore, the majority of its leases' terms do not include renewal periods for accounting purposes. For leases where the Corporation is reasonably certain to exercise its renewal option, the option periods are included within the lease term, and therefore, the measurement of the right-of-use asset and lease liability. The payment structure of the Corporation's leases generally include annual escalation clauses that are either fixed or variable in nature, some of which are dependent upon published indices. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets, while expenses for these leases are recognized on a straight-line basis over the lease term as an operating expense.

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

(In Thousands)

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

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

Future minimum payments under finance lease obligations as of December 31, 2023 were as follows:

Years ending December 31:	
2024	$ 4,295
2025	4,249
2026	4,249
2027	4,249
2028	2,421
Thereafter	206
Total	19,669
Less amount representing interest	1,286
Total finance lease obligations	18,383
Less current portion	3,814
Long-term obligations	$ 14,569

Future minimum payments under operating lease obligations as of December 31, 2023 were as follows:

Years ending December 31:	
2024	$ 15,842
2025	14,348
2026	13,719
2027	12,056
2028	9,484
Thereafter	48,692
Total	114,141
Less amount representing interest	16,342
Total operating lease obligations	97,799
Less current portion	12,914
Long-term obligations	$ 84,885

(In Thousands)

Total lease costs are comprised of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Finance lease cost:		
Amortization of right-of-use asset	$ 4,059	$ 6,090
Interest on lease obligations	596	676
Operating lease cost	18,563	18,275
Total lease cost	$ 23,218	$ 25,041

Other supplemental information as of and for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Weighted-average remaining lease term:		
Finance lease obligations	4.66 years	5.55 years
Operating lease obligations	9.33 years	9.76 years
Weighted-average discount rate:		
Finance lease obligations	2.97 %	2.92 %
Operating lease obligations	3.29 %	3.41 %

Certain lease agreements contain a number of restrictive covenants that, among other things, and subject to certain exemptions, impose operating and financial restrictions on the Corporation.

13. 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 12 months of full-time or regular part-time employment of at least 1,000 base hours, the Corporation will contribute a total of 2% of eligible employees' compensation, plus a matching employer contribution equal to 50% of employee contributions (to the 403(b) plan) up to 6% 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 $14,516 and $14,104 in 2023 and 2022, respectively.

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 $71 in 2023 and income was $354 in 2022. In addition, a SERP adjustment was recorded to decrease the liability for $557 in 2023 and to increase the liability for $72 in 2022, which was recognized in net assets without donor restrictions in the consolidated statements of changes in net assets. At December 31, 2023 and 2022, the Corporation's liability for the SERP was $1,433 and $1,918, respectively, which is included in other liabilities in the consolidated balance sheets.

Executive Retention 457(F) Plan

Effective January 1, 2015, the Corporation established the Executive Retention 457(F) Plan (the 457(F) Plan). The 457(F) Plan is a tax-deferred plan offered to key executives, whereby annual employer contributions are made to the Plan. Plan participants become vested in the contributions and receive plan payments in the second calendar year after the contribution is made, if the participant is still employed. The final contribution will be made to the Plan for the year in which the plan participant becomes 62. The 457(F) Plan expense was $2,963 in 2023 and $2,083 in 2022. The Corporation's liability for the 457(F) Plan at December 31, 2023 and 2022 was $4,935 and $4,050, 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.

14. 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 fund (the Fund) established on January 1, 1993, which is funded based on actuarial estimates and provides coverage of $4,000 per occurrence with no annual aggregate limitation. In October 2023, coverage was increased to $5,000 per occurrence with no annual aggregate. The Fund also provides general liability coverage up to $1,000 per occurrence and $3,000 in the aggregate. The Corporation also carries umbrella excess liability insurance on a claims made basis with a commercial carrier, with stacked limits of $10,000 per occurrence and in aggregate, for a total of $20,000 per occurrence and in aggregate.

(In Thousands)

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, 2023, management determined that the fully-funded professional liability reserve reported at December 31, 2023 and 2022 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 $14,494 and $20,162 at December 31, 2023 and 2022, respectively. The discount rate used in determining these liabilities was 2.5% at both December 31, 2023 and 2022.

The Corporation is self-insured for unemployment and workers' compensation benefits. The liability for unemployment and workers' compensation claims payable is an estimate based on the Corporation's past experience and is included in other liabilities 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.

15. 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, 2023 and 2022, concentrations of gross receivables from third-party payors and others are as follows:

	2023	2022
Medicare	16 %	16 %
Medicaid	12	10
Other third-party payors	53	50
Self-pay and others	19	24
	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.

(In Thousands)

16. Liquidity and Availability

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

	2023	2022
Cash and cash equivalents	$ 30,207	$ 23,110
Short-term investments	292,515	289,021
Patient accounts receivable	137,907	127,995
Other receivables	16,793	48,772
Assets whose use is limited, Professional liability fund	15,410	15,859
Total	$ 492,832	$ 504,757

The Corporation has designated certain assets as available for settling professional liability claims, however, these assets could be used for general expenditures 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.

17. Functional Expenses

A summary of the Corporation's operating expenses by function for the year ended December 31, 2023 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	$ 302,033	$ 13,914	$ 115,867	$ 56,589	$ -	$ 488,403
Employee benefits	58,353	2,773	19,044	11,304	-	91,474
Contract labor	58,611	452	26,170	1,504	-	86,737
Medical supplies	112,716	299	9,417	(95)	-	122,337
General and administrative	65,931	3,210	24,350	39,657	3	133,151
Building and maintenance	43,568	775	13,145	1,840	-	59,328
Insurance	6,386	166	2,287	(689)	-	8,150
Interest	20,366	1	1,522	2,348	-	24,237
Depreciation and amortization	38,390	95	5,579	8,936	-	53,000
Total	$ 706,354	$ 21,685	$ 217,381	$ 121,394	$ 3	$ 1,066,817

In 2023, the Corporation also incurred other health care services expenses of $2,178 related to the Takoma Park campus that were included in the loss from discontinued operations in the consolidated statements of operations. These expenses were comprised of miscellaneous other operating expenses related to the maintenance of the Takoma Park Campus.

(In Thousands)

A summary of the Corporation's operating expenses by function for the year ended December 31, 2022 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	$ 290,179	$ 13,616	$ 109,852	$ 57,358	$ -	$ 471,005
Employee benefits	48,977	2,290	16,588	8,257	-	76,112
Contract labor	90,645	767	106,040	2,238	-	199,690
Medical supplies	115,527	361	13,629	382	-	129,899
General and administrative	60,980	3,447	31,181	26,544	3	122,155
Building and maintenance	42,101	586	14,727	709	-	58,123
Insurance	4,355	62	511	492	-	5,420
Interest	20,675	1	1,455	3,622	-	25,753
Depreciation and amortization	41,379	157	10,013	10,610	-	62,159
Total	$ 714,818	$ 21,287	$ 303,996	$ 110,212	$ 3	$ 1,150,316

In 2022, the Corporation also incurred other health care services expenses of $981 related to the Takoma Park campus that were included in the loss from discontinued operations in the consolidated statements of operations. These expenses were comprised of miscellaneous other operating expenses related to the operations of the walk-in clinic.

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2023
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging	Adventist HealthCare Physician Enterprise	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group
Assets									
Current Assets									
Cash and cash equivalents	$ 310,470	$ (138,558)	$ 21,793	$ (30,442)	$ (68,566)	$ 31,814	$ (94,683)	$ -	$ 31,828
Short-term investments	-	-	-	-	-	-	292,515	-	292,515
Assets whose use is limited	-	8,367	-	-	-	135	14,047	-	22,549
Patient accounts receivable	71,374	40,257	7,335	4,153	3,579	(5)	425	-	127,118
Other receivables	1,914	2,738	567	146	92	675	6,302	(1,466)	10,968
Inventories	5,474	4,806	130	-	-	128	-	-	10,538
Prepaid expenses and other current assets	1,523	1,829	142	103	162	343	9,487	-	13,589
Total current assets	390,755	(80,561)	29,967	(26,040)	(64,733)	33,090	228,093	(1,466)	509,105
Property and Equipment, Net	241,341	421,931	19,987	9,075	3,229	237	76,051	-	771,851
Finance Lease Right-of-Use Assets	8,925	2,267	743	3,446	57	189	2,263	-	17,890
Operating Lease Right-of-Use Assets	17,276	36,186	1,854	4,489	1,561	1,974	53	-	63,393
Assets Whose Use is Limited									
Under trust indentures, held by trustees and banks	98,593	20,451	472	-	-	-	4,446	-	123,962
Professional liability fund	-	-	-	-	-	-	12,741	-	12,741
Deferred compensation fund	-	-	-	-	-	-	2,579	-	2,579
Cash and Cash Equivalents Restricted for Capital Acquisitions	-	-	224	-	-	-	-	-	224
Investments and Investments in Unconsolidated Subsidiaries	2,720	14,115	-	-	-	-	25,634	-	42,469
Land Held for Healthcare Development	-	-	-	-	-	-	8,387	-	8,387
Intangible Assets, Net	489	-	652	5,435	-	-	-	-	6,576
Deposits and Other Noncurrent Assets	91	65	85	42	18	33	11,422	-	11,756
Assets Held for Sale	-	-	-	-	-	12,054	-	-	12,054
Total assets	$ 760,190	$ 414,454	$ 53,984	$ (3,553)	$ (59,868)	$ 47,577	$ 371,669	$ (1,466)	$ 1,582,987

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2023
(In Thousands)

	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	Adventist HealthCare Physician Alliance	Foundation	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Assets								
Current Assets								
Cash and cash equivalents	$ (6,510)	$ (1,179)	$ 13,558	$ (11,814)	$ (4,849)	$ 9,173	$ -	$ 30,207
Short-term investments	-	-	-	-	-	-	-	292,515
Assets whose use is limited	-	-	-	-	-	-	-	22,549
Patient accounts receivable	7,874	141	2,746	28	-	-	-	137,907
Other receivables	908	2,419	-	239	113	2,146	-	16,793
Inventories	856	-	-	-	-	-	-	11,394
Prepaid expenses and other current assets	265	-	41	43	-	-	-	13,938
Total current assets	3,393	1,381	16,345	(11,504)	(4,736)	11,319	-	525,303
Property and Equipment, Net	31,155	721	514	1,585	-	-	-	805,826
Finance Lease Right-of-Use Assets	27	-	23	-	-	-	-	17,940
Operating Lease Right-of-Use Assets	18,486	2,731	2,995	5,235	-	-	-	92,840
Assets Whose Use is Limited								
Under trust indentures, held by trustees and banks	-	-	-	-	-	-	-	123,962
Professional liability fund	-	-	-	-	-	-	-	12,741
Deferred compensation fund	-	-	-	-	-	-	-	2,579
Cash and Cash Equivalents Restricted for Capital Acquisitions	7	360	-	-	-	6	-	597
Investments and Investments in Unconsolidated Subsidiaries	(195)	-	-	-	-	890	(18,151)	25,013
Land Held for Healthcare Development	-	-	-	-	-	-	-	8,387
Intangible Assets, Net	-	-	108	-	-	-	-	6,684
Deposits and Other Noncurrent Assets	37	-	27	63	-	1,731	-	13,614
Assets Held for Sale	-	-	-	-	-	-	-	12,054
Total assets	$ 52,910	$ 5,193	$ 20,012	$ (4,621)	$ (4,736)	$ 13,946	$ (18,151)	$ 1,647,540

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2023
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging	Adventist HealthCare Physician Enterprise	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group
Liabilities and Net Assets (Deficit)									
Current Liabilities									
Accounts payable and accrued expenses	$ 51,205	$ 27,777	$ 2,502	$ 889	$ 1,836	$ 1,600	$ 27,983	$ -	$ 113,792
Accrued compensation and related items	15,154	9,974	3,566	1,573	2,478	393	18,570	(1,466)	50,242
Interest payable	-	-	-	-	-	-	9,784	-	9,784
Deferred revenues	5,624	-	-	-	309	100	1,529	-	7,562
Due to third-party payors	14,890	20,397	(525)	-	43	-	(197)	-	34,608
Estimated self-insured professional liability	-	-	-	-	-	-	2,669	-	2,669
Current maturities of:									
Long-term obligations	3,409	6,055	517	-	-	-	11,423	-	21,404
Finance lease obligations	1,930	470	165	702	14	42	452	-	3,775
Operating lease obligations	4,774	3,069	269	1,438	417	183	12	-	10,162
Total current liabilities	96,986	67,742	6,494	4,602	5,097	2,318	72,225	(1,466)	253,998
Construction Payable	8,779	(2)	21	26	25	-	95	-	8,944
Long-Term Obligations, Net									
Bonds payable	265,438	344,115	3,160	-	-	-	69,786	-	682,499
Notes payable	-	-	-	-	-	-	(2,405)	-	(2,405)
Finance Lease Obligations	7,308	1,869	606	2,860	46	154	1,715	-	14,558
Operating Lease Obligations	13,307	34,122	1,670	3,415	1,214	1,935	41	-	55,704
Other Liabilities	877	27	-	-	296	-	14,129	-	15,329
Estimated Self-Insured Professional Liability	-	-	-	-	-	-	11,825	-	11,825
Total liabilities	392,695	447,873	11,951	10,903	6,678	4,407	167,411	(1,466)	1,040,452
Net Assets (Deficit)									
Net assets (deficit) without donor restrictions	367,448	(33,423)	41,197	(14,456)	(66,546)	43,170	203,798	-	541,188
Net assets with donor restrictions	47	4	836	-	-	-	460	-	1,347
Total net assets (deficit)	367,495	(33,419)	42,033	(14,456)	(66,546)	43,170	204,258	-	542,535
Total liabilities and net assets (deficit)	$ 760,190	$ 414,454	$ 53,984	$ (3,553)	$ (59,868)	$ 47,577	$ 371,669	$ (1,466)	$ 1,582,987

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2023
(In Thousands)

	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	Adventist HealthCare Physician Alliance	Foundation	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Accounts payable and accrued expenses	$ 14,361	$ 474	$ 293	$ 242	$ 949	$ 13	$ -	$ 130,124
Accrued compensation and related items	2,511	676	1,263	-	104	-	-	54,796
Interest payable	-	-	-	-	-	-	-	9,784
Deferred revenues	-	607	-	-	113	-	-	8,282
Due to third-party payors	430	-	-	-	-	-	-	35,038
Estimated self-insured professional liability	-	-	-	-	-	-	-	2,669
Current maturities of:								
Long-term obligations	544	-	-	-	-	-	-	21,948
Finance lease obligations	34	-	5	-	-	-	-	3,814
Operating lease obligations	1,243	542	277	690	-	-	-	12,914
Total current liabilities	19,123	2,299	1,838	932	1,166	13	-	279,369
Construction Payable	28	-	-	-	-	-	-	8,972
Long-Term Obligations, Net								
Bonds payable	-	-	-	-	-	-	-	682,499
Notes payable	2,405	-	-	-	-	-	-	-
Finance Lease Obligations	(8)	-	19	-	-	-	-	14,569
Operating Lease Obligations	19,185	2,223	2,950	4,823	-	-	-	84,885
Other Liabilities	-	-	-	-	-	43	-	15,372
Estimated Self-Insured Professional Liability	-	-	-	-	-	-	-	11,825
Total liabilities	40,733	4,522	4,807	5,755	1,166	56	-	1,097,491
Net Assets (Deficit)								
Net assets (deficit) without donor restrictions	11,848	376	15,197	(10,376)	(5,902)	4,556	(18,044)	538,843
Net assets with donor restrictions	329	295	8	-	-	9,334	(107)	11,206
Total net assets (deficit)	12,177	671	15,205	(10,376)	(5,902)	13,890	(18,151)	550,049
Total liabilities and net assets (deficit)	$ 52,910	$ 5,193	$ 20,012	$ (4,621)	$ (4,736)	$ 13,946	$ (18,151)	$ 1,647,540

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2023
(In Thousands)

	Shady Grove Medical Center	White Oak Medical Center	Rehab	Imaging	Adventist HealthCare Physician Enterprise	Other Health Services	Support Center	Eliminating Entries	Total Combined Obligated Group
Revenues									
Net patient service revenue	$ 459,065	$ 308,695	$ 70,448	$ 32,966	$ 28,493	$ 5	$ -	$ -	$ 899,672
Other revenues	21,644	8,255	70	1,196	1,158	39,705	7,121	(10,059)	69,090
COVID-19 grant income	-	-	-	-	-	-	8,312	-	8,312
Total revenues	480,709	316,950	70,518	34,162	29,651	39,710	15,433	(10,059)	977,074
Expenses									
Salaries and wages	177,907	112,800	39,507	19,817	24,547	4,454	56,587	(44)	435,575
Employee benefits	34,825	20,767	7,649	2,681	3,737	733	11,304	-	81,696
Contract labor	31,373	24,341	541	(2,002)	(530)	23,689	1,522	-	78,934
Medical supplies	59,831	46,876	2,353	2,824	1,756	2,012	(95)	-	115,557
General and administrative	37,303	28,278	6,146	2,378	4,938	6,529	39,738	(7,350)	117,960
Building and maintenance	28,068	12,009	3,904	5,304	2,555	1,814	1,840	(2,665)	52,829
Insurance	3,834	2,636	397	486	626	7	(690)	-	7,296
Interest	4,580	15,587	142	119	1	1,260	2,348	-	24,037
Depreciation and amortization	16,486	19,967	2,089	2,509	456	82	8,936	-	50,525
IT depreciation	5,630	2,648	412	76	-	24	(8,968)	-	(178)
IT services	21,458	11,653	2,108	1,177	119	131	(37,785)	-	(1,139)
Shared services	23,240	13,966	1,915	577	906	86	(44,047)	-	(3,357)
Management fees	9,941	5,716	1,417	494	493	146	(19,973)	-	(1,766)
Total expenses	454,476	317,244	68,580	36,440	39,604	40,967	10,717	(10,059)	957,969
Income (loss) from operations	26,233	(294)	1,938	(2,278)	(9,953)	(1,257)	4,716	-	19,105
Other Income (Expense)									
Investment income	5,683	532	388	-	-	42	6,467	-	13,112
Other loss	-	-	-	-	(75)	-	(7,784)	-	(7,859)
Total other income (expense)	5,683	532	388	-	(75)	42	(1,317)	-	5,253
Revenues in excess of (less than) expenses from continuing operations	31,916	238	2,326	(2,278)	(10,028)	(1,215)	3,399	-	24,358
Change in Net Unrealized Gains and Losses on Investments in Debt Securities	9,066	476	359	-	-	39	3,600	-	13,540
Net Assets Released From Restrictions for Purchases of Property and Equipment	310	387	152	-	17	-	-	-	866
Deferred Compensation Plan Liability Adjustment	-	-	-	-	-	-	557	-	557
Other Net Asset Activity	7,719	(25,106)	517	337	1,088	29,793	(14,022)	-	326
Increase (decrease) in net assets (deficit) without donor restrictions from continuing operations	49,011	(24,005)	3,354	(1,941)	(8,923)	28,617	(6,466)	-	39,647
Loss From Discontinued Operations	-	-	-	-	-	(2,178)	-	-	(2,178)
Increase (decrease) in net assets (deficit) without donor restrictions	$ 49,011	$ (24,005)	$ 3,354	$ (1,941)	$ (8,923)	$ 26,439	$ (6,466)	$ -	$ 37,469

Adventist HealthCare, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2023
(In Thousands)

	Fort Washington Medical Center	Lourie Center	Adventist Home Care Services	Urgent Care	Adventist HealthCare Physician Alliance	Foundation	Eliminating Entries	Consolidated Adventist HealthCare, Inc.
Revenues								
Net patient service revenue	$ 59,004	$ 1,272	$ 23,445	$ (596)	$ -	$ -	$ -	$ 982,797
Other revenues	946	16,105	16	1,187	3,357	3,066	(9,703)	84,064
COVID-19 grant income	402	-	-	-	-	-	-	8,714
Total revenues	60,352	17,377	23,461	591	3,357	3,066	(9,703)	1,075,575
Expenses								
Salaries and wages	28,247	9,709	13,914	(2)	1,018	-	(58)	488,403
Employee benefits	4,787	2,066	2,773	(11)	163	-	-	91,474
Contract labor	5,715	200	452	-	1,985	-	(549)	86,737
Medical supplies	6,242	237	299	2	-	-	-	122,337
General and administrative	7,387	4,402	3,251	(17)	535	2,956	(3,323)	133,151
Building and maintenance	4,155	731	777	1,023	-	-	(187)	59,328
Insurance	663	23	166	2	-	-	-	8,150
Interest	199	-	1	-	-	-	-	24,237
Depreciation and amortization	2,071	144	95	165	-	-	-	53,000
IT depreciation	111	-	67	-	-	-	-	-
IT services	445	-	694	-	-	-	-	-
Shared services	2,512	364	481	-	-	-	-	-
Management fees	552	339	875	-	-	-	-	-
Total expenses	63,086	18,215	23,845	1,162	3,701	2,956	(4,117)	1,066,817
Income (loss) from operations	(2,734)	(838)	(384)	(571)	(344)	110	(5,586)	8,758
Other Income (Expense)								
Investment income	58	9	265	-	-	86	-	13,530
Other loss	(140)	-	-	-	-	-	-	(7,999)
Total other income (expense)	(82)	9	265	-	-	86	-	5,531
Revenues in excess of (less than) expenses from continuing operations	(2,816)	(829)	(119)	(571)	(344)	196	(5,586)	14,289
Change in Net Unrealized Gains and Losses on Investments in Debt Securities	-	1	246	-	-	(24)	-	13,763
Net Assets Released From Restrictions for Purchases of Property and Equipment	5,961	-	-	-	-	-	-	6,827
Deferred Compensation Plan Liability Adjustment	-	-	-	-	-	-	-	557
Other Net Asset Activity	(54)	8	32	(43)	-	(335)	-	(66)
Increase (decrease) in net assets (deficit) without donor restrictions from continuing operations	3,091	(820)	159	(614)	(344)	(163)	(5,586)	35,370
Loss From Discontinued Operations	-	-	-	-	-	-	-	(2,178)
Increase (decrease) in net assets (deficit) without donor restrictions	$ 3,091	$ (820)	$ 159	$ (614)	$ (344)	$ (163)	$ (5,586)	$ 33,192